

International Trade Committee

Oral evidence: COP26 and international trade, HC 605

Tuesday 21 September 2021

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Members present: Mark Garnier (Acting Chair); Anthony Mangnall; Mark Menzies; Lloyd Russell-Moyle; Martin Vickers; Mick Whitley; Craig Williams.

Questions 1 – 28

Witnesses

I: Dr Carolyn Deere Birkbeck, Director, Forum on Trade, Environment and the SDGs, and Associate Fellow at Chatham House; Gwen Buck, Senior Policy Adviser, Greener UK; Dr Emily Lydgate, Senior Lecturer in Environmental Law and Deputy Director, UK Trade Policy Observatory (University of Sussex).

Written evidence from witnesses:

- Dr Emily Lydgate and Chloe Anthony, Written evidence ([COP0008](#))
- Greener UK, Written evidence ([COP0017](#))



Examination of witnesses

Witnesses: Dr Carolyn Deere Birkbeck, Gwen Buck and Dr Emily Lydgate.

Q1 **Chair:** Good morning, everybody, and welcome to our first public meeting of the evidence session on COP26 and international trade inquiry. We have three excellent witnesses. Can I ask you all to give your name, rank and serial number?

Dr Deere Birkbeck: Good morning. I am a research fellow at Chatham House and also the director of the Forum on Trade, Environment and SDGs in Geneva.

Gwen Buck: Hi, everyone. I am a senior policy adviser at the environmental think tank Green Alliance. Green Alliance convenes the coalition Greener UK, which is made up of 12 major environmental organisations. We came together after Brexit to make sure that environmental standards are maintained and enhanced throughout the process and our focus is to look at international trade. So I am here representing the Greener UK coalition.

Dr Lydgate: Good morning, everyone. I am the deputy director of the UK Trade Policy Observatory, which is a partnership between the University of Sussex and Chatham House. I am also a senior lecturer in environment law at the University of Sussex.

Q2 **Chair:** Thank you very much. A question for all of you—a general question to get started. How successfully has the UK Government aligned their goals for the COP26 presidency to their free-trade agreement policy and their wider trade agenda? Carolyn.

Dr Deere Birkbeck: On the question on the alignment of the UK's COP26 and trade agenda, the key point for this Committee to note is that at present the UK does not have a clear trade policy agenda. Therefore, there is no clear sense of what it is trying to achieve on the environment or the climate front that this Parliament could hold it accountable for or that business and stakeholders could hold the UK Government accountable for.

The UK is making many good sounds, none the less, on the environment, climate and trade and that is very commendable. The recent UK Board of Trade report on the environment clearly set out the fact that the UK has a strong interest in advancing a climate-friendly trade agenda and that this is very important for UK businesses, and to align with the UK's own domestic commitments to a nature-positive economy and also to net-zero goals and to reducing its international carbon footprint. However, we have quite a long way to go.

At present the UK's focus at the international level has been on the liberalisation of environmental goods and services as a way of achieving



climate goals. This is important but there needs to be much more done to bring other countries on board in ways that also serve their interests in being part of a greener global economy. Of course, the UK can and should seek to export its own low-carbon technologies and other climate-friendly technologies, but it is important to find ways that other countries are interested in receiving these, integrating that into their own production and also that we find ways to support them to produce sustainably and export sustainably as well. This will require a very nuanced approach.

At COP26, as you know, there is not a lot of scope and appetite for trade-related discussions. There is specific work around Article 6 of the Paris Agreement, around transparency and rules for carbon markets, which I am sure Emily will talk about, but there is a concern that too much focus on trade issues at COP26 specifically, given a lot of the tensions around them, could undermine some of the other efforts to move forward with some of the outstanding issues around the Paris Agreement.

However, we can and should expect in the coming years, as countries implement more and more climate policies and more and more trade-related policies linked to their climate policies, that we will see more and more tension around trade issues, so it is important that the UK positions itself as a country that can promote co-operation, collaboration and co-ordination among countries around climate and trade intersections. Where the UK is doing very well is to take forward this dialogue around forest, agriculture and commodity trade alongside the COP, which is a plurilateral initiative that the UK is leading. That showcases a way forward in terms of building co-operation among producer and consumer countries on looking for concrete options and ways that they can green trade.

Q3 Chair: Can I leap in there, because you have raised a number of different things? There are two different ways that you can include climate objectives within a trade deal, one of which is that you can do a trade deal that promotes the type of export or products crossing the borders that are environmentally friendly—green technologies so you can have zero tariffs and free movement and all that kind of stuff—whereas on the type of technology that is the opposite of that you could bring about heavy tariffs, therefore trying to dissuade people from doing these types of trade.

The second way you can do it is something that I am not entirely comfortable about myself, the idea of outcomes-related trade deals. You write within a trade deal that you expect a country you do a trade deal with to reduce its carbon emissions by a certain target over a certain amount of time. My question about this is it is one thing, for example, to have tariffs and freedom of barriers to entry for that environmentally friendly type of product but it is another thing for a trade deal to then start policing another country's environmental policies. Can you give your thoughts on that?



Dr Deere Birkbeck: You raise a very good point. First on the issue of promoting trade in environmental goods and services, one point I would underline is even that would be about more than tariffs. It would also be about addressing the range of non-tariff barriers and standards and regulatory measures that in practice affect whether an environmental good can be traded and used in another jurisdiction. It is important to look beyond tariffs even for that side.

