

The Rt. Hon. Kwasi Kwarteng MP
Secretary of State for Business, Energy and Industrial Strategy
House of Commons
London
SW1A 0AA

6 December 2021

Re: Opposition against UK government's considerations to proceed with Cambo oil field

Dear Minister Kwarteng,

I am writing on behalf of the Principles for Responsible Investment (PRI), the world's leading initiative on responsible investment. The PRI has over 4,300 signatories globally with approximately \$121 trillion of combined assets under management.

I write to call on the UK government to reject the Cambo oil field in the North Sea, and to prevent any further investment and licenses for new oil and gas fields in the UK Continental Shelf. To support the development of a new oil field is inconsistent with the UK's commitment to the Paris Agreement, the UK 6th Carbon Budget, the UK's credibility as the COP26 Presidency and the world's commitment to limit warming to below 1.5°C to avoid the worst effects of climate change.

The evidence from climate science is irrefutable: the International Energy Agency has unequivocally stated the necessity of no new fossil fuel developments if the world were to keep temperature rise below 1.5°C. The latest UNEP Production Gap Report indicates that the world's governments plan to produce around 110% more fossil fuels in 2030 than would be consistent with the 1.5°C scenario.¹

Investors acknowledge the UK's leadership at COP26 and for urging the G7 to embrace the 1.5°C target in June. However, these promises are now at risk, as approving a new oil field such as Cambo would derail the political momentum, go against the UK's climate targets and diminish public and investor trust in the UK government in concrete climate action.

Importantly, claims that the Cambo oil field would keep production in the UK or provide local jobs should be counteracted with the fact the project poses acute stranding risk, which exposes people and the economy, and sends negative signals to the financial sector. This is emphasised by the latest finding that the UK would be exposed to \$120bn of stranded fossil fuel assets by 2036 in a Paris-aligned scenario.² Moreover, Shell's latest exit from the project is further demonstrative of the uneconomic nature of this project.³

As such, what the UK needs is not new oil fields, but scaling up low-carbon investments and ensuring a just transition with decent green jobs. Climate Action 100+, an investor initiative of more than 600 investors with more than \$60 trillion assets under management, are engaging oil and gas companies

to ensure they align their capital expenditure to 1.5°C, which ultimately means no new oil and gas development.⁴

The provision that allows UK oil and gas projects with existing exploration licences to bypass the climate compatibility checkpoint is worthy of high attention and remains to be tackled. Without which, the development of similar oil and gas projects would continue to contradict the UK's climate commitments, send mixed signals on policy trajectory to investors, and undermine market confidence. As such, we urge the UK government to take the following policy actions:

- Reject the Cambo oil field in the North Sea, and reassess the licences issued for all fossil fuel projects where field development has not yet commenced, including the Cambo oil field.
- Strengthen and significantly enhance the scope of the climate compatibility test for oil and gas developments, whether new or existing.
- Release phase-out plans for all UK support for coal, oil, and gas projects in order to align with its carbon budget, interim and long-term climate goals.
- Establish a Just Transition Commission to fully realise the UK's COP26 just transition commitments,⁵ including facilitating stakeholder engagement, informing transition policymaking and forging consensus on phaseout plans in affected communities. Provide financial assistance that leverages resilient, green jobs for affected workers and communities.

As investors are committed to delivering a just transition to net zero, the PRI urge the UK government to walk the talk on its climate ambitions. Any delay in stopping the development of new fossil fuel supply projects is inevitably one step closer to a cataclysmic future.

Should you or your staff like to discuss these recommendations and how the PRI can support your work on these topics, please do not hesitate to reach out to our policy team, at policy@unpri.org.

Yours sincerely,



Fiona Reynolds

CEO, Principles for Responsible Investment

¹ UNEP Production Gap Report 2021: <https://www.unep.org/resources/report/production-gap-report-2021>

² Carbon Tracker, *Planned UK Cambo Oil Field is Uneconomic, Unaligned with Paris Goals* (10 Nov 2021), available at: <https://carbontracker.org/planned-uk-cambo-oil-field-is-uneconomic-unaligned-with-paris-goals/>

³ Financial Times, *Shell pulls out of Cambo oil project in UK's North Sea* (2 Dec 2021), available at: <https://www.ft.com/content/8dd5e6d2-602a-4fcc-8cc2-2db6845b500d>

⁴ Climate Action 100+: <https://www.climateaction100.org/>

⁵ UK COP26, *Supporting the Conditions for a Just Transition Internationally* (4 Nov 2021), available at: <https://ukcop26.org/supporting-the-conditions-for-a-just-transition-internationally/>