

International Trade Committee

Oral evidence: UK trade negotiations: Agreement with Australia, HC 1002

Wednesday 2 March 2022

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Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Paul Girvan; Tony Lloyd; Anthony Mangnall; Lloyd Russell-Moyle; Martin Vickers.

Questions 56 - 86

Witnesses

I: Sarah Williams, Head of Greener UK Unit, Green Alliance; Ruth Bergan, Senior Adviser, Trade Justice Movement; and Sir Lockwood Smith, former New Zealand Trade Minister and former High Commissioner to the UK.



Examination of witnesses

Witnesses: Sarah Williams, Ruth Bergan and Sir Lockwood Smith.

Q56 **Chair:** Welcome to the International Trade Committee's public oral evidence session on UK trade negotiation: agreement with Australia. We are focusing on the environment and the level playing field. We have two panels this morning—a panel of three and a panel of four. In the first panel we have Ruth Bergan and Sir Lockwood Smith appearing virtually and with us in the Committee room we have Sarah Williams. I will ask you all to introduce yourselves, please: name, rank and serial number for the record.

Sarah Williams: I am head of the Greener UK Unit at Green Alliance. Greener UK is a coalition of 12 environmental organisations that came together to ensure that the environment was protected through Brexit, including when negotiating trade agreements.

Ruth Bergan: I am senior adviser at the Trade Justice Movement, which is a network of 60 civil society organisations working on social and environmental issues with trade. I also have a cold, so I apologise if I cough a lot.

Chair: One of the benefits of virtual appearance is that we are all quite safe. Last but not least, Sir Lockwood Smith.

Sir Lockwood Smith: I am former High Commissioner to the United Kingdom, former Minister of Agriculture in New Zealand, and former Minister for International Trade in New Zealand. I have been quite heavily involved in trade over the years and initiated what became the CPTPP, and the trade agreement between Australia and New Zealand and the whole of ASEAN. I was the first Trade Minister in the world to sign China up to the World Trade Organisation. I have a long involvement in trade and it is a privilege to be talking to you from my humble little farm office here 90 miles north of Auckland in New Zealand.

Q57 **Chair:** Fantastic. It is summer time in Auckland as well, so when this is over you can walk out the room into the summer and far away from this part of the world, which may be not a bad thing at the moment.

Sir Lockwood, the agreement contains a dedicated environment chapter. From your perspective, how common is it to have such a chapter in a trade agreement?

Sir Lockwood Smith: It is interesting that if you go back a few years to the Uruguay round of the GATT in the 1990s, the focus was all on barriers at the border—tariffs. The Uruguay round basically reduced those tariffs hugely, except for agriculture of course. After that the focus started to look at what we need to do more to facilitate trade and that started looking at regulations behind the border that were frustrating trade. Early talk about labour standards and environmental standards was common. The first trade agreement that New Zealand was involved in that included



an environment chapter was our free trade agreement with China in 2008, but it was only on co-operation and working together on approving environmental standards.

Where the big leap forward came was in CPTPP, the Trans Pacific Partnership. It has quite a powerful chapter on the environment and requires members of CPTPP to make sure that they do not derogate from their own environmental laws. It has dispute resolution mechanisms—one of the first times I have ever seen that in a free trade agreement—where countries disagree about environmental law. New Zealand then upgraded our agreement with China and that also now has dispute resolution procedures.

The interesting thing about the Australian and the New Zealand proposed free trade agreements is that they take things a step further. The negotiators are to be congratulated. For the first time that I have seen the environment chapter includes a significant section on climate change, a section on sustainable forest management—that is the Australian one—and one on marine litter. The New Zealand draft agreement goes even further and includes provisions on the protection of freshwater resources, fossil fuel subsidy reform and, finally, sustainable agriculture. These agreements are a whole step forward in the international world.

Q58 Anthony Mangnall: I will start with you, Sir Lockwood. You mentioned that there is a similarity with CPTPP and the environmental clauses there, and it goes further. How much further? You mentioned a few points there but it is quite interesting that some people are bit dismissive about the teeth that the environmental chapter has in the Australian agreement, and I will come to Ruth in a second. How unique is this to the trade deal that we signed?

Sir Lockwood Smith: The progress is significant, to answer your question. I have not seen the dispute mechanisms tested out yet in these types of free trade agreements, but they are significant. There is a whole process that has to be gone through involving consultations and then finally a panel dispute resolution system. It has to be in the agreement because the WTO rules do not currently provide for the WTO to resolve some of these issues. That is why they are spelt out in some detail in the trade agreements.

If you look at the Australian and New Zealand agreements, there are something like 10 specific environmental issues: everything from climate change through to air quality, marine environment, wild fisheries, trade and biodiversity, invasive and alien species—you name it. There are at least 10 significant issues. As I say, some of them are new over and above TPP, specifically climate change, marine litter, sustainable forest management, sustainable agriculture, freshwater quality and fossil fuel subsidies in the New Zealand one. Those are big steps forward and it will be interesting to see how much of this can be incorporated into TPP now as you seek to accede to TPP—and what you are doing is great.



