HOUSE OF LORDS

Select Committee on the European Union

Energy and Environment Sub-Committee

Corrected oral evidence—No-deal Preparations: Energy and Environment

Wednesday 16 October 2019

10 am

Watch the meeting

Members present: Lord Teverson (The Chair); Lord Addington; Lord Arbuthnot of Edrom; Baroness Byford; Lord Cameron of Dillington; Baroness McIntosh of Pickering; Lord Maxton; The Earl of Stair; Lord Young of Norwood Green.

Evidence Session No. 3 Heard in Public Questions 35 - 48

Witnesses

I: George Eustice MP, Minister of State, the Department for Environment, Food and Rural Affairs; Janet Hughes, Portfolio Management Director, the Department for Environment, Food and Rural Affairs.

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Examination of witnesses

George Eustice MP and Janet Hughes.

Q35 **The Chair:** It is my pleasure to start this public meeting on no-deal preparations in terms of Defra. I remind members that they should declare any interests when they first speak. I remind everybody, including our witnesses, that this is a public session. It is being webcast. We will take a transcript, which we will share with you. If you see any errors, please come back to us and we will make sure that they are corrected. I also remind members, if they wish to ask supplementary questions, to indicate that to our clerk, Jennifer, or to me so that we can work through the agenda.

Minister, I welcome you back after a short break from your role. It is a pleasure to have you here. I thank you for coming at fairly short notice, as the Secretary of State could not make it. I know that you have particular responsibility for Brexit within Defra, so that is very appropriate. Janet Hughes, I welcome you to the Committee for the first time. Minister, just for our audience and the public, perhaps you could briefly introduce yourself and, Janet, likewise.

George Eustice MP: I am the Minister for Agriculture and Fisheries, and responsible for our no-deal preparation should that be needed.

Janet Hughes: I am portfolio director in Defra, responsible for our portfolio of EU exit delivery projects.

The Chair: Thank you. My first question is general and gives you an opportunity perhaps to explain where you are as a department. We are aware that Defra is, in its range of responsibilities, from chemicals to agriculture to fisheries, let alone in environmental regulation, is one of the most challenged of all government departments. What do you feel are the key no-deal challenges? Obviously, we do not know whether there will be no deal at the moment and those negotiations are very much alive, but we have to be prepared and we would be interested to hear your views on what those key challenges are.

George Eustice MP: It probably will not surprise you if I were to say that probably the biggest challenge that would face us with no deal is trade disruption. That could be manifested in problems at the ports; for example, if there is an issue at the short straits because of extra administration put in place by the European Union over which we would have no control.

There is also the issue for some sectors, in particular the Northern Ireland dairy industry, where around 30% of milk crosses the border to processers in the Irish Republic, and the sheep sector, where around 30% of UK production is exported to the EU. If full MFN tariffs were applied to those sectors, it would have a significant impact on them and probably affect the volumes of trade.

The third issue to highlight is the additional administration that would be needed in a no-deal scenario. That is principally export health certificates. As the government department responsible for making sure that we have those export health certificates, ensuring that we have sufficient capacity and raising awareness among businesses that they would need export health certificates after exit, we see that as one of our key issues.

Finally, there is a particular issue with Northern Ireland, just because of the volume of cross-border trade in numerous agricultural sectors but, in particular, dairy, where products sometimes cross the border several times—live animals will cross the border to be slaughtered in the south and vice versa.

The Chair: Janet Hughes, where you want to come in, please do. Otherwise, I will just leave it to both of you to decide who wants to respond.

Perhaps I may come back on your answer, Minister, and ask you an easy question: who has been knocking on your door most? Who is the most concerned? Is it the chemical industry, the farmers, the hill farmers, the fishing industry? Who has been knocking on Defra's door and saying, "We really need some clarity here"?

George Eustice MP: I think it is fair to say that everybody has been knocking on my door.

The Chair: I used the word "most".

George Eustice MP: Everyone has their anxieties. Even people who have protected food names, for instance, will raise questions about what happens after. We have tried to identify where the genuine risks lie. Our analysis is that the sheep sector would be negatively impacted if there were full MFN tariffs. We are working on possible interventions, should they be needed, in order to be able, probably, to make a straightforward headage payment to mitigate and offset any falls in income in the short term. We are doing similar for Northern Ireland dairy, because 30% of that liquid milk goes south. In future, producers would need an export health certificate and would be subject to tariffs. We need to make sure that we have mitigated any impacts of that, so we are also looking at an intervention there. More generally, it has been about being confident that we have sufficient capacity to issue export health certificates. We think that we do. We now have more than 1,000 people trained and able to issue export health certificates and an additional 700 or so environmental health officers in local authorities to do export health certificates for fish.

In the case of Northern Ireland, there will be some change in people's behaviour. It will not be viable to get an export health certificate, given the cost of doing so, for very small consignments. For example, someone who has a sandwich round and crosses the Irish border to sell a few sandwiches in the south will either not bother, and then there will probably be a bit of a grey market in some areas, or they will not bother doing the trade at all because the cost of the export aspect just means that it will not be worth it.

The Chair: We will come back to those issues, such as the grey sandwich market, later on.

Q36 **Baroness McIntosh of Pickering:** Welcome, Minister. My relevant interest for this session is that I do some outside work with the water regulator for Scotland, WICS, and I am honorary president of the UK Warehousing Association.

We were told as Parliament that we needed an exceptional two-year parliamentary Session to pass a number of Bills preparing us for Brexit, yet of the three Bills that fall directly under the remit of your department not one reached this House. How can you convince us that we are in a state of preparedness, especially the farmers, the fishermen and the environmental industry, without those three Bills?

George Eustice MP: As you will have gathered from the nature of debates at the other end of the Corridor, it has been particularly difficult and problematic to progress certain primary legislation on an issue that is so divisive while the Government have not had an overall majority.

To give you the reassurance, the critical Bill to deliver exit was the EU withdrawal Act. That Act repeals the European Communities Act and ensures that we have a functioning body of law from day one. All the rules and regulations that we currently have under EU law are brought across as retained EU law, so we will have a functioning statute book. That has been a huge exercise, with many statutory instruments debated in both Houses, but it has been delivered.

In respect of agriculture, we have the powers that we need in a no-deal scenario to make payments under the existing Common Agricultural Policy. The Basic Payment Scheme and the Pillar 2 schemes—all those structures and regimes—have come across in retained EU law, so that in the immediate short term we are able to continue paying out under the current system. Likewise, on fisheries, we have identified a way through secondary legislation to ensure that we can enforce our Exclusive Economic Zone from day one and that we have the power to require licences for any foreign vessels seeking to fish in our EEZ.

