



International Agreements Committee

Corrected oral evidence: UK-Australia and UK-NZ trade negotiations

Wednesday 8 December 2021

4 pm

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Members present: Baroness Hayter of Kentish Town (The Chair); Lord Astor of Hever; Lord Gold; Lord Lansley; Baroness Liddell of Coatdyke; Lord Oates; Lord Razzall; The Earl of Sandwich; Lord Watts.

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Questions 11 - 23

Witnesses

I: George Riddell, Director of Trade Strategy, Ernst & Young; Dr Emily Lydgate, Deputy Director, UK Trade Policy Observatory, and Senior Lecturer in Environmental Law, University of Sussex; Anna Sands, Trade Policy Specialist, WWF UK.

Examination of witnesses

George Riddell, Emily Lydgate and Anna Sands.

Q11 The Chair: Good afternoon and welcome to this session of the International Agreements Committee. My name is Dianne Hayter. Today we are looking at the climate commitments in the UK-Australia agreement in principle and, indeed, touching on New Zealand. Our three witnesses have kindly agreed to help us in our consideration of these agreements: Dr Emily Lydgate, George Riddell and Anna Sands. Would each of you introduce yourselves?

Dr Emily Lydgate: I am a reader in environmental law at the University of Sussex, and the deputy director of the UK Trade Policy Observatory.

George Riddell: I am director of trade strategy at Ernst & Young. I am based in London and have a long-standing interest in trade and environmental affairs.

Anna Sands: Hi. I am a trade policy specialist at WWF UK.

Q12 **The Chair:** Thank you very much. This session is, in theory, being broadcast live. In fact, there may be a slight hiccup, but it is being recorded and it will be streamed later. There will be a transcript, which you will be able to check to see that we have caught all your words correctly.

I will start with a general question. What is your assessment of the green trade report, which was published by the Board of Trade in the summer, I think? Do you think it sets out a comprehensive green trade strategy for the UK? If you do not, what would you like to see from the Government? Perhaps we could start with Dr Lydgate.

Dr Emily Lydgate: I will just make one observation, but it speaks to the larger point that the green trade report can be quite conceptual in places. I find it stronger overall on what we want to achieve than on how we achieve it. We see that, for example, in how the report deals with FTAs. Essentially, the report says that UK FTAs will be best in class; they will secure a high level of environmental protection but also be liberalising. This all sounds good, but it is too vague to meaningfully assess whether the Government's approach thus far upholds this.

In contrast, the Trade and Agriculture Commission report, for example, had the specific recommendation that we remove tariffs only when trade partners meet defined environment and climate standards. So we can hold that up and say, "Okay, the UK Government have disregarded this recommendation. They've gone for full and unconditional tariff liberalisation", and then we can ask what the consequences of that might be. So the policy choice and its potential consequence become more evident.

I would call for a strategy that is less descriptive and more specifically proscriptive across a range of issues. Actually, George's comprehensive green trade strategy report can nicely complement my comment by pointing out a range of issues to which this applies.

The Chair: Thank you. In that case, you have introduced who should be next, which is George Riddell.

George Riddell: Thank you. The green trade report that was published over the summer certainly sets out the benefits of greening the UK's trade. However, it does not put forward any concrete policy proposals for the Government. That speaks to the fact that it is a Board of Trade report, not a DIT report. That distinction has been made by DIT a number of times; the Board of Trade is not there to develop policy measures. That tension with the report means that ultimately it does not end up providing a UK strategy, because there are no policy measures in it, really. One of the frustrations that, as Emily said, I experienced after reading that and some of the other work done on green trade is really about wanting to set out the universe and possible policy actions that the Government could take.

Together with Sam Lowe, who I know has appeared before the committee previously, I wrote a report that called for a comprehensive UK green

trade strategy. We cover four main areas in it where we think that the Government have possible policy levers that they can pull. One is trade negotiations and trade co-operation. The second is the unilateral actions that the Government can take in their trade policy without necessarily needing to agree with other countries. The third is decarbonising international trade and supply chains, and taking that business perspective. The final area is the possible government incentives that are available to support green trade strategy.

There is a huge universe of possible tools that the Government could be using. They are using some of them, but we have not yet seen them pulled together in the comprehensive way suggested by the question.

The Chair: Thank you. Anna Sands, would you like to add anything?

Anna Sands: It has been great to hear Emily's and George's comments, and we at WWF UK would agree that it is not really a trade strategy or trade policy. It is an independent bodies advisory document, so we would want something that is adopted by government that, like Emily and George said, has specific recommendations, but also something that goes through a more widely consulted process and is therefore a more legitimate policy. We would want a published trade policy that sets out exactly what the Government would do.

