

EXPORT GUARANTEES ADVISORY COUNCIL (EGAC)

MINUTES OF MEETING HELD ON 21st JANUARY 2025

Present	Ms Vanessa Havard-Williams (Chair) Dr Ben Caldecott, EGAC Ms Belinda Howell, EGAC Mr Harold Freeman, EGAC Mr John Morrison, EGAC (items 1-5) Ms Sarah Steele, EGAC Mr Robert Gillespie, UKEF Board Chair Ms Charlotte Morgan, UKEF Board member Mr Tim Reid, UKEF CEO Ms Jayne Whymark, UKEF Director, Legal & Compliance (item 2-7) Mr Ed Prince, UKEF Director, Business Group Mr Carl Williamson, UKEF Director, Business Group Mr Adam Lyons, UKEF Director (interim), Strategy, Sustainability and Impact
Presenters	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
Observers	[REDACTED] [REDACTED] [REDACTED]
Apologies	Mr Stephen Prior, EGAC member Ms Kim Wiehl, UKEF Board member
Secretariat	[REDACTED]

1. Minutes of previous meeting and matters arising

1.1. Members reviewed the minutes from the October 2024 meeting. The Chair proposed amendments:

1.1.1. Addition to paragraph 1.6: They suggested Defence as an area of opportunity to explore.

- 1.1.2. Addition to paragraph 1.7: Members considered UKEF's decarbonisation target and probed how this sat with UKEF's expectations of growth in business within the aviation sector. They advised that this merited further discussion on an ongoing basis.
- 1.2. The minutes would be re-circulated in the next pack. The Chair asked for more detail to be recorded in future minutes.
- 1.3. Members noted the actions log. Secretariat would follow up with Compliance on the actions. The Chair asked that relevant actions from the Board Effectiveness Review be shared with the Council.
- 1.4. Ms Steele and Ms Howell each declared a conflict of interest related to the Mozambique project.

2. UKEF's approach to aviation decarbonisation

- 2.1. [REDACTED] outlined UKEF's strategy for decarbonising its aviation portfolio. The UKEF team sought the Council's advice on the narrative of the strategy, levers available to UKEF as an export credit agency (ECA), and opportunities for ECAs to support the net-zero transition.
- 2.2. The Council considered the strategy. Members encouraged a stronger narrative about UKEF's strategy as they underlined the important and catalytic role that export finance can play in transforming the aviation sector. They made recommendations on prioritisation and the standardisation of plans and targets. They specifically commented on the emissions intensity target, transition plans, and monitoring and reviewing targets and plans. Members suggested focusing on driving the adoption of the latest technology in next generation aircraft, SAF, air traffic control and aviation-adjacent areas, as well as replacing older tech. They raised options such as explicit pricing or adjusted terms to incentivise and encourage replacing old aircraft, and discounts for the bulk replacement of older fleets, noting the constraints of the OECD Framework. The meeting reflected on opportunities to work with the Ministry of Defence on sustainable aviation fuel (SAF) and other projects as an entry point for initial pilot projects. The meeting discussed the development of SAF, opportunities related to it, how the capacity to use SAF might affect how emissions reporting changes and noted UKEF's commitment to working with SAF. Members recommended analysing where UKEF can have a competitive position in the supply chain.

- 2.3. The Council detailed risks as well as opportunities relating to the sustainability of assets that are transacted on. They advised to standardise processes, guardrails, information requests and the periodic monitoring of such assets.
- 2.4. The meeting noted that UKEF's role was to fill a gap in the market rather than compete with it and discussed opportunities for a mix of ECA and commercial financing.
- 2.5. Members questioned whether UKEF has considered how to review and potentially revisit targets, noting the developing experience across the market and an increase in adjustment to targets or underlying methodologies. They suggested reviewing the methodology on which it is based to ensure the strategy is in line with latest movements and is fit for UKEF'S stakeholders and internal decision makers.
- 2.6. The meeting acknowledged the scope and limits of ECA influence. Members discussed cross-government opportunities with MoD and UK Research & Innovation, and emphasised UKEF's ability to support the UK's Industrial Strategy.
- 2.7. The meeting also discussed future challenges including residual emissions that may remain in the portfolio.

3. Climate risk stress testing

- 3.1. [REDACTED] and [REDACTED] updated the Council on the progress of UKEF's climate risk stress test model, recent test results, and progress on climate, social and governance risk management. They sought feedback from members on how to improve the risk management.
- 3.2. Members noted that the scores were used for information and understanding rather than decision making, and while the ambition to integrate forward-looking climate stress testing with all other stress testing was there, it is subject to data and modelling challenges.
- 3.3. The meeting discussed the framework for social risk and noted the interactive and cumulative nature of the different risks. Members heard that development impact is measured, and risks mitigated through the ESHR due diligence work, and noted that the significant transition challenges of many countries also will need to be taken into account.

- 3.4. Members drew attention to issues of current and future resourcing and capabilities, modelling challenges, and the cultural change needed to make practical information useful for, and used in, decision making. They emphasised the need for cultural engagement and increased understanding, as events and markets can be expected to move faster as risks become more evident. Members advised UKEF to consider its approach to generative AI in order to benefit from it effectively.
- 3.5. The Council noted the team were aware of the challenges and complexities involved and recommended they continue work to ensure that models reflect up to date science.

4. COP 29 readout

- 4.1. [REDACTED] reported to the Council on the outcomes and achievements from COP29 and looked ahead to COP30.
- 4.2. The meeting reflected on the COP process and considered the uncertainties around it given the new US Administration's approach. They discussed the Net Zero ECA Alliance (NZECA) and changes to the Glasgow Financial Alliance for Net Zero (GFANZ).
- 4.3. Members noted that New York Climate Week would be a significant opportunity for UKEF and recommended that UKEF follow private sector actors.
- 4.4. Members raised issues around just transition, the future of climate financial sector activity and implementation, noting that scrutiny in this area would increase.

5. UKEF's approach to nature

- 5.1. [REDACTED] presented an overview of UKEF's work on nature and biodiversity and the drivers for UKEF action on nature.
- 5.2. Members shared their knowledge of activity in this area and offered suggestions for possible opportunities for UKEF, encouraging the team to map out who is doing what, the volume and potential opportunities. They noted the slow exploration of multilateral development banks and recommended keeping the approach simple.

- 5.3. The meeting considered what a product would look like and discussed structuring for sustainable finance and whether OECD pricing would be relevant.
- 5.4. The Council emphasised their advice to lead with action and not be led by disclosure and reporting requirements. Members agreed with the approach but expressed caution; the market is much less mature, smaller and has more limited overlap with areas where UKEF traditionally has a comparative advantage, although they noted that it could grow quickly. They considered the importance of mitigating risk and offsetting.
- 5.5. Members encouraged engaging with outside bodies, making recommendations for Foundations and contacts to consult and offering to make introductions. The Council commended the paper and agreed it was important to see early thinking on the topic.

6. **Any other business – REDACTED**

6.1. [REDACTED]

7. **Any other business – Update on Mozambique LNG project**

[Ms Steele and Ms Howell recused themselves from the meeting before this discussion due to pre-disclosed possible conflicts of interest]

- 7.1. Ms Jayne Whymark, Director for the Legal and Compliance Group, updated the remaining members on activities relating to the potential restart of the Mozambique LNG project.
- 7.2. [REDACTED]
- 7.3. The Chair noted the upcoming inquest into the death of the British national. The Council would be updated in due course.

EGAC Secretariat