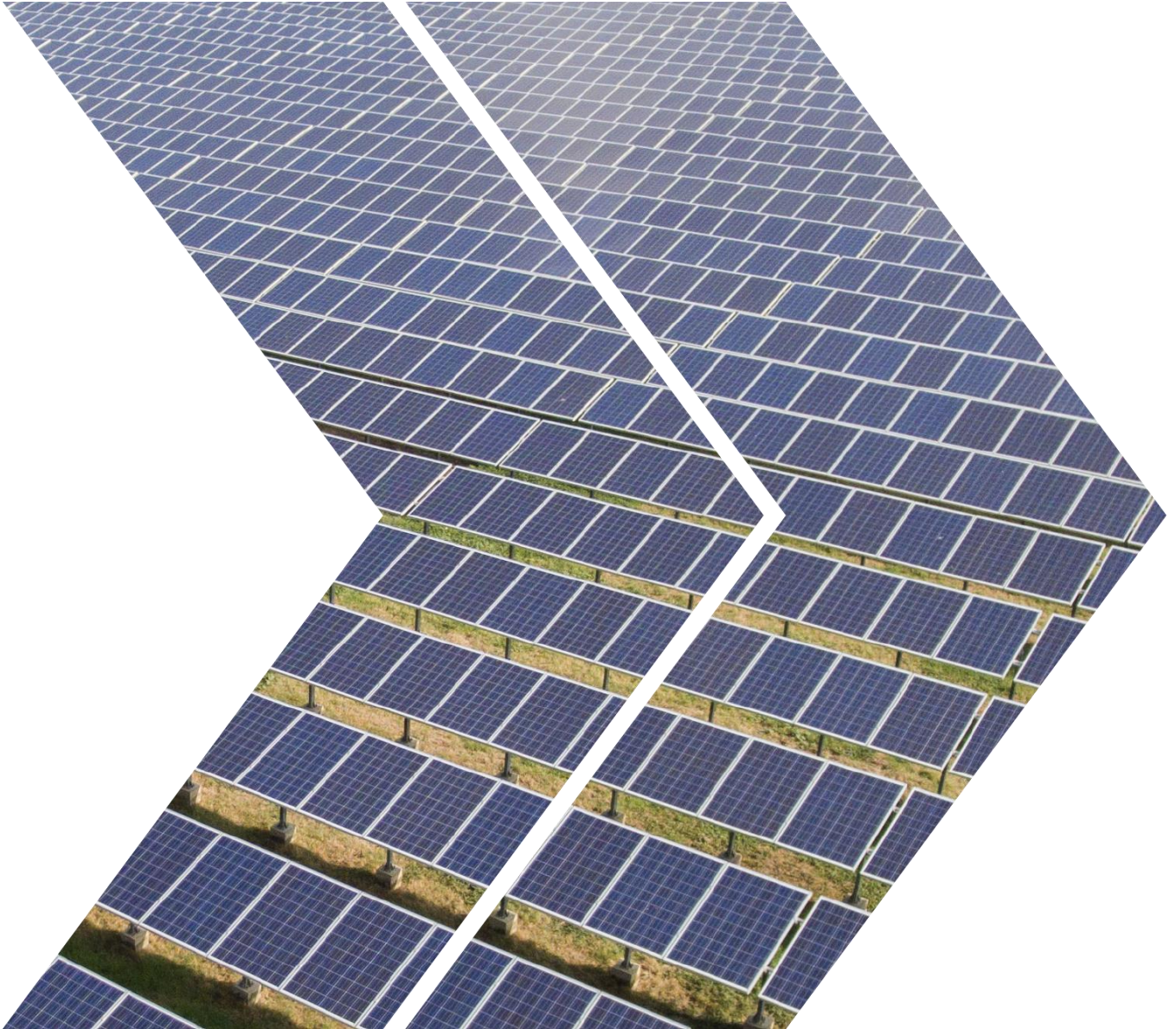


# How BII applies the HMG Fossil Fuel Policy

*2 July 2026*



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## 1. Introduction

British International Investment (BII) applies His Majesty's Government's [Aligning UK international support for the clean energy transition](#) ("HMG Fossil Fuel Policy", "HMG FFP").

### Purpose and Scope

This guidance is for investees and potential investees of BII. It explains, in practical terms, which fossil fuel-related activities BII cannot support, which activities may be supported in limited circumstances, and what BII may ask from investees during due diligence and monitoring.<sup>1</sup>

### Who the Guideline applies to

Investees and potential investees of BII.

### Related policies, procedures, manuals

[UK Government Fossil Fuel Policy](#).

