Department for International Trade

The Rt Hon Kemi Badenoch MP
Secretary of State for International Trade
Department for International Trade
Old Admiralty Building
Admiralty Place
Whitehall
London
SW1A 2DY

Angus Brendan MacNeil MP
Chair, International Trade Select Committee
House of Commons
London
SW1A 0AA

T +44 (0) 020 4551 0011
E Badenoch.Correspondence@trade.gov.uk
W www.gov.uk

15 December 2022

Dear Angus,

I am writing in response to your request for further information for the International Trade Select Committee's inquiry into Trade and the Environment. Before addressing your specific questions (answers to which are appended beneath) I would make a few points.

As the Prime Minister noted in his inaugural speech, protecting our environment is at the heart of the mandate our party earned in 2019.

Green trade is a foundational building block of sustainable growth – it will help protect our environment, our energy security, and future-proof UK jobs. That is why I chose it as the subject of one of my first speeches as Secretary of State.

DIT has already ramped up its activity in pursuit of our green trade goals:

- We are actively supporting the UK's efforts in global environmental fora. At COP27, we showcased UK business solutions to climate change and adaptation at the UK Pavilion and hosted the launch of the WTO's new World Trade Report on climate change.
- We are working hard to ensure our green trade agenda delivers for the UK economy. We co-hosted the recent Green Trade and Investment Expo in the North East of England to highlight investment opportunities to deliver climate solutions at home and abroad. UK Export Finance are deploying their full range of financing and underwriting tools to enable UK businesses to invest in the green transition and facilitate future green export capability. Meanwhile, in the two years to October 2022, DIT supported over £20bn of Net Zero-related inward investment. We are determined to build on these successes.
- We are using our trade policy to strengthen the mutually beneficial relationship between trade and environmental goals. By removing barriers to green trade we are making it easier for businesses to spread green goods and services around the world.

We are actively engaging with other countries at the WTO, including by advancing thought leadership on issues like carbon leakage and environmental goods and services liberalisation. We have also included strong provisions in our recently agreed FTAs. In our FTA with New Zealand, we included the most comprehensive environmental goods list of liberalised tariffs in an FTA to date. Our FTA with Australia was the first instance where Australia confirmed its commitments to the Paris Agreement.

My Department will continue to use all the tools at our disposal to deliver the Government's growth and environmental objectives. Trade and the environment can go hand in hand, and the green transition presents a huge opportunity for our country.

Best wishes,

THE RT HON KEMI BADENOCH MP
Secretary of State for International Trade & President of the Board of Trade

DIT response to the questions set out in the International Trade Select Committee's 'Trade & the Environment' inquiry

1. **Can you guarantee that the Government will never sign a trade deal that weakens the UK's pesticide control regime – particularly as regards maintaining Maximum Residue Levels?**

Yes, this Government will never sign a trade deal that weakens the UK's pesticide control regime, as decisions on regulatory standards will remain a matter for the UK Government and Devolved Administrations, including on pesticides.

Our trade agreements respect – and will continue to respect – the regulatory autonomy of both the UK and our trading partners. The UK Government has made a clear manifesto commitment that in all of our trade negotiations, we will not compromise on our high standards for environmental protection, animal welfare and food.

All products imported into the UK under existing or future free trade agreements must comply with our import requirements just as they do today. This includes Maximum Residue Levels (MRLs) on imported food, which set out the maximum allowable concentration of a pesticide residue in or on food imports.

2. **How will the Government address the issue of potential unfair competition for UK agri-food producers as a result of liberalising trade with countries that have weaker pesticide controls than the UK's?**

The Government has been clear that in all our trade negotiations, the UK will not compromise on our world-leading food safety standards, which include our pesticides regulatory regime.

The UK Government and Devolved Administrations take decisions on our pesticides regulatory regime based on scientific assessments. The UK's pesticides regime includes import tolerance provisions. These tolerances are Maximum Residue Levels that are calibrated to take account of residues on imported produce arising from uses and authorisations in other countries. These are set using the same safety criteria as for domestically produced food and account for the fact that pesticide use differs where different climatic, geographical or pest conditions exist.

UK food standards are rigorously enforced both domestically and at the border. The Health and Safety Executive (HSE) employs a wide range of monitoring and intelligence-led enforcement activities to ensure that the supply and domestic use of pesticides comply with UK legal requirements. Similarly, the UK border agencies are resilient and adept at prioritising their resources to ensure that the UK's import requirements are met. Compliance is enforced using identity and physical checks, including sampling and laboratory analyses of food imports.

