The Rt Hon Liam Byrne MP
Chair, Business and Trade Committee
House of Commons
London
SW1A 0AA

24 August 2026

Dear Liam,

Thank you for your letter of 24 July 2026 addressed to the Secretaries of State for Business, Innovation, Science and Trade, Foreign, Commonwealth and Development Affairs, and Defence. We are responding on their behalf.

We note the constructive discussion you had with previous Ministers from our departments on 15 July and would like to take this opportunity to reconfirm the Government's commitment to robust export controls, in which the scrutiny of your Committee is an essential part. We therefore appreciate the opportunity to follow up in detail on the questions that you raise and hope the answers below support further understanding of these important topics.

1. **Transparency, Open Licence Usage Data, and the LITE platform**

It has been a long-held ambition of ECJU to develop and publish more robust data on licence usage, particularly on the usage of our Open General Export Licences (OGELs), on which the statistics that are currently published are limited and rely on self-reporting from exporters through annual returns.

As Minister Bryant outlined at the July evidence session, a pathway to reporting more complete and more reliable usage data, based on customs declaration information, has now been identified.

We have set an ambition for OGEL usage data to be included in reporting for Quarter 1 of 2027 (and thereafter reported regularly in our quarterly data). Detailed usage data for other licence types (Open Individual Export Licences and Standard Individual Export Licences) will then follow as data comes online – with the ambition to also include this in our regular quarterly data.

This is an ambition, and it's not without risk. It depends on work to upgrade legacy data systems between HMRC and DBT. All OGELs will also need to be republished with requirements for exporters to enter their relevant references on HMRC systems to ensure data is recorded reliably shipment by shipment.

This ambition is of course tied into our move towards the implementation of the new LITE IT system, in particular how that system works with HMRC's Customs Declaration Service (CDS).

Phase 1 is complete and LITE is now established as the main route for high-volume export licensing, with 90% of SIEL applications now submitted through the new system. Over the last 12 months, F680 security approvals, which cover the transfer of sensitive information and are managed by the MOD, have also been launched on LITE, further broadening the service and reducing reliance on the old SPIRE system.

We are now testing live applications for Open Individual Export Licences (OIELs) on LITE with around 25 businesses, ahead of a wider roll-out. This is being supported by direct exporter engagement, including a series of exporter-facing webinars to build confidence and support adoption.

At this stage, March 2028 remains the current planning assumption for exiting SPIRE, but we are looking closely at the critical path, and whether that date is feasible.

Officials will write with further detail once they have completed the review of this critical path. The factors that we are testing include delivery confidence, operational readiness, affordability and value for money. Our approach is to exit SPIRE safely and pragmatically, avoiding unnecessary gold-plating and not seeking to rebuild every legacy SPIRE feature in full.

2. **Crown Exemption and Gifting**

All proposals to gift controlled military equipment and dual-use equipment are assessed on a case-by-case basis against the Strategic Export Licensing Criteria, in the same way as applications for commercial exports and with the same degree of rigour. The MOD manages the assessment process and seeks advice on gifting proposals from advisers in the MOD and the FCDO.

Where gifts of controlled military equipment by Government departments are approved these are usually exported under crown exemption. Military goods will remain in MOD ownership until they are transferred to the recipient of the gift overseas. As a result, they do not require an export or trade licence. In the case of gifts of dual-use items (including software and technology), export licence coverage is provided by the open licence for the export of dual-use goods by the Crown.

The specific types of goods that have been gifted and to whom are, in most cases, published in ECJU's Annual Report. Details of some gifts are not published, due to operational sensitivities.

With regards to the specific destinations raised, we can confirm that there are no records held by MOD of gifting to the UAE. For Israel, non-lethal military items were gifted following the 7 October 2023 attacks, as previously indicated to Parliament. No gifting to Israel has occurred in this Parliament.

On the broader use of Crown Exemption, movements of military goods have occurred to both Israel and the UAE since 2020. All such movements are subject to MOD's internal policy, which restricts the use of Crown Exemption to Crown-owned goods being exported for non-commercial UK MOD purposes (with the exception of gifting). Examples include movements of goods to UK Armed Forces overseas, or for repair, upgrade or disposal by overseas contractors.

