

# Business and Trade Committee

## Oral evidence: Export-led growth, HC 289

Tuesday 19 March 2024

Ordered by the House of Commons to be published on 19 March 2024.

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Members present: Liam Byrne (Chair); Douglas Chapman; Antony Higginbotham; Ian Lavery; Anthony Mangnall; Julie Marson; Andy McDonald; Mark Pawsey.

Questions 132 - 156

### Witnesses

II: Fergus McReynolds, Representative, British Chamber of Commerce EU and Belgium.

## Examination of witness

Witness: Fergus McReynolds.

**Chair:** Welcome to the second panel of today's session of the House of Commons Business and Trade Select Committee. We are looking at different geographical markets as part of our inquiry into export-led growth. I am delighted that we are now joined by Fergus McReynolds, who is the director of EU public affairs at the Institute of Export and International Trade. You are speaking today on behalf of the British Chamber of Commerce EU and Belgium. You are talking to us from Brussels, I understand.

**Fergus McReynolds:** I am indeed, Chair.

Q132 **Chair:** Let me just open with a couple of questions to help set the stage. How have the atmospherics changed since the Windsor framework? That has been a positive contribution, I presume, to UK-EU relations.

**Fergus McReynolds:** Yes, it has, absolutely. The mood music in Brussels is considerably better since then. Since then we have also seen successive co-operation in terms of the agreement on the UK's full participation in Horizon. The mood music and the trust and co-operation between the two parties have improved significantly since that point and right up until the end of last year, when we had the agreement on the extension of the rules of origin agreement on electric vehicles.

There is a better mood in Brussels in terms of looking at how we can maximise the relationship between the UK and the EU. Those conversations and that level of co-operation have certainly improved markedly since the Windsor framework.

Q133 **Chair:** We not only have elections in the UK at some point either this year or in the early part of next year; we also have European elections and a new EU Commission. Could you just say a little bit about what the agenda for the new EU Commission looks like? I imagine its plate is pretty full.

**Fergus McReynolds:** It is, absolutely. The elections will take place at the beginning of June. There are a number of candidates who have put themselves forward in terms of Commission positions, including President von der Leyen, who has made it very clear that she seeks a second term as President of the Commission.

That ultimately will be a decision for the European Council to take, I suspect after the European elections, at which point there will have to be a confirmation vote within the European Parliament on the President's election. At that point, the member states will publish, I suspect in late June, around the June council meeting, their strategic priorities.

That will essentially give the new Commission its mandate for the next five years in terms of top-level political strategic priorities. Many of those



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are obvious and will certainly be part of the overall conversation both in Europe and in the UK: economic recovery, security, addressing the issues created by the Russian invasion of Ukraine, addressing migration and looking at how the EU can contribute to solutions in those areas. I expect those all to be part of that discussion.

It is also important to reflect that there is a lot of conversation in Brussels, particularly among the business community, about competition and the competitiveness of European industry. That was clearly central to a number of the candidates' election campaigns. I suspect that will feature in the priorities of the new Commission.

Q134 **Chair:** The one that you did not mention there was the transition to net zero, which is probably also going to loom quite large regardless of who becomes the next President.

**Fergus McReynolds:** I suspect it will do. It is important to reflect that any Commission President will need support across the House. It is an up-down vote. They will need an absolute majority of the European Parliament to support them. This time it will require quite a lot of different European political groups, including the Greens. I suspect that green deal 2 or a continuation of those programmes will be really important.

Q135 **Chair:** If I go through that list—migration, military security, economic security, Ukrainian victory, Ukrainian accession to the EU, the transition to net zero and competitiveness, both internally and when it comes to China and the US—those feel like big strategic ambitions for the UK as well as the EU.

**Fergus McReynolds:** Yes, absolutely. There is a huge amount of co-operation. There is often and always will be much more that unites us in terms of the positions that we take and our priorities. They are fully aligned. We want to see the same thing. The UK will be a strategic partner for the EU and likewise the EU will play that part for the UK.

Q136 **Chair:** The win-wins when it comes to the big strategic goals could get clearer and clearer.