We have managed, through retained EU law, effectively to have the mechanisms that we need to manage in the short term. Clearly, longer term, there is a reason for coming out of the European Union, which is that we want to strike a different course on agriculture policy. That is why we will need the Agriculture Bill. Even on fisheries policy, over time we would have issues with making changes, for instance, to technical legislation in the absence of primary legislation. That is why we will need that primary legislation and why it is in Queen’s Speech.

Baroness McIntosh of Pickering: If there was—heaven forfend—a food scare or food alert such as BSE, foot and mouth or even another “horsegate”, are we still subscribed to the food alert and tracing system in the EU? Coupled with that question, if we were to leave without a deal, literally at the end of this month, and there was an oil spillage or a water polluting exercise, and the European Commission no longer had jurisdiction, what measures have you put in place to make sure that, until the OEP is set up, action will be taken and that companies that breach the rules that we are subscribed to are fined?

George Eustice MP: We have the Food Safety Act as well, so a whole suite of domestic legislation gives government all the powers it needs to intervene in such a scenario. On the specific issue of RASFF—the rapid alert system—I might ask Janet to come in. My understanding is that quite a lot of the information is public anyway. There are other international protocols—through OIE and others—that provide for countries around the world to raise alerts when there are issues of this sort. To be honest, in recent years, the UK has been the main provider of intelligence to RASFF. It is a bit patchy in terms of the extent to which other countries use it. We are very good at getting all our intelligence out there and, if we encounter a problem, raising the alert. I think it is fair to say that not all countries are, because, by definition, the proportion of the alerts that come from the UK is higher than for others. We will obviously continue to put that information out there to help our partners, whether or not they are in the EU.

The Chair: We will come on to some of the biosecurity aspects later on.

Janet Hughes: Let me comment on the OEP as well. We need the Environment Bill to become an Act to set up the statutory body, but we are putting in place interim arrangements. Those will be in place from day one. They will not involve the exercise of any specific legal powers. Of course, there is still the legal framework, so the courts would be able to pursue matters if needed in the meantime. We will seek to put in place the statutory OEP as soon as possible after the passage of the Bill. As you know, it is in the Queen’s Speech, so we hope that it will happen in the current Session.

The Chair: We will come on to the OEP later on as well. Minister, just to clarify, are you confident that we have a statute book if we leave without a deal that is whole, effective and free of legal uncertainty?

George Eustice MP: I certainly hope so, because I feel like I have spent half of my life in the last 12 months doing SI debates on all manner of things. The decision to delay exit and extend Article 50 at the end of March meant that a further wave of SIs has been needed, for three principal reasons. First, a small number were deprioritised because they were not critical. For instance, there are rather obscure systems for licensing around import volumes on milled rice and other such things, which are a sort of market management system that the EU once set up and does not use very much anymore. They were deprioritised to make sure that we got things over the line; we have now done even those. Even rather obscure and sometimes not particularly useful bits of EU law have been brought across.

There are some areas where the EU has made subsequent changes to particular regulations since March. To get the third-country recognition that we sought, we gave an undertaking to dynamically align, so we had to bring some of those rules into line with the EU, which we decided to do. Finally, some of the original SIs referred to dates and transition periods that were linked to 31 March and we obviously had to change those dates.

I am told that there are 11 SIs to go, and I shall be glad to see the end of them. Ninety-nine were done by March; another thirty three have been done since then, and we have eleven left. I think that I am right in saying that the majority of those will come under the made affirmative procedure to ensure that they are done in the time that we have left.

The Chair: Right. There is nothing there that is critical? I can see Janet Hughes shaking her head.

George Eustice MP: We can give you the full list of them if you like. A number of them relate to things such as technical standards around organics and approaches for wine.

The Chair: Perhaps you could give us the list after the meeting. That would be useful.

Q37 **Lord Addington:** Hello. I have no interests to declare. We have heard quite a lot about food prices and availability. It is reckoned that about 30% of the UK's food is imported from the EU, mainly through Dover-Calais. As you undoubtedly know better than me, stockpiling for Christmas and seasonal variation mean that availability is now becoming critical. According to the Operation Yellowhammer documents, there is a worry that some factors "will reduce availability and choice of products and will increase price, which could impact vulnerable groups". Quite a few charities have been in touch to say that it might be those on the edges or those just about managing who are particularly vulnerable. Can you say a word about that? Can we also have a general discussion about the risk of food shortages in a no-deal scenario? What support do you intend to provide for vulnerable consumers affected by any price rises? For the delicatessen, yes, it might be a problem, but it will be for those in need of basics as well.

George Eustice MP: Making sure that we have food supplies is obviously of critical importance and I have looked at it in quite a bit of detail. The Government's approach in everything that they have done has been to maintain the flow of goods. That is why we have been clear that, when it comes to goods coming from the European Union, we will not make them go through a border inspection post; we will not cause any problems or friction at the border for goods coming in. It is why we have also decided unilaterally through autonomous tariff rate quotas to create tariff-free envelopes on some sectors such as beef, so that the flow of Irish beef, for instance, can continue at volumes that are broadly similar to those now. It is also why we have gone for tariff rate suspensions on many other goods.

Our objective is to keep prices stable and goods flowing. If the European Union does not reciprocate sensibly and pragmatically—currently, it has not suggested that it would—and if it turned out that it had not put sufficient infrastructure in place to be able to check goods at a border inspection post or to do customs, and the port of Calais were to fall over because it was overwhelmed and could not cope, that would obviously have an impact on goods coming back, because the entire logistics system would very quickly be gummed up.

We have done some work on food security. Food manufacturing is this country's largest industry. We have a high degree of resilience based on what we produce ourselves. We have the most efficient bread manufacturers in the world. Three companies, Kingsmill, Hovis and Warburtons, together make up a highly competitive market. As a result, we have the cheapest bread in the world and it is all domestically produced. We also have large stocks, in controlled-atmosphere storage, of things that we can draw down on, such as apples and pears, potatoes, carrots, root crops and vegetables. These are all domestically produced and currently held in store ready to sell over the winter.

We then move on across the spectrum to crops that we grow in the winter: leafy veg, brassicas, cauliflowers, sprouting broccoli and brussels sprouts. All of those vegetables are domestically produced in significant volumes and so we do not envisage an issue there.

There is then another category of goods; I do not want to labour the point, but it is quite useful to see the whole picture. We are 100% self-sufficient in peas and lots of other frozen vegetables. We are a leading supplier of those. All of that is in storage already, ready to be sold. We also have goods that are flown in by air freight, from Kenya in particular, including salads and mangetout peas. We think that trade will continue unaffected. A final area is things that come in by container ship, including bananas, apples from North America, McIntosh apples from Canada and so on. Those are shipped in.