## 2. Excluded fossil fuel activities that BII cannot finance

BII will not provide finance (directly or indirectly) to investees where the use of proceeds<sup>2</sup> supports any of the following activities:

- **Extraction** of crude oil, natural gas, or thermal coal<sup>3</sup> ("fossil fuels");
- **Production or refining** of these fossil fuels, including their main derivatives (petrol/gasoline, petroleum coke, jet fuel, and fuel oil including diesel, kerosene, and HFO);
- **Transportation** of these fossil fuels, including transport infrastructure and transport fleets whose primary scope is fossil fuel transport;<sup>4</sup>
- **Marketing** of these fossil fuels;
- **Fossil-fuel-fired power plants** (except for Paris Agreement-aligned<sup>5</sup> gas-related investments and gas/renewable dual-fuel power plants – see paragraph 3C below);
- **Associated enabling infrastructure**, where the purpose is to support fossil fuel operations;<sup>6</sup>

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<sup>1</sup> This document is intended to help investees understand how that policy is implemented in practice. This is **guidance, not a policy**. BII's only policy in relation to the subjects discussed in this guidance document is the HMG FFP.

<sup>2</sup> Where there is a defined end use for BII's funds, the HMG FFP applies to our use of proceeds only.

<sup>3</sup> BII also does not finance the extraction of metallurgical coal.

<sup>4</sup> 'Primary' means over 50% handled tonnage per annum.

<sup>5</sup> Paris Agreement aligned is defined as Net Zero by 2050 as per [BII's Paris Alignment Guidance for Gas Power](#).

<sup>6</sup> For example, this may include office facilities established to support the operations of a coal mine.

- **Companies, project activities, services (including advisory), equipment, or goods that exclusively<sup>7</sup> serve** the extraction, production, transportation, refining and marketing of crude oil, natural gas or thermal coal, as well as any fossil-fuel fired power plants.

### 3. Permitted fossil fuel activities that BII can finance

BII can finance the activities below **only where the specified conditions** are met.

#### A. Improving existing fossil fuel assets

- Energy or emissions efficiency, health, safety, social or environmental improvements in existing fossil fuel assets, provided these **do not extend the economic life of fossil fuel assets** that would otherwise be retired.

#### B. Decommissioning and transition

- Decommissioning of fossil fuel energy assets, or conversion to non-fossil fuel energy infrastructure.

#### C. Gas-fired power generation

BII may consider support for unabated gas-fired power generation only where **all** the following conditions are met:

- The country has a credible pathway to net zero by 2050 in line with the Paris Agreement;
- The project does not lock in long-term emissions or delay transition to renewables;
- The risk of the asset being stranded is assessed and managed; and
- The project intends to follow best practice in environmental and social standards, including measures to minimise methane leakage.

Further detail of these conditions is set out in [BII's Paris Alignment Guidance for Gas Power](#).

Limited gas transport, transmission, storage or distribution infrastructure may be supported only where strictly necessary for such Paris-aligned gas power.

Gas import/ export and processing remain excluded.

#### D. LPG, generators and mini-grids

- LPG for cooking and heating.
- LPG-related infrastructure where the primary use is for cooking and heating.<sup>8</sup>
- Diesel or gas generators and hybrid mini-grids only where renewable solutions are not technically or commercially feasible, including in humanitarian or emergency contexts.

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<sup>7</sup> By 'exclusively' we mean 100% of annual revenue derived from non-permissible fossil fuel activities.

<sup>8</sup> 'Primary' means 50% handled volume per annum.

## **E. Carbon Capture (CCS/CCUS)**

- CCS/CCUS only in gas power where it delivers significant lifetime emissions reductions;
- CCS/CCUS for captive use in heavy industry as a lower-emissions alternative.

## **F. Other permitted activities**

- Industries using hydrocarbons as feedstock but that do not produce fuels,<sup>9</sup> although BII will encourage investees to use renewable energy in parts of the production chain where it is possible to do so;
- Transport sector and transport infrastructure where the primary purpose is not fossil fuel transport;<sup>10</sup>
- Captive and expanded fossil fuel use for both heat and power generation across all markets, in both heavy industry<sup>11</sup> and non-heavy industry.<sup>12</sup>
  - For non-heavy industry, BII will enquire whether investees have considered non-fossil fuel alternatives and whether they have a plan for transitioning from fossil fuels where that becomes technically and/or commercially viable. Where the investment is associated with increased energy use, BII will ask investees for evidence of technical or commercial feasibility of renewables.
  - For heavy industry, BII will ask the investee for evidence (i.e. a resource use and/or energy efficiency assessment) to demonstrate that the cleanest and most efficient technology for fossil fuel combustion is being used, and provisions for future technological switch to lower-emission options are considered.

## **4. How BII applies the policy to financial institutions**

Where BII's investment or support is tied to a specific use of proceeds, HMG FFP (as described in sections 2 and 3) applies fully to BII's commitment. Where use of proceeds is not specified, such as general-purpose debt or equity investments, BII will seek credible evidence that the investee is working towards aligning its future activities and portfolios with the Paris Agreement. This is determined internally by different teams at BII. Confirmation and clarity of expectation is determined during due diligence stage of our investment.

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<sup>9</sup> This includes metallurgical coal to initiate chemical reactions.

<sup>10</sup> 'Primary' means over 50% handled tonnage per annum.