**Fergus McReynolds:** Yes, absolutely. That is how the relationship will develop. It will be those areas of common objective, where we have a common goal and where it is mutually beneficial for the two parties to co-operate. That will be where the co-operation and trust will be built.

Q137 **Chair:** When we were in Brussels, we heard the phrase "strategic autonomy" a lot. We heard that Europe is looking for a strategic autonomy that perhaps it does not have today. There was some pessimism about whether there would be any progress on trade, regardless of who wins the White House. There was some pessimism about the nature of Chinese competition in the future. Strategic autonomy does open up the potential of all kinds of co-operation on critical supply chains and critical minerals. Is the basic idea of strategic



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autonomy something that the UK can contribute to? Is it in our interest to contribute to it?

**Fergus McReynolds:** Given where both the UK and the EU sit in terms of the global economy, the idea of finding partnerships and working with those who have common endeavour will be important. As the UK and the EU, we rely on our relationships globally. We are not self-sufficient. I suspect our future will be not in self-sufficiency, but in creating the strategic partnerships that benefit and deliver common goals. Certainly, the UK can be part of that agenda.

Speaking as an organisation that promotes global trade, it is essential that we focus on keeping trade open and fair, and do not allow protectionist tendencies to seep into this debate. It is quite clear that globalisation and the EU and the UK's part in the global economy will be important in the future.

Q138 **Chair:** If we are able to identify and work together on some of these strategic win-wins, is that good for UK exports?

**Fergus McReynolds:** I think it is. If you look at the transition period into the new relationship governed by the trade and co-operation agreement, we have probably seen quite a lot of the T in the TCA in terms of trade. Up until the conclusion of the Windsor framework, we had not seen very much of the C in terms of co-operation.

If there are more areas where we can create co-operation and common endeavour, it leads to the building of trust and allows both parties to explore the maximum that the TCA has to offer in terms of co-operation and potentially find new areas that can complement that work. As the parties seek that common endeavour, there is no reason why you could not improve the trade relationship between the two parties in an environment where trust is high.

Q139 **Chair:** Strategic win-wins are good for accelerating the pace of UK trade.

**Fergus McReynolds:** Yes, that is a fair summary.

Q140 **Chair:** We also heard that within the TCA, as it is currently drafted, there is potential for faster progress in energy co-operation, vehicle registration databases, IPR protection, health security, the mutual recognition of qualifications, trusted trader schemes and the digitalisation of veterinary certificates. Does that sound like a good working list of areas that are covered by the TCA but where co-operation could be deepened?

**Fergus McReynolds:** Absolutely, yes. The only one that is probably cross-cutting would be regulatory co-operation and finding mechanisms under the TCA to genuinely highlight how the two parties establish their regulatory environments, making sure we are taking account of each other in that policy development, and create the structures that allow us to have that foresight so that we think about each other as we develop policy and think about how we can create mutually beneficial systems.



Q141 **Douglas Chapman:** Good morning, Fergus. The Office for Budget Responsibility forecasts that trade between the EU and UK will be 15% smaller than if we had remained within the EU rather than come out through Brexit. The Business and Trade Secretary, on the other hand, has praised an Institute of Economic Affairs report arguing that Brexit has had little impact on UK-EU trade. Of these two diametrically opposed views, who is right? Who can we trust?

**Fergus McReynolds:** It is an absolute matter of public record that the British Chamber of Commerce EU and Belgium was on the record as supporting remaining in the EU. It is fair to say that a lot of political water has passed under the bridge since that time.

It is difficult to create comparators with remaining a member state and remaining inside the single market or the customs union because there were political decisions not to. The counterfactual to the TCA is probably more usefully leaving with no deal. There was a genuine possibility that the UK could have left the transition period without a deal in place. That would have created a lot more disruption, certainly to the trade in goods and the trade in services, but not just in that area. There would have been disruption in a vast area of regulatory co-operation that we still have under the TCA.

