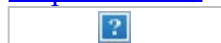


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Press release: 16 February 2023

## UK financial regulator faces legal challenge over fossil fuel company's climate risk disclosures

*LONDON* – ClientEarth lawyers have filed a case against the UK financial regulator over its decision to approve the prospectus of a company with significant interests in the Cambo and Rosebank oil and gas fields in the North Sea.

ClientEarth's case argues that the Financial Conduct Authority (FCA) acted unlawfully by approving the prospectus of UK oil and gas company Ithaca Energy plc, despite the company's disclosures failing to adequately describe the

climate-related risks faced by the company and therefore breaching legal requirements.

While world leaders gathered at COP27 for international climate negotiations last November, Ithaca completed its initial public offering and listed on the London Stock Exchange (LSE).

The FCA can't approve a prospectus unless it is satisfied that the requirements of the prospectus regulation have been met. ClientEarth's case is that the regulator acted unlawfully in making this assessment.

Although Ithaca's prospectus acknowledges that climate change presents risks to the oil and gas industry in general, ClientEarth lawyers argue that Ithaca does not appear to explain how these risks affect its business specifically, or how significant these risks are for the company.

ClientEarth lawyers say the FCA's failure to spot this omission is particularly problematic, given the conflict between the company's intention to develop new fossil fuel assets intended to operate for decades to come – including Cambo and Rosebank – and the consensus that developing new fossil fuel infrastructure is incompatible with the 1.5°C temperature goal set out in the Paris Agreement.

Such new oil and gas projects pose risks to companies and investors in terms of carbon lock in and stranded assets.

The case also argues that failing to provide investors with a meaningful indication of how Ithaca's business and finances might be affected by full or even partial achievement of the Paris Agreement goal deprives them of the information necessary to make an informed assessment of the company's financial position, which is a breach of prospectus requirements that the FCA should have identified.

ClientEarth Accountable Finance Lawyer Robert Clarke said: "One of the financial regulator's main duties is to protect investors. A key way it does that is by ensuring companies that apply to list on the London Stock Exchange adequately disclose the risks associated with their activities, including climate-related risks, in the prospectus as required by law.

"In the case of Ithaca's listing, we believe the regulator has failed when it comes to this fundamental function by ultimately waving through Ithaca's prospectus even though legal requirements have not been met.

"The company's plans for new oil and gas appear to be fundamentally incompatible with global climate goals and the massive risks associated with its activities have not been properly explained in its prospectus. Without this vital information, investors will not be able to assess how Ithaca might be affected by the global net zero transition."

Prior to Ithaca's listing, ClientEarth wrote to the FCA twice to raise concerns about the inadequate disclosure of climate-related risk in Ithaca's prospectus.

Although Ithaca's final prospectus contained some further information on the climate risk associated with its activities, and the FCA proceeded to approve the prospectus, ClientEarth lawyers say that the additions were not sufficient to meet prospectus regulation requirements or to make the approval lawful.

Clarke added: "Worryingly, this comes just a year after the Government announced at COP26 its ambition for the UK to become the world's first net zero-aligned financial centre. The FCA's prospectus approval in this case raises serious questions about what this ambition means.

"If anything, the regulator's failure sets up a situation where financial markets are working against climate change goals and obscuring long-term risk for investors. Full and transparent disclosure of climate-related risk enables investors to make informed financial decisions and is essential to ensuring that financial flows can shift to support net zero.

"We welcome the FCA's recent moves to introduce new disclosure rules on climate but it's absolutely vital that it applies and enforces existing rules too, especially during the listing process."

ClientEarth lawyers have filed the claim as a judicial review case against the FCA – and it is now up to the High Court to decide whether to grant permission to bring the claim.

## ENDS

### Notes to editors:

- A FAQ document regarding ClientEarth's case can be found [here](#).
- More information on ClientEarth's position on the UK listing regime and climate change is available [here](#).
- The UK Government committed to “ensure financial flows actually shift towards supporting net zero” in the announcement of its [Net Zero-aligned Financial Centre](#) ahead of COP 26 in 2021.
- The FCA has [recognised](#): “in the context of the UK government's target to achieve net-zero carbon emissions by 2050 and to achieve the goals of the Paris Agreement more generally, many companies are likely to need to consider significant changes to their business” and that “such changes may be material to an investor's assessment of the prospects of the company and the risks and opportunities shaping it”.
- According to Ithaca's [prospectus](#) (p.74), the company has a 70% “operated working interest” in the Cambo oil and gas field, and a 20% “non-operated working interest” in the Rosebank field, which is “the single largest undeveloped field in the [UK Continental Shelf]”.
- Both Cambo and Rosebank have faced sustained opposition from environmental campaigning groups. See, for example, the [#StopCambo campaign](#), which is also opposing development of the [Rosebank](#) field.

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## Company registration details

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