In terms of the content, we were particularly concerned about the ways the report deals with greenhouse gas emissions from agriculture. That is a particular area of focus for WWF. We have been working on the agricultural trade aspects of both the Australian and the New Zealand deals. The issue with the way they are presented is that they are taken in quite a narrow way. The report looks at the emissions from agriculture, but it is not looking at the other environmental impacts of agriculture in the countries that the UK could trade with. Therefore, it is not very comprehensive in looking at that potential environmental impact. We have a briefing that comments on that, and more generally on the ways in which we might measure environmental impact. We could share that after the session, if that would be helpful.

It would also be good to raise the kinds of things we would want to see instead of this kind of report. We would like a published trade policy that also included how we might deal with other issues that are involved in trade, such as international development issues, but that also looked at the more institutional elements of trade, such as what kinds of dispute settlement mechanisms we have in trade agreements. So it would be much more detailed and specific about what we would include in trade deals.

We would also want a set of core environmental standards that would set a minimum threshold for sustainability for all the products that we import; I know the committee has already spoken or written about that in

one of its reports. It would capture more of the aspects of environmental impact than just carbon or greenhouse gas emissions; it would look at water pollution, soil pollution et cetera.

The Chair: Thank you for the offer of the document, to which we say yes please. Forgive me, I should have welcomed Baroness Parminter, who we have with us today. Baroness Parminter chairs the Lords Environment and Climate Change Committee, and I am sure she will also be interested in the comments that are being made. So you get a double whammy, if you like, for your evidence today.

Q13 Lord Astor of Hever: What are the benefits of including climate and environmental commitments in trade agreements, and to what extent can they support discussions and commitments made in other international fora?

Dr Emily Lydgate: That is a big question, but I would point to two areas in which I think this is useful, including environment and climate commitments in trade agreements. The first is a kind of competitive perspective. If we think about a climate commitment that we agree with our trade partners, for example that we will both implement the Paris Agreement or have a net-zero target, that shows us that we will both decarbonise our domestic economies, with all the costs that that entails, and that there is less likelihood that we will be competitively undercut by countries with lower regulatory requirements on climate. That is one area in which it is useful.

The other area is more of a co-operative element, which is that if we can use an FTA to harmonise, for example, energy efficiency standards to liberalise environmental services—basically to show that we are going to work together—we can avoid trade barriers pursuant to climate and environmental regulation, and we can also show international leadership. Hopefully those efforts can blend into multilateral discussions.

The Chair: Obviously, others do not need to repeat anything if they agree, but if you have anything to add, that would be really welcome.

George Riddell: Thank you. There are three aspects that I would like to focus on. One is that a trade agreement, at its heart—and there has been increasing recognition of this over the past 10 years—should at the very minimum do no harm when it comes to environmental and climate concerns. Originally, we saw the development of sustainable development chapters or environment chapters, which was about the two countries or two blocks co-operating on environmental issues and committing to multilateral environment agreements and various other things. As Emily said, it was really that co-operative element, in that specific chapter, that was quite often a standalone chapter within the trade agreement and normally only a government-to-government body in terms of the regulatory co-operation that they set up.

Increasingly, there is a movement towards mainstreaming environmental concerns through other chapters in a free trade agreement, such as chapters on lowering tariffs on environmental products, lowering

restrictions on environmental services, agreeing to minimum common standards, and TBT chapters where you are seeing these environmental concerns starting to be reflected throughout the wider trade agreement, which is certainly a positive step.

The final bit, which really comes down to a trade agreement, is all very well; you can sign the agreement and have it on the statute books, but it really depends on the amount of resource—in time, money and people—that each side is putting in, not only in the implementation of the agreement going forward but in using it as a building block towards future co-operation on things like technical environmental standards and other areas.

So, yes, you have the market access and other commitments in the agreement, but it is what you make of it, and hopefully the Government will put more effort into building that institutional capacity in order to make it as effective as possible in the future.

Anna Sands: We obviously want the environment chapters or the sustainability chapters in trade agreements, but they do not solve all the problems that we might face with trade agreements. That is partly to do with how they are framed. They are usually written in quite broad and vague terms. They are about co-operation. They are about setting a framework for what Governments want to work towards, but they do not set very clear objectives, and sometimes they do not even have any enforceability mechanism. There are others that do have an enforceability mechanism, but, again, that is only enforcing quite vague objectives. We want them there, as they have an important symbolic value—they encourage co-operation and so on—but we do not think they will solve the key issues.