We are focused on understanding those businesses that have been successful in continuing to trade with the EU. Depending on the figures that you look at, a very high percentage of businesses have continued. The challenges remain and the challenges will get more complex going forward. We need to find solutions for those who have found it harder to trade with the EU in the new environment. We need to support businesses to understand that international trade is different.

One of the challenges that we suffered from historically is that we used to refer to sending goods into Europe from the UK as exports. We used to talk about exporting to Germany or France, but we did not do that. What we did was that we sold products and services on an open single market inside a customs environment.

For a lot of businesses, the challenge was to go from what we referred to as exporting to genuine international trade, with all the requirements to understand rules of origin and make sure you are aware of the entire supply chain feeding into your product, which has the ultimate effect on how and what you can sell into that market.

That change has been a significant challenge. Many businesses have overcome the technicalities of international trade, but there are challenges that businesses will face in the future. What we need to do is to create the mechanisms. The Chair made a very good point about things like trusted trader programmes, which can perhaps lower some of the barriers to trade and create simpler steps to trading with the EU.



It is important to champion those who have been successful, but also to understand the problems that were faced by the businesses that have stopped trading—there are certainly businesses that have stopped trading between the two parties—why they have done so and what we can do within the framework of the TCA to enable them to continue to trade.

**Q142 Douglas Chapman:** I am looking at a quote that was made in the *FT* by Peter Foster towards the end of last year. It was in relation to the Institute of Economic Affairs report. In simple terms, he was saying that the figures that we gave you earlier were mostly due to SMEs giving up trading with the EU because it is just too complicated.

From the chamber's perspective, are you seeing any change there? Do SMEs still seem to be particularly badly hit by this? If so, is that because they do not have the resources in-company to deal with some of the complications? Are there any sectors that are finding it particularly difficult to manage compared to what they had before in terms of exports into the single market?

**Fergus McReynolds:** Yes, absolutely. The evidence is quite clear that the businesses that have encountered the biggest obstacles tend to be SMEs.

It is important to say that a secondary impact in terms of businesses trading between the two is their historic trade profile. SMEs that were successful exporters outside of Europe to other parts of the world before the end of the transition period fared better because they were aware of their responsibilities in terms of the technicalities of international trade. They knew about the elements of rules of origin and the need to understand your supply chain. They knew their way around a customs declaration form. They understood those mechanics of trade.

It was not exclusively SMEs that were challenged. There were many big businesses whose only market was Europe, which had to do something completely new at the end of the transition period. That knowledge gap needs to be addressed.

It is important to reflect on perhaps two elements going forward in terms of the challenges. There are businesses that have already got over the hurdles in terms of the technicalities of international trade, such as customs declarations, understanding rules of origin and elements of controlled exports if they are in those particular sectors. That is something you learn once. It is not something that does not take time and does not cost money. It will continue to take longer to send goods between the two parties, and it will cost more to send goods.

If you can build a business model around that, you have the certainty to be able to do that. As I said, there might be things that we can do to help companies overcome the technical elements of international trade to allow them to export in the future. That is a question of co-operation between the two parties.



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However, going back to what the Chair mentioned in terms of regulatory co-operation, exporters do not have a lot of sight as to the direction of travel of regulatory changes in their markets. As you increasingly see divergence, either active divergence by either party choosing to do something different or passive divergence by one party regulating in an area where the other party is not, that is where you create potential technical barriers to trade, so non-tariff barriers.

The highly regulated sectors are the sectors that are likely to be most impacted by that. If you think about automotive, it is a highly regulated sector. Those challenges could potentially emerge there over time. Other highly regulated sectors include machinery and medical devices. Those are areas where you would probably have got over the technical elements of international trade and customs, but in the future you might see technical barriers to trade from regulatory change.

**Q143 Mark Pawsey:** Fergus, you told us that in the immediate aftermath of the decision it became more difficult for businesses to trade in Europe, but you also told us that many have overcome those barriers now and we need to champion those that make a success of it.

I would like to ask you about whether we are doing enough to champion those and to tell businesses that it is not as difficult as they think it might be, but I also want to ask you about what happened in the medium term. For businesses that had a good trading relationship with Europe, their situation changed immediately. Did they lose business and then have to regain it or were they sufficiently agile to maintain those relationships and continue to supply, particularly perhaps in the area of goods?