On the extent to which we should use trade agreements as leverage, it depends on who the trading partner is you are talking about and whether you have leverage over them. The key thing to do is to insist upon having at home a core set of environmental standards that you use to control what kinds of imports are allowed into your country, and that you work with trading partners to try to raise environmental standards everywhere so that you are not getting a race to the bottom and that your own producers are not disincentivised to move towards green production.

The key thing is to think hard about what tools help shift production to be more sustainable in the target country—in the trading partner—because it may be that your efforts to block imports, or have sanctions, may feel good at home but they may make no difference to the actual production at home. Those countries could simply export elsewhere. This happens with soy exports from Brazil. They can just export them to China instead.

The real key is to forge international co-operation around standards and raising the bar across multiple jurisdictions. It is important to articulate goals in trade agreements around environmental issues, to be sure, and to set out your expectations around particular environmental priorities of the country, but we need to have a nuanced approach. What works for Botswana will be different to what works for the UK or Australia or Malaysia or Brazil. We need to communicate about that trade policy in a way that the core goal is to support greener production at home and abroad.

Q4 **Chair:** Emily, do you have any thoughts about this idea of outcomes-based trade deals?

Dr Lydgate: It is a very live debate and has come to a sharp point in the UK with the UK's purported softening of its climate requirements with Australia. Is that just empty symbolic gesturing? Can we really demand that another country put quantitative emissions reduction targets in a trade deal? I would echo some of Carolyn's points in the sense that, yes, absolutely, the foundation of green trade is pretty simple. We need to increase trade and investment in low-carbon goods and services and decrease trade and investment in high-carbon goods and services. They are very concrete, pragmatic goals and we can do that through various regulatory and tariff levers.

On the other hand, there is another force at work here, which is the idea of generating global coalitions and global norms towards creating that goal globally and systematically. That is where this comes in in terms of if



all our trade strategy is focused on these mechanical levers and not on the bigger picture, then there can be a clash between decarbonisation domestically and working globally with allies to advance our decarbonisation agenda.

Q5 Chair: Gwen, you had your hand up but I am specifically interested in your thoughts. There has been a suggestion that the COP26 summit is probably not the best or the most appropriate forum for addressing trade issues with regard to climate and climate outcomes. What do you think about that?

Gwen Buck: Yes, what Emily and Carolyn were saying is a good point. I want to reflect back on the fact that it is 2021 and the climate crisis is happening. Because of that, we know that the economy is moving towards a much more decarbonised economy and COP26 is going to be incredibly important for promoting those economic levers that will push the economy towards decarbonisation.

One of the key things that we are looking for at COP26 is agreements around car phase-out, agreements around preventing deforestation, adopting electric vehicles and moving towards that decarbonised economy. The idea that tariffs could be separate from that shift does not make sense because we know that trade itself is important in pushing economic levers and is an important tool. To think about them separately as silos is a bit of an old-fashioned way of thinking. With the way that the economy is going, we know that it needs to be decarbonised and that is an important point to reflect on as well.

Q6 Chair: What you are suggesting is that COP26 is a policy-making place and then the WTO potentially is the implementation of that policy?

Gwen Buck: COP26 is not necessarily a policy-making place but it is a forum for discussion and it is a forum for showing the world what we have and how committed we are to decarbonisation. You talk about the WTO, and I am sure Carolyn would like to come into that, but there is a top ministerial conference with the WTO coming up at the end of November, after COP26. That could be a good place to reflect on trade because we know that trade is not likely to have a huge outcome at COP26 itself.

Chair: Carolyn, I am aware you want to come in but we are slightly pressed for time. You may get a chance to raise the point you want to if I hand over to Anthony Mangnall.

Q7 Anthony Mangnall: Can I briefly follow up with you, Dr Birkbeck, on the point that you just made around domestic standards or the need for international co-operation, because I am interested in this? Do you think it manifests itself in bilateral agreements or whether or not we should be pushing for better environmental policy and trade policy through plurilateral organisations—WTO, CPTPP, RCEP, NAFTA—all of these organisations where you have multiple players? Is it working when you try to do just a bilateral agreement? Obviously there are some questions



on Australia coming up later on, but is it better to be looking in that area rather than at just bilateral agreements?

Dr Deere Birkbeck: The biggest problem we have now is that in many, many countries we have a separation of climate policymaking and trade policymaking and we do need to bring them together. My point earlier was not to say that we should not raise trade interests in the context of COP26 or that they are not relevant, but we need to look for ways to foster more high-level dialogue and technical dialogue between trade and climate policy communities. That should happen wherever we can—bilaterally, plurilaterally and regionally.

The challenge of going deal by deal is that every one of those deals has its particular dynamics and particular mercantilist interests that countries are trying to advance in the context of a bilateral relationship. But the UK can and should have a policy that goes across those and says, “Here are our climate objectives”, whether it is Australia or it is Botswana or it is South Africa. As a country we still have the same climate objectives, we still have the same financial objectives and we should seek to advance those as much as possible through those fora.

At the regional level you have the advantage of having a greater number of countries around the table and at the multilateral level you have even more and the levels of ambition may vary among them. One of the things that the UK has not been involved in that it could be is the plurilateral effort to a negotiated agreement on climate trade and sustainability that is led by New Zealand with six countries. That is trying to be the pathfinder best way forward on climate and trade. That would be a place that the UK should engage in to try to work out what is the best kind of deal that we can get and then to work out how you can reflect that in other bilateral and regional agreements as well.