That is why we need something like core environmental standards or other kinds of policies that can exist outside a trade agreement that would actually impact on what we import and how we look at the things we keep or the kinds of regulations we might apply to that. We think this could happen outside free trade agreements, which would then mean that it applies not just to that one deal but across the board to all the kinds of products that we might trade in. In that way, it would be less likely to discriminate between countries, because it would ensure that all countries that the UK deals with have exactly the same conditions.

So we would say that these types of legislation that apply to trade are more important with regard to the environmental impact than what goes into the environment chapter per se.

Q14 Lord Oates: You will be aware that it has been widely reported that specific references to the Paris Agreement and targets were removed from the UKAustralia FTA. To what extent do you think those removals are significant, and what are their potential impacts? In the context of George

Riddell's answer to the earlier question—that the first important thing was that these FTAs did no harm—and given these removals, do you think this FTA does no harm?

George Riddell: I would start by saying, as an Australian national, that I certainly do not agree with my Government's position historically on climate change.

The Chair: I do not think we were holding you personally accountable.

George Riddell: Australia has certainly not been at the forefront of tackling climate change. There are some indications that it is starting to shift, but certainly, I would argue, not quickly enough.

In terms of not being included in the trade agreement itself, as Anna said there is a symbolic aspect to that which is not encouraging. However, Australia is a signatory to the UNFCCC. It is signed up to the Paris Agreement, and the fact that it is not in the trade agreement should not mean that Australia is not making progress against the net-zero commitments that it has made, even if we do not feel that that is necessarily happening quickly enough. There is a symbolic point there, but not necessarily a substantive one in terms of the trade agreement itself.

Anna Sands: It is definitely concerning, but I agree with George here that it is more concerning from a symbolic point of view, and from the point of view of what that shows about the general approach to trade and climate. After this was leaked, we heard comments that, from the Australian side, Scott Morrison was considering trade in trade agreements, and climate in climate agreements only. We think that is a very old way of doing trade. It does not really link it up with the other policies that we care about. In a way, it is symptomatic of a bigger problem, but in itself it will not change to a huge degree how impactful the trade deal is. Other things will be more important.

Dr Emily Lydgate: We should probably reflect at some point on the fact that we are trying to scrutinise an FTA that we have not seen. We do not know precisely what text was proposed or what the revision was, but my best guess is that the controversy surrounded whether the FTA would include the goal of limiting warming to 1.5 degrees, which the Paris Agreement says we should pursue efforts to do but which Australia has been resistant to committing to do on a national level. That also casts doubt on whether it is possible globally.

I think we need to wait and see what the final agreement says before we make a final ruling on this, as it were. Moving away from having a specific temperature commitment definitely signals a lower level of climate ambition as an objective for both parties. That is important, first because of the competitiveness issues that I mentioned: if Australia is not decarbonising its economy, it might not have to pay as much as our industries towards those kinds of abatement costs, but also because it shows that the UK was not really willing to fight for this, keeping in mind that the UK was pretty generous in conceding to Australia's demands on

tariff liberalisation. I think the UK could probably have held out for more. It really seemed to prioritise getting the trade agreement across the line over sticking to its guns on the climate issues.

Q15 **Lord Lansley:** Thank you. Can I start with you, Dr Lydgate, because this question follows directly from what you were just saying? We are not presently examining a text of a free trade agreement, but we are looking at the agreement in principle. I suppose what we are trying to do in part is understand what constraint the agreement in principle might have on the FTA in due course, or, indeed, what future constraint it might have on our actions in the environmental context.

The agreement in principle says that “new areas proposed by the UK that are not in the CPTPP environment text are to contain no new substantive commitments”. I just wondered if you and your colleague witnesses might tell us what sort of substantive commitments might therefore not be ruled in as a consequence of that statement.

Dr Emily Lydgate: It specifically says in the AIP that additional areas proposed by the UK should not entail new substantive commitments. If you look across CPTPP and the AIP environment chapters, the main difference that jumps out from CPTPP is that it does not mention climate change and the Paris Agreement. That clearly came from the UK; the UK has claimed that. Another difference is that only the AIP mentions the circular economy. I do not know if that was UK-motivated or not.

What does this AIP language mean? As you say, it is a bit ambiguous. What is a substantive commitment? This probably signals that the Paris Agreement is not going to play a role like the one the EU has proposed in which non-implementation of the Paris Agreement might be grounds to terminate the FTA, that there will be no enforceability with sanctions of these Paris Agreement-related proposals. That is my interpretation of that rather ambiguous language.

Q16 **Lord Lansley:** Could I add a further particular question, and then maybe Mr Riddell might like to add to this. The New Zealand agreement in principle makes reference to promoting “cooperation on carbon markets and pricing”. Indeed, COP 26 made progress on the methodology of carbon pricing.