**Fergus McReynolds:** The evidence that I have seen on this is relatively anecdotal. It is not empirical data, but the evidence that I have seen is that the drop in trade, if you can measure that across the entire goods trade, tended to relate more to challenges in finding new business. Where existing relationships predated the end of the transition period, parties on both sides did their best to overcome those.

It is about being attractive in the market. You are absolutely right. Some of this is perception rather than reality. There was and continues to be difficulty in getting the right information to businesses about what the changes mean. For example, while CE marking is still applicable in the UK market, lots of changes in Government policy have created a bit of confusion in that area. There is a perception issue that trading between the two partners is more challenging than it actually is, but that should not take away from the fact that there are real challenges for businesses. Some businesses and business models just do not work.

I will take one example. If you were primarily a distribution-style business that was contract manufacturing outside of market, you would be producing something outside of the UK and EU, bringing that into the UK and then distributing it to European customers without any significant transformation in that product. That model really is not suited to the TCA.





You would probably split up those supply chains and bring the product directly into Europe to supply it. There are inefficiencies in that place.

There are some business models that do not work under the TCA. It is important to recognise that there are challenges that individual businesses will face, but in other areas some of those challenges can be overcome, with the right knowledge and time.

**Q144 Mark Pawsey:** In terms of those who have managed to maintain those relationships—as somebody who ran a business, I know it is much easier to maintain a relationship than to build a new one—have we done enough to get that message across? There remains a perception among businesses and SMEs, as Douglas has referred to, that selling to Europe was easy and now it is too difficult, so it is not worth going to the trouble of seeking that business.

**Fergus McReynolds:** Let me say that it is more challenging than it was before. It does take longer and it does cost more. If you have a business model that can absorb that time and cost, it is possible to make the business case to do that. You are right. We need to do two things, in terms of future recommendations, if we are going to look at changes or maximising opportunities under the current arrangement.

One is looking at the barriers. What are the things that have stopped people from doing it? Equally, there is a rich set of data from those who are successfully continuing to trade. What has enabled them to do that where other counterparts have not been able to?

You need to take both of those stories. You are absolutely right. What can we learn from those businesses that have continued to trade that will help businesses looking to do so in the future? Equally, we have to recognise that there are genuine challenges that will mean that the business case to export from the UK to EU, which might have been valid historically, is no longer valid under the current arrangements.

**Q145 Mark Pawsey:** Often, many of us see trade in terms of goods, particularly those of us from manufacturing sectors of the country, but the greater part of our trade is services. Has there been a difference? In goods, you put them on a ship and, if they go to the other side of the world, it does not make any difference, but if you are providing a service it is easier to do that with people who are on your doorstep.

I can certainly point to a company in my constituency that provides a service in Europe supporting some machinery. At one point, if a machine went down, they simply stuck a bloke on an aeroplane and he went to sort it. Now, of course, they need to go through a visa regime in order to get the engineer to site. Has there been a difference between our ability to maintain our businesses in goods and our businesses in services?

**Fergus McReynolds:** I think there has. Just on the point about being able to send an engineer to repair a piece of machinery that was sold by the company that the engineer works for, there is a provision in the TCA





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in terms of mobility that should allow for that to happen without the requirement for a visa. The goods plus services model to some extent is catered for in the TCA, and there is a way to continue to do that.

One of the challenges that companies had in that goods plus service model was that, traditionally, the service element—the repair, maintenance or installation—was done by a third party, and that cannot happen under the TCA. That is the provision of a service.

That leads me into that element of provision of services. You are absolutely right. The TCA does not cater for services in the way that it caters for goods. We should recognise that there is an incredibly ambitious mobility chapter in there in comparison to things that the EU has concluded in the past, but it does not suit our historic service relationship with the EU. That does continue, but there are some challenges.

In services and trade in services, it is also important to split out two elements here. There are financial services, and there is a set of requirements for that sector of the service economy that are very specific. In that area in particular, we welcome the memorandum of understanding between the two parties, but we still need a lot more work in terms of regulatory co-operation. A robust and permanent forum for discussion of financial regulations between both parties is essential going forward.