Details of some movements of military equipment cannot be disclosed due to operational sensitivities. Disaggregating precisely those movements where Crown Exemption has been applied is not always possible, due to the nature of the internal reporting. We would, however, re-iterate that such movements (with the exception of gifting, as set out above) have not been for end-use by the Emirati or Israeli governments.

Letters evidencing the applicability of Crown Exemption are issued primarily by the MOD team in ECJU, either to internal MOD teams, or to industrial partners, where they are exporting on MOD's behalf. Authority to issue letters is also delegated to three teams who handle many such exports – Defence Equipment & Support, the Defence Science and Technology Laboratory, and the Atomic Weapons Establishment. The number of such letters issued in each calendar year from 2020 was as follows:

- 2025 – 106 letters
- 2024 – 107 letters
- 2023 – 104 letters
- 2022 – 77 letters
- 2021 – 103 letters
- 2020 – 116 letters

The scope of these letters varies – they can cover any number of movements, and validity periods will depend on the needs of the relevant MOD team. All requests are checked thoroughly to ensure they are in line with MOD's Crown Exemption policy.

3. **Watchkeeper Drones**

We have investigated reports that Watchkeeper drones destined for Romania are being delayed in Israel and carried out a thorough re-assessment of the licences, including discussions with relevant UK exporters. While there does seem to have been a delay in the Watchkeeper drones being delivered to Romania, our investigation has not led us to believe there is any increased risk of diversion of any of these Watchkeeper drones, including UK parts, to the IDF. It has also been noted that Elbit have publicly shared details of progress on this programme, including the inauguration of a testing site in Romania within the framework of the Watchkeeper programme.

We keep this under close review and continue to assess the risk of diversion as low.

4. **UAE/Sudan Licence Reviews**

ECJU has reviewed over 3,000 current and historic licences for any destinations where there have been allegations of diversion to Sudan. We should clarify that all of these were reviewed with a view to assessing diversion risk to Sudan, <u>and 2,000 of those were for the UAE</u>. This included a specific review of licences to consider the nature of the items against those reported publicly, as well as reviewing licences to those destinations allegedly supplying either the SAF or RSF with equipment. The review utilised all available information and reports to interrogate supply chains and ensure no UK involvement. We did not find any licences that required suspension or revocation.

We are using any and all credible reporting to identify entities involved in diversion and ensure licence applications are considered accordingly.

With regard to the work undertaken with HMRC to conduct additional inspections on certain items with potential military utility, I can confirm that, as a result of these measures, 17 shipments in 2026 have been referred to ECJU, with the exporters in three cases advised to seek a licence under the Military End Use Control (the control through which we can control exports with a potential end use in an embargoed destination). Relevant assessments for these licences are ongoing.

5. **UAE Licensing and Criteria 1, 2 and 6**

The Committee has referred to media reports alleging the UAE's involvement in funding or arming the Rapid Support Forces (RSF) in Sudan. ECJU have considered the available body of information while making case-by-case assessments for export licence applications destined for the UAE, as we do for all end use or ultimate end use destinations.

On the information we have, against Criterion 1 we continue to assess that exports to the UAE are consistent with the UK's international commitments and obligations, including UN Sanctions, the Arms Trade Treaty, OSCE principles, and the Wassenaar Arrangement. The issue addressed by Criterion 2 is whether there is a 'clear risk' that the goods being exported might be used to commit or facilitate internal repression (2a) or a serious violation of IHL (2c). We consider licence applications case-by-case and apply these thresholds where they are relevant, having particular regard to the items, the end-user and the end-use. For ECJU to assess that items exported to the UAE were inconsistent with Criterion 2, on the basis of use in Sudan, we would first have to have identified a credible risk that they would be diverted there. The Committee has already noted we consider this risk in our assessments under Criterion 7, which would give us grounds to refuse.

Ministers have previously set out to the Committee that the specific nature of Criterion 6a (relating to terrorism and transnational organised crime) and the 'clear risk' threshold mean that we do not currently consider this part of the SELC to apply to exports to the UAE. In recent years we have used this Criterion to refuse applications for Afghanistan under the Taliban, and for Syria under the Assad regime. It strengthened refusals where there was incontrovertible evidence readily available that the 'clear risk' threshold for Criterion 6 was met and we were in no doubt about the behaviour of the buyer country. Turning to Criterion 6b, we have also taken into account the record of the UAE. With the information we have, we continue to assess that the UAE is not behaving inconsistently with its own international commitments. At the same time, we have seen a clear ongoing need for the UAE to be able to defend itself from Iranian strikes. We continue of course to keep all extant licences under review.