Does the language in the agreement in principle with Australia effectively constrain the UK from taking action on carbon border adjustments or carbon pricing if that does not suit the Australian side. What do you think?

George Riddell: It is a fascinating question about the wider legality of carbon border adjustment mechanisms. A huge amount has been written over whether it constitutes a violation of the WTO commitments, which every country has, let alone an individual FTA. Obviously, the EU and the new French presidency, which starts its tenure in the beginning of January, is keen to push it forward in the EU. The Canadians are also consulting on implementing a CBAM.

There is a direction of travel here that, in the absence of a properly functioning global carbon market, would get rid of the need for a CBAM. But what we are talking about here is really a policy response in the global comments to a global failure not to have that functioning carbon market. If enough progress was made towards having a functioning carbon market between all the major powers, that would go a long way to counting against the need for a CBAM. We are in a slightly circular argument here as to whether one is needed, how to implement it and then how to make progress at the global level.

Lord Lansley: When we come to look at the FTA in due course, should our interpretation of the agreement in principle, if that language is carried forward into the FTA, be that even if there were a broad international/multilateral agreement on a carbon pricing system, if Australia was not in it the United Kingdom would already, by this, have committed itself not to impose a carbon border adjustment mechanism on Australia.

George Riddell: Without having seen the text, I would say that is unlikely to be the case. In most FTAs, general exceptions are written into the agreement where each party can take measures relating to human health and environmental concerns. There is an amount of standard language that is put into those exemptions, and if properly formulated the UK could indeed invoke one of those exemptions, which would supersede other parts of the agreement.

Lord Lansley: Thank you. That is very helpful, because that is something we certainly need to look at.

The Chair: Anna Sands, is that covered, or do you want to add anything more?

Anna Sands: No, I think it is pretty much covered at this point.

The Chair: Thank you very much.

Q17 **Lord Gold:** Australian agricultural producers argue that they have significantly reduced their carbon footprint over the past 15 years. In particular, the Australian meat and livestock industry has set a target to be carbon neutral by 2030. How realistic is this?

Anna Sands: We have looked into this a bit. The interesting thing is that this reduction is actually linked to a reduction in the number of livestock in Australia over that time. To a large extent, this is due to droughts in that time. So it was partly a natural process. However, assuming that herd numbers have now recovered from those droughts, the problem is that we can see rising emissions again. We have seen some estimates that look at reaching 82 million tonnes by 2030. This is going back, in a way, to the levels there used to be.

This is a big problem for Australian agriculture. We see that agriculture is 15% of overall Australian emissions, and it will probably be the one that sees the biggest rise in emissions. This is all in the context of a net-zero

announcement by 2050, and this includes a commitment to cut emissions in agriculture by 36%.

We have looked into that as well. We have looked into the proposal for taking this forward, and there is no mention in it of reducing or addressing methane emissions. This is a massive issue because of how much methane accounts for in the short-term rise in temperature. The main policy considerations that are taken into account are sequestration of carbon and new emerging technologies to do with carbon storage.

However, all these things are very new. It is very hard to measure how much that could actually achieve. We are talking here about something that is really risky in that we do not really know how much we could do with that, and they do not take into account what actually happens on the farms themselves or look at these processes on farms. When we take all that into account, I think we can say that some of these commitments are not very reassuring.

Lord Gold: You referred to drought. I am sorry to be so ignorant, but did you mean that drought reduced the size of herds and things, and that is why the figures were a bit better?

Anna Sands: It is definitely one of the reasons, and there is an expectation that they will rise again. I am happy to provide more input on that if that is helpful.

Lord Gold: Do either of your colleagues want to add anything to your answer?

Dr Emily Lydgate: I am out of my depth in analysing Aussie agricultural practices. But I will say that the Australian Government have not signed up to the COP 26 methane reduction pledge, which is also interesting to note and supports the conclusion that such reforms would be industry-led rather than government-led. This is exactly the kind of question that we need to be looking into, preferably before removing our tariffs.

Q18 **Lord Gold:** Before I stay quiet, how does what is happening in Australia compare to the UK in the intensity of our greenhouse gas emissions? Are we just as bad?

Anna Sands: We have been looking at the overall environmental impacts of UK and Australian agriculture. It is what we do in the briefing that I mentioned, which I am also happy to share. We can see, based on some data, fairly comparable or slightly higher emissions from Australia, but there is not a huge difference. If we look at all the factors, we can see that Australia's beef and lamb production has much greater impact on biodiversity and on scarce water resources than UK production.

