

European Scrutiny Committee

House of Commons London SW1A 0AA

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From: Sir William Cash MP

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Rt Hon. Steve Barclay MP
Chief Secretary to the Treasury
HM Treasury
1 Horse Guards Road
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UK contribution to the EU's Emergency Support Instrument and possible participation in joint EU procurement of a future COVID-19 vaccine

Thank you for your letter of 9 June, which contained a number of helpful clarifications with respect to the UK's receipts from, and contributions to, the EU's coronavirus-related support schemes funded from the 2020 EU budget.¹

We nevertheless remain concerned about the lack of clarity about the UK's contribution towards €2 billion of the overall €3 billion increase in the budget for the EU's Emergency Support Instrument and Civil Protection Mechanism this year, given this extra spending is possible only because of an amendment to the EU's long-term budget approved after the UK ceased to be a Member State. We agree there is a legitimate question as to whether the Treasury can be asked to pay towards this budget increase, given the safeguard of Article 135(2) of the financial settlement in the Withdrawal Agreement.

However, while your letter confirms the existence of "discussions" with the European Commission on whether the UK is required to contribute to this additional EU expenditure, it is not clear what the outcome of those talks has been, or indeed whether it may eventually result in a formal dispute resolution procedure. We therefore ask you to write to us by the end of July with an update on the Government's discussions to date with the EU on this matter. We also ask you to explain in your reply the implications for the UK's

¹ EU documents (a) 7161/20, COM(2020) 139 (41183); (b) 7147/20, COM(2020) 174 (41182); (c) 7141/20, COM(2020) 175 (41177).

eligibility to receive funding from the Emergency Support Instrument and Civil Protection Mechanism until the end of 2020, if the Government and EU were to agree that the UK does not need to contribute towards the share of any additional EU spending via these Instruments this year which is based on the modified reserve known as the Global Margin for Commitments (GMC).

With respect to this latter point, the publication of the EU's COVID-19 Vaccination Strategy of 17 June has also underlined the importance of the Government maximising the benefit the UK derives from EU spending while it still contributes to its budget. In particular, we note that a "significant proportion" of the new funding for the Emergency Support Instrument, to which the size of the UK's contribution under the Withdrawal Agreement is apparently disputed, is intended be used to finance Advance Purchase Agreements (APAs) between the European Commission and pharmaceutical companies to secure stocks of a future COVID vaccine, in effect by making a down payment to cover its production costs ahead of a joint international procurement exercise.

It is not clear if the UK, as a contributor to the EU budget until the year, can participate in these EU-led APAs, and – if so – how this would be affected by any outstanding dispute over the UK's financial contribution to the initiative via the Emergency Support Instrument. The controversy earlier this year surrounding the UK's non-participation in a number of other COVID-related joint procurement initiatives organised by the EU has underlined the need to establish clearly what the Government's position is. We therefore expect the Department of Health and Social Care, in its forthcoming Explanatory Memorandum on the EU Vaccination Strategy, to reflect on the costs and benefits of UK participation in the APAs for a coronavirus vaccine, and how this might be affected by any dispute around the extent of the UK's contribution to the Emergency Support Instrument that will fund those Agreements. To that end, I am copying this letter to the Parliamentary Under Secretary of State for Innovation.

Finally, the Committee has also asked me to underline again the importance it attaches to effective parliamentary scrutiny of the UK-EU Joint Committee and its Specialised Committees, including on the financial settlement. It is not acceptable that information on the Government's discussions with the EU in relation to the financial consequences for the UK of the amended Global Margin for Commitments on the financial settlement was reported first in the press, especially when we had already asked you for information on this matter a number of weeks previously and your Explanatory Memorandum failed to indicate there was a potential issue. We will continue to pursue the general transparency of the work of the Joint Committee and the Specialised Committee with the Cabinet Office, but also expect individual Departments to

notify us speedily and comprehensively about relevant discussions in those bodies, as the matter of the GMC clearly was.

I am copying this letter to Rt Hon Jeremy Hunt, Chair of the Health Committee and Huw Yardley, Clerk to that Committee; Lord Kinnoull, Chair of the House of Lords EU Select Committee, and to Chris Johnson, that Committee's Clerk; to the Minister for Innovation, Lord Bethell of Romford and Rebecca Diment at the Department for Health and Social Care; and to Les Saunders in the Cabinet Office.

CHAIR