As I indicated to the Committee during my appearance before them on 19th March, I am writing to clarify and expand on our discussion on UKEF’s monitoring and reporting of greenhouse gas emissions (GHG).

UKEF monitors and reports on Scope 1 and 2 GHG emissions for projects within scope of the OECD Common Approaches and/or the Equator Principles. UKEF does not monitor or report on Scope 3 GHG emissions as these are not a requirement of the OECD Common Approaches or Equator Principles and have limited applicability to project financiers.

**UKEF monitoring of GHG emissions through implementing its Environmental, Social and Human Rights (ESHR) policy:**

For all projects within the scope of the OECD Common Approaches and/or Equator Principles, UKEF require:

a. For all Category A and B (high and medium risk, respectively) projects: that developers/owners consider and implement technically and financially feasible options to reduce project-related GHG emissions during the design and operation of the project.

b. For all fossil-fuel power plant projects and all other projects anticipated to emit >25,000 tonnes CO₂-equivalent annually: quantification of Scope 1 and 2 GHG emissions during the operational phase and reporting of this data to UKEF. An estimate of the operational GHG emissions is required prior to UKEF’s support and annual reporting of emissions is requested by UKEF during the project’s operational phase.
In accordance with the OECD Common Approaches, GHG emissions are required to be reported in CO₂-equivalent for the six GHGs and quantification should be conducted in accordance with internationally recognised methodologies and good practice, for example, the GHG Protocol.

**UKEF publishing of GHG emissions through implementing its ESHR policy:**

At the same time as it publishes its Annual Report and Accounts, UKEF publishes the GHG Scope 1 and 2 emissions data (estimated and received by UKEF) for all applicable projects (see (b) above) supported within the previous financial year on its website. Links to this data are included on UKEF’s website page for its Annual Report and Accounts.

Since 2008-9, UKEF has reported through its website on all applicable projects it supports where operational phase annual GHG emissions (Scope 1 and 2) are calculated to exceed 25,000 tonnes of CO₂ equivalent.

Further to adopting the Equator Principles in 2016, UKEF has additionally required project sponsors to publicly report Scope 1 and 2 emissions annually during operations for projects falling with the scope of Equator Principles and determined to emit >100,000 tonnes CO₂-equivalent annually.

The GHG Protocol recognises the importance of, and sets a standard for, companies to understand their Scope 3 emissions as part of a corporate value chain assessment. The GHG Protocol does not include a standard for estimating Scope 3 emissions of individual projects, and therefore it would not be appropriate for UKEF or project sponsors to apply the Corporate Value Chain (Scope 3) Standard – which is aimed at companies – to individual projects¹. Estimating or reporting of Scope 3 emissions for individual projects is not required by the OECD Common Approaches or Equator Principles – indeed, there is no widely used standard for the financial industry to estimate or report on Scope 3 emissions from projects in their portfolio.

Details of estimated and actual GHG emissions for the last five years are provided at Annex A. The sum of operational phase annual GHG emissions for high-emitting fossil fuel projects (Category A and B) that UKEF commenced support for between 2013/14 to 2017/18, estimated at the time UKEF’s support became effective, were 25.56 MECO₂/annum (million tonnes CO₂ equivalent per annum). For all Category A projects (not just fossil fuel projects), the total was 40.41 MECO₂/annum.

**Actual reported annual GHG emissions emitted for these projects, where they are operational (some are still being built), and where actual data is available is 17.94 MECO₂/annum.** For all Category A projects (not just fossil fuel projects), the total was 29.83 MECO₂/annum.

¹ For example, ‘upstream leased assets’ are a typical Scope 3 emission. An organisation (or Ministry) owning a project supported by UKEF may lease various upstream assets to support their suite of operations. It would not be possible to ringfence this Scope 3 emission for the individual project supported by UKEF.
Finally, UKEF reports its own GHG emissions (Scope 1 and 2) as part of the wider Greening Government initiative within its Annual Report and Accounts.