Q59 **Anthony Mangnall:** Ruth, I will bring you in on this. Do you agree with that? Is it powerful; is it progressive; does it have teeth?

Ruth Bergan: I agree that there are a lot of new issues in the deal, so it covers lots of new things that we do not see in other deals, climate change being one of them, and the circular economy, reflecting the work that is happening at the WTO. It covers a lot of new issues and there is a lot more detail. It looks like progress, particularly if you compare it with the rollover deals that we inherited from the EU.

I think where I differ from Lockwood is that the language in the text is still very vague. For example, on multilateral environmental agreements, it says, "The parties emphasise that efforts to address climate change require collective and urgent action and acknowledge the role of global trade and investment in these efforts". The chapter is subject to the same dispute settlement mechanism as the rest of the deal, but it is very difficult to see how you could bring a case if the language is that vague. A lot of the language is around, "We will co-operate in these areas. We will exchange information. We will have a dialogue." I think a lot of this will be in what the commitment is on either side and then how much pressure they feel under to take action and progress on this.

One of the things I think is very interesting is that the UK's own impact assessment says that this deal will increase carbon emissions, although not by very much. Given that what we need is a massive, rapid decrease in emissions, I think it is very disappointing to see, having identified that problem, that nowhere in the deal do they look at how they will address it. There is nothing that says, "These are the ways in which this deal will address the problem that we identified in our impact assessment".

It would be innovative to see the UK looking at its climate commitments and saying, "How do we ensure that our trade deals are part of delivering on this? How are we using them so that we are delivering on reducing emissions?" That is not to say that I think trade agreements are the tool to achieve that, but I think they absolutely must be aligned formally with our ambitions on climate change. Otherwise, honestly, the very small increase in trade—the tiny increase in GDP that we will see from this deal—will be completely wiped away by the impacts of climate change.

Q60 **Anthony Mangnall:** We have spent a great deal of time talking about forecasts and whether they are accurate, and that may have to be a conversation for a different day. Are we being a bit too purist about this? It seems from what Lockwood said, and from what other commentators have said about this deal, that the measures we have in here about the environment are unique. Most language around environment provisions is quite vague by definition, because you have to get commonality in other countries to join. Are we being globally leading in pushing forward these chapters? If we are going further than CPTPP, which seems to be quite progressive for the environment, that presumably is a good thing and other countries will follow.



Ruth Bergan: It is positive to see all of this new stuff in there. It is positive to see a specific article on climate change and there is a good chance that we will see other countries starting to follow suit. I think it is also possible to do more. For example, there is a lot of detail in the fisheries and forestry articles and they get into quite a lot more specifics. That is partially a reflection of the work that is happening outside bilateral trade agreements—the work on fisheries at the WTO and the work on forest sustainability in other forums. They have been able to bring some of that into the trade agreement, and there you see real detail and real specifics. That brings with it greater potential for action where parties are breaching their commitments. Aiming for something more than the vague language on climate change would be possible.

The other thing that we need to urgently look at is how the rest of the trade deal is brought in line with it. I would welcome some additional language, say, for example in the procurement chapter, where there is something very specific about how countries will be able to guide their procurement in a way that benefits sustainability goals. Again, it is quite vague and I think much more could be done in those other chapters where we know that there is such a big implication for achieving climate and environmental goals.

Q61 **Anthony Mangnall:** We have a session on procurement next week. I will bring in Sarah because she has been nodding and shaking her head along some of the way here.

Sarah Williams: The environment chapter is the minimum that we should be accepting in our new trade agreements but that alone is not going to safeguard against the environmental risks that this deal opens up. That is because of the tariff liberalisation and the fact that Australia's output system does not meet the same high standards and we will be exporting our overseas footprint increasingly.

Yes, the co-operation mechanisms in the agreement are very useful. It is just not clear whether they will deliver any concrete action. We are signing up to an awful lot of them in many different agreements and it is not clear that we are dedicating the resourcing to deliver on all of them.

Q62 **Anthony Mangnall:** One last follow-up. Is there any example of a trade deal that you have seen that is very progressive on environmental policies and chapters?

Sarah Williams: No, is the honest answer. There are bits that we can take and pick from various ones. The trade and co-operation agreement between the EU and the UK includes a rebalancing provision, which means that if there is a significant future divergence in environmental standards we can put in place countermeasures, which is quite interesting. No, the trade agreements generally have not been great on the environment.

Q63 **Mark Garnier:** To carry on with that question, what you just said



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suggests that we are going backwards on some of the others, for example Paris on environment. Is this not sending the opposite message to what it should be saying?