I would certainly not say that you should abandon bilateral agreements as a place for pushing these. They have to be pushed everywhere. As Gwen has said, it is urgent, the issues of transition are urgent and we have to be seeing trade policy as a tool for advancing climate objectives.

Q8 **Anthony Mangnall:** That is helpful, because it is not so much whether we should be abandoning it bilaterally, it is where it is most effective to put the policy in. I understand the UK, through WTO, is part of the Trade and Environment Sustainability Structured Discussions. We have the MC12 meeting at the end of November and the start of December. But the discussions thus far through the WTO have not amounted to a great deal, and certainly not agreement in a way that is meaningful and moving things along in the right shape as it should be. What more can the UK do to push those discussions along in the WTO?

Dr Deere Birkbeck: The great thing is that the UK is a sponsor of the structured discussions at the WTO. I would say that they have been extremely productive. You have to recall that at the WTO up until a few years ago you had the majority of the membership of developing



countries not wanting to discuss environment issues at all at the WTO. In the regular discussions that are held at the WTO now, you have dozens of developing countries participating and active, many very keen to find a way that they can support a ministerial statement at the end of the year that would include climate at its core and that would include a commitment to work together on the range of climate-related issues.

The challenge is that it is multilateral, it is not just the G7, it is not just the G20, and countries have significant economic concerns. Many of these countries are struggling to recover from Covid-19, they are concerned about a failure internationally to address a lot of the development concerns at the WTO but they also recognise that they have a huge economic set of risks related to environmental harm and climate risks. So they are keen to be partners in this discussion of how we make trade more environmentally friendly and how can they make sure that they are not marginalised from a greener global economy.

Understanding these dynamics is critical to understanding how hard the UK can push and what kind of deliverables one might expect from the WTO in the next six weeks or in the next few months. But I do think that we can and should, and the UK can and should, do more to support a statement that has 100-plus WTO members on it. At the moment we have 53. We need to show that the WTO can be a place for a multilateral discussion where all countries can be at the table and that we can bring them all along in this push for green transition.

That is different to a discussion at the G7 or the G20. It is about making sure that we design a trading system where we are not just favouring our own exports but we are enabling all countries to thrive in a climate-friendly, green economy. The key thing for me is it is less about new rules, it is about finding ways to have more concrete collaboration and co-operation around things to manage the fact that countries will be putting trade-related climate measures in place and so on. We need to co-ordinate and co-operate around those, at least at the multilateral level.

I think that the UK is doing a good job. It could do more to be reaching out, especially to Commonwealth countries and developing countries and to make sure that climate is at the heart of this. It could also sponsor a ministerial statement on fossil fuel subsidy reform. I was hoping the UK would be first to the table as a way of demonstrating its leadership. The EU just joined a few weeks ago and the UK has not yet. I would say that that is a critical thing for Parliament to push for going forward.

Q9 Anthony Mangnall: Very briefly, and I am on a bit of a fishing expedition here—you said the UK is sponsoring some of the discussions at the WTO. Are we showing global leadership on this topic? Two other side points. China is now actively ignoring quite a lot of WTO policy. What impact is that having in terms of the ambitions and the structures of WTO and its ability to come to common agreement? The third point on this is



CPTPP. There is a huge opportunity for what we can do within that organisation, especially in one of the fastest growing regions in the world. Will WTO and CPTPP align in terms of their policy around environmental aspects?

Dr Deere Birkbeck: On the first one I would say that the UK is engaged but not leading on climate at the WTO, but very much engaged. There is more that could be done. One of the key things that I would alert you to is the fact that it is very challenging for the WTO at a time when you are cutting your aid budgets. It is very difficult to have credibility as a country that can bring together developing countries in the way that we would normally have seen the UK do. You have this amazing connection with the Commonwealth and with many countries. One of the things developing countries will need in particular is more support.

Q10 **Anthony Mangnall:** Who is leading?

Dr Deere Birkbeck: Costa Rica and Canada are the convenors of the trade and environment structured discussions. The UK has chaired various discussions at the WTO. It is by no means absent but we would benefit greatly from the UK stepping up more to reach out more to countries and to help to find ways forward on this.

The point on China is that China is engaged in these discussions. It is not yet a co-sponsor but nor is the US. It made consultative suggestions last week on the draft ministerial statement. My impression is that countries like China, Brazil and the US would all like to see themselves as co-sponsors of this statement but that will be a very careful diplomatic exercise to see what everyone can accept. It may sound modest but I think if we can achieve a statement it will be the first statement in 25 years of the WTO that says that environment and climate issues are central to the organisation's future and to the future of the multilateral trading system. That is already a really big win. Then we have created a platform through which countries can push for more specific outcomes going forward. I would see China as an ally in this effort, not as a country that is trying to undermine it.

One last thing is the reason that it is not going to be a multilateral ministerial statement is because there are countries like Turkey and Russia and Saudi Arabia that refuse to discuss climate issues at all at the WTO.

Q11 **Craig Williams:** Could I ask you some questions, Emily, around your written evidence? Thank you very much indeed for that. In your written evidence you have suggested that Article 6 negotiations on carbon pricing at COP could have significant crossover with other trade issues. Could you explain that a bit further?