As with all destinations, licence applications are carefully considered on a case-by-case basis against the SELC. Applications must be consistent with all of the criteria in order to be approved.

6. **MOD Terms of Reference**

After receiving comments from industry, MOD have finalised the draft Terms of Reference for the export licensing review, as committed to in the Strategic Defence Review. We have provided these Terms of Reference alongside this letter for the Committee's consideration and would welcome any comments from you on this.

7. **Emerging Technologies – AI and Quantum**

Our export controls need to keep pace with emerging technologies in areas of critical interest to the UK's security, and also key growth areas for our high-tech economy, including artificial intelligence and quantum technologies.

This means ensuring our economic security toolkit – including export controls – strike the right balance between restricting access to sensitive technologies to protect national security and facilitating legitimate exports to support sovereign innovation and growth. Building on existing close collaboration between its (former) constituent departments, the Department for Business, Innovation, Science and Trade is working to ensure expert technology advice is brought into assessments regularly to take into account all relevant risks and benefits of technology exports to national security.

We are continually assessing the effectiveness of our export controls in this area, working closely with our key partners both bilaterally and on a multilateral basis through the international export control regimes and through mechanisms such as the Quantum Development Group, a forum of 13 like-minded countries advancing the secure and responsible development of quantum technologies. Over the last few years the UK, in coordination with partners, has adopted a number of list-based controls on new and emerging technologies, including quantum computers and related equipment, as well as advanced semiconductors usable for AI applications.

In addition, ECJU has enhanced its engagement with businesses and research organisations most affected by the controls, including those who export enabling technology for quantum computing, with the aim of improving their understanding of the controls and helping them to better understand the risks. We also maintain a regular dialogue with international allies, including the US, to share effective practice and collaborate on initiatives that address research security risks in international collaboration.

It is our ambition and expectation that improved due diligence by exporters, supported by close engagement with ECJU, will help us maintain the effectiveness of our controls, while keeping the number of refusals as low as possible.

8. **Cygnet Texkimp and Licensing Classification**

Such errors as discussed in this case are a regrettable but extremely rare occurrence in the work of our Export Control Joint Unit which processes almost 16,000 licences each year, each often containing multiple lines of goods.

Actions taken following the Cygnet case include an improved process for case allocation within the Technical Assessment Unit to ensure consistent ownership of the assessment process, additional training, and strengthening the role of team leaders in quality assuring their team's work.

The number of licensing errors is extremely low compared to the volume of licences we process each year. In the last five years there have been only two other instances where a total of three licences needed to be revoked due to a process error. We welcome scrutiny of these issues with the Committee, and are happy to provide a further update on this in the next Committee session.

When a licensing error is identified, immediate action is taken to stop any export, the exporter is informed they should not export their goods pending a suspension or revocation of their licence. HMRC is notified to put a stop on the goods leaving the country, and Ministers are informed. A full review of the circumstances behind the error is undertaken and an action plan is implemented to minimise the risk of future occurrence. Typically, actions involve process improvements, additional checks involving more senior staff, and/or additional training and guidance for case officers.

9. **Transit and Transshipment**

It is not for the UK export control regime to enforce the regulations of other states, including any restrictions on transhipment they may have in place.

When applying for an export licence, applicants must provide details including the mode or modes of transport and each individual known point of transit, unless the shipment is made through an airway bill (AWB) or bill of lading (BIL).

The full routing arrangements under an AWB or BIL is often unknown to exporters at the time of applying for an export licence. Exporters typically apply for licences months before a planned export, and they will usually not arrange shipping until after the licence has been granted.

It is of course still the responsibility of the exporters and freight forwarders to ensure compliance with the various export regimes they come into contact with, including through any shipping requirements they need once licensed products have left the UK and are en route to their destination.

Yours sincerely,

Minister Sarwar
Minister of State for Trade, Department for Business, Innovation, Science, and Trade

Minister Wood
Parliamentary Under-Secretary of State, Foreign, Commonwealth and Development Office

Vernon Coaker

Minister Coaker
Minister of State, Ministry of Defence