Sarah Williams: As has been pointed out, there are some good things in this agreement; the fact that there is quite a good enforcement mechanism for the environment chapter is great. Many deals exclude that.

Q64 **Mark Garnier:** Can you elaborate on how the enforcement works and what the effect of it would be?

Sarah Williams: Basically, for environmental provisions to have any impact they need to be covered by effective governance mechanisms. In this agreement we have an environmental working group that will oversee implementation of the environment chapter. There is a process of environmental consultations and joint committee consultations, and ministerial consultations if there is a dispute between the two sides. If the two sides still fail to agree on a matter it goes on to the main dispute settlement mechanism, which, as I said, is good to see. But as has been alluded to, lots of the commitments are quite broad, quite vague and aspirational, and particularly there is a trade and investment test attached to quite a lot of the provisions in this chapter. The commitment to enforce domestic laws is welcome, but it only applies in respect of when it would have an impact on trade and investment between the two parties. That is notoriously difficult to prove. We would prefer it that if there is an issue with the economic repercussions, that is what we would like to see for the environment irrespective of trade and investment.

My final point is that fundamentally you can agree a non-derogation or a non-regression provision in an agreement, but if there is not a level playing field to start with that is a lot less meaningful. There is nothing in this agreement that will ensure that Australian standards of environmental protections will increase in the future.

Q65 **Mark Garnier:** Can you give an example of an infringement of the environment standards in a trade deal where there has been enforcement through the dispute resolution mechanism?

Sarah Williams: Ruth might be able to come in on one particular non-regression provision but, as I said, there is a new rebalancing provision in the trade and co-operation agreement. It is a new mechanism and obviously has not been used yet, so its effectiveness remains to be seen, but hopefully it will be a useful tool given that is where we need greater environmental ambition going forward. That is one that does try to capture it, but there are not that many great examples, unfortunately.

Q66 **Mark Garnier:** Ruth, you have been put in the spotlight. Do you have an example?



Ruth Bergan: As far as I know, there are no cases under environmental chapters, but there have been two on labour rights. One was Guatemala where there were labour rights violations and the US tried to bring a case under the trade agreement to say it was a breach of the trade agreement. However, they could not demonstrate that the labour rights violations had an impact on trade and investment and so the case was dismissed. Labour rights violations were indeed occurring, but the trade agreement had nothing to say about them, because they could not demonstrate a link to trade. The other case is similar—a labour rights issue in South Korea.

I want to mention that on a different approach—I am sure the Committee will probably come to considering this eventually—we are rolling over the EU's generalised system of preferences. The UK now has a new acronym, which I have temporarily forgotten. Under the generalised system of preferences, we put a lot more demands on lower-middle income countries if they want to access the GST-plus scheme. We require them to be signed up to and implementing a range of human rights and environmental agreements. There is an ability to take action and you saw action against, for example, Australia under that scheme.

It is definitely the case that there are already other things out there that would allow us to improve the way in which trade is situated within our other foreign policy goals and is conditioned to some extent on the achievement of those goals.

Q67 **Mark Garnier:** My point behind all of this is why does it have to be in a trade deal when there are other deals out there? The first question is: what is so important about that? Secondly, if you have these provisions within the trade deal that make it very difficult to bring prosecutions under the dispute resolution mechanism, is this virtually signalling or will it have teeth to it? If it is not going to have teeth to it, is it not a distraction and, to be a bit more philosophical, the trade deal is no longer a trade deal; it is an economic and societal partnership? Have we found ourselves going too far into other areas where it just confuses the entire picture about what is trade and what are environmental provisions? Are we running the risk of going in the wrong direction through this because we are not being hard enough on this or you cannot enforce it? There are a lot of different questions there.

Sarah Williams: That was certainly Scott Morrison's view, wasn't it—he does trade in trade agreements and does climate in climate agreements—but that is a bit of an old-fashioned approach now. We think that trade policy should be a crucial tool for delivering on a whole range of policy objectives—climate change, obviously, and sustainability—but at the very least it should not undermine those other aims, which unfortunately we are seeing.

Q68 **Mark Garnier:** We agree with that, but it comes back to this enforcement point and the teeth. If it does not have teeth behind it, what then? What does an enforcement look like? If under this quite



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complicated process that you described earlier it eventually goes to court, what is the outcome of that? Can it be enforced?

Sarah Williams: Should we move on to the climate change provisions, because there are other examples in that space?

Ruth Bergan: Apologies, but I have some thoughts on that, if it is useful.

Mark Garnier: Yes, please.

Ruth Bergan: The thing about the expansiveness of trade deals is not a problem that comes from an attempt to align them with environmental and social issues. The GATT back in 1947 was about trading goods and did not cover much else. Then, with the WTO, you saw a massive expansion of what trade deals have an influence on. They now impact on almost every aspect of everyday life, so under your services chapters you might have things that impact on health, water and energy. You have, as Lockwood has outlined, a real push to look at regulatory barriers, so that the regulations that you are developing are now legitimately assessed against whether they are good or bad for international trade.