We also see a worse impact on eutrophication. That also has an impact on the quality of water and rivers and so on. If we look at the EU's

sustainable impact assessment of the EU-Australia deal, which is quite helpful here because of some of the same sorts of issues in agriculture, we can also see that there is a lot of impact on biodiversity from Australia removing native vegetation and reducing soil integrity. These kinds of broader environmental impacts are worse than our domestic farming.

The Chair: It sounds as if you have some data there that we may not have, and it may be helpful to us. If you are able to send us some hard evidence on that, that would be really useful.

Anna Sands: I am very happy to do that. I could also share the source on what happened to the emissions in Australian livestock.

The Chair: Thank you. That would be helpful.

Q19 **The Earl of Sandwich:** I am looking at George now because of his WTO experience, but you have all mentioned the degree of enforcement that is possible in these agreements. Most of the environmental and climate commitments made in the AIP encourage co-operation and do not appear to be legally binding. Can you give us examples of some legally binding commitments that have been included in other recent trade agreements—the ones that have been useful to us now and the ones that you might like to see in the UK's future agreement. I seem to remember that there was a particular example, George, in previous evidence on Indonesia and deforestation.

George Riddell: Thank you. There have been two broad schools of thought on sustainable development chapters around the world. The EU took a fairly wide-ranging interpretation of its sustainable development chapters and included quite a lot of issues relating to labour, environment, climate and the like, and as a result the focus was typically more on cooperation than enforcement.

The US practice has tended towards a narrower interpretation of trade and environment, but the enforcement mechanisms in several of the US free trade agreements are more binding on those countries. A really good example of that was between the US and Peru over illegal timber logging. Quite severe actions were taken by the US Government when it was found that Peruvian producers were not living up to the commitments that had been made as part of the free trade agreement.

With regard to Indonesia, there is the Swiss agreement, which brings in the question of FTA conditionality on specific products. There are a number of different ways in which those specific products could be governed within an FTA with regards to conditionality. One would be that it has to meet a standard in order to be allowed into the country. Another would be to put tariff rate quotas on that product whereby, if you met the standard, it would be allowed to have a lower tariff preference than one that did not meet the standard.

One of the issues with conditionality in this way, particularly with developing countries, is that these provisions are viewed with quite a lot of suspicion by developed countries trying to enforce some of them,

because they feel as though it is a way of eroding their existing market access into the markets and having detrimental development outcomes. It is not as simple as arguing in favour of some of these provisions, because there is that pushback, which has happened.

The Earl of Sandwich: You sound very cautious. It should work, but it is quite troublesome when you get down to the detail.

George Riddell: It is also difficult in practice when you get to the border and customs administration, because quite a lot of importance is placed on making sure that, if a shipment is coming in, you must have the relevant border officials actually verifying that that is the case, and that can add quite a lot of administrative burden at the border in some cases.

The Chair: Interesting.

The Earl of Sandwich: I wonder if Anna or Emily would be any more positive.

Dr Emily Lydgate: I am duty bound as an international lawyer to say that, as a whole, FTAs are legally binding. We have to respect our international contracts. But I think it is quite right to distinguish between provisions that essentially require Governments to meet and talk about things and provisions that can ultimately lead to them applying sanctions against one another.

We should clarify that the Australia AIP contains both. We have lots of cooperative effort that follows the CPTPP model, but it prohibits environmental deregulation that affects trade and investment, and that is enforceable through sanctions. That is the US model that George describes, and we are adopting that. That is quite interesting, and it is the same in the New Zealand AIP.

It is also interesting to think about the novel developments here and what we consider that the UK should do. We have talked about some of that already. I would just put two more things on the table. The first is the EU's commitment to introducing effective implementation of the Paris Agreement as an essential element of FTAs. That means that the FTA can be suspended for non-compliance with the Paris Agreement. That is a really clear climate red line, and it is something that the UK could definitely emulate. However, remember that countries set their own climate targets under the Paris Agreement. So what does a lack of implementation even mean? You would probably have to do something pretty egregious to fall foul of that.

It is not just about bringing out the big enforcement guns; you also need clear benchmarks for non-compliance. That is the basis for accountability.

Actually, probably the most far-reaching agreement in this respect is the TCA, which does what no other FTA has done: it includes specific

benchmarks for emissions reduction, and it requires effective and equivalent carbon pricing. It does not allow regression from either of these commitments, and it contains the “keeping pace” requirement, the rebalancing mechanism, which basically allows either side to decide that the other is not keeping up with its increased ambition, including on climate.