In the vast majority of areas, we have a high degree of resilience because our food manufacturing industry is so successful. Where are the potential issues? The particular ones I would highlight are salad vegetables, which come predominantly from Spain, particularly in the run-up to Christmas. We are looking principally at lettuces, tomatoes and cucumbers. There is possibly an issue with citrus fruit, some of which comes from Spain, but there are other options for that. We are highly dependent on those products coming from Spain at that time of year and we anticipate that we may have supply-chain problems with them.

Lord Addington: So you are reasonably confident about the supply chain, but most people think there is some danger for vulnerable consumers in the no-deal scenario. Could you say a bit more about what is being done to support them, by your department or the Government generally? There is a real concern about those at the bottom. As I said before, problems with delicatessen products are inconvenient, but people on low incomes are worrying about basics. This deserves a little more attention.

The Chair: Yes, particularly in the context of the consequential price rises that might occur.

George Eustice MP: It is very hard to predict, as I said. The approach we have taken with the modelling we have done is to keep prices stable but protect certain sensitive sectors. I guess the difficulty with this is that, on the one hand, farmers tell me that prices are going to collapse because of all these tariff rate suspensions, saying "It's going to be a disaster, we won't be able to compete, prices are going to be incredibly low, you should have put tariffs up". On the other hand, there are certain academics who say that prices will go through the roof, because no supplies will get in.

We have set our tariff rate schedule and our approach at the border in a way that we believe will keep prices stables. That is the right thing to do in the immediate aftermath. If it turns out that there are particular price spikes—as I said, possibly on goods such as lettuces and cucumbers—and that is an issue for those on low incomes, we obviously have the benefits system and there are tools that can be looked at through that. My primary aim, if I am honest, is to ensure that we do not get to that point because we keep the flow of goods going and keep prices stable.

Lord Addington: But the question is not really about your aim, but about what happens and what support there will be if you miss. How much connection have you had with the DWP about benefit support and what would trigger any sort of intervention to take place? Have you had any discussions about that?

George Eustice MP: We have had discussions and have done a bit of thinking. There was also some concern about remote areas and a suggestion at one point that those areas might lose out if there was a food supply shortage. We tested that and we do not really think it is correct. Having talked to retailers, we just do not think that is how the supply chain would react. The most likely thing is not that there would be a shortage of food or price rises all round, but that there would be a potential restriction in the supply of certain product lines—particularly salads from Spain, as I said—and therefore a potential impact on prices.

Lord Addington: But you do not have a specific structure about food price increases and the effect on certain groups. Have you looked at that?

George Eustice MP: We have considered that, but I guess it always comes back to the remedy, which is to keep prices stable. That is why we have set our tariff schedule where it is. It is important to note that, in recent years, the amount that the poorest 20% spend on food has gone down slightly, to about 14%. It has been remarkably stable at around 16% over the years, despite prices going up and down. That is because, if prices rise on certain items, people simply substitute with others that they can afford. So you actually find that the figure is fairly consistent and remains at about 15% to 16% of household income. That is what the poorest 20% spend on food.

Lord Addington: So you do not have a structure saying that certain levels of price increase on basics would trigger an immediate intervention from the DWP.

George Eustice MP: No, we do not have a specific level, but obviously the benefits system is in place.

Lord Addington: Right, so there is no immediate track that would require separate action to be taken, looking across government.

George Eustice MP: We have not got to that, because our focus is on keeping prices stable.

Lord Addington: I know that is what you are trying to do. We are concerned about what happens if you fail. There is no structure automatically built in at the moment.

George Eustice MP: No special food scheme has been designed, if that is the question.

Janet Hughes: It is probably worth adding that you may want to direct questions about that to DWP as well, because there is a distinction between the delivery responsibilities of different departments. If there were to be such a scheme, Defra would not necessarily be the department to deliver it, although we would participate in conversations about it and provide support.

The Chair: We understand, but obviously from our point of view we are trying to avoid silo mentalities on these things. Thank you, Lord Addington. We need to move on, but I want to take up one thing. You sounded quite pessimistic, Minister, about a reciprocal view in terms of making things easy at ports. Is that correct? Do you not think that will happen?

George Eustice MP: We can only really go on what the EU has currently stated, which is that it will apply for MFN tariffs. It is currently saying that it will require export health certificates and all the usual customs paperwork. So I think we have to take at face value what it says would be needed in the event of no deal. However, there is no legal bar to this. Just as we have created autonomous tariff rate quotas unilaterally, if the EU was concerned about the price of lamb in the EU—it would go up by about 20% if it applied full MFN tariffs—it would be open for it to say, "Let's have an ATQ for lamb to enable the lamb trade to continue from the UK". It is open for the EU to say that because the UK has already agreed to dynamically align certain regulations for nine months, in order to get the third-country listing, it can have a pragmatic approach to export health certificates and perhaps not require them for the first period.

The Chair: But you do not hear that at the moment.

George Eustice MP: It is not saying that at the moment, but the EU is quite disciplined at sitting on its hands and saying it will not talk about such things until 1 November, after we have left.

The Chair: Okay. Thanks very much.

Q38 **Lord Young of Norwood Green:** I have no interests to declare. The Food and Drink Federation has requested assurances that competition law will not be strictly applied in the event of a no-deal Brexit in order to allow the food industry to manage any supply problems which arise; for example, by deciding where to prioritise food shipments. In a letter on 11 September, you explained the process through which that exemption would occur but gave no indication of whether it will occur, nor an assessment of whether it may be necessary. I think there was a further statement from Theresa Villiers relating to BEIS taking action. At what point would you anticipate BEIS making a decision regarding an exemption for the food industry from the Chapter 1 prohibition set out in the Competition Act 1998, to allow it to better manage any supply problems arising from a no-deal Brexit? Would it consider granting that exemption in advance of 31 October?

George Eustice MP: Probably not in advance, no, because the way that Act is structured, the provision to set aside certain requirements in competition law would be done in a force majeure event—if there were a particular crisis that needed a particular response. It is structured in such a way that you have to be in the crisis before you can deploy that power, but that power can be deployed expeditiously when you get into a crisis situation.

If there were a problem and we decided that part of the solution was to set aside elements of competition law, my understanding is that that could be done administratively very quickly—within days, I think. That would be followed by an SI to formalise it, and that would take perhaps a couple of weeks. It is a crisis power that has been designed to be used only once you are in the crisis but to be deployable very quickly.

Lord Young of Norwood Green: I think you have answered my next question, which was: what do you mean by expeditiously? You are talking about literally days.