To say, "Aren't these environmental provisions pushing trade agreements beyond what they are designed to do?" is not an argument, because they are already significantly broad as it is. Ensuring that they are in line with our climate ambition is completely normal given how urgent the climate situation is. Various commentators are saying that we need every tool in the box to achieve a reduction in emissions. I think that it would be wrong to imagine trade agreements not explicitly recognising that.

The second point is that trade agreements have always been fully binding and fully enforceable. We know that there are two ways of doing that. There are dispute settlements either through the WTO or bilateral arrangements, and then there is investment to save dispute settlements. That gives them significant teeth in all of the other trade measures, where environmental agreements on the whole do not have those teeth. Again, if we have a situation where we have that huge imbalance between climate and environmental measures and trade measures, and we just do not address that, we are storing up an awful lot of problems for later.

Should we be looking at ways to make the environment chapters more enforceable? Yes, we should. Should we also be rethinking the provision of trade agreements so that they are in line with our climate ambitions? Yes, we should. For example, on intellectual property the UNFCCC says very clearly that if we do not have rapid transfer of green technology soon, we will not achieve our goals. The Australia trade agreement massively increases the protections for intellectual property, making it much harder for that kind of thing to happen. I think that we need action across the trade agreement and greater enforceability in chapters.

Mark Garnier: That is very helpful, thank you.



Q69 **Martin Vickers:** I will come back to Ruth on this particular one. How do the environmental provisions in the agreement relate to those in the environment chapter of CPTPP?

Ruth Bergan: I think Lockwood has highlighted this. From what I see, there is quite a lot of cut and paste from CPTPP and then it goes further. We have outlined some of the additional things that go in there. It is interesting that climate is in UK-Australia and it is not in CPTPP. As far as I can see, there is no mention of climate in CPTPP anywhere. Lockwood is nodding so I assume that confirms it.

One of the interesting questions for the UK is how it will deal with the differences between all of the different deals it has signed. New Zealand goes further than Australia, and Lockwood has outlined that as well. Provisions on fossil fuel subsidies are new and interesting, although there is no definition of subsidies and since the UK picks and chooses its way of defining subsidies it could mean not very much change on the UK front.

We now have climate as an essential element in the EU deal, but not in Australia or New Zealand or CPTPP. We have additional provisions in Australia and New Zealand that are not reflected in CPTPP. We have Australia taking some things out of the CPTPP, mainly around consultation, which I find interesting, especially given some of what the Committee has been saying about consultation this week. The CPTPP says a lot more, gives a lot more detail and is more binding on public consultation, which I think is an important part of how we address environmental issues. The CPTPP, for example, says that parties should respond in a timely manner to public submission and that is taken out of the UK-Australia deal for some reason. CPTPP says that there shall be public consultation and the Australia deal says there may be consultation with the public.

What I think is interesting is how the UK will deal with the differences across all of these agreements.

Q70 **Martin Vickers:** Sir Lockwood, you referenced the CPTPP earlier and you referred to it as a step forward. Do you regard it as a model for future agreements?

Sir Lockwood Smith: I would describe the UK-Australia and the UK-New Zealand agreements as strategic agreements. They are more important than just the trade issues that they cover. One of the reasons why they are more important is that they introduce these new environmental issues around things like climate change and some of the sustainability issues. That is important, but they are also what I consider to be agreements that show the global trading world that the UK means global Britain.

It is very interesting that these are the first two ground-up trade agreements that you guys have negotiated and the world has been watching. What will they be like? Are they going to be EU-type



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agreements that are more protectionist than trade, or are they going to be agreements that actually help take the world forward? I congratulate you—these are agreements that take the world forward.

While I have the microphone, I will make one other comment on this environmental stuff. One your witnesses today talked about the fact that with the EU agreement you have a level playing field to start with. I know this is an issue that people in the UK wonder about quite a lot and to me it is absolute nonsense. You take New Zealand's free trade agreement with China—the first developed country in the world to negotiate a free trade agreement with China. The environmental arrangements in our two countries are totally different. Some people would say, "Well, if you are competing with China that will lead to New Zealand absolutely undermining its own standards for the environment." Exactly the opposite has happened. All our work on trade agreements—New Zealand has a lot more experience, going back decades now, on open trade agreements—is fascinating and instead of them leading to a race to the bottom on standards, they lead New Zealand to pursuing higher standards. I will give you one little story.