Dr Lydgate: Absolutely. I still start at the unilateral end and work to the Article 6 end, because we have not just the EU but some of our other climate allies, including us, thinking about possibly applying domestic carbon pricing to imports. The unstated position is, "We are concerned



about costs to our industry of our climate ambition. We do not have a strong international carbon price or multilateral framework for resolving these concerns, so we're going to impose these costs on everyone who wants to access our market".

I can see where this is coming from and the concerns behind it but the EU's proposal is high risk in the sense that it has very strong unilateral logic in terms of proposing to charge the same prices to all countries that the EU industry pays, without clearly reflecting common but different shared responsibility for developing countries. It is very difficult to be exempted. You have to be part of the EU emissions trading scheme to be fully exempted on a countrywide basis, so there is a diplomatic risk that it will alienate developing countries and potential developed-country allies that are going to be facing a lot of new trade barriers.

In this context, the international carbon market, which is the ultimate promise of Article 6 negotiations, could theoretically take care of this problem because you level the playing field for producers internationally. But there are some pretty significant obstacles to getting to a strong international carbon price through Article 6. What it comes down to is how you quantify each country's emissions in a way that is rigorous enough to form the basis of a market. If you look at, for example, the EU emissions trading scheme or the UK's new one, one of the secrets of success is having a strong regulator. The price starts to go up when the EU starts to tighten up supply in various ways. The Paris Agreement, on the other hand, is a bottom-up agreement and a voluntary agreement.

So getting to anywhere near a strong international carbon price signal does seem difficult but on the other hand the discussions are very useful because we are looking at hashing out modalities and rules for international carbon accounting, which also includes transparency. It can also inform countries' efforts to link their emissions trading schemes. So there is definitely potential there but also obstacles.

Q12 Craig Williams: Thank you. Could I draw you on Article 6 and what you will be looking for or what you sense would be a good step forward in terms of the negotiations at COP for underplaying this?

Dr Lydgate: The big issues that have come up in that space are first of all that some countries, including the UK, have been concerned about double counting. In other words, countries will sell off permits but still count those emissions towards their domestic target. How do you prevent that? Another issue is about how we deal with the Cleaner Development Mechanism, which is from the Kyoto Protocol, and whether those credits should factor into this system. Again the UK has been concerned about that on the basis that that was not a very rigorous system. Moving forward on those two issues and coming up with some way that we can be assured that there is not going to be double counting, for example, would be very useful.

Q13 Mick Whitley: My question is to Dr Lydgate. If the EU's proposed Carbon



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Border Adjustment Mechanism goes ahead, what position should the UK take?

Dr Lydgate: First, the UK cannot be neutral on this and it is not going to please everyone whatever it does. Is carbon border adjustment a good idea? It depends what your objectives are. It is probably a good idea from an environmental perspective. This is not strictly my area but from my peer review it does seem that if we tax carbon at the level that we need to to achieve net zero, it will probably cause some flight of UK manufacturing to what you might describe as emissions havens.

It is definitely a good idea from the perspective of priced-in and heavily traded UK industry—steel, aluminium and so on. It also might make the EU and other countries that are thinking about taxing imports for carbon more interested in talking to us about how to co-operate, which would also be a potential benefit for our industries that are very exposed to carbon border adjustment.

There are costs of doing it. For manufactured goods it could make inputs more expensive. It could prompt retaliatory tariffs; it could prompt a WTO challenge and it is seen as unfair by many developing countries because under the Paris Agreement they rightfully have less responsibility to mitigate climate change.

Gwen Buck: Is it okay if I come in on carbon border adjustments quickly, to reflect on what Emily said as well, reflecting back on COP26 specifically and the Paris Agreement? The Paris Agreement is all about shared commitments, and countries go away and they produce their own nationally determined contributions and each country works together to push that, whereas a carbon border adjustment mechanism is almost the opposite because it is kind of seeking leverage. The fact is that we do have to be careful when we are exploring this with developing countries, as Emily suggested.

I also wanted to reflect on the fact that I have not seen this anywhere specifically other than one or two headlines a few months ago about the idea that agriculture that is produced to lower standards could be prevented from coming into the UK through a CBAM as well. That seems like a very bad idea from where we are standing because it would not be able to show the pollution, biodiversity loss, pesticide use, any of the other environmental impacts when it comes to producing goods. So I wanted to reflect on that as well, thank you.

Q14 **Lloyd Russell-Moyle:** The EU got into trouble, did it not, when it tried to introduced some of the flight-tariff-pricing stuff—I cannot remember what the name of it was now—and ended up having to withdraw it. Is there a danger that some of this might not be WTO compliant and there is a lot of talk about it but it will never actually be implemented.

Dr Lydgate: Yes, the design question is important here. There is the diplomatic angle of it and the EU seems to be very brave here. It has real



moral courage around this proposal but that is definitely something to watch in the COP in terms of the types of pressures it experiences and how that interacts with other goals that it is advancing. Do countries say, "We're not going to co-operate with you because we're so upset about this proposal"? That is definitely a risk. In the past it has backed down, as you say. It did not extend the ETS to flights that had one hub outside of the EU. In this case I do not think it will back down but it could water down. It has already done now so now it is just a reporting requirement until 2028. That is how it could go.

