



# A False Promise of Prosperity

An analysis of UK Prosperity Fund support to the oil and gas industry

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### Cover photo

A drilling field sits next to the site of two deep injection wells in California (US).

Credit: Sarah Craig/Faces of Fracking

### Rear cover photo

Blockading drill rig supplier PR Marriott in Derbyshire (UK). Credit: Reclaim the Power.



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# 1 Summary

**T**his briefing details how the **UK Foreign Office disbursed Official Development Assistance (ODA) budget to sixteen projects of strategic support to the oil and gas industry** between 2016-2018. The Foreign Office runs the cross-departmental Prosperity Fund with the aim of “[removing] barriers to economic growth in order to reduce poverty ... and [supporting] the United Nations Sustainable Development Goals.”<sup>1</sup>

Our analysis of Foreign Office data reveals that **the Prosperity Fund financed projects to expand oil and gas sector capacity in Brazil, Mexico, China, and India. The £2 million spent on fossil fuel projects represent approximately 29.2% of the Prosperity Fund’s overall energy spend** – a larger proportion than previously identified in research by ODI and CAFOD.<sup>2</sup>

**Two Prosperity Fund projects explore exporting UK expertise in shale gas regulation to**

**China.** Meanwhile the UK’s own regulatory controls on hydraulic fracturing (fracking) are under intense criticism from communities exposed to the impacts of fracking, whose objections can be overruled by central government under the UK’s new planning regime for shale gas.

**This funding should be completely divested from fossil**

**fuels.** Prosperity Fund and broader ODA decision-making should take into account the need to limit global warming to 1.5°C and therefore should aim to be near-zero in emissions. UK ODA funds should consider how projects can best support a rapid managed decline of oil and gas extraction and use, and a just transition for workers and communities dependent on fossil fuel industries.

# 2 Fossil fuels and Sustainable Development Goals

**T**here is a well-established base of evidence that limiting extraction of new fossil fuels and a managed decline of existing extraction, in the Global North and the Global South alike, is crucial to climate change mitigation and to avoiding catastrophic climate change. A recent report by the Intergovernmental Panel on Climate Change (IPCC) laid out the latest scientific evidence on the impacts at even 1.5°C of warming – which would keep climate impacts within the scope of existing human experience. Rapid emissions reductions are needed for this limit to remain possible according to the IPCC.<sup>3</sup>

The reserves in currently operating oil and gas fields alone, even with no coal, would take the world beyond the safe limit of 1.5°C of global warming – the UK’s Paris Agreement target.<sup>4</sup> The expansion of unconventional oil extraction, even by a less recent and somewhat more conservative estimate, is incompatible with meeting even a more dangerous 2°C of warming. The precautionary principle requires that the world moves away from burning fossil fuels completely.<sup>5</sup>

As such, government assistance and policies that support new or expanded extraction of oil, gas, and coal, directly undermines efforts towards:

- **Sustainable Development Goal 13 (SDG13): urgent action to combat climate change and its impacts.**
- **Sustainable Development Goal 12c and Addis Ababa Action Agenda paragraph 31: removing inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions.**

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Not only has the UK signed up to fulfilling the UN Sustainable Development Goals (SDGs); UK governments played a leading role in defining them.<sup>6</sup> The Prosperity Fund forms part of the UK’s Official Development Assistance (ODA), whose aims are “the promotion of the economic development and welfare of developing countries”.<sup>7</sup> The ODA is “an essential part of the financial commitment needed to achieve the Sustainable Development Goals”.<sup>8</sup>

The Prosperity Fund specifically (according to its Annual Report) “aims to remove barriers to economic growth in order to reduce poverty ... It supports the United Nations Sustainable Development Goals”.<sup>9</sup> However, Prosperity Fund documentation makes no reference to SDG13 – urgent action on climate change, and it isn’t aligned with the Addis Ababa Action Agenda.

As the following analysis shows, a notable proportion of the Prosperity Fund’s spending goes directly to fossil fuel industry projects and particularly to expanding drilling for oil and gas.

# 3 Fossil fuel spend by the Prosperity Fund

**T**he Prosperity Fund financed 16 fossil fuel projects over two years (2016-2018), according to our analysis of Foreign Office data.<sup>10</sup> The total budget of these projects was £2,042,238 and **spend to date totalled £2,092,927**.