In 1985 New Zealand wiped the protection on our wine industry. There was a 40% tariff protecting our wine industry, so New Zealand wine producers were protected from cheap wines coming in from overseas. When it was wiped I can imagine UK people saying, "This will be terrible because that 40% tariff protecting the industry will lead to lower environmental standards as New Zealand tries to compete with cheap imports and so on." New Zealand realised that there was no sustainable future in going for cheap wine, so they pulled out the cheap wine varieties, planted expensive wine varieties, and developed whole new methods of managing the canopy, as well as new stainless steel fermentation and screw caps on bottles, leading the world. Today wine is New Zealand's biggest export to the United Kingdom and we command the highest average price of any country in the world on the UK market.

That is what competition and trade agreements can do and the environmental standards in New Zealand have improved enormously in the wine sector. Prior to when it was protected it produced battery acid—no self-respecting person would drink it. Today it commands the highest average price in the UK market and New Zealanders can drink cheap Australian wine or cheap European wine that is imported into New Zealand. We supply high quality wine, produced to higher environmental standards, to the global marketplace, including the UK. You will get it a bit cheaper now once this agreement is in place and the tariffs come off it.

Our total experience is that competition in a country like the United Kingdom or New Zealand raises environmental standards. There is no sustainable future in marketing globally unless you are continuously raising your environmental standards. Sorry about that, but that is just



our experience that I wanted to share with you. It is real experience. It is not maybe what might happen; that is what has happened over 30 years.

Martin Vickers: Excellent, thank you.

Chair: Very good, we will avoid battery acid in future.

Q71 **Lloyd Russell-Moyle:** What does the agreement do on the parties' commitment to the Paris Agreement on Climate Change? What more, if anything, could it have done in this respect?

Sarah Williams: We saw the news reports during the negotiations that to get the FTA over the line the Business Secretary agreed that DIT could remove the climate parts on the table. Those were to ensure that multilateral environmental agreements would have precedence over FTA provisions and there was a reference to the Paris agreement's specific goal, particularly 1.5 degrees. We do not have those. The agreement now just affirms its commitment to implementing the MEAs it signed up to, including the Paris agreement, and recognises the importance of achieving those goals. The removal of the reference to the specific reduction in temperature definitely lowers expectations about impacts. We say that if you can be more specific and more measurable, you can be more accountable. You just need to look at the New Zealand deal that has just been signed, which has that language in it.

We were also particularly aggravated for two more reasons. One was that the TCA, the trade and co-operation agreement, had committed to action against climate change being an essential element of the deal. That meant that if you substantially undermined the Paris agreement, you could open up the agreement being suspended between the two sides. It was quite a high bar, to be honest, but an important statement of intent or ambition. Obviously, this was also happening when the UK was COP26 president, so when we should have been straining every sinew to deliver on Paris and the 1.5 degree, it was removed.

Australia's record on climate action is not very good. It is one of the most carbon-intensive OECD countries. It is one of the few where greenhouse gas emissions, excluding land use and forestry, have increased in the last decade. It now has a 2050 target for net zero—that was agreed just before COP26—but the provisions, particularly on agriculture, are considered very weak. It has not increased its 2030 target at all. I guess that is the broader point: fundamentally we would like the UK Government to be negotiating with leaders on climate action, and ones that want to put delivering the Paris agreement and getting that 1.5 degree goal at the centre of a FTA. They basically should not be prioritising climate laggards and they certainly should not be rushing to agree deals with them.

Q72 **Lloyd Russell-Moyle:** You said that in some of the draft language there had been mention of not only the number 1.5, but also the fact that climate change and environmental agreements take precedence over this trade agreement. With them being excluded, does this mean that if



countries wish to take action on climate change, it could hinder them?

Sarah Williams: The agreements allow each country the right to regulate on specific policy objectives, so they are covered. As I said, there are other ways that you could put climate change more at the heart of the agreement that unfortunately were not capitalised on. I think that was probably because the UK was in quite a hurry to get this agreement.

Q73 **Lloyd Russell-Moyle:** Is it worse that we have put something in as weak rather than nothing at all?

Sarah Williams: Probably not, but there are other examples now, as I said, particularly the essential element clause in the TCA, which show that you can do things in a more ambitious fashion.

Lloyd Russell-Moyle: Thank you.

Q74 **Paul Girvan:** This is to Lockwood. What will be the likely effect of the agreement on environmental standards in the UK and Australia? I think you have already alluded to this in a previous response, but can you give us some more information?

Sir Lockwood Smith: All I can say is that, based on our practical experience of what happens, this agreement will improve environmental standards in both countries, and not necessarily because of the chapter on the environment. To me, that is not the issue. If you take carbon emissions and climate change issues, for example, the crucial issue is: what is the total carbon footprint of a product on the UK market? If an imported product has a lower carbon footprint after being shipped halfway around the world, the global climate is better off.