George Eustice MP: My understanding is that it can be done very quickly, within days. Then, with the way that the legislation is structured, there is a sort of retrospective SI that can be put down within a couple of weeks simply to formalise it.

Janet Hughes: Yes.

The Chair: Let us move on, even more specifically, to agriculture.

Q39 **The Earl of Stair:** First, I declare my interest in farming and, in conjunction with that, in the Police Scotland and local council provision of ground for emergency road haulage parking in the event of ferry disruption on Irish channel crossings.

Minister, your introductory points on the threats to Defra were very valuable but I think that one thing was very much absent from them, and that is the listed status of Britain when it comes to the export of live animals to Europe. I believe that a meeting was imminent, on around 17 October, and that information would have been released before that event, but I am not aware of anything having come out as yet.

George Eustice MP: Do you want me to answer that? The SCoPaff meeting took place last Friday and agreed the third-country listing, so that issue has been resolved. It has been accepted that from day one we will be listed as a third country.

The Earl of Stair: So we have listed status.

George Eustice MP: Yes.

The Chair: How long does that last for? Is it until everything else is agreed or is it endless?

George Eustice MP: We have to bear in mind that if the EU had not granted it for day one, it would cause chaos because all the EU's supply chains would also encounter problems. However, uniquely, in order to get it for day one, we took the decision that we would dynamically align certain elements of our SPS regulations for nine months. That is why we had a number of additional SIs. Having done that, that issue is now settled.

The Earl of Stair: So we have listed status for exports for nine months, you say.

George Eustice MP: No. We have agreed to dynamically align for nine months. My understanding is that, once you are listed a third country, that lasts for ever until the EU decides to delist you because it thinks you are too much of a risk or something along those lines, although in practice that is never going to happen.

The Earl of Stair: Right. Thank you. Did you have fallback contingency measures in place in the event that it was not going to work? Supposing that everything does go wrong, what will happen?

George Eustice MP: No. In a nutshell, there is nothing that we can do about it if the EU says, "We are literally going to blockade all your goods and not allow them in because we're not going to make you a third country". It was not within our power or gift to force the EU to do this. We would have made an application and there probably would have been representations through the WTO and so on to put a bit of pressure on, but, in a nutshell, it was quite important to get this, and it suited both parties to expedite it from day one.

The Earl of Stair: That is very good news, but if something did go wrong in a worst-case scenario, there would, as I am sure you will be aware, obviously be backlogs of live animals still on farms, particularly in the upland areas, where there would be no capacity or space for them. What would the next steps be?

George Eustice MP: The third-country listing issue has been settled, so we do not need to worry ourselves about that, but of course we still have a significant challenge in the event of no deal, in the sense that lamb would be subject to MFN tariffs of, I think, around 60%. That would have a significant impact on demand in the European Union and would lead to an increase in supply in the UK and depress prices, probably taking them down by about 20% to 30%, according to our modelling. That is why we have been working with all the devolved Administrations on designing an income support payment. Effectively, it would be a very simple headage payment of some form. That is how we would mitigate that.

The Chair: We will come on to both those issues.

The Earl of Stair: As a final point, there would also be a challenge for the actual producer, who would not have the capacity to look after those animals correctly in the event of them not being able to be moved off-farm. Are the Government taking any steps on that front?

George Eustice MP: There had been some speculation that we were considering a storage scheme, but that is not a practical option for lamb—we just do not have the freezer capacity to store large volumes of lamb. The option that we have decided on is to accept that the price will fall and demand will rise and so people will find alternative markets. We will plug the gap with, effectively, an income support payment, rather than getting into an intervention and storage scheme.

The Earl of Stair: Yes, but those animals will still be alive on-farm with nowhere to go.

George Eustice MP: Some of them will but the industry has signalled to me that, looking at the projections of where prices might go, producers will still probably want to clear the animals and take the lower price rather than have animals go over age, losing considerable value on-farm, and with another generation of lambs coming the following year. I think they are still likely to market their lambs when it is the right time to do that. There will be a little bit of play but, with lambs, you have to get the right specification, carcass classifications and so on, and the right quality of meat.

The Earl of Stair: I am afraid I am very aware of that.

George Eustice MP: So having them hanging around and becoming long in the tooth, as it were, is not a great approach.

The Earl of Stair: So there would be a headage compensatory payment.

George Eustice MP: Yes. That is what we are exploring.

The Chair: We move on to tariffs.

Q40 **Baroness Byford:** Minister, you talked about this a lot earlier. I am

Hazel Byford and I have an interest to declare, in that we have a family farm. I am also an associate member of the BVA and the Royal College of Veterinary Surgeons. I think that both should be declared.

I shall not labour too much on the tariff regime because you have indicated that certain items will have their rate suspended. From what I gather, that is particularly the case for beef, sheepmeat—we have just talked about lamb—and dairy. The question is therefore: do you have a mechanism for considering any further exceptional changes that you think might need to be made and, if so, what are they?

George Eustice MP: The lamb sector is protected. We are applying full MFN tariffs on imported lamb. Other than the existing TRQ that New Zealand already has through a WTO schedule, there will not be any other concessions. On beef, we have set an ATQ. From memory, it was calculated to equate to around 75% of existing volumes from the EU. That would enable tariff-free trade to continue but tighten it a little, reflecting the fact that we might find it harder to export some of our beef to the EU.

With regard to the majority of the other sectors, including some of the dairy sectors, there were some where slightly lower tariffs applied—lower than the bound tariff. Generally speaking, where we felt that our producers could compete, or where in any event we are not a producer—of citrus, for example—we took the view that we could suspend the tariffs and it would not make any particular difference to those sectors.

In answer to your question about a review, yes, there is an exceptional review procedure. Therefore, if there was a major shock to prices, the Government would have the ability to change the schedule and loosen the tariff regime even further, if we felt that was necessary. Likewise, if there was a particularly severe impact on a sector and the assumptions in our modelling were wrong, which is possible in a highly volatile situation, we would need to put some protection in place. For instance, on eggs, which has been a controversial area, or perhaps barley or pork, you might judge that you need more protection because your producers are in a very vulnerable position. In that scenario, we have the power to amend those within the year.

Baroness Byford: Thank you. You mentioned eggs. Obviously fresh eggs are one matter but dried egg and dried egg products that come in might be challenging to the egg industry and to breeders.

George Eustice MP: That is right. This has been contentious, and I might ask Janet to come in here. We have had representations from the egg industry and its particular concern is eggs from Ukraine coming in, particularly to the food supply trade. People search out free-range, fresh British eggs when they are in the supermarket, but if they are buying a cake, they forget that there are even eggs in it.