<sup>11</sup> Heavy industry' refers to capital-intensive, large-scale industrial manufacturing and processing that utilises massive machinery, complex techniques, and produces heavy goods or raw materials. It is characterised by high investment, energy consumption, and significant environmental impact. Key sectors include cement, ceramics, steel, glass, paper, mining, shipbuilding, aerospace, and chemical manufacturing (including plastics recycling and fertilizer production).

<sup>12</sup> These include economic activities outside of heavy industries.

## **5. How BII applies the policy to funds**

For Fund investments (other than debt or equity investments in a Portfolio Company that is a Financial Institution), we will seek to apply fossil fuel exclusions as described in sections 2 and 3 across the Fund's entire portfolio.

In the case of equity investments in or non-directed lending to Portfolio Company Financial Institutions (PCFIs), a separate approach applies. The Fund in which BII invests will seek credible evidence that the investee PCFI is working towards aligning its future activities and portfolio with the Paris Agreement. Confirmation and clarity of expectation is determined during due diligence stage of our investment.

## **6. Types of information sought to make FFP determination**

Depending on the investment and risk profile, BII can request from investees:

- Information on exposure to fossil fuel-related activities;
- Confirmation of compliance with the fossil fuel exclusions;
- Where relevant, evidence to show that the conditions for permitted fossil fuel activities as set out in section 3 above are met, such as confirmation of commitments to phase out fossil fuels/transition plan;
- Where relevant, representations and undertakings in the investment documentation confirming compliance with BII's fossil fuel exclusions.

**If you are unsure how this guidance applies to you as an investee, please discuss with your BII contact point.**

## 7. FAQs

**1. Does this guidance apply to all BII investees?**

Yes, this guidance applies to all BII investees.

**2. When does the HMG FFP come into effect?**

BII adopted the HMG FFP on 18 November 2025. This guidance applies to all investments committed after 30 April 2026.

**3. Why did BII switch from BII's FFP to HMG FFP?**

BII switched to the HMG FFP because BII is explicitly named in the Policy.

**4. Which fossil fuel activities are excluded?**

Fossil fuel exclusions can be found in section 2 of this document.

**5. Are there any fossil fuel-related activities that BII may still consider?**

Yes, but only in limited circumstances and where specific conditions are met (as set out in section 3 of this document). Examples include improvements to existing fossil fuel assets that do not extend their economic life, decommissioning or conversion of fossil fuel assets, certain Paris-aligned gas power investments, LPG for cooking and heating, limited generator or mini-grid use where renewable alternatives are not feasible, and some CCS or CCUS applications.

**6. What will BII ask for during due diligence or monitoring?**

Depending on the investment and risk profile, BII can ask for information on your exposure to fossil fuel-related activities, confirmation that excluded activities are not being financed, and evidence that any permitted activity meets the conditions set out in this guidance. This may include transition plans, technical assessments, or evidence that non-fossil fuel alternatives are not currently feasible.

**7. What does “use of proceeds” mean in practice?**

It means BII looks at what its funding is actually being used for. If BII finance is linked to a specific activity, asset or project, the exclusions and permitted cases in this guidance apply directly to that use.

**8. What does it mean to “exclusively serve” excluded fossil fuel activities?**

In this guidance, “exclusively serve” means that 100% of annual revenue is derived from non-permissible fossil fuel activities. If a company, service, equipment provider or project only serves excluded fossil fuel activities, BII cannot support it.

**9. What counts as associated enabling infrastructure?**

Associated enabling infrastructure is infrastructure whose purpose is to support fossil fuel operations. For example, facilities or infrastructure built to serve a coal mine or a fossil fuel processing site may fall into this category. If the primary purpose is to support excluded fossil fuel operations, BII cannot finance it.

**10. What kind of evidence might BII expect if an activity is permitted only in limited circumstances?**

This will depend on the activity – refer to section 3.

**11. How does this apply if we are a financial institution or a fund?**

Refer to sections 4 and 5.

**12. Could BII support a gas-fired power project?**

Only in limited cases. BII may consider support for unabated gas-fired power generation where all specified conditions are met, including that the country has a credible pathway to net zero by 2050 in line with the Paris Agreement, the project does not lock in long-term emissions or delay transition to renewables, stranded asset risk is managed, and appropriate environmental and social standards are applied.

**13. What if our business uses fossil fuels for operations rather than producing or transporting them?**

That does not automatically make the investment ineligible. In some cases, BII may support captive or expanded fossil fuel use for heat and power generation, including in heavy industry and non-heavy industry. However, BII may ask whether non-fossil fuel alternatives have been considered, whether the cleanest and most efficient available technology is being used, and whether there is a credible pathway to switch to lower-emission options over time.

**14. What should we do if we are unsure how this guidance applies to us?**

You should discuss it with your BII contact point as early as possible. Early discussion can help clarify whether the proposed investment falls within an exclusion, whether a limited permitted case may apply, and what information BII may need during due diligence.




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