Finally, for our trade agreement with Australia, we included a range of protections to defend UK farming against any unfair trading practices, including Tariff-rate quotas (TRQs) and Product Specific Safeguards for the most sensitive products. The agreement also includes a general bilateral safeguard mechanism which provides a temporary safety net for industry if they face serious injury from increased imports as a direct consequence of FTAs.

3. **How will the Government work with trade partners to restrict the use of harmful pesticides in the production of food for export to the UK market?**

The UK has actively supported other countries to improve how they manage the environmental and health risks associated with pesticides through the Basel, Rotterdam, and Stockholm Conventions; OECD; Beyond 2020 framework; and the Convention on Biological Diversity. This includes promoting the development of biopesticides, minimal risk pesticides and the uptake of integrated pest management.

The Government will continue actively to engage in international organisations, including the World Trade Organisation (WTO) and World Organisation for Animal Health (WOAH), to shape and raise global pesticide standards.

The UK is firmly committed to supporting and strengthening the rules-based international system, and we design our trade policy in a way that is non-discriminatory and compatible with the WTO framework.

4. **What is the timescale for the Government's consultation on carbon leakage mitigation—and when will the findings be published?**

The Government is exploring a range of policies that could potentially mitigate the future risk of carbon leakage, including whether measures such as product standards and a carbon border adjustment mechanism (CBAM) could be appropriate tools in the UK's policy mix. The Government will launch a public consultation on carbon leakage in the spring of 2023.

Whilst the domestic consultation will be important, carbon leakage is a global issue and would be best met by a global solution. This is why we are continuing to work with our international partners on this issue in the G7 and beyond.

Separately, the ITSC's letter highlighted that the UK's imported emissions are rising as a share of total consumption emissions and suggested this was evidence of carbon leakage. While imported emissions can rise due to carbon leakage, it is not the only factor. Imported emissions have been affected by structural developments in the UK's economy. For example, if the UK is a net importer of goods, then it will tend to be a net importer of emissions. By contrast, carbon leakage is the displacement of existing UK production (and associated emissions) from the UK to other countries, because of the differences between UK and other-country carbon pricing or climate regulation. For more detail on this issue, please see the discussion in the interim report of the Net Zero Review.

5. **[With regards to product labelling] Will the Government consider:**
    a. **standardising life cycle assessment methodology; and**
    b. **instituting a traffic-light system of labelling for consumer products, similar to the nutritional information in use for food products?**

Policy development work on product emission labels or the possible standardisation of life-cycle assessment methodologies is the responsibility of domestic-facing departments, particularly the Department for Business, Energy, and Industrial Strategy. The following provides a short overview of current work on each:

(a) The Government committed to developing proposals for improved embodied emissions reporting (including life cycle assessments) in March 2021 in the Industrial Decarbonisation Strategy.

This led to a December 2021 call for evidence titled ‘Towards a market for low emissions products’, which explored some of the details of this work and for which the Government published a summary of responses in June 2022. Policy work is now progressing and the Government will update in due course.

(b) The Government also committed to considering proposals to introduce product labelling in the Industrial Decarbonisation Strategy and the subsequent Call for Evidence. Product labelling, supported by a robust methodology for assessing embodied emissions, can enable buyers of industrial products (like steel) to make green choices – and could be extended to consumer products (like automobiles and appliances) in time. At present, energy efficiency labels already provide consumers with a clear, easily understood, colour-coded letter scale on a range of household products – similar to the traffic light system used for nutritional information on food products. They range from ‘A’ (dark green) for the most efficient to ‘G’ (red) for the least efficient.

6. What steps is the Government taking to promote the development of consistent regulations for “green” goods and services at the international level (through, for example, regulator-to-regulator co-operation)?

The Government is committed to working with our international partners to develop consistent standards and regulations for new innovations, including in low carbon sectors. A consistent regulatory framework is an essential enabler of trade in innovative low-carbon sectors as well as a means to ensure a fair approach to decarbonising emissions-intensive sectors in a way that mitigates the risk of carbon leakage. The Government’s wider approach to regulatory cooperation is set out in the UK’s International Regulatory Cooperation Strategy, while the specific trade policy aspects are set out below:

- **COP26 Breakthrough Agenda on low-carbon steel and hydrogen -** The UK is working with countries around the world to agree on definitions, standards and finance and investment for low carbon steel and hydrogen. This is helping to lay the benchmarks for future policies worldwide – for example, we are working with key global partners to establish a global hydrogen market, with market and regulatory frameworks underpinning it (as set out in the UK Hydrogen Strategy).