We looked at this issue, but, on balance, we felt that in many of these areas—the same is true of beef; people may be concerned about South

American beef—there will be an incumbency advantage for existing suppliers. At the moment, a powdered egg product comes in quite large volumes from, I think, the Netherlands. Those established contracts would probably give an incumbency advantage to existing suppliers for a period. Let us in bear in mind that this is only a temporary schedule.

We think that the impact of the approach that we have taken will be to give the EU an incumbency advantage, but it would be an advantage that would decay over time unless it was then to switch to a free trade agreement with the UK.

Baroness Byford: Minister, a last question: when you talk about "over time", is that nine months, 12 months or two years? Does Defra anticipate how long that would be?

George Eustice MP: It is a 12-month tariff schedule and it can be reviewed at any time. When we have ATQs, the quota will be released in quarters in order to restrict the flow. It is all being done on a first come, first served basis—sometimes called the "boat race" methodology. Clearly, in any boat race, Ireland has an advantage over South America. We think that the impact of what we have done will be to allow trading and supply chain arrangements to be as close as possible to what they are now.

If you are asking me how long it would be in a no-deal situation before we got an FTA with the European Union, I have given up guessing what might happen in this realm, but the idea that an MFN trading scenario would be a new structural norm in our relationship with the EU is ludicrous. At some point there would have to be some kind of free trade agreement. Whether it was similar to that with Canada or closer to Norway, or somewhere between the two, it has got to make common sense at some point—the UK is a very important market for many EU producers and the EU is our closest and biggest trading partner—to have an FTA at the very least.

Baroness McIntosh of Pickering: Just before we move on, Minister, you twice said that we would seek dynamic regulatory alignment only for up to nine months. What have you said to the food and drink sector, the chemical sector and the car industry? I am sure they have raised with you their worry about divergence after that time as regards impact on the supply chain.

George Eustice MP: The answer to that will obviously come down eventually to whatever free trade agreement we have in place. We have successful trading relationships with other countries in the world founded on the principle of equivalence, where it is open to producers to continue to produce to standards equivalent to those of the EU, but they may not be identical. Indeed, in normal trading relationships outside the European Union, it is standard practice in a trade agreement to seek to recognise equivalence, rather than uniformity, of regulation. In a new world, where the UK was doing its own trade policy, that would be the key principle that we would follow.

Baroness McIntosh of Pickering: How many of the FTAs that we are currently party to with the EU could be rolled over?

George Eustice MP: I will ask Janet to find the figure, but basically the vast majority are those which are important to us; for example, the agreement with South Korea, about which there have been concerns, is important for certain seafoods, in particular whelks from Wales. That one has now been secured. Those with the EEA countries, Norway and Iceland, have all been settled, along with a number of others. But we can give you the full list.

Some are still outstanding. Notably, countries such as Japan and, I think, Canada have taken the view—ironically because our tariff rate schedule is quite generous—that there is less in it for them to roll over a free trade agreement because they can access those ATQs anyway. They have decided, therefore, to pause things and try to have a new agreement rather than a continuity agreement.

Janet Hughes: I can give you the high-level figures, if you like. We have signed or agreed in principle 16 trade continuity agreements with 46 countries, which account for £100 billion of UK trade. That compares with March, when we had reached agreements covering about £39 billion. We have made a lot of progress in that intervening period.

The Chair: Thank you. That is very useful. We need to make some progress.

Q41 **Lord Cameron of Dillington:** I have farming interests to declare: I am a trustee of Rothamsted, and I chair the UK Centre for Ecology and Hydrology. You have already touched on the possible dangers to the lamb industry—beef will probably have similar problems if things go wrong—and talked about headage payment compensation. I have three questions. First, to what extent is the headage payment scheme ready to roll out? Secondly, do you see it as being a temporary state of affairs—how long would you continue with the headage payments? Thirdly, and as part of that, when we last had the EU headage payments, there were serious environmental consequences in the long run. Have you thought about the dangers of that and whether there should not be another form of scheme that could compensate farmers in a different way?

George Eustice MP: On the types of scheme, there are really two options. One is that we have a headage payment based on the number of breeding ewes on-farm. That would be the right tool to use if we felt that farmers who had bred the lambs and were selling them to finishers would be the most impacted. We have designed that scheme. The RPA has worked out exactly how to make those payments and we have worked with the devolved Administrations on how to operate that system.

There is a second approach, which would be used if store prices held up well, as seems to be the case—they are much higher than people expected; they have still been fetching good prices even now in September and October. Perhaps there is great confidence in us politicians to sort it all out somehow—I do not know—but, for whatever reason, the price has remained quite good and most of those lambs have been sold. The second option which we are exploring—so that we have both tools to use—would be more of a direct headage payment based on actual lambs that are sold either to market or to slaughter. We are working out that option as well, so that we can pick the right tool from the box.

On your point about environmental impacts, this is fundamentally different. The problem with coupled payments in the past was that they were a production subsidy that encouraged unsuitable, unsustainable stocking densities in certain areas, which had an environmental impact. What we are talking about here is a crisis payment to get some cash to farmers who have been damaged by a serious disruption to their trade. It will not be at a level that encourages farmers to have more sheep; it will be a quick fix to try to deal with a short-term problem.

That brings me back on to your second point, which is how long it would last. I envisage it being short term. A problem may emerge around the Christmas period, because there is quite a lot of lamb to sell during November and December. We may also have to think about what we do in the spring if there were subsequent impacts on ewe breeders. This is a short-term fix while we try to resolve the issue of a free trade agreement with the European Union. As I said, if a hostile trading environment becomes a new structural norm, there will come a point within that 12 months, if we are all resigned to the fact that we are never going to have a free trade agreement with the EU—which would be a rather bonkers situation—when we would have to review our approach to tariffs. Put bluntly, we would probably have to apply higher tariffs on beef to enable our sheep farmers to diversify away from sheep into beef, particularly where there are mixed enterprises, and we would restrict the flow of Irish beef into the UK. That would be one solution.

As I said, initially, we have a continuity approach of trying to keep trade flows moving. In so far as there will be impact on our sectors, we will make crisis payments in that short-term period. But if it is a longer-term structural change in our trading relationship, we would need different remedies, frankly.

The Chair: Just for the record, Minister, this Government's policy is to leave the EU in two weeks' time, so if we leave at 23:00 hours on 31 October, when will these farmers receive their first payment? We do not have a great record in getting payments out to farmers, yet there will be a real cash situation to deal with.

George Eustice MP: We are looking at two things. The first is the annual BPS payment. At the moment we are giving serious consideration to saying that if any farmer does not receive their full payment in December, we will get them a very quick bridging payment so that they have some cash flow at a time when they may need it. The RPA gets criticism but when we have made crisis payments in the past—there was a dairy one in 2015—we have generally been pretty good at getting that sort of money out of the door. The key is to keep these things as simple as possible. If you keep it simple, you can make the payments quite quickly.