Again, this has to impact upon trade, but this can be the basis for suspending part of the agreement. This is a really interesting and unprecedented model for taking climate action seriously in an FTA. Is this a model that we should adopt elsewhere? Arguably yes. We need international climate co-operation in the trade space, but we really need look no further than the Australia agreement in principle to see why this is challenging in practice.

Anna Sands: The non-regression commitments that Emily Lydgate mentioned are probably at the top level of how good we can go in environment chapters, and we think they are very useful to have. If we can have some of that in the UK's new agreements, that would definitely be helpful. But it is always good to keep in mind the reality of what we are dealing with. If we have a non-regression commitment in the deal with New Zealand, which looks like it could happen based on the AIP, it still means non-regression from the current regulations. If we have almost no environmental and agricultural regulations that we can enforce, that does not help us very much if we do not think that the New Zealand agricultural system is good enough to meet our environmental objectives. I just put that in the broader context of what we are not regressing from in the first place.

Q20 **Lord Watts:** Good afternoon. The agreement in principle with Australia states that “the final agreement will contain provisions to encourage trade and investment in environment, goods and services”. What provisions do you think should be put into any final agreement?

Dr Emily Lydgate: Often when we think about encouraging trade and investment in environmental goods, we first think about eliminating tariffs. We have already agreed to eliminate all tariffs across the board, including for environmental goods, which are included. I think the specific tariff-related question would be whether we will eliminate environmental goods immediately, which is what the New Zealand agreement in principle commits to.

Beyond this, we need more specificity. What kinds of things could be included here? We could be talking about regulatory co-operation to think about harmonising standards in the environmental area. We could be thinking about explicitly allowing each side to have green subsidies, which is a controversial issue in the WTO context. We could be establishing innovation or education initiatives collaboratively. There are a lot of interesting things that can be done in this space.

George Riddell: I might add to Emily's points. I definitely agree on regulatory co-operation, and there are a number of different forms that this can take, including private standards and eco labels. They are a big

issue at the moment for many sustainably produced products. On the services side, things like the mutual recognition of relevant professional qualifications and engineering architecture are at the forefront of providing the broader environmental services that really help companies to green their supply chains.

A lot can be done outside the strict terms of the FTA in doing that trade and investment work. There is making sure that green objectives are embedded in the new UK export strategy. It has gone some way towards that, but certainly more can be done, particularly where you are looking at promoting UK exports and investments into Australia. There have also been developments with UKEF and the trade finance piece there, but certainly more can be done to help companies to actually have the necessary financing for their green objectives, sustainability for producing products and several other measures like that. You have the core FTA itself, but what are you doing to implement it and help companies to take advantage of the terms in the FTA?

Anna Sands: That was pretty comprehensive, so I will not add anything.

Lord Watts: How realistic do you think it is to have specific measures in this? Will it be a matter of good will, or will it be a legally binding document that covers wide-ranging issues?

Dr Emily Lydgate: I think you have hit the nail on the head, in that it really depends on the will of the negotiators. One of the concerns that has been raised about Australia as a trade partner is that it is probably not as interested in climate co-operation as some of our other trade partners. From the text that we have now, it is difficult to assess the specific type of co-operation that will take place. Oftentimes, this takes the form of relatively high-level discussions between regulators, what you might describe as a co-operative approach.

Q21 **Baroness Liddell of Coatdyke:** Mr Riddell has already drawn attention to the fact that some Australian politicians are rather sceptical about climate change. How would our witnesses mark both the Australian agreement in principle and the New Zealand agreement in principle in terms of how good they are at including environmental and climate change issues?

George Riddell: To come back to Emily's point earlier, it is really hard to benchmark these agreements without having the legal text in front of us. Certainly, if we look on a global scale, the two agreements are definitely up there in their inclusion of trade and climate issues. On the scale of global trade agreements, we are definitely at the more ambitious end, but, unfortunately, without actually having the text, it is incredibly hard to say.

Baroness Liddell of Coatdyke: Do our other witnesses want to plunge in?

Anna Sands: I am happy to plunge in. In terms of the environment chapter issues, as far as I can tell from the agreement in principle, it looks like the New Zealand environment chapter will in some respects be stronger. It has some commitments on fossil fuels and reducing fossil fuel subsidies, and it has some commitments on inadequate fisheries management. It looks like it could end up being a stronger chapter, whereas the Australian environment chapter looks like it will be based quite closely on the CPTPP one. As I mentioned before, having a nice environment chapter is not enough to make a deal sufficiently sustainable. We would want to look at the actual quotas and tariffs and what that means for the UK economy and for the Australian or New Zealand economy.