In terms of the WTO law question, there are two things that are important. First, how do you decide who is exempted from these charges? Is the process clear and transparent even between countries and producers in these countries? Also, does it seem like an extension of a domestic requirement rather than a new and a different requirement? That is why, for example, applying it to agriculture, which is not taxed domestically, would be a no-go from the WTO perspective. The other thing is having a strong rationale so that you are not just doing this to protect domestic producers from foreign competition, you have an environmental concern about leakage, "We're going to drive all our domestic heavy industry away and increase global emissions".

The EU has been a student of these requirements and has tried very, very hard to meet them. I would raise a couple of questions about whether it has been successful in terms of creating an evidence base for carbon leakage and also its plan to keep free allocation. It has not really said how it is going to do that. Those would be the things that I would underscore as potentially problematic at this stage.

Q15 **Lloyd Russell-Moyle:** If you can do this for carbon, why not start doing it, as Gwen suggested, for lots of other areas? Does this change the game for international trade?

Dr Lydgate: I would like to ask the Biden Administration that, because the interesting question to me is whether we are going to start to seeing this as something that is decoupled from domestic carbon pricing. Are countries going to say, "You know what? We have a net-zero target and we're putting all kinds of requirements on our manufacturers. That's making it more expensive for them". Even if it is not carbon pricing, maybe it is performance standards, "As a result, we're going to do this too". That to me obviously is going against the logic of non-discrimination in the WTO because you are applying a tax to importers that you are not applying domestically.

That is a game-changer. There has been a lot of speculation about this playing into and being the next phase of this very contentious environment of trade policy as domestic policy and trade wars. I heard Joss Garman use the expression "carbon curtain". We can have carbon borders and a carbon curtain against China. Definitely there is a potential for this to be out of hand and create a lot of conflict.



Q16 **Mark Menzies:** My question is to Ms Buck. The COP26 presidency hosts the dialogue on forest, agriculture and commodity trade, known as the FACT dialogue. What outcomes do you hope to see on this?

Gwen Buck: Yes, the FACT dialogues are interesting dialogues that are happening around COP26. It is bringing together the top importers and exporters of forest products to try to create sustainable supply chains. In terms of outcomes at COP26, what we are hoping for is a roadmap, a five-year roadmap, of how that can be worked out together between those importers and exporters when it comes to creating those sustainable supply chains. So far we have 30 stakeholders in countries who are interested in us working together. It is something that we can learn quite a lot from. It seems like a positive initiative that was started around COP26 and one of the only ones that is quite specifically trade related. Yes, we are looking forward to those roadmaps.

What is also important is that we learn from this and DIT can learn from this as well, because at the moment this is being run by COP26 Unit and BEIS. As far as I can tell, the Department for International Trade is not involved. I might be wrong but that is as far as I can see. Yes, quite a lot of the outcomes are going to be trade related, so what we would love to see is DIT getting more involved in it.

Also Carolyn mentioned earlier the fact that the UK is lacking a coherent public trade policy and a trade strategy that we can hold up to the rest of the world and say, "This is our trade strategy. We want environment to be a core part of this, we want climate to be a core part of this and we want the UK to be able to reduce its global environmental footprint". That could be something that could help towards that as well. Reflecting on FACT and the way that the UK does its trade policies would be important.

Q17 **Chair:** Can I come back quickly on something you said, talking about having the environment as part of the trade strategy? I had a thought as you were saying that. There are a lot of people who may feel that they have other issues that they want to bring as part of a trade strategy, for example human rights is something that people feel very, very strongly about. Do you think that there is a possibility that if we allow some elements, for example climate change, or it could be anything, that we then open a floodgate of everybody coming in with their particular issues—animal rights, food standards. Food standards is part of trade policy, but we may get a lot of stuff and therefore we end up confusing the whole picture to do with trade policy.

Gwen Buck: That is a good question but what is nice is that Greener UK has been part of a bigger coalition that is being run by the International Chambers of Commerce. Other organisations, other unions and the like have come together and created what we see as a coherent trade strategy and the kind of thing that we would like the UK to adopt. The kinds of coalitions that you are talking about, we are already working together on. We are not against each other. We want the UK to be able to show global leadership around trade and we are supportive of each other.



Also just on your point around the differences between animal welfare, environmental standards and climate change, it is important to start thinking about these things together. Things like animal welfare can often also lead to environmental issues. If you are intensively producing, for instance, cattle, that might also lead to high pollution levels. It might be that they are grazed on land that was from deforested areas. So it is also important to start thinking of these things together as well.

Q18 Anthony Mangnall: Dr Birkbeck, does it matter in a bilateral agreement whether or not you include references to an international agreement, say the Paris Climate Accords?

Dr Deere Birkbeck: Absolutely it does matter, yes. These are ways in which you signal your intentions and your national objectives. Alignment between the climate and trade agenda is very important. If you look at some of the most powerful interlocutors that you have, the EU has clearly stated that climate policy is central to its trade agenda and it wishes to make them an essential clause in future trade agreements. The US's new trade strategy in January this year clearly stated that climate was an objective and it will pursue that through its bilateral agreements, including by going back and inserting a reference to the Paris Agreement in existing agreements that do not have them or did not have them under the Trump Administration. So you would just be behind the curve if you do not try to explicitly advance them.

Q19 Anthony Mangnall: What supersedes another? Does a bilateral agreement supersede an international agreement like the Paris Climate Accords? There was obviously some reporting over the summer about the fact that there was potential for the removal of the reference to the Paris Climate Accords in the UK/Australia trade deal. Do you need to reassert that in the trade deals at all if each of the countries is a signatory to that agreement in the first place? Surely the objectives and the ambitions still stand.