The Chair: Do you have a target to get the first payments out on 1 November?

George Eustice MP: We do not, because we will also need to wait to see the scale of the crisis. The impact could be relatively small or it could, we estimate, be up to about £150 million, or anywhere in between. The key thing about all agricultural commodities is that they are highly affected by exchange rates. We do not really know what the pound-euro exchange rate will be.

The Chair: But if there is a problem, what is the timescale for when the first payments will arrive in people's bank accounts?

George Eustice MP: It depends on what we do, but from the moment we take the decision to do that, I think that we can get the payments out very quickly—probably within a month or so.

The Chair: Okay, let us move on to the uncontentious area of fisheries.

Q42 **Lord Arbuthnot of Edrom:** Minister, you are reassuringly on top of your subject. My interests are that I am chairman of Electricity Resilience Ltd, chairman of the advisory board of Thales, a member of the Electric Infrastructure Security Council advisory board and a director of the English wine company Gusbourne Estates Ltd. I have also just acquired a coarse fishing licence. What is the risk of a cod war?

George Eustice MP: Very low, in that we have already agreed continuity agreements for the rest of 2019 with Norway and the Faroes, and we are certainly open to doing the same with the European Union. It has not asked for one yet—in its manner of not wanting to talk about anything until November. However, for the remainder of this year, given that quotas are typically negotiated annually in December and apply for a calendar year, we probably will not change anything at all, or very much, for the remainder of this current year.

There will then be a discussion on access for next year. We are clear that we really want to get a fairer share of quotas where we do not have a fair share now. Currently, we catch only about 50% of the fish in our waters; the rest is caught by the EU fleet. It is a very unbalanced arrangement. They benefit much more from access to our waters than we do from theirs.

In any fisheries negotiation—we should bear in mind that these take place every year with the Faroes, Norway, Iceland and others on some stocks—access is one of the key variables. Broadly speaking, we would say, "We want a fairer share of the stocks in our waters in return for a particular amount of access that we will continue to grant you". It is unlikely that we will get to a situation where we say that all EU vessels are excluded, but we will say that there are certain conditions to the access that we grant, and those will be a rebalancing of quota shares.

Lord Arbuthnot of Edrom: But Operation Yellowhammer says that no deal "could lead to both clashes between fishing vessels and an increase in non-compliance in the domestic fleet". What assets are available for enforcement surveillance? Have you yourself spoken to, for example, the Ministry of Defence about this?

George Eustice MP: Yes, many times. We have had a sevenfold increase in our enforcement capacity.

Lord Arbuthnot of Edrom: What does that mean?

George Eustice MP: We used to have two Royal Navy patrol vessels that did most of the work. Three new OPVs are coming on stream from the Royal Navy. The decision was taken not to decommission the three old ones, so there are six vessels. On top of that, we have also worked out a way of making better use of the assets that the IFCAs hold. Some of those vessels are capable of going further out to sea, so a joint maritime surveillance operation is in place. All that taken together means that there is a significant increase in the capacity that we can draw on from both the Royal Navy and the IFCAs.

Lord Arbuthnot of Edrom: I have a final question. Are you telling UK fishers to take their stuff out of EU waters as from 31 October?

George Eustice MP: Yes. Obviously, if there is an agreement, and indeed a continuity agreement, none of that will be necessary, but we have to recognise that if none of that happens and the EU signals that it is not interested in a continuity agreement—I think that that is highly unlikely given what it gains through having access to our waters—that static gear would have to be taken out of EU waters. We have issued guidance that that will be the case in a hard, no-deal scenario where there is not even interest in having a continuity agreement.

The Chair: I just want to get a clarification, Minister. In your letter to us about all this, one paragraph says, "Any access to fish in UK waters will be a matter for negotiation". That is fair enough—you have just said that. It continues, "Fishing opportunities agreed at the December 2018 Fisheries Council would not automatically apply to the UK". We understand that. However, you then say, "However as a responsible coastal State, we intend to respect fishing opportunities agreed to for 2019". I could not understand from that what happens in November and December. It seems to suggest business as usual until the end of the year, which is rather different from what we are saying, and of course we do not have control over what the EU decides. Could you clarify that for me?

George Eustice MP: Yes. Unless there is a continuity agreement—as I said, we have already agreed one with the Faroes and Norway, and we would obviously be open to that with the EU; we have been sensible and pragmatic on all these things—then the strict legal position is that the EU is no longer allowed access to our waters and we are not allowed access to theirs. Our belief is that fisheries negotiations are decided annually—negotiated in November and December each year—and they apply to the calendar year, and it really does not make much sense to meddle with things at this late stage in the year. So our starting point is that certain agreements were reached at the last December Council and through things such as the coastal states negotiations. The honourable thing to do is to at least recognise those for the remainder of this year, and that is what we will be willing to do when the EU decides that it is even able to talk about such things.

The Chair: That relies on a continuity agreement, which you would like to continue. I am just asking for clarity here.

George Eustice MP: Yes. It is very simple. It is an MoU-type agreement that is a couple of pages long. We have already drafted and signed one in the case of Norway, and have agreed and are about to sign one in the case of the Faroes. We have already drafted what the EU one would look like.

Q43 **The Earl of Stair:** Just for clarification, Minister, you went through the list of the fishery patrol vessels that are available. Is that for the whole of UK-controlled waters or does it not include the waters controlled by the devolved Assemblies?

George Eustice MP: On enforcement, it is rather odd. The MMO does enforcement for England, Wales and Northern Ireland, but Scotland has its own arrangements. It has a private contractor that works with Marine Scotland and it does its own enforcement. I think that I am right in saying that it has around three vessels as well. There is probably a lesser enforcement challenge in the North Sea, because we are talking about a smaller number of much larger vessels, particularly in the pelagic sector. The challenge probably comes in the channel, which is quite crowded. There is a larger number of smaller vessels and it is altogether more crowded. If there were to be new enforcement challenges, we would anticipate them being in the channel or in the southern—

The Earl of Stair: So the listing of vessels that you talked about was purely for the England, Wales and Northern Ireland sector, and not the Scottish sector. Is that right?

George Eustice MP: Yes.

Janet Hughes: May I offer an extra detail on that? Of course, if there is criminal or dangerous activity at sea, then the Royal Navy, Border Force and others would also be involved. We are talking about enforcement in respect of fisheries legislation and those sorts of things, but there is a wider security and enforcement landscape that goes beyond this.