The secondary element of business services is business and professional services. In that area, you are really talking about recognition of professional qualifications as one of the key challenges that businesses are facing at the moment. There are provisions for that in the TCA, but they are not being maximised at the moment.

**Q146 Chair:** This point about mobility is incredibly important. You said there is an ambitious mobility chapter within the TCA. We are not using the full provisions of that chapter at the moment. Is that correct?

**Fergus McReynolds:** The challenge with the TCA mobility is that, predominantly, immigration of third-country nationals into the EU is a member state competence, so it is up to individual member states to establish their policies for that with third countries.

What the TCA did that was different was to create a set of minimum standards across the entire union that allowed for mobility to create slightly different channels of mobility. Areas of greater ambition certainly refer more to the goods plus service model, which is the one I talked to in terms of installation, repair and maintenance. That is something that you have not seen in the TCA or in trade deals before. From our perspective, that is welcome.

**Q147 Chair:** We heard from Commission officials that there was quite a big ambition for a new youth mobility scheme. Is that something that we



should be leaning into?

**Fergus McReynolds:** These are areas where you definitely have opportunities, and it certainly has been a challenge for those in apprenticeships or training in work. Those are real challenges.

It is a challenge on both sides. European businesses tell us that they also see challenges, particularly in sending trainees and apprentices into the UK market. If there is something that we can do in that area between the UK and the EU, it certainly has the opportunity to deliver more.

Q148 **Ian Lavery:** Mr McReynolds, you mentioned before in your comments that there is still a high number of UK exports to the EU that is being maintained and continued. Under the current trade arrangements, what sort of potential do you see being there to grow UK exports to the EU?

**Fergus McReynolds:** It goes back to some of the points that I made earlier. For the right businesses, there is potential. It is a big market. Both markets are relatively big to each other. The UK represents a relatively large market to the EU, but, as we are today talking specifically about UK export potential, the EU remains a large market. It remains a market that has an appetite for UK-produced goods and services, so the potential in terms of market draw is certainly there.

I would like to see greater levels of co-operation in the TCA. There is a huge amount that the TCA still has to offer. I see it very much as a floor rather than a ceiling. It is a set of foundations where we can grow co-operation that allows for greater trade between the two partners.

As I said, there are some business models in which that export potential no longer exists, because the TCA just does not fit that business model that existed historically. That is not going to be an area for export potential.

For those businesses that can overcome the technical elements, I would probably caveat that last statement with the importance of ensuring regulatory co-operation between the two partners to give exporters the certainty and visibility of regulatory change that allows them to have that consistency in market.

As an exporter developing an export strategy, you want to be there for the long term. It is not about having one customer once; it is about creating the overall market to continue to develop in that market, knowing what the regulatory environment is going to look like, and ideally being in a position to produce one product for multiple international markets. That is really important.

Q149 **Anthony Mangnall:** Thanks, Fergus. This is really helpful. Can I just start off with Mr Šefčovič's comment that he feels that the TCA has been in force for only two years and has not yet achieved its full potential? How do you balance that against Stefan Fühling's comments that the review period is not really going to offer any opportunity for amendment



or improvement?

What does full implementation or full potential look like, and how does it benefit UK businesses? What is your perspective about this review period? I will caveat it now. I represent one of the largest fishing industries in the United Kingdom. A lot of people are pinning a lot of hopes on 2026 as being a moment to be able to change things.

**Fergus McReynolds:** It is a very good question. In terms of what greater co-operation under the TCA looks like, it is about that point that I made earlier. It means looking at the TCA as the floor or the foundations for the relationship rather than a ceiling above which we cannot grow.

There is certainly untapped potential, I would suspect. As I mentioned regulatory co-operation, I will not go over that again, but that certainly has the potential for greater co-operation. Also, there is potential under the TCA for greater customs co-operation. The Chair mentioned trusted trader programmes. I would really like both parties to sit down and start discussing that in earnest, understanding whether there are things that we can do within the existing framework.