By comparison, the Prosperity Fund budgeted £4,930,414 and spent £5,083,684 on all its other energy projects. These included energy efficiency, emissions trading, renewables, electricity markets management, greenhouse gas emissions monitoring in energy sectors, and one nuclear project.<sup>11</sup> In other words, **the Prosperity Fund's fossil fuel spend amounts to 29.2% of its total energy sector spend**. This is a larger proportion than previously identified in research by ODI and CAFOD, due at least in part to more appropriately detailed reporting by the Foreign Office.<sup>12</sup>

## What fossil fuel projects did the Prosperity Fund finance?

**The Prosperity Fund financed oil and gas projects include scoping for "unconventional gas development" in China and expanding oil and gas sector capacity in Brazil, Mexico, and India.** Rather than investing in specific energy infrastructure, these projects represent strategic research, networking, knowledge-sharing, aimed at expanding industry capacity. The table overleaf summarises the Prosperity Fund's fossil fuel projects.

Twelve of the 16 fossil fuel projects funded by the Prosperity Fund reference the creation of "opportunities for international, including UK businesses", or an "improved business environment" as an expected outcome. Equally

12 out of 16 projects are explicitly framed in terms of enabling expansion of oil and gas operations, as opposed to adjusting existing ones.

Notably several of the projects (two focused on shale gas in China, two on gas infrastructure in India, and one on Liquefied Natural Gas in the Philippines) justify the expansion of fossil gas drilling and infrastructure as a strategy to reduce greenhouse gas emissions, because of shifting away from coal or other more carbon-heavy energy sources.

**"Clean gas" is a pathway favoured by companies like BP and Shell.<sup>13</sup> But it is not a viable one, and cost-effective renewable alternatives exist.** If the world's coal power generation were replaced with gas, the resulting emissions would still by far exceed the world's projected carbon budget. Indeed, "emissions from oil and gas power alone are too great, meaning that none of the coal can be replaced with fossil gas," according to research by Oil Change International using data and projections from IEA and IPCC.<sup>14</sup> Additionally, investments in large-scale new gas present the problem of "lock in" where investors expect to operate the infrastructure for decades past the deadlines required to meet safe climate limits.<sup>15</sup>

IATI identifier	Title and description (where relevant for clarification)	Country	Budget	Status	Spend
GB-GOV-3-PPF-COB-000006	Enhancing the capability of Colombia to regulate offshore oil and gas major accident hazard	Colombia	£96,068	Implementation	£96,065
GB-GOV-3-PPF-BRB-000010	Oil & Gas Production and Operational Efficiency: increasing productivity and improving oil spills detection to promote sustainable sector growth in Brazil	Brazil	£384,141	Not provided	£395,980
GB-GOV-3-PPF-BRB-000011	Brazil: providing clear oil and gas decommissioning guidance to develop a strong regulatory framework, guide sustainable sector development and protect the environment	Brazil	£307,305	Not provided	£326,826
GB-GOV-3-PPF-BUR-000007	Establishing an Aberdeen-Burma Energy Economy partnership (“help Burma to develop its own Oil and Gas infrastructure”)	Myanmar	£141,104	Completion	£141,104
GB-GOV-3-PPF-CHP-000122	Promoting the commercialisation of abandoned mine methane (AMM) recovery in China	China	£69,930	Completion	£70,616
GB-GOV-3-PPF-CHP-000158	Supporting China’s development of natural gas market reform in Guangdong Province	China	£20,000	Implementation	£20,000
GB-GOV-3-PPF-IND-ELC1601	Accelerating India’s transition to gas by enabling increased market access	India	£133,566	Completion	£133,566
GB-GOV-3-PPF-IND-SKI1601	Building capacity within India’s oil and gas sector	India	£51,319	Completion	£51,319

IATI identifier	Title and description (where relevant for clarification)	Country	Budget	Status	Spend
GB-GOV-3-PPF-MEX-000018	Developing a more effective oil and gas sector in Mexico by improving health and safety standards	Mexico	£249,869	Completion	£255,095
GB-GOV-3-PPF-MEX-000022	Building capability and capacity in Mexico's oil and gas sector to maximise benefits of energy reform	Mexico	£118,890	Completion	£118,236
GB-GOV-3-PPF-MEX-000041	Promoting best practice sharing in deepwater oil and gas exploration and development in Mexico	Mexico	£46,650	Completion	£60,379
GB-GOV-3-PF-CHP-912003	Scoping study to research barriers to unconventional gas development in China	China	£50,000	Not provided	£50,198
GB-GOV-3-PF-IND-912003	Advisory services to support government of India to develop an IT based contract management system to accelerate investments in India's natural gas sector	India	£135,450	Not provided	£135,450
GB-GOV-3-PF-CHP-912009	Scoping study to analyse gas infrastructure access and opportunities around pricing regulations reform in China	China	£50,000	Not provided	£49,315
GB-GOV-3-PPF-CHP-000066	Supporting the adoption of a roadmap in Sichuan province on the development of alternative energy sources in China ("produce recommendations to Sichuan's government on improving regulations for shale gas development")	China	£80,000	Completion	£80,834
GB-GOV-3-PPF-PHM-000038	Supporting the delivery of a lower carbon and more secure energy future for the Philippines ("support the use of liquefied natural gas as the ... solution to the Philippines' power needs")	Philippines	£107,946	Implementation	£107,946

# 4 Case study: Shale gas in China

**T**he Prosperity Fund financed two projects aimed at facilitating shale gas drilling in China.

The first of these is with the Sichuan provincial government to “produce recommendations ... on improving regulations for shale gas development. It is intended that this leads to Sichuan’s adoption of the recommendations, leading to a national pilot project in 2-3 years’ time.”<sup>16</sup> In Foreign Office data this project is inaccurately classified under “Power generation/renewable sources”.

The second is a “Scoping study to research barriers to unconventional gas development in China,”<sup>17</sup> examining whether exporting UK

these deposits would require fracking (hydraulic fracturing) on a massive scale, with a higher demand for water than in US shale operations, while China already faces a freshwater shortage problem.<sup>19</sup>

The Prosperity Fund projects justify shale gas drilling as a route towards lower greenhouse gas emissions. In fact, expanding gas infrastructure locks in fossil fuel consumption far greater than is required to stay within safe climate limits (see p5 above).

And there is a further problem. The Prosperity Fund backed projects “will ascertain whether UK expertise on environmental regulations and monitoring (e.g. water management plans, risk assessments of soil pollution, methane leakage) can support the sustainable development of China’s unconventional gas industry.”<sup>20</sup>

The UK’s regulation regime for shale gas is bitterly contested by communities exposed to the impacts of drilling. The UK government has recently removed municipalities’ power to refuse applications for shale gas drilling – a move described as “trampling over democracy”.<sup>21</sup> The regulatory change means the national government could give the go-ahead to fracking in Lancashire despite widespread local objections, litigation, and the decision of Lancashire County Council. And on a more detailed level, at a proposed North Yorkshire drill site, the company involved (Third Energy) allegedly failed to conduct a comprehensive wildlife survey as part of its environmental impact assessment, despite the documented presence of legally protected bats.<sup>22</sup>

To use ODA funds to export the UK’s “expertise” in shale gas regulation – when it is so bitterly contested at home – is highly inappropriate.

**“The project ... will produce recommendations to Sichuan’s government on improving regulations for shale gas development. It is intended that this leads to Sichuan’s adoption of the recommendations, leading to a national pilot project in 2-3 years time.”**

expertise in regulation and management can “support the sustainable development of China’s unconventional gas industry”.

China has the world’s largest reserves of shale gas: an estimated 134.1 trillion cubic metres (TcM), 31.2 TcM of which is technically recoverable, according to a 2013 survey by the US Energy Information Agency.<sup>18</sup> Extracting

# Conclusion

In order for the UK to meet its ambition to be a world leader in climate action, its commitments under the Paris Accord, the AAAA and SDG13, **UK state financing of fossil fuel operations in other countries (both ODA and non-ODA) must cease**. Financing the expansion of oil and gas extraction and use in Global South countries not only contradicts the UK's commitments but also risks creating infrastructural lock-in to “stranded assets” – fossil fuels that cannot be exploited with the necessary shift towards a low-carbon economy.

## Recommendations

The UK government should:

- 1 Immediately halt financing for fossil fuel projects** through the Prosperity Fund and other mechanisms.
- 2 Assess the carbon intensity of proposed projects** and only invest in (near) zero emissions projects through the Prosperity Fund and other programmes.
- 3 Consider how the Prosperity Fund and other funding mechanisms can support a rapid managed decline in oil & gas extraction, and a just transition for workers and communities** dependent on high carbon industries.
- 4 Publish detailed reports on the fossil fuel industry projects financed**, in the interests of transparency and accountability to beneficiaries and taxpayers.

# Methodology note

**W**e used data on Prosperity Fund spend 2016-2018 provided by the Foreign Office.<sup>23</sup>

Data was filtered to identify all projects mentioning the keywords “energy”, “oil”, “gas”, or “coal” in the sector category, project title, or project description.

Project titles and descriptions were then reviewed to classify each project as:

**Energy – fossil fuel** pertaining to extracting, transporting, refining or markets for oil, gas, or coal. These 16 projects are summarised in the table on p6 above.

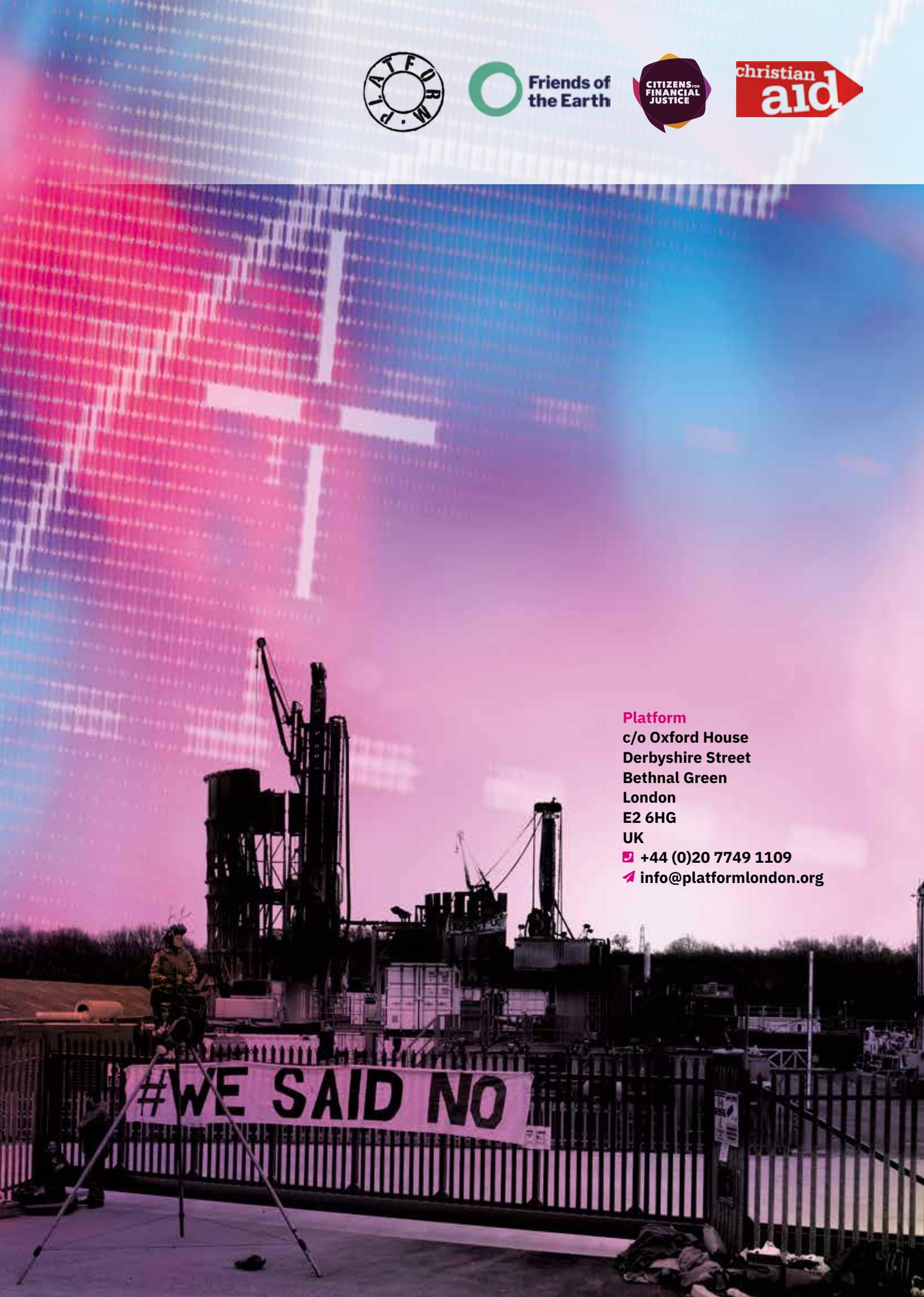
**Energy – non fossil fuel** production, distribution, management of other forms of energy (renewable, biomass, or nuclear; energy efficiency; or energy sector management projects that did not refer to specific sources of energy). 56 projects were identified.