The Earl of Stair: So we have approximately ten vessels, covering the whole of the UK: three from Scotland, from private contractors, plus seven for England, Wales and Northern Ireland.

George Eustice MP: Yes. I might write to the Committee to make sure we have that right.

Janet Hughes: Yes, let us do that.

George Eustice MP: There were three new OPVs coming on stream, and most of those are now in action. There were three that have not been decommissioned; they have been retained as an asset. There are then in the region of nine or ten inshore IFCA vessels that are now part of the joint marine ops centre that we have established.

The Earl of Stair: One more quick question: is there any arrangement whereby, if there is a problem in the future, some of those vessels could be deployed in the Scottish sector as well?

George Eustice MP: We could do that, although we think that the new challenges are more likely to be in the channel and the south, rather than in the North Sea. Bear in mind that in Scotland there is a smaller number of larger vessels. They are already quite familiar with governing access agreements with, say, the Faroes, and making sure that they are catching only what they are allowed to catch, and catching only the volumes that they are allowed to catch in UK waters. They already have quite a lot of experience of dealing with those types of arrangements, and things will probably not change as much in terms of the enforcement challenge.

The Chair: Minister, we are making good progress, but I am aware that we have taken about an hour. Would it be possible for you to stay for another ten minutes?

George Eustice MP: Yes, that is fine.

Q44 **The Chair:** One question I want to raise on fisheries is on the export side, which is equally important. Obviously, fisheries are an emotional business. There may be threats from other fishing fleets that, if we do not allow access, they may stop exports—there is that side of it. We know that this can be a very difficult area for communities on both sides of the channel or the North Sea. We have talked about headage payments. It always seems that agriculture gets the subsidies and the fishing industry gets the grief. If exports should be cut off—I think that is a realistic scenario in a no-deal situation, although not a definite one—will there be any compensation for fisheries? There is an equivalent scheme for this period on the European Union side, as I understand it. Has this been considered?

George Eustice MP: We are considering it, but it is much easier to quantify the impact of an MFN tariff on lamb, see what happens to lamb prices as a result and plug that gap with a headage payment. In the case of fish, the challenge is different and it is not really about tariffs. The tariff on salmon is 2% or 4% and it is neither here nor there for them really. The tariff on shellfish is 8% and that is likely to be dealt with through exchange rate adjustments.

So while tariffs on the main species that we export are obviously unwelcome, they are not the primary concern. The concern relates to severe disruption at the ports. You have a highly perishable fresh product that you would not be able to get to market on time. The point I would make is that the French authorities recognise the importance of this trade for their own supply chain. That is one of the reasons why they have decided not to have a border inspection post for fish at Calais, but to wave the lorries through and do all of the paperwork at Boulogne fish market, so that there is no barrier. The indications are that, for reasons of the importance of UK fish supplies to France's own supply chains, they are willing to be quite helpful for once in trying to make sure that that product can get there.

We are also looking at what easements we might consider to ensure that the highly perishable products that we export in large volumes can get to market on time should serious problems develop. If all else fails and there are major impacts, we are looking at what tools we could use to make hardship payments to fishermen or fish processers in certain affected coastal communities. However, it is harder to design such a scheme, because the people who pay the cost will be those who accidentally—and unfortunately for them—end up in the wrong traffic jam somewhere.

The Chair: And what about other channels of export apart from Calais, such as Roscoff, in our neck of the woods? Will that be working?

George Eustice MP: Yes. I have checked this and there is a border inspection post for fish in Roscoff. Some of the West Country trade goes from Plymouth to Roscoff, but the vast majority of our fish exports go through the short straits and nearly all go on the Eurotunnel from Folkestone, including Scottish salmon, shellfish and white fish. Virtually all of that goes to Europe, and principally to Boulogne market, through the Folkestone to Calais crossing.

The Chair: Thank you. We are going to move on to a really important area, so I very much appreciate this bit of extra time.

Q45 **Baroness Byford:** If I may, I will move us on to the establishment of the environmental protection body. I have not had a chance to look at the Environment Bill, so I do not know what is in it—please forgive me on that—but one or two questions come to mind. First, when will it be, or is it already, in the process of being established? Secondly, will there be open competition for anybody who wants to put their name forward to be considered as a member? And are you content that you have the staff and resources to deal with what will be a very important body in the future?

George Eustice MP: I might ask Janet to come in because this is an area of the portfolio that Rebecca Pow deals with. Obviously, the office of the regulator cannot be legally established until we get the Environment Bill through. That was in the Queen's Speech and we want to progress that Bill as soon as we can.

My understanding is that, in the interim, there is an idea of setting up what is sometimes called a shadow group—effectively an administrative body that will set this up. It will not have legal powers to do things, but it will at least be able to start receiving complaints, considering things and highlighting things with government. While it would not have formal, legal remedy and enforcement powers, it would be a good early start, so that there would be a body that could receive complaints and highlight things with government. It could start to have an impact in that sense, even though it would not be formally established in statue until the Environment Bill has passed. Janet, do you want to add anything?

Janet Hughes: Only that we are prepared to put interim arrangements in place should it be necessary. To answer your question about staff and resources, yes, we do have them, but the body will not be at the scale or have the powers of the actual OEP. I would not want to give you the impression that we will have shadow arrangements running; that is not the plan. The plan is to have interim arrangements to take complaints and see if any early action can be taken, pending the establishment of the OEP.

We have imported all the relevant parts of EU law into UK statute, so that will continue to be in place from the legal protections perspective. We can provide the Committee with further information in due course, if it becomes necessary to establish those interim arrangements.

Baroness Byford: Clearly it is very important that a proper body is set up. My question was really on the staffing and financing of that. Is that something the department is already considering?

Janet Hughes: My understanding is that that would need to be considered as part of the spending review and the overall consideration and setting of the Budget for next year. We do not have that set yet, but we have plans that would allow us to execute that and are bidding for funding to do it, as you would expect. We do not have any reason to expect that we will not get that funding at this point.

Baroness Byford: My understanding is that the body might not be set up for six or 12 months' time. So are we still reliant on the agreement we had with the EU to cover those aspects of work?

Janet Hughes: There will be interim arrangements in place, which will be staffed by people in Defra. They will manage that process. But on your question on the establishment of the OEP, that would be funded and set up after the Bill has passed.

Baroness Byford: Right. Thank you.

Baroness McIntosh of Pickering: Just to be clear, when we leave the EU, the UK loses the jurisdiction of the European Commission—

Janet Hughes: Yes.

Baroness McIntosh of Pickering: So if there is a pending court case, would that fall?

