



**WWF** *for a living planet*

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## PARLIAMENTARY BRIEFING

# Industry and Exports (Financial Support) Bill

### SUMMARY

The bill has three clauses, and makes two provisions. Firstly, it amends the Industrial Development Act 1982 in order to raise the amount of financial assistance that can be provided to industry. Secondly, clause 2 amends the Export and Investment Guarantees Act 1991 in order to allow for support for projects after they are already in operation. WWF has serious concerns that this will allow for the circumvention of hard-won diligence around the environmental impacts of international projects.

This bill has been designated a money bill, and will be going through all of its remaining stages in the Commons on Tuesday 21<sup>st</sup> April, the Lords will, in practice, be unable to amend.

While it is understandable that the current difficult financial situation requires fast and effective measures to ensure the continued financing of the UK manufacturing industry, this should not mean a permanent revocation of necessary safeguards through a hurried and barely-scrutinised provision.

We ask MPs to support the following amendment

[Industry and Exports \(Financial Support\) Bill](#)

Clause 2, page 1, line 23, at end add—

'(3) Arrangements falling within subsection (2) may be made only if the Secretary of State is properly satisfied that an adequate case impact assessment has been carried out in accordance with the principles established for the Export Credits Guarantee Department or such other body performing comparable functions as the Secretary of State considers appropriate.'

**For a stronger guarantee that the Government will not bypass its own "green and clean" provisions.**

The Bill had its second reading on the 16<sup>th</sup> March 2009, introduced by Ian Pearson MP for DBERR. Clause 2 reads as follows:

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*The Secretary of State may make arrangements under this section in connection with supplies by persons carrying on business in the United Kingdom of goods or services to persons carrying on business outside the United Kingdom*

*(1a) Arrangements under subsection 1 may be made in connection with goods or services supplied before the arrangements are made or in connection with goods or services which are to be, or which may be, supplied”*

*2) The power conferred by Section 1 (1) of the Export and Investment Guarantees Act 1991 (as amended by subsection (1)) includes power to make arrangements in connection with goods or services supplied before this section comes into force*

**This removes the term in the original act which sets out the powers of the Secretary of State as “facilitating, directly or indirectly” and replaces it with “make arrangements.... in connection with”, which is a much broader power, as it is no longer necessary to facilitate, which would require some sort of role in establishing the project in the first place.**

**The point of this is made clear in the rest of the amendment, which allows for the provision of support long after a project is operational. The minister describes this as something that is, partly at least, in response to the recommendation of the Environmental Audit Committee in its October 2008 report that:**

**“No offer of support should be made, whether actual or provisional, until the ECGD’s Business Principles Unit has completed its assessment, and its recommendations have been duly considered.”**

**Currently, under provision made by the ECGD’s Business Principles, adopted in 2000 , the ECGD is committed to withhold support to a project until a Case Impact Assessment (CIA) is made, which takes into account damage to the environment. This was the subject of a recent judicial review involving WWF, Corner House and the ECGD, where it seemed that conditional support had been made pending the outcome of the CIA, to the controversial Sakhalin II oil extraction project off Sakhalin island, despite growing evidence that it was pushing the Western Gray Whale to extinction. It was this incident that led the EAC to make its recommendation.**

**The minister in his second reading speech said that**

**“I do not agree that they (ECGD) did, but I am happy that the Bill will allow ECGD to give effect to that recommendation, as well as solving the problems for British exporters, without any dilution whatsoever of ECGD’s business principles or the due diligence it undertakes.”**

**This would imply that the ECGD will continue to carry out case impact assessments for all of the projects applying for support, but merely be able to grant funding later on in a projects life. In itself this is not ideal in terms of environmental protection, since many of the projects applying for ECGD support are from sectors such as aerospace and oil and gas which are likely to be highly damaging. At the moment, a project may well have to put in environmental safeguards in order to secure ECGD underwriting at the inception of its project. The new system would seem to be an “all or nothing” whereby the ECGD is less likely to influence for the good from the beginning. In addition, where projects are applying for support retrospectively it is difficult to see how the Government will be able to satisfy itself that no human rights abuses or unacceptable environmental degradation**



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has taken place, when the audit trail is almost certain to be more opaque. If done properly this would imply a long and complicated investigation.

This bill is presented by the government as its “shot in the arm” to UK manufacturing. If processes of due diligence are to be undiluted, and funding to be dependant on a clean bill of health, it is difficult to see how this speeds up any process, or makes any real difference. The suspicion must be that this retrospective underwriting will allow a fudging of these safeguards, where projects which have already done their environmental damage are still bailed out further down the line.

Either this does make getting funding easier, or it maintains the safeguards, and the Government should be pressed to say how they will manage both.

Since the Government is using both an accelerated programming motion, and money bill designation, to speed this bill through both houses with little more than a few hours real scrutiny, then Parliament must be satisfied that the powers that will be retained by the executive on this occasion are not disproportionate. For that reason we would urge parliamentarians to support a requirement for unequivocal guarantees from the Secretary of State that adequate Case Impact Assessments will continue to be carried out.

**REFERENCES:**

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