Dr Lydgate: The point you raise is a good one. If Australia, for example, is already a party to the Paris Agreement, then what is the value added of including that in an FTA? There is no way that the UK could hold Australia to its international obligations in the Paris Agreement. That is not how the Paris Agreement works, certainly not through an FTA either. What this is about is a sense of accountability between the trade partners about their larger objectives and their direction of travel, which is decarbonising their economies. That is not just an environmental goal, it is also about trade and competitiveness and the level playing field, because decarbonisation can be expensive for industries.

Again, we do not know precisely exactly what happened in those discussions but my understanding is that Australia was dodging the specificity of having quantitative targets. That is my understanding. That is important because the more specific the targets, the more that there is a sense of measurability, accountability and specificity to what is being agreed. In trade agreements we have a lot of overarching rhetoric, and



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that is great if you think it is great but if you want to be able to understand whether those commitments are being met, then they need to be measurable. That is where that concern is coming from.

Q20 Anthony Mangnall: I am going to come back to you, Dr Birkbeck, on this, but it is also important to note that it has been refuted by spokespersons from DIT that the removal of the Paris Climate Accords is even happening at all. It is just this point about surely the commitment to work together is the thing that is going to see progress. We have already signed the Paris Climate Accords and we have to carry on trying to meet those targets, but the commitment through a bilateral agreement to work further together is perhaps the most pertinent point because that is the progress and that is the ambition that we want to see set out in future bilateral agreements.

Dr Lydgate: Yes, absolutely, it is just what weight do we put behind that and do we see it as something that is conditional on our trading with the trade partner. Do we make such a statement that this so important to us, for example, as the EU has said it will do, that we will be willing to suspend preferential trade through the agreement if this country is not filling its agreements?

Dr Deere Birkbeck: It depends on how serious the UK is about driving its climate ambition and how urgent it thinks it is. Countries like Australia—I hold an Australian passport—we are one of the world's total laggards on climate action. To be forging international deals with a country that is unwilling to meet its international commitments on that front and not putting this front and centre to me looks like the UK is not taking its own commitment to climate action seriously. I think it needs to be up there. You are not an outlier in doing that. Far more powerful trading partners are also putting climate action at the centre of their trade policy. Australia should be pushed and we should be using all the diplomatic means that we have in order to do so.

The other thing I want to say on this is that what we need to be doing with the trade conversation is looking for ways to harness trade and trade policy in a positive sense. The problem I have with the discussion about removing trade benefits and CBAM and all of that is that it distracts us from the fact that what we need to be trying to do is to help businesses, green supply chains, export more good stuff, phase out the bad stuff.

There are many different things we can do. We can look at supply chain measures, we can look at a set of non-tariff barriers that currently slow down trade in green-trade goods, or perversely favour the bad stuff, like subsidies that enable or incentivise unsustainable production. We can look at using green procurement and investment provisions to drive the green economy. We should be looking at trade policy as a way to help incentivise that economy and to focus on agricultural trade that is green, for example.



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We can flank that with environmental standards at home, but we need to be looking for a more positive discussion. That is why in my work I am focused on the idea that we need coalitions among trade ministers for co-operation on climate action. I am publishing something this week where I will say the UK could, for instance, lead at COP26 and say, "Let's have a trade ministers coalition for co-operation on climate action", where we can come up with a positive agenda on some of these issues. They are tough and they are super complex. We are not going to solve it with a simple rule or a simple line in a trade agreement; it is going to require hard work.

I also think the UK could lead on a high-level summit on climate, trade and development. That would bring together all the relevant multilateral actors providing climate trade, development finance, and work out how we are going to shift this economy. The UK is a leader on green finance. You have a role to play there and these are practical things that would help us to move forward. The UK can lead other countries on net-zero export credit portfolios. These are practical things that would help shift and that is where our emphasis needs to lie. Trade agreements are obviously very important but we need to be looking for ways forward through co-operation and the UK can play a much stronger role in doing that.

Q21 Anthony Mangnall: I am sure you will have written something on those suggestions and I would like to see them because I am particularly taken with that point about a trade ministers coalition.

Last week *The Times* reported the UK as one of the leaders in the G20, in fact the leader of the G20, but that it was still below average in terms of the expectation of what we are doing on climate change. Does that have any impact in terms of raising the bar with other countries, Dr Birkbeck?

The second point is CPTPP. Sorry to go back to this but if America were to join that would be 36% of global GDP. How much do you think that that organisation, that body, will be able to set the standards on environmental policy and trade?

Dr Deere Birkbeck: On the G20 the UK is trying to play a strong role there on climate and trade. We need the G20 to come out with a strong statement on this. My call for this wider trade ministers coalition is to say we desperately need to connect all of these forums up—the UNFCCC, the WTO, the G20, the G7—as a place where trade ministers can collaborate across these fora and also that you are not limited to the top 20 economies. There are the other 120 economies out there who desperately want to be part of this conversation. A trade ministers coalition would be one that engages a broader set of countries and countries that are also super concerned about the immediate climate impact on their trade, so around the adaptation strategies.

On the CPTPP, I would say there that it would be a good pilot case because you have such a diversity of countries. If you look at the APEC



region, many APEC countries are part of CPTPP and they are doing some quite sophisticated things on environmental goods and services at the regional level. They are having discussions on things like fossil fuel subsidy reform. So it would be a place to try to forge dialogue around climate action and it would be useful for the UK to seek to do that through that forum as well.