Janet Hughes: No, because the OEP is the ombudsman. It does not carry out court cases. If court cases were in progress—

Baroness McIntosh of Pickering: Before the European Court of Justice, I meant, for breach.

Janet Hughes: I would have to check that point of detail.

George Eustice MP: In a no-deal scenario, any judgments that came from the ECJ after we had left obviously would not be binding, because it would not have jurisdiction over us.

The Chair: Just to be clear, on 1 November, do you have a ring-fenced sort of enemy within Defra's camp that keeps the rest of you in line? I do not get that; I do not believe it. How does it work?

Janet Hughes: Those staffing the interim arrangements are not empowered to do the functions that we are proposing the OEP would do. They would handle complaints and see whether there was any early action to take, but they are not a shadow arrangement; they are not performing those statutory functions.

The Chair: But do you have people identified at the moment who, on 1 November, will start to take that role on?

Janet Hughes: Yes.

The Chair: Right. Okay, that is what I am trying to ask. The Committee welcomes the fact that the Environment Bill now includes climate change as part of its remit and various other things that we put forward as recommendations, similar to those of the Commons' Committee. There are some positive areas there. We move on briefly to biosecurity.

Q46 **The Earl of Stair:** Although the intention is to continue with biosecurity for a minimum of extra border checks, some changes will be needed on the plant and animal health sides, particularly in respect of imports of veterinary medicines. What is your assessment of the scale of the biosecurity risks that are going to arise from a no-deal Brexit due to minimal border checks and potentially disrupted supplies of veterinary medicines? What steps will you take to monitor the financial and disease consequences of this? What contingency measures are you putting in place to maintain the necessary supplies of veterinary medicines, which, as we all know, tend to be time sensitive?

George Eustice MP: Importantly, we do not think there will be issues in terms of animal or plant health or disease, because all goods coming into the European Union, even if they are transit goods going on to the UK, are checked for biosecurity. That is because, for instance, pigmeat coming into the EU infected with African swine fever is as much a risk travelling through the EU as it is when it arrives in the UK. They still do all the veterinary checks needed for animal and plant health at the point of entry, so there will be no additional risk when it comes to biosecurity.

The Earl of Stair: At the moment.

George Eustice MP: It will still be the case after we leave, because they check as a matter of routine. Even transit goods are checked for animal and plant health.

The Earl of Stair: As long as it continues as it is at the moment. In other words, if the situation changes, it may well be that we do not get the same cover.

George Eustice MP: They will not change that, because it would be a risk to their own biosecurity. In much the same way, if transit goods to the EU were coming through a British port, we would perform checks for biosecurity reasons as well.

Where there is a slightly different approach is on food standards and food safety, where transit goods do not get a full inspection but will have to have a full inspection when they arrive at a BIP. We deal with some transit goods of that sort, but it is a relatively small volume at the moment. Our approach is to say that any transit goods that go into, say, Rotterdam and then come through to the UK would have to go through a border inspection post, in particular for food safety checks. There are no new risks by allowing EU goods to come in without going through a BIP, because that is a risk that we already take.

Veterinary medicines is a very important issue. The Government have decided that all veterinary medicines should be listed as category 1 goods. That means that in the event of a bad crisis where there are severe problems, just as with medicines there is government-procured freight capacity that will ensure that those critical goods can get in. That includes veterinary medicines. In addition to that, we have been doing a lot of work with the VMD, the Veterinary Medicines Directorate. Before we even need to use that priority transport, there are well-established ways in international law for cascading approaches, where one can use products authorised for different species on another species, for instance. It has done quite a piece of work looking at where a cascade approach might be appropriate and could be triggered.

The Earl of Stair: Has government made any allocations for any financial requirement to improve the infrastructure at the various port entries for biosecurity—extra checking facilities, extra handling facilities?

The Chair: I am very aware of your time, Minister, so a quick answer will do.

George Eustice MP: On the basis that we will not do border inspection posts for EU goods, we do not feel that we need to make many additions there. There will be a border inspection post for transit goods coming in through the short straits, but the vast majority of goods come in through major ports such as Harwich, Felixstowe, Liverpool and so on, which already have well-established teams who deal with these issues.

The Chair: It is important that we have the last question, albeit with very brief answers, because REACH is an area in which, if I am frank, we have found Defra in the past severely wanting—although I know that a lot of work has gone into it since.

Q47 **Lord Cameron of Dillington:** On REACH and ECA, some 70,000-plus people in the UK are employed in the UK chemical industry and I think that some 21,000 chemicals are registered at ECA. Some of those products cross our borders—the same as with livestock, as you said—five or six times before the end product is delivered. I gather that, by August, only 52% of concerned REACH registrants had transferred their registrations to the EU 27. What is the current figure and what are you doing to alleviate the problems, come 31 October, that this industry will have to suffer?

The Chair: A one-sentence answer will do. If you want to send us more information afterwards, that would be very useful.

George Eustice MP: I can send you the information. There is a UK REACH system and we are having grace periods to enable people to register on it. If they have an EU authorisation, we will accept that from day one and we are giving them 120 days to register on the UK system.

The EU and ECA have given guidance to companies about what they need to do. Essentially, either they need an agent, who might already be in the EU—just because not everyone has signed up does not necessarily mean that they do not have a solution; smaller companies might use a distributor or agent who is on the register—or they need an address and an entity in the EU that they can sign up to.

Lord Cameron of Dillington: But they have to be registered by the end of this month to do that.

George Eustice MP: Yes. How many of them export to the EU is another question. We have certainly shared information with all the chemical companies. There are several thousand who do some work that is affected, but there is obviously a small number of very big players such as Johnson Matthey and BASF. We have been in touch with those companies, made them aware of what is required of them and pointed them to the EU guidance that has been issued.

Again, it is one of those issues where the bit we are in control of we have made provision for; the bit that we cannot control is what the EU requires. We have signposted businesses to that, but we cannot do much more beyond that.

Janet Hughes: We will send you the number of up-to-date registrations, but it is worth making you aware that, since that figure, we have done an extensive stakeholder engagement campaign. We have run workshops with more than 1,500 stakeholders to make them aware of what they need to do. We have published guidance on GOV.UK; we have spoken to people in some depth where there are likely to be large registrants, such as BASF. We have been very active in trying to raise that number. We will send the Committee a note afterwards to give you the up-to-date figure.

Baroness Byford: On that 52%, are they mostly the bigger ones? In your reply to the Committee, could you let us know how many are very small and how many are big?

Janet Hughes: Yes.

The Chair: Minister, and Janet Hughes, thank you very much for coming before us. Clearly, this is the background; we are all hoping that none of it is necessary and that all these matters are resolved one way or the other, but it is important that we know that those procedures are there. Thank you very much.