There is one thing for us that is really worth noting. We have spoken a bit about Australian agriculture and the kinds of problems that we face there, but there are also a lot of problems with New Zealand agriculture. We should not forget that, because how we see New Zealand in the public sphere is often as a leader on a lot of environmental issues, but actually its agricultural sector causes quite a lot of problems in terms of climate and nature effects.

One statistic that we might want to keep in mind is the impact that the livestock industry has on water pollution in New Zealand. It means that, because of the large use of fertilisers, manure and other pollution that ends up in the rivers, it is currently facing about three-quarters of freshwater fish being threatened or at risk of extinction and about one-third of invertebrates and plants.

So there is a massive risk to the native species of New Zealand, which in large part is linked to their agricultural policy. That is something we would want to consider when we are talking about the environmental impact of the New Zealand deal, above and beyond what it might do with its climate commitments in the environment chapter.

Baroness Liddell of Coatdyke: Interesting. Dr Lydgate, is there anything you want to add?

Dr Emily Lydgate: In my close reading of the couple of paragraphs that we have, I think it is pretty unambiguous that the New Zealand chapter is more ambitious, and there are two areas in particular where we are seeing a strong will towards global leadership. One of them is a commitment to agreeing precedent-setting commitments on environmentally harmful subsidies. The other is that the commitment to implementing the Paris Agreement includes strengthening the global response to climate change.

So we see two countries that want to take international leadership, and I think these are genuinely progressive commitments. The discrepancy is notable in that Australia's AIP does not mention subsidies. It is far less specific on the Paris Agreement. We should also ask what this reflects about the UK as a country with an ambitious domestic net-zero target. Is it right that the UK should calibrate what it wants to what its trade

partners are willing to accept, or should we try to be more of a leader in this space? It is a rhetorical question or observation.

The Chair: If we have time, we might come back to the potential of using trade deals for exactly that.

Q22 **Lord Razzall:** I come specifically to the question of the scoping assessments in these deals. I know that a number of the answers that you have given will apply equally to the specificity of the scoping assessments. How well do you think the scoping assessments capture the climate and environmental impacts of these trade deals? Secondly, do they focus on the right areas and use the right methodology? I know Mr Riddell has said that a lot of the detail falls short of the practice of many of our European partners, and Dr Lydgate has recommended ex post facto assessments. Perhaps Dr Lydgate wants to add to that first.

Dr Emily Lydgate: Yes. I wrote a policy brief about this which I am very happy to share. Both the scoping exercises for these AIPs are pretty similar to each other, and they are fairly general in their conclusions. They both contain a general report card on environmental protection in both countries, and they essentially conclude that there probably will be higher emissions as a result of the FTA because of the CO₂ intensity of imported products and the increase of transport emissions. But then they conclude that it is difficult to estimate the extent of this, in part because we are not sure what the FTA will look like exactly.

How could we improve on this? There are a couple of things. First, the assessment should contain methods and results that are more specific to each country and each FTA. It should include recommendations to address specific concerns raised, but, preferably, the assessors could at least be nominally independent of government. It should feed into parliamentary scrutiny of the FTA.

Secondly, we need more clarity about the Trade and Agriculture Commission, which is another assessing body that looks at environmental and agricultural or statutory protection in terms of the scope of issues that we will be examining. The terms of reference say that it will not examine potential impacts of tariff measures or food safety issues. These are pretty significant exclusions. If we take these two things together, we have some gaps in our impact assessment.

Lord Razzall: Thank you. Mr Riddell, did I misrepresent your views?

George Riddell: Certainly not. The clearest distinction is with the European one, by which I mean that not just the EU but Switzerland and some of the other EFTA countries have developed a practice whereby, instead of just a scoping assessment for the entire agreement, a separate sustainability impact assessment is done to look at environment, climate and labour concerns that could arise as part of those negotiations with a third country.

The second big distinction is that they choose to have independent analysis done as part of that sustainability impact assessment, and then also engage quite robustly with stakeholders in both countries in order to build up a bigger base of evidence specifically on this question. They also look to the introduction of ex-post assessments to do the before, during and after analysis to try to measure what has been achieved and whether the methodology at the beginning actually lived up to what you hoped it would be.

Certainly several of those elements could be adopted by the UK in order to improve the robustness of the analysis in those scoping assessments that is not as comprehensive right now as it could be.

Anna Sands: At the scoping assessment stage, the main issue is that there is just not enough evidence as to what the UK is planning to achieve from the trade deal. It is evident in the scoping assessments themselves that the UK set out a very vague or broad idea of what might happen in the trade deal.