Q22 **Lloyd Russell-Moyle:** Carolyn, you mentioned other measures that could be taken to progress things. You listed a number, but are they not just all more complicated versions of implementing some sort of carbon border adjustment? If you are going to get rid of tariffs or promote procurement policies that require you to procure with a green mind or carbon hat on, these are just more complicated ways of pricing in the additional cost of reducing carbon, are they not?

Dr Deere Birkbeck: No, I think they are different things. The point is that within the existing trade system that we have, we have tools for promoting greener trade. We have agreements on government procurement at the WTO so that we can look at ways to ensure that there are incentives for green government procurement within that.

BCAs are a much blunter tool. You could have a BCA and still not solve any of the barriers. Say the UK wants to export wind turbines to developing countries. A BCA will do nothing to help you do that. What you need to do is engage in conversations with countries about their policies around things like standards, their non-tariff barriers, regulatory measures, the scope for complementary services investment in their country—

Q23 **Lloyd Russell-Moyle:** I grant you for outward trade, but for inward trade and for inward procurement, what is the advantage of what would seem in my view more bureaucratic measures that might be agreed but that require reams of paper and civil servants and councils and Governments up and down the country having to look at additional ways of looking at procurement rather than just pricing it in the goods initially?

Dr Deere Birkbeck: The challenge there is whether you are trying to just protect your domestic market from—

Lloyd Russell-Moyle: No, you are not trying to do anything to your domestic market, you are trying to make sure that your domestic consumption is not ruining the planet.

Dr Deere Birkbeck: Yes, but then you need to look at how you are going to drive more sustainable production in your trading partners. It depends how broad your BCA is but at the moment people are talking about focusing on a very narrow set of sectors and a narrow set of trading partners—

Q24 **Lloyd Russell-Moyle:** The sectors are the top carbon polluters—fertiliser, steel and so on. If you tackle those, you have solved half your problem, have you not?



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Dr Deere Birkbeck: I will turn to Emily. She is more expert on the BCA issue.

Lloyd Russell-Moyle: Gwen has her hand up.

Gwen Buck: Yes, I want to come in to again reflect on the fact that carbon is why we are doing what we are doing. We are trying to reduce as much carbon as possible. In order to do that, supporting nature and biodiversity is absolutely essential so we need to see carbon reduction at the same time as supporting our biodiverse areas to regenerate and support them as much as possible.

That is why it is important to make sure that, yes, we need to count carbon and that is extremely important and it will help us to deliver a certain amount, but we also need to do things like introduce core environmental standards. In the UK here we are starting to get a really progressive agricultural system where we want to give farmers public money for public good, supporting them in creating more biodiverse areas in their farmland. Yet what we are seeing with things like the Australia deal is potentially them being undercut by a lower standard from abroad. Yes, carbon border adjustment is one thing but we also need to be looking at other ways that we can protect and enhance our environment a bit further as well.

Chair: We are running out of time, sorry.

Q25 **Martin Vickers:** Gwen, what should be the UK's priorities on climate trade issues for the remainder of their COP26 presidency?

Gwen Buck: There are few different things that we need to do. There are some positive ones. We have already talked about FACT dialogues. Seeing that through could be something positive. Thinking about a coherent trade strategy that Carolyn and I have talked about during this session is something that we would love to see and something that the UK could hold up to the world and say, "This is what we want out of our trade. We're going to reflect it on our COP26 priorities as the host".

It is also important to remember that being hosts of COP26 is throughout the year. Yes, we do have a conference in a couple of months, but the presidency lasts a year. What are the different things that we could be doing throughout that year as well to reflect on trade and climate as well? However, that being said, we have seen concerning things like suggestions that temperature expectations have been removed from the Australia trade deal. We want to make sure that while we are going forward in some respects we are not also going backwards.

Dr Lydgate: My comment is similar, at least in spirit, to Carolyn's. I had a brief look at her paper and it is fantastic so you should definitely read it. You have a forum problem with trade and climate and that is one of the things that has come out of this evidence session. The Paris negotiation is not looking squarely at trade issues, the WTO negotiations



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are not looking squarely at climate issues, although they are moving more in that direction, which is very positive.

The fact that countries are decarbonising in different ways at different rates is a trade problem. That is one of the hard problems of climate change mitigation. This is not at the margins; this is at the centre of what is hard about climate change mitigation. Where that leaves us is we need to take a multi-forum, multi-pronged approach, not just the WTO, not just the COP. What does that mean concretely? Within that I have a laundry list. EGS negotiations is one thing, thinking about a convening and a research role—how do we define environmental goods, how we do bring forward environmental services discussions, in a way that reflects what developing countries are interested in? Carbon pricing is absolutely urgent. We have this proliferation of interest in carbon borders. Can we use the OECD, can we use the G20, can we use the structured discussions in the WTO to talk about how we can recognise equivalence of carbon pricing and climate mitigation goals to reduce trade barriers?

Another thing that has not come up is regulatory harmonisation in terms of creating international standards. There is an ISO standard for carbon footprints, for example. Can we use that, can we develop a more mutual recognition of minimum energy performance standards? That is something that facilitates trade and can further climate goals.