I hope that this letter suitably clarifies comments made during my appearance.

Baroness Fairhead
Minister of State for Trade and Export Promotion
Department for International Trade
## Annex A – Greenhouse Gas Emissions 2013/14 to 2017/18

### Category A Projects

<table>
<thead>
<tr>
<th>Financial Year Issued</th>
<th>Country</th>
<th>Project Supported</th>
<th>Publicly disclosed estimated GHGs(^2) anticipated to be emitted during 1 year of operations at signing (million tonnes CO(_2) equiv. per annum)(^3)</th>
<th>Actual annual GHGs emitted during Operations as reported to UKEF (million tonnes CO(_2) equiv. per annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14</td>
<td>Brazil</td>
<td>Petrobras Operations in three offshore basins, Phase 1</td>
<td>67.4</td>
<td>16.9 (2017 for all 3 phases)</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>Nghi Son Petrochemical Plant</td>
<td>5.9</td>
<td>Awaiting data (operational since mid-2018)</td>
</tr>
<tr>
<td>2014/15</td>
<td>India</td>
<td>Reliance Oil Refinery</td>
<td>9.5</td>
<td>No data reporting required under loan agreement – emissions assumed to match estimate.</td>
</tr>
<tr>
<td>2015/16</td>
<td>Brazil</td>
<td>Petrobras Operations in three offshore basins, Phase 2</td>
<td>24</td>
<td>Included in Phase 1 above</td>
</tr>
<tr>
<td></td>
<td>Oman</td>
<td>Goods and services for construction of natural gas liquids (NGL) extraction</td>
<td>1.9</td>
<td>Under construction</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction of a floating production, storage and offloading (FPSO) vessel</td>
<td>0.33</td>
<td>0.58 (2017)</td>
</tr>
</tbody>
</table>

\(^2\) Carbon dioxide (CO\(_2\)); methane (CH\(_4\)); nitrous oxide (N\(_2\)O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF\(_6\)).

\(^3\) Comprising Scope 1 and 2 emissions, as reported to UKEF by Sponsors on a Total project emissions basis.
### Category B projects

<table>
<thead>
<tr>
<th>Financial Year Issued</th>
<th>Country</th>
<th>Project Supported</th>
<th>Publicly disclosed estimated GHGs anticipated to be emitted during 1 year of operations at signing (million tonnes CO₂ equiv. per annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14-2017/18</td>
<td>Various</td>
<td>Various</td>
<td>0.92 mtpa</td>
</tr>
</tbody>
</table>

To note on this information:

- The figures do not depict ‘additional’ GHG as a project (such as the Offshore Cape Three Points project in Ghana) may replace more carbon intensive activities. Additionally, most of the projects would have been built even without UKEF’s support, so UKEF’s support should not be deemed as creating additional GHG.

- The sum of operational phase annual GHG emissions (provided above) for each project estimated at the time UKEF’s support became effective does not represent emissions during any specific time period.

- These figures do not provide a total of all GHG emissions of UKEF supported projects. They apply to projects that fall within the scope of the OECD Common Approaches.

- The GHG emissions are for the project as a whole and will exceed UKEF’s share of the project.

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4 Where estimates are reported for the same project during different time periods (e.g., Petrobras Line of Credit), only the most recent estimate has been included.
• The GHG emissions are not owned by the UK or the UK exporter, they belong to the project owner and the country in which the project is located. However, where the OECD Common Approaches apply, UKEF requires that relevant international environmental standards are met when providing its support and this includes energy efficient management and good international industry practice requirements to be followed.

• GHG data is provided by the project sponsor and is not subject to further validation. In some cases, an independent consultant may undertake due diligence to substantiate data.

• In some cases, there are ongoing efforts by the project operator to improve the completeness and accuracy of data, as well as implement energy emissions programmes, Discrepancies between estimates and actuals are not uncommon.