We are starting to see huge effort going into reducing the emissions in agriculture. As a farmer here in New Zealand, I am facing a bill of tens of thousands of dollars a year, paying for the emissions from my beef cattle. There is a huge incentive to reduce the methane emissions from cattle. Already New Zealand can ship lamb to the UK market at a lower total carbon footprint than the locally-produced product. The atmosphere does not care where the emissions come from. The atmosphere is interested in the total carbon footprint.

There is more work to do on how we measure it. At the moment, ruminant emissions are way overestimated in their impact on global warming. Your own Professor Myles Allen at Oxford University is a global expert on that. The latest IPCC report has finally acknowledged that GWP100 on methane emissions is not a very accurate way to be assessing the warming effect of ruminant methane emissions. That is the crucial thing.

Liberalising trade, as this agreement will do, will enable carbon efficiency to work itself out. Basically, it is energy efficiency. Carbon is the currency of energy flow through living systems. Long before I was ever a politician, I was once a scientist. Liberalising trade enables the most



energy-efficient system to tend to come to the surface, and that will be positive for emissions.

I think these agreements will be positive for carbon emissions, because all our countries, even Australia, are very focused. Look at the floods they have in north-eastern Australia at the moment. They are very focused on these things, even though they may not sound like it. We are all working on it. We are all working on how we can reduce the carbon emissions per kilogram of dairy product, lamb, beef—you name it. This will just help progress all of that.

Paul Girvan: Thank you.

Q75 **Tony Lloyd:** Ruth, you made the point earlier that the impact assessment of the agreement indicates an increase in carbon emissions. What do you see as the potential environmental damage and the potential environmental detriment of the agreement? Are there practical ways in which these could be offset?

Ruth Bergan: There are two ways in which trade agreements can impact on climate and the environment. The first is if they increase production and transport of goods that are relatively higher emitters of CO₂ and the second is their impact on policy. In a way, for us the impact on policy is almost more important, so Australia's ability to introduce new regulation to deal with climate and the environment.

I reiterate what has already been said. Australia has a very bad record on the climate. It was rated last place out of 193 UN member countries on its climate targets in the sustainable development report last year. It has lost 20% of its tree cover since 2000, a level of deforestation that puts it on a par with Brazil, Borneo and the Democratic Republic of Congo. It is also home to some of the world's largest energy and mining companies, and even a former Prime Minister admits that they have significant influence over the direction of policy in that country.

We are dealing with a country where the progress on climate is glacial and where we need to be cautious about the impact of the trade agreement. That we have gone ahead with the trade deal with it sends the wrong signal, especially as the host of COP26. That we seem to have gone ahead with a deal that is likely to increase emissions is even more worrying because it is likely that we are locked into that once the trade agreement is in place and we have not done anything to address the problem. It would be interesting for DIT to look at a test that says, "Does this agreement increase emissions or in fact does it decrease emissions?" If it does not, we need to go back to the drawing board and think about how we do that.

Lockwood's points about how trade deals have led to greater efficiency and lower carbon are interesting, but since the signature of the WTO agreement back in 1995, we have seen a huge take-off of emissions globally. I am not saying that the one caused the other. However, it is



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certainly not the case that a global agreement on trade with 160 countries has led to any reduction in climate emissions. It has been accompanied by a significant increase. I think the evidence for trade agreements always being good for emissions is not particularly strong.

Two of the things that I think are of potential concern within the deal and where I fear we will end up focusing our energy are around liberalisation of green goods and services, which is not to say that this is not welcome. The problem is that if that is where we put all our energy and we end up with, let's say, greater trade in green goods and services without a reduction in relatively more-emitting products, or in a context where, say, intellectual property provisions make it harder for us to transfer green technology, as I have mentioned before, that will not do very much for us. It will not lead to the reductions that we need.

Second is this tendency to look at labelling. At the moment, we need to be really worried about a narrative that says, "Let the consumers choose. It will be fine." We know that consumers in the UK and in Australia are facing various issues that will impact their ability to choose lower-carbon products in shops—here in the UK, it is the impacts of Brexit, Covid and inflation, and now events in Ukraine. I think we should be wary of a narrative that says, "We have put some stuff in there about labelling. We will let consumers choose."

Sir Lockwood Smith: Mr Chair, can I respond to that? This is really important.

Chair: Sorry, Lockwood. I will let you in a second. I think Sarah wants to come in briefly. She has indicated.

Sarah Williams: Carbon emissions are incredibly important, but just focusing on carbon emissions is not enough. The environmental impacts are much wider than that: impacts on nature restoration, ecosystems, habitats and water resources. We should be thinking about the environmental impacts more in the round. That is why we have been advocating for some core standards that take into consideration a much broader range of environmental impacts to underpin trade agreements. I just wanted to make that point.

Q76 **Tony Lloyd:** I do not want to cut across Lockwood again, and by all means do follow up, but I will ask Ruth and Sarah. I do not want to put words in your mouth. How would you respond to the question of whether, in the rush to get a trade agreement that focuses primarily on the services, we have failed to offer sufficient protection around environmental standards? Is that a point you endorse or reject?

