



International Trade Committee

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Rt Hon Anne-Marie Trevelyan MP
Secretary of State
Department for International Trade
King Charles Street
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11 October 2021

Dear Anne-Marie,

The Government has said that its “number one international priority” is tackling climate change and biodiversity loss.¹ The 26th UN Climate Change Conference of the Parties (COP26) in Glasgow (31 October-12 November) will be critical to the UK’s international leadership in this area. It also marks the official start of the UK’s year-long COP Presidency.

As you know, my Committee is currently undertaking an inquiry into COP26 and International Trade, to which DIT and others have provided written evidence. On 21 September we took evidence from experts and civil society, to consider the alignment of the UK’s trade and climate agendas, and the ways in which trade and investment may feature at the COP26.

Following this, I am writing to you to set out the Committee’s thoughts and recommendations ahead of COP26. We are expecting to see Mike Freer MP, new DIT Minister for Exports, on 27 October for the ministerial evidence session I agreed to postpone from 21 September as a result of the reshuffle, and will be happy to have an initial discussion of these points then. However, we would also appreciate a fuller response from you in writing, following COP26. This will demonstrate coherence between the Government’s objectives for its trade policy and for the COP26 Presidency.

Bringing together the COP26 and trade agendas

Your Department expects that international trade and investment will not be “heavily featured” in the COP26 negotiations this November.² However, outside of the negotiations, the Government is committed to “leveraging the UK’s independent trade policy to accelerate action on climate change and nature loss objectives”.³ We welcome this general commitment, and acknowledge that the COP26 has important and challenging goals beyond trade – not least, mobilising climate finance and

¹ HMG (March 2021), [Global Britain in a Competitive Age: the Integrated Review of Security, Defence, Development and Foreign Policy](#)

² DIT (COP0020) para 3

³ DIT (COP0020) para 4

encouraging countries to propose updated national targets to reduce greenhouse gas emissions by 2030 (aiming to reach net zero by 2050).

Nonetheless, important decisions at the COP26 are likely to have a bearing on wider trade policy – for instance, discussions around technology-sharing and Article 6 negotiations on market mechanisms (see below).⁴ Furthermore, trade accounts for around 60% of the world’s GDP,⁵ suggesting it may not be possible to decarbonise the global economy without considering the role and contribution of trade.

We welcome the Board of Trade’s recent report on Green Trade.⁶ However, without a public and overarching UK trade policy, we struggle to judge the coherence between the Government’s trade and COP26 objectives.⁷ We have also received evidence suggesting that the UK’s free trade agreement (FTA) impact assessments should give greater consideration to environmental impacts.⁸ In the absence of proactive alignment between these agendas, international trade will not always favour trade and investment in low-carbon goods, services and technologies – despite business support for a “holistic UK green trade policy”.⁹

Following COP26, we request information on all trade-related dialogue that occurred at the Conference. This should include the number of meetings held between national trade ministers/officials and the outcomes from these. We also strongly recommend that the Government publishes an in-depth and coherent trade policy to govern its approach to bilateral, plurilateral and multilateral trade negotiations. This should articulate the UK’s goals, values and intended activities. It should also include specific climate objectives and could benefit from, for example, draft text for Trade and Sustainable Development Chapters of FTAs.

Making available a strategy of this kind would be consistent with the approach of others.¹⁰ It would also enable assessment of the coherence between the Government’s various priorities and is likely to facilitate cross-departmental working.

Article 6 negotiations and carbon pricing

One of the four aims of COP26 is finalising the ‘Paris Rulebook’, which sets out in more detail how the Paris Agreement will operate in practice. In particular, this will involve negotiating the rules for Article 6 of the Agreement, which covers market mechanisms for tackling climate change, including carbon pricing. UK allies are currently considering (unilateral) carbon border adjustment mechanisms (CBAMs)¹¹,

⁴ For more detail, see ODI ([COP0014](#)) para 15 (including the embedded Tables).

⁵ 2019 figure: 58.243%. Drawn from World Bank national accounts data, and OECD National Accounts data files. [Trade \(% of GDP\)](#)

⁶ UK Board of Trade (July 2021), [Board of Trade Report: Green trade](#)

⁷ We note the [DIT Outcome Delivery Plan: 2021 to 2022](#) (July 2021), however the ‘Sustainability’ section relates mainly to the sustainability of the DIT Estate, rather than the UK’s external trade policy.

⁸ EY ([COP0003](#)); Trade Justice Movement ([COP0004](#)); War on Want ([COP0012](#)); CBI ([COP0019](#)).

⁹ CBI ([COP0019](#))

¹⁰ For example, see Office of the President of the United States (2021), [2021 Trade Policy Agenda and 2020 Annual Report](#); DG Trade (European Commission) (2020), [Strategic plan 2020-2024](#)

¹¹ See the European Union’s [proposals](#) (July 2021). Canada is exploring a CBAM (see Government of Canada, [Exploring Border Carbon Adjustments for Canada](#)). The New York Times also reported in [July](#)

whereby they would extend carbon pricing to selected imports to avoid carbon leakage.

We note the Government's desire for a more widely-accepted dataset and methodology for measuring the relative carbon price between countries.¹² In July, the then Trade Secretary told us that CBAMs were one of many options under consideration to address carbon leakage,¹³ but the delay to the Net Zero Review means it is not possible for us to get a sense of all options under review. The Department recently stated that it is "engaging on the issue in various international fora" and reviewing the UK's approach to the free allocation of allowances under the UK Emissions Trading Scheme.¹⁴

We heard that reaching agreement on an international carbon price is likely to be challenging, due to difficulties in quantