



House of Commons
Environmental Audit
Committee

**The Export Credits
Guarantee Department
and Sustainable
Development:
Government Response
to the Committee's
Eleventh Report of
Session 2007–08**

Third Special Report of Session 2008–09

*Ordered by The House of Commons
to be printed 3 March 2009*

HC 283
Published on 5 March 2009
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The Environmental Audit Committee

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House.

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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at: www.parliament.uk/parliamentary_committees/environmental_audit_committee.cfm.

A list of Reports of the Committee from the current Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are: Gordon Clarke (Clerk); Anne-Marie Griffiths (Second Clerk); Richard Douglas (Committee Specialist); Oliver Bennett (Committee Specialist); Susan Monaghan (Senior Committee Assistant); Jennifer Steele (Committee Assistant); and Charlotte Towerton (Sandwich Student)

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Special Report

The Environmental Audit Committee published its report on the Export Credits Guarantee Department and Sustainable Development on 20 October 2008 as HC 929. The Government's Response to the Committee's Report was received on Monday 23 February 2009 in the form of a memorandum to the Committee. It is reproduced as an Appendix to this Special Report.

Appendix—Government response

Preface

1. The Government is grateful to the Environmental Audit Committee for this further report on ECGD and Sustainable Development. It welcomes the analysis undertaken by the Committee and the comments made in the report, which recognise the progress on sustainable development that has been made by ECGD. The Government also notes the written submissions made to the Committee by various interested parties.

2. It is disappointing that the Committee did not seek oral evidence from exporters or their industry representatives. The Government considers that the comments made and conclusions reached by the Committee, although informed by written submissions from ECGD's customers, could have been enhanced if the opportunity had been made available to them, in addition to ECGD and NGOs, to provide oral evidence directly to the Committee, given the importance of ECGD to their export business and their interest in sustainable development issues.

3. This Memorandum is the Government's Response to each of the conclusions and recommendations made by the Environmental Audit Committee, as detailed in its report. The Export Guarantees Advisory Council, which advises ECGD on the application of its Business Principles, has endorsed this Response.

4. By way of an introduction to its specific responses, the Government addresses common themes that underlie a number of the Committee's recommendations, namely: ECGD's role and the environmental standards to which it should operate, international leadership, and transparency.

Introduction

ECGD's role and standards

5. ECGD's statutory purpose is to facilitate the supply of goods and services by UK-based exporters; in fulfilling its role, it must also take account of wider Government aims, including those on sustainable development, human rights, good governance and trade. ECGD's published statement of Business Principles guides its operation in relation to these wider goals, and the Export Guarantee Advisory Council reports on the implementation of them in its Annual Report, which is included in ECGD's Annual Review and Resource Accounts that are publicly available.

6. With regard to sustainable development, the Government has established a number of broad objectives. It is the responsibility of other Government Departments, e.g. DEFRA (environment), DfID (development), FCO (human rights) that lead on these issues, to translate those objectives into specific policies. Where relevant, ECGD can advise other Government Departments on how such policies might impact on its responsibility for the delivery of export credit support to exporters.

7. The Government also seeks to influence the development of international standards, such as those of the World Bank Group, so that they reflect the UK's sustainable development objectives. DfID (and HMT) has responsibility for the UK's relationship with the World Bank Group.

8. It is not the role of ECGD to design sustainable development policies and standards in relation to those industrial sectors that seek its support for their export business. ECGD contributes to sustainable development by satisfying itself that the appropriate prevailing international standards are met in all material respects when it assesses projects for their potential environmental impacts, taking account of international export credit policy and practice.

International leadership

9. One of the Government's objectives for ECGD is that it should promote an international framework that allows exporters to compete fairly i.e. to achieve a level playing field internationally in the provision of officially-backed export credits. The aim, therefore, is that the policies and practices, which are employed by official ECAs, should be agreed multilaterally. This is achieved through the UK's membership of the EU, OECD and the Berne Union. ECGD engages with other ECAs in these various fora to develop and design sound export credit policies and practices, including taking account of sustainable development policy and practices and the application of international environmental standards in respect of individual projects that the ECAs are asked to support. In all multilateral fora ECGD vigorously promotes the UK's environmental and sustainability goals through the rigorous application of international standards.

10. The international negotiations undertaken in the various ECA fora are, therefore, aimed at agreeing how policies and standards should be applied in the context of the provision of export credits. The ECAs do not determine the particular environmental standards themselves; international institutions, e.g. the World Bank Group, develop international environmental standards in regard to specific industrial sectors. The role of the ECAs is to assess the acceptability of the projects that they are asked to support against those standards in the context of the relevant multilaterally agreed export credit policies, e.g. the OECD Common Approaches on the Environment and Officially Supported Export Credits (the Common Approaches). In this context, it should be noted that many projects which ECGD is asked to support involve multi-sourcing from a number of different countries and require the involvement of a number of ECAs; this necessarily means that common standards must apply so that project sponsors understand what is required of them to obtain officially-backed export credit financing from wherever they choose to source the goods and services.