Sarah Williams: We have agreed to sizeable tariff-free quotas without any environmental or animal welfare conditions attached. As I said, the agricultural system in Australia has much lower standards than UK farmers are expected to meet. At the moment, we are asking UK farmers to do an awful lot. We are asking them to enhance biodiversity and



decarbonise. They need to do that—we must do that—but it is coming at a very interesting time domestically here as well. That is why we would like better safeguards in all deals or at least underpinning deals.

Sir Lockwood Smith: If I could respond to some of those issues, we hear these assertions that standards in Australia are so low and standards in the UK are so high and so on. I was formerly an agricultural scientist. I have lived in Australia. I studied and did my PhD on agricultural science in Australia, I have farmed all my life in New Zealand, and I have lived in the United Kingdom for a fair while. I have looked at agriculture all over the UK. I think some of these assertions are absolutely groundless.

The Australian environment is so different. The free range—the cattle grazing outside all year round—is just such a different environment. Some people would argue it has a higher welfare status associated with it than animals stuck in a barn, feeding through bars, locked in bars to eat, with their heads through to feed and not able to express their normal ruminant behaviour at all. There are all these issues. It is so easy to criticise another country.

Let me make this comment about New Zealand, because then I am not criticising another country. Our agricultural sector, as you know, was once heavily protected, just like the UK's is now. Since those protections were wiped and we have had to face global competition, the carbon efficiency of the production of sheep meat in New Zealand has improved by over 30%. The carbon footprint of our sheep meat production in New Zealand has improved by more than 30% since we faced international competition. That is an indisputable fact. That is what has happened. It is not what might happen. That is what has happened since the protections were wiped on New Zealand agriculture and it had to compete globally.

Q77 **Lloyd Russell-Moyle:** You are making some interesting points there, Lockwood. I must say I find it slightly incredible that earlier you suggested that New Zealand lamb shipped to Wales would have less carbon than Welsh lamb eaten in Wales. I would love to see the statistics for that—my quick look-up does not seem to show that, but I would love to see it. You are saying that it advantaged the country that was already ahead, aren't you? The country that already was leading in lamb was able to go further and reduce its lamb carbon. The country that already had wine production and had high costs was able to invest in further reduction in environmental issues and better production.

What you have not expressed is what the consumption of that product is overall. If it has meant that people are consuming both quality and cheap lamb and consuming more lamb, and they are consuming both high quality lamb and more cheap wine, overall your carbon has gone up, has it not? That is a negative thing for the environment.

Sir Lockwood Smith: Not at all. I think your argument is quite wrong, and let me explain why.



Lloyd Russell-Moyle: Please do.

Sir Lockwood Smith: Take the piece of lamb that New Zealand can export to the UK market at a lower carbon footprint. If that is replaced by someone else's lamb at a higher carbon footprint, the environment—the atmosphere—is worse off. It is not a matter of whether or not more New Zealand lamb is consumed or more New Zealand wine. The issue is: what is the carbon footprint of the total amount being consumed?

We ought to have, in an ideal world, more of the product coming from the lowest-footprint production when you include the transport costs. In carbon costs, you must include the transport carbon costs. It must be a full carbon footprint. The product will be consumed somewhere, and it is desirable that it comes from more carbon-efficient places.

It is not just agriculture. Take all sorts of products where if New Zealand produced them, they would be so inefficient, and the carbon costs of doing it in New Zealand would be so high. That is why we import them, because the overall carbon cost is cheaper to bring them in from places that do it far more efficiently. It is not a one-way thing; it is a two-way thing. That is why trade matters so much.

Q78 **Lloyd Russell-Moyle:** Yes, but what you have expressed to us in numbers in both the wine and the lamb example is a per-kilogram amount, rather than assessing whether the carbon of all consumed in that product has gone up or gone down. I take your point that it is best for the most carbon-efficient area to produce it and to share their ideas and technology of how to produce it to others, but the issue surely is that if you just embed the advantage that a country already has, what you are not doing is bringing on board other countries that might need to improve their manufacturing processes, and you push them into a race to the bottom while another partner goes to a race to the top.

Sir Lockwood Smith: That is why these agreements have co-operative clauses in them—to make sure countries do work. Look at the climate change chapter in the Australia and New Zealand agreements. They require both countries to work together to improve the—

Q79 **Lloyd Russell-Moyle:** There is no ratchet clause in the environment section here in the Australia agreement, is there?

Sir Lockwood Smith: Sorry, I did not quite hear that.

Lloyd Russell-Moyle: There is no ratchet clause. There is no clause that means that you constantly have to be improving your environmental standards in these agreements, is there?

Sir Lockwood Smith: No, but you just have to. I have been farming all my life.