Linking our ETS scheme with the EU is a very simple thing that we can do that will in one stroke remove a lot of potential trade barriers with the EU. Joining the ACCTS is something that we could do that shows we are interested in advancing those discussions. That also includes fossil fuel subsidies, co-operation in an interesting way. The FACT dialogue, having a trade strategy. Those are just repeating what has already been said.

Dr Deere Birkbeck: I endorse most of what has been said. To add to that one, and coming back to your point on the BCAs, a productive way forward would be to focus on climate standards and regulations to see if we could harmonise them. Then you would have trade on a level playing field. In a way that is what all the work around BCAs is trying to do. I would never underestimate the degree of mistrust and concern there is among a huge number of trading partners around BCAs and the damage that this could potentially do to trading systems and trade co-operation more broadly. So I would focus on looking for ways that we can foster more transparency, co-operation and co-ordination around climate and trade policy. This is all really new; it is all hard and there are no easy answers. I would say the trade ministers coalition, if the UK could lead on something like that, would be fantastic. Getting the UK to do more work to support the ministerial statement at the WTO to create a vibrant forum that we have at least 100 countries engaged in would be fantastic. That provides a space for this climate and trade discussion.

The UK could support a high-level discussion around trade, climate and development, which I think would bring together the UK's sustainable



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development commitments, its open trade agenda and also its climate agenda. I cannot understand why the UK is not a co-sponsor of the fossil fuel subsidy reform effort at the WTO. It is hard to be a leader on climate change when you are not part of that game.

Also around environmental goods and services, the UK is one of the strongest advocates in the WTO context, which is important and brings a strong climate lens to that, but we need to find ways for the UK to have the discussion that it is about how do we promote environmental goods and services from all countries so that we are willing to have a discussion around environment and trade that goes beyond our own export interests. This is about how to ensure that everyone is producing and exporting greener goods and can gain something from that shift to a greener global economy. That is hard but that is the direction. It is less about saying, "Let's just liberalise tariffs on the top 100 items we like", but more about seeing how we can support a shift through tariff and non-tariff measures, looking at services as well and looking at the supply chains that are most critical to the climate goals that we have and working with countries to address those. There is a lot for the UK to do. It is wide open and there is no leadership from any other country, really, on this collaborative agenda either, so the UK could make a difference by stepping up on this.

Q26 **Martin Vickers:** All the objectives are desirable but how much should we be prepared to limit the development of the less developed economies by placing additional burdens on them?

Dr Deere Birkbeck: My point is precisely we should not and that is why we need—

Martin Vickers: Inevitably it seems to me that this could disadvantage. You spoke earlier about Botswana and compared it to Australia and so on and said something to the effect that we should use trade as a tool for advancing climate objectives. But in doing that, we could disadvantage some of those poor countries, could we not?

Dr Deere Birkbeck: We could but what we need to look at is there are many businesses in those countries that are very keen to compete in green markets. They have green products that they want to export. The challenge is that they face a lack of market access for those products, lack of finance and investment in their own green industries, and trade finance for their exports of green products. So it is about asking how we can help them to be players in the green market. They do not want to be marginalised in it. Many countries themselves recognise that producing unsustainably is bad for their own populations, it is bad for local pollution, for sustainability, for their ability to produce long term. They are allies in this. They do not want to be approached through a series of trade bans on their exports. They want to see co-operation as to how they can be part of this.



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That is where the UK has a critical role to play and why we should talk less about things like BCAs, which sound like all we want to do is block all trade with the rest of the world, and talk about how we can co-operate on decarbonised, nature-positive trade. To me that should be the framing and the discourse around this.

It will mean there will be losers. There will no doubt be losers and then we need to think about transition. The EU is doing this with aluminium exports from Mozambique that will be touched by its BCA, but it has a programme of dialogue and discussion with Mozambique to work out how to help the Mozambique aluminium industry to be greener so that they can comply with EU requirements. The whole point is about raising the standards; it is not about blocking people's trade.

Q27 **Chair:** We have come to the end of the session, but one last question to you all and a 10-second answer each if you could. We have a brand-new Secretary of State and two new Ministers in the Department for International Trade. If the new Secretary of State could do one thing to change what they are doing in terms of your interests, what would that one thing be?

Dr Deere Birkbeck: The first thing would be to develop a clear trade policy that puts climate at the heart and that addresses how you are going to support developing countries so that this also reflects the UK's wider sustainable development goals. We know that climate-friendly trade can be good for UK business. We need to work out how it is good for your other partnerships and international goals.

Dr Lydgate: Absolutely, I was going to say as well a clear trade strategy that is actionable and has specifically defined goals and approaches that it proposes and that is also consultative domestically.

Q28 **Chair:** Gwen, feel free when you are answering this question, if you have already had your answer given, to rate your engagement with the Department for International Trade out of 10.

Gwen Buck: I was going to say the same as Carolyn and Emily but because they have already said it, though it is tempting to say to respond to the Trade and Agriculture Commission, which has been six months in the waiting, I am going to say develop a set of core environmental standards to make sure that our standards here in the UK can do exactly what Carolyn was saying and help drive up standards across the world. On engagement, it's got better.

Chair: A rising trajectory.

Gwen Buck: Yes, I am looking forward to Anne-Marie Trevelyan being Secretary of State.

Chair: Fantastic. Thank you all very much indeed for coming in. That brings us to the end of this session. We are grateful for your time. It has been a very useful and very informative session. Thank you.