**Other** projects that mentioned one of the keywords, but did not fall into either of the two categories above; primarily general greenhouse gas emission reduction projects and ones in sectors other than energy. 8 such projects were identified. Additionally, one project to develop “storage of carbon dioxide in depleted gas reservoirs” in China (GB-GOV-3-PPF-CHP-000075) could not be classified as “fossil fuel” or “non fossil fuel”. While not a fossil fuel extraction, transportation, or refinery project, Carbon Capture and Storage may be used to enable new fossil fuel extraction.

Budgets and spending on projects were identified by project IATA identifier in the Budgets and Transactions parts of the Foreign Office dataset.

# Endnotes

- 1 All links accessed 25 October 2018. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/670103/FCO-Prosperity-Report-2016-2017.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/670103/FCO-Prosperity-Report-2016-2017.pdf) p3
- 2 ODI and CAFOD found that Foreign Office spend on energy ODA between 2010 and 2014 totaled \$21.3 million, of which about 7% was for fossil fuels and 80% could not be identified as for fossil fuels or renewables, or was for both. The Prosperity Fund's reporting provides more information than was previously available on Foreign Office ODA spend. See <https://cafod.org.uk/About-us/Policy-and-research/Climate-change-and-energy/Sustainable-energy/Analysis-UK-support-for-energy>
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- 10 We used data on Prosperity Fund spend provided by the Foreign Office. <https://www.gov.uk/government/publications/official-development-assistance-oda-fco-prosperity-fund-spend> The Prosperity Fund Annual Report 2016-2017 refers to 13 oil and gas projects funded, though it does not list the projects. ([https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/670103/FCO-Prosperity-Report-2016-2017.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/670103/FCO-Prosperity-Report-2016-2017.pdf) p15)
- 11 These figures do not include one project to develop "storage of carbon dioxide in depleted gas reservoirs" in China (GB-GOV-3-PPF-CHP-000075). While not a fossil fuel extraction, transportation, or refinery project, Carbon Capture and Storage may well be used to enable new fossil fuel extraction. See for instance: <https://www.theguardian.com/commentisfree/2018/feb/16/itd-be-wonderful-if-the-claims-made-about-carbon-capture-were-true>
- 12 ODI and CAFOD found that Foreign Office spend on energy ODA between 2010 and 2014 totaled \$21.3 million, of which about 7% was for fossil fuels and 80% could not be identified as for fossil fuels or renewables or was for both. <https://cafod.org.uk/About-us/Policy-and-research/Climate-change-and-energy/Sustainable-energy/Analysis-UK-support-for-energy> The Prosperity Fund's reporting provides more information than was previously available on Foreign Office ODA spend.
- 13 See for instance: <https://oilprice.com/Latest-Energy-News/World-News/Shell-Launches-Clean-Gas-Marketing-Experiment.html>; <https://www.bp.com/en/global/corporate/bp-magazine/conversations/gordon-birrell-interview-bp-upstream-portfolio-shift-to-gas.html>; <https://www.offshore-technology.com/news/shell-methane->
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