Q80 **Lloyd Russell-Moyle:** It happens with osmosis.



Sir Lockwood Smith: To succeed on the global marketplace, you have to produce to higher and higher environmental specifications.

Q81 **Lloyd Russell-Moyle:** Why do you have to? Sorry, I do not understand why you have to. Are you suggesting that there is some invisible hand that makes you do it? I do not see that.

Sir Lockwood Smith: Consumers demand it.

Q82 **Lloyd Russell-Moyle:** Take caged hens, for example. It is almost impossible to buy caged hen eggs in Britain because the consumer really dislikes it, but caged hen eggs are increasing because the consumer ends up consuming them in ways that they do not know, in catering outlets and products, because labelling is impossible there. The consumer cannot push certain environmental things because they do not have the bandwidth to be able to make those decisions on every single thing that they do—every piece of mayonnaise in every sandwich that they buy in a deli. It is ridiculous, surely.

Sir Lockwood Smith: I accept what you are saying there, but these agreements do not change the trade in fresh eggs or eggs between the UK and Australia and New Zealand.

Q83 **Lloyd Russell-Moyle:** It was an example of how the consumer cannot necessarily always be relied on. You need some basic structure to mean that farmers can trade on an equal platform.

Sir Lockwood Smith: Take New Zealand sheep meat. The UK sells most of its sheep meat within the EU, either on the domestic market in the UK or within the EU. New Zealand could sell one lamb, bits of one lamb, in anything up to 100 markets. Our specification—the way we rear and process the lamb—has to be to the highest specification in any of those markets, because we have to be able to switch product from one market to another. You will not be successful in the global marketplace unless you can switch a product you might have thought was going to the UK and actually it is going to the United States or somewhere else.

Lloyd Russell-Moyle: I am sure we will come on to some of these points when we talk about the New Zealand deal, and I look forward to getting into detail about New Zealand lamb, but I suspect the Chair is indicating to me that we need to move on. Thank you very much.

Chair: Thank you. Just on standards, as somebody who keeps sheep, the idea of mulesing that I see—the skinning the rear end of a sheep when there are other ways of preventing flystrike—does not seem to me as very high standards for rearing beasts at all. It seems to be cruelty to the animal in question.

Q84 **Anthony Mangnall:** I agree with nearly everything Sir Lockwood has been saying on this. I am interested to understand, when you signed the free trade agreement with China, how China may have adapted its standards or upgraded its standards, if at all, on environmental policy, but that perhaps is a question for another time.



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Mr Garnier and I were fortunate enough to sit on another Committee, the PAC, the other day and we were talking about the maritime sector. Shipping is responsible for 2.5% of global emissions. We are signing free trade agreements where presumably, with an upgraded quota of beef coming to the UK, we will see more ships sailing. This will obviously have an impact on emissions. Does anyone want to comment on the maritime sector and the impact of increased quotas over to the UK? I am very conscious of time, so it will have to be brief answers from you all.

Sarah Williams: The impact assessment shows that this will lead to an increase in emissions, I think of between—

Anthony Mangnall: To be precise, how much?

Sarah Williams: It is 31% to 40%.

Anthony Mangnall: Of what?

Sarah Williams: I will read it out. It is 0.1 to 0.3 MtCO₂ equivalent each year for 15 years. I can follow up with that specific statistic. Yes, it will see an increase. The UK's sixth carbon budget will include the UK's share of international aviation and shipping emissions, which is good, but obviously progress on decarbonising the shipping industry is very slow.

Q85 **Anthony Mangnall:** The Secretary of State came here the other day and said that it was happening quickly: engines are changing, and there will be retrofitting. Do you have any confidence in that? Is it happening quickly enough?

Sarah Williams: The recently published transport decarbonisation plan only had a promise to plot a course to net zero as early as is feasible. There will be a consultation in 2022. The Committee on Climate Change has pointed to a lot of activities that will need to transition to more low-carbon fuels, but we need investment and research and development ramping up now to show proof of concept to develop an early market. At the moment, there is no obligation on operators or ports to deploy renewable fuels in that sector.

Anthony Mangnall: Thank you.

Q86 **Chair:** Does anyone else want to have a go? Any further comments from Ruth or Lockwood on this? No. Happy? Thank you very much.

Sir Lockwood Smith: I think that we will see rapid improvement in shipping efficiency. The fuel costs are so significant now and the fuel companies have to improve their efficiency. They have been doing it. It is just the size of ships. What has really caused chaos, though, is the pandemic. The supply lines are seriously screwed up at the moment, which will not be helping, but I think we will see major changes in propulsion fuels in the future.

Chair: Excellent. Thank you all. I am sorry we have rushed to the end, but we have a second panel. I thank the first panel for their time this



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morning. Sarah Williams, Ruth Bergan and Sir Lockwood Smith, thank you, all three of you.