The Rt Hon Boris Johnson MP
Prime Minister
10 Downing Street
London
SW1A 0AA

2 March 2021

RE: The UK as a signatory of the Energy Charter Treaty

CC:
The Rt Hon Kwasi Kwarteng, Secretary of State for Business, Energy and Industrial Strategy
The Rt Hon Alok Sharma MP, COP26 President

Dear Prime Minister,

I am writing to you with regard to the modernisation of the Energy Charter Treaty (ECT).

The Institutional Investors Group on Climate Change (IIGCC) has more than 270 members, mainly pension funds and asset managers, across 16 countries and representing over £33 trillion in assets under management. Currently, 185 of our members are based in the UK.

As a leading investor group on climate change in the UK, IIGCC strongly supports the UK’s updated 2030 target and the UK’s ambition to achieve net zero emissions by 2050. To align the UK economy with net zero emissions, near term actions are needed to avoid further carbon lock-in of assets. This includes strengthened domestic energy and climate policies, and clarity from policymakers regarding the timetable for transitioning carbon-intensive sectors and phasing out direct and indirect fossil fuel subsidies.

The ECT is a multilateral agreement that the UK signed in 1994 and was designed to protect foreign investment in the energy sector by offering the ability to enforce substantive protections (such as prohibitions against discrimination and expropriation) through private arbitration. However, the treaty also protects private fossil industry investments which is inconsistent with the goals of the Paris Agreement and the UK’s net zero climate ambition.

To address this inconsistency, we recommend the UK advocates for ending the protection of investments in fossil fuels in the context of modernising the Energy Charter Treaty. In particular, the reform of the investor-state dispute settlement under the ECT is essential to ensure the UK can implement policies that support bold action on climate change.

The UK is currently participating in negotiations for the modernisation of the ECT. However, not all Parties may share the UK’s ambition in relation to climate change and it is noted that after three formal rounds of negotiations amongst the Parties to the Treaty in 2020, limited progress has been made towards reaching agreement on the modernisation of the ECT.

Therefore, it is essential that the UK significantly increases political pressure on the modernization process of the ECT, to discourage further investment into fossil fuel-based energy projects, end the protection of existing investments in fossil fuels and align the ECT with the Paris Agreement. As
President of COP26, the UK is in a unique leadership position to raise global climate ambition and address barriers to the clean energy transition internationally.

We would welcome the chance to discuss this with you and thank you for your consideration.

Yours sincerely,

Stephanie Pfeifer
CEO
Institutional Investors Group on Climate Change