We have a deeper problem here, which is the lack of a published trade policy and the lack of a strategy for what will happen. If we had more information at that first stage, via trade policy or some other form, we could actually assess the potential impact of what the Government are setting out to achieve in a trade deal—similarly, if we consulted on this at that stage, with more information available so that we could input more precisely into the public consultation.

It is interesting that, even with this limited amount of evidence at the start of the process, we have already seen it raised in the Australian scoping assessment that there might be a negative impact on the environment. So even in the Government's own assessment we have been seeing possible negative impacts, and there was a note that there would be an increase in the sectors in the UK economy that are more carbon-intensive.

The other issue worth considering, and it relates to what Dr Lydgate and Mr Riddell were saying, is the kind of methodology that is used for the full impact assessment. Maybe we should take more lessons from other countries and how they do it. The methodology for the Australian full impact assessment was actually changed during the process. There was a leak quite recently that the methodology was changed after it turned out that it was showing a negative impact on Northern Ireland. That is a useful point to show that maybe we should be clear about this from the start and have some form of independent proof.

Lord Razzall: Thank you.

The Chair: It would be interesting to know who would appoint the people to do the independent impact assessments.

Q23 **Lord Oates:** The New Zealand-led initiative to establish a plurilateral agreement on climate change, trade and sustainability was announced in, I think, September 2019. Can you tell us what you know about where it

has got to, what its significance is and whether you think the UK should seek to be a part of it?

George Riddell: I am happy to jump in and have a first go at an answer. From my understanding, the ACCTS negotiations are in their seventh or eighth round now. The New Zealand Government's trade MFAT¹ website has a page dedicated to it, and every time they have a negotiating round they add what they have been discussing during those talks.

Certainly my understanding is that there are four main parts to those negotiations. One is the elimination of tariffs on environmental products. The second is measures to facilitate the trade in environmental services. The third is looking at the elimination of environmentally harmful subsidies. The fourth is regulatory co-operation on relevant sustainability standards.

There are certainly areas where the UK has already taken quite a number of steps towards implementing many of those measures. Particularly on the environmental tariff front, as part of the UK global tariff a number of tariffs were originally included as part of the WTO environmental goods agreement negotiations, which ultimately failed but were a useful starting point for the UK global tariff and the ACCTS negotiations. However, from early analysis that we have done, there are several discrepancies. The UK has unilaterally eliminated the vast majority of those tariffs, but not all of them. It is my understanding that the UK wants to keep the remaining tariffs as negotiating leverage, which was one of the obstacles to joining the ACCTS negotiations.

This is not often talked about, but there is quite a big differentiator between a collection of countries like Norway and New Zealand, which are relatively small economies, and the UK barging its way into what is now quite an advanced negotiation. Certainly that was part of the conversation when the UK was exploring whether to join or not.

On the value of the agreement, beyond taking forward the four areas that I mentioned, excuse me for saying so but trade negotiators are absolutely awful at stealing each other's work. When there is established negotiating text from a particular agreement, they will tend to use that in other agreements. The ACCTS negotiation, in that respect, will I think form a benchmark that will be used by others around the world.

Lord Oates: Thank you.

The Chair: We take that as a win, I think. Do either of the others want to come in?

Dr Emily Lydgate: I think that was a better answer than I could have given. I would just underscore that this is a really unusual trade

¹ Ministry of Foreign Affairs and Trade

agreement in that it puts climate change and sustainability objectives on an equal footing to trade objectives, so it is really the organising principle of the agreement. It is just a bit disappointing, in the sense that the UK is not participating—if it were welcome to participate—because it does not want to make sufficiently ambitious environmental commitments. It is a chance to claim global leadership on issues like fossil fuels and environmental

goods liberalisation. It is certainly a club that the UK should be in as a climate leader.

The Chair: Thank you.

Anna Sands: From WWF's perspective, it is a good partnership. It has good features on fossil fuel subsidies, environmental goods and services, but it is not hugely ambitious. We would definitely want more action on sustainability of agricultural trade, which is what we think is most at risk from New Zealand and Australian deals, and some form of partnership on looking at what standards for agriculture could exist in trade. We see the ACCTS as useful but not really covering what we think are the biggest issues.

Lord Oates: Thank you.

The Chair: We are about to have to vote, so unless someone has a pressing question, thank you. You have already offered a couple of documents that you might send us. In addition, having said that it is hard to be certain until you have seen the text, once you have seen the text our post box will be open, and we would very much like to have your comments when you have had a chance to look at the detail, because our work will continue at that stage. For the moment, can I thank you all very much for your time and your input, which has really helped us focus on the sort of things we should be looking at as we look at this further? Thank you all very much.