Coming to the review in 2026, I do not want to be flippant in this comment, but deadlines in UK-EU negotiations have never been particularly fruitful. Aiming at a particular point in time has not been particularly successful over the last eight years. Where we have the opportunity to create mutual benefit by co-operating either more within the TCA or in other areas that are mutually beneficial, why would we wait until 2026 to do that?

Getting to what is perhaps a difference of opinion between Commissioner Šefčovič and Commission staff, there is a difference here in terms of the technicality versus the political appetite for both parties to move beyond the TCA in 2026 and to address some genuine challenges.

I do not for a moment say that there are not sectors within the UK—fishing, energy and other areas—where the TCA in that respect may not be fit for purpose for the future. The appetite will be in two spaces. First, have we used the maximum potential that the TCA provides for mutual co-operation? Have we got to the limit of that, which then gives the case to both parties to say we need to go beyond it?

Secondly, what is genuinely in both of our interests? We have to focus on the things that the EU, EU industry, EU businesses and EU Governments want to see that align with the things that UK businesses and individuals want to see. It is probably more fruitful to focus on those big strategic priorities, such as the low-carbon, net zero agenda and what we can do to meet our obligations there. Naturally, from that common objective, areas where the TCA is not fit for purpose will make themselves very evident. I would focus on the common objectives.

Q150 **Anthony Mangnall:** That is very helpful, and I personally agree with every point that you are making, but within the trade and co-operation



agreement there are also the parameters of specialised trade committees, whether on fisheries, goods or services. First, what is your perspective on these specialised trade committees?

**Fergus McReynolds:** I think the specialised trade committees have not been delivering as they would have liked to have been delivering. Part of this is because of the inherent trust challenge that there was between the two parties historically.

It is a fair reflection that the commissioner has made that the TCA has not been used to its maximum potential over the first two and a half years of its existence. We are in a different place, as the Chair highlighted at the top of the session.

In terms of specifically the trade specialised committees, we would like to see more regular contact, both formal and informal.

Q151 **Anthony Mangnall:** Sorry, Fergus, I am going to interrupt you because I am conscious of time and the other questions we have. I really want to push you on these specialised trade committees, because, just taking the one on fisheries, they meet three to five times a year. The agendas are preset and they do not seem to be changing anything.

Who needs to be pushing for there to be better co-operation and enhancement of a relationship, whether it is in goods, services or fishing, to make these committees become more effective? Does it need ratification of all the other EU Parliaments to make sure that they meet more often and that you could consider rule changes in certain areas or standardisations in others?

**Fergus McReynolds:** I do not know the specifics of the fisheries specialised committee, so my apologies. I will talk more to the general point.

As I understand it, there is nothing that would require any approval by member states for more frequent formal and informal contact between the two parties. Across all the sectors that we look at, businesses on both sides would like to see more regular dialogue.

It is important that we have the strategic political direction that is given. We would certainly welcome a greater level of political guidance. One recommendation that the chamber has been exploring is a political summit between the UK and the EU on an annual basis that hopefully gives the top-level strategic priorities to allow the technical negotiations to deliver on political priorities.

Q152 **Anthony Mangnall:** Just on that, I want a clear ask and recommendation that we should be giving to Government. Just to be very clear, you are suggesting that we become more proactive around the specialised trade committees, use them to greater effect to be able to represent any one of the sectors that have been outlined in the trade and co-operation agreement, and make sure they are meeting more



regularly.

**Fergus McReynolds:** Yes, absolutely. I am very happy to stand that recommendation up. More frequent both formal and informal engagement between the teams in the specialised committees is something that the chamber is fully behind.

Q153 **Julie Marson:** Good morning, Fergus. We have talked about the regulatory environment and win-wins. Currently, we do not have an agreement on recognising product testing bodies. How valuable to the UK would such a mutual recognition be? Do you think there is an appetite to move on that?

**Fergus McReynolds:** It is undoubtedly valuable to the UK, and certainly the UK business community was very vocal in the negotiations in pushing that as a priority. As I understand, the UK Government in the negotiations had that as one of their key priorities. There was significant pushback from the Commission in terms of that.