- **Incorporating Good Regulatory Practice and Regulatory Cooperation (GRPRC) principles in trade agreements -** The UK-Australia Free Trade Agreement, UK-New Zealand Free Trade Agreement and the UK/EU and EAEC: Trade and Cooperation Agreement all include a chapter on GRPRC. They contain commitments to make regulations accessible, to consult publicly when designing regulations and to encourage regulatory authorities, where appropriate, to cooperate on current and future regulation.

- **Enhancing trade in environmental goods and services in FTAs -** The UK’s newest FTAs with Australia and New Zealand contain commitments to cooperate bilaterally and in international fora on ways to enhance trade and investment in environmental goods and services. This offers opportunities for us to use FTA implementation committees and other government-to-government channels for enhanced collaboration, consultation, and information-sharing, particularly for emerging low carbon technologies.

The UK also has dedicated sustainability sub-committees with Japan, South Korea, Singapore, Vietnam, and the Andean countries (Colombia, Ecuador and Peru).

- **Reducing barriers to trade in environmental goods and services at the WTO -** In the WTO Trade and Environmental Sustainability Structured Discussions (TESSD), the UK is working with likeminded members to find a path towards collective agreement on environmental goods and services, including by addressing non-tariff and regulatory barriers. The UK is also actively working through the WTO Committee on Trade and Environment, to share technical work, evidence, and best practice. In addition, the UK continues to work within the WTO Technical Barriers to Trade (TBT) Committee to champion regulatory transparency with Member States to ensure countries are informed and consulted on incoming foreign regulation.

- **Cooperating on regulatory best practice at the OECD -** UK regulators and policymakers regularly meet with international counterparts and cooperate on regulatory best practice at the OECD, for example on lithium-ion batteries, 'green' steel and aluminium, and other goods and services crucial for our Net Zero transition. The UK continues to perform highly in OECD's Regulatory Policy Outlook, as compared to the 38 OECD member countries measured in the triennial Indicators of Regulatory Policy and Governance (iREG) survey.

7. When will the Government publish further details about how the Clean Growth Programme works?

The Clean Growth Export Programme was formally launched at COP26, as one of DIT's priority export campaigns to promote the UK's climate solutions to overseas buyers. The programme aims to encourage more UK exporters to tap into the global export market for low carbon goods and services, which is expected to be worth £1.8 trillion by 2030. It has three key workstreams:

a. **Promote the UK's clean export offer at major events:** boosting global demand for UK products and services, and match-making UK supply with overseas demand. The Green Trade and Investment Expo was a great example of this – bringing together UK makers of green technologies and climate solutions with investors, buyers, and policymakers. We also showcased the best of the UK's green exporters in the UK Pavilion at COP27.

b. **Help the UK's businesses navigate the complexities around exporting, and realising the opportunities this presents:** DIT's offer for businesses includes four capability guides, focused on: Energy Transition, Clean Transport, Greener Buildings, and Adaptation and Resilience, with the latter published at COP27. These guides are complemented by support in DIT's overseas network of posts, and exporters can reach out directly to a local trade office to get support from trade advisors.

c. **Deliver specific training and market intelligence**: including digitally – like the Clean Growth Faculty with DIT's Export Academy, which offers support to SMEs – and through in-person events, such as the recent workshop on 'Building a Sustainability Strategy for your Export Business' during International Trade Week (link).

Over the coming year, DIT will continue to build and expand on this work to ensure a cohesive clean growth offer to UK businesses.

8. Will the Government reconsider its decision not to join ACCTS?

Not at this time. The UK recognises the value of the ongoing negotiations between New Zealand, Costa Rica, Fiji, Iceland, Norway and Switzerland to create new trade & climate commitments on a non-exclusive, Most-Favoured Nation basis. However, HMG is currently focused on exploring options for tackling trade and environmental issues with a much wider group of trade partners, including through the Trade and Environmental Sustainability Structured Discussions (TESSD), a plurilateral WTO group made up of 74 members.