There were probably two challenges in that area. There are different levels of recognition that we can talk about. One step is being able to certify against the European standard, so allowing UK testing houses and certification bodies in the first instance to be able to test to the European standard and be recognised for that.

There is a different conversation to be had about where regulatory alignment continues. Where the regulations remain the same in the UK and the EU, can a UK-certified product therefore be mutually recognised on the market? The latter is much more challenging. We can certainly explore the former in terms of looking at opportunities for recognising testing and certification houses in the UK that can do so to European standards.

However, the challenge in this area is going to be that it will not be blanket; it will probably be a more sectorial approach. I know that that was a challenge that the EU pushed back on historically in the negotiations. It wanted one approach for everything.

As time evolves, there is more of an understanding that different sectors in Europe will put pressure on the Commission themselves to see that there is a greater ability to find mutual recognition agreements. That means that I suspect that we are more likely to see that on a sector-by-sector basis, but there will be some level of oversight. I would not want to necessarily comment exactly on what that oversight means, but there will have to be a route of recourse for the EU in terms of allowing for mutual recognition.

Q154 **Chair:** I just have a couple of things to round things off, Fergus. We talked about the transition to net zero as being one of the big strategic agendas that we should work on together. The carbon border adjustment mechanism is about to arrive. There is currently quite a big difference in the carbon price between the EU and the UK. That potentially creates



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something like a tariff on about 4% of UK exports, worth about £7 billion. How worried should we be about this, and what do we do about it?

**Fergus McReynolds:** We should be concerned about it. You are absolutely right. What was originally seen as a technical barrier to trade and an administrative hurdle, where the UK and EU carbon prices were relatively aligned 12 months ago, has now become a genuine risk of a tariff barrier or an economic barrier. You will have the requirements of the administration to prove that there is a carbon system in the UK that accounts for a proportion of that carbon, but you will have to pay the difference in terms of the EU price and the UK price. It is concerning.

There are areas that we can look at in terms of co-operation with the EU. The chamber is supportive of exploring linkage between the UK emissions trading system and the EU emissions trading system. That would be a route to eliminating some of the challenges, certainly in terms of the cost element of the potential tariff barrier, if not reducing significantly the administrative barrier.

Q155 **Chair:** Do you think there is something of a grand bargain here? The net-zero targets for many north European countries rely on interconnectivity into the world's biggest power station, which is the offshore wind facilities in the North Sea. There is also a shared interest in derisking green supply chains, for example, looking at safeguarding critical minerals. Is there a broader co-operation agreement or a broader strategic agenda that we could agree here with the EU that would be good for us and good for the EU?

**Fergus McReynolds:** Absolutely, yes. If you look at the overall ambition of the EU and the overall ambition of the UK, they are fully aligned. They are now aligned in many areas on timetable, but they are certainly aligned on the overall objective of net zero. Neither party is going to reach that without the other. The EU is not going to meet its own targets without co-operation with the UK in the North Sea, and the UK is not going to meet that without co-operation with the EU.

I would absolutely say that this is one of those areas in which, if you take the overall strategic objective and work backwards from that, there are areas of improvement. There may well be areas where both parties realise that, to achieve their common goal, what we have today is not fit for purpose.

Q156 **Chair:** Finally, on export support, just to come back to the points that Mark Pawsey was making earlier, we are obviously interested in what the UK Government need to do to support exports. Some countries put public funds into chambers of commerce like your own in order to provide those support services. What is your view on how public money ought to be used most effectively to grow exports to Europe?

**Fergus McReynolds:** The British Chamber of Commerce EU and Belgium does not have a position on this specifically. I would be happy to take the



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question away and come back to you in writing rather than making that position up on the spot.

**Chair:** We will look forward to that. Fergus, thank you so much for your evidence. That has been absolutely fantastic and helps us build on some of the conclusions that we drew from our visit to Brussels.

Our tour of the planet now has to move on. We have gone from Seoul to Brussels, and now we are going to New York. For now, thank you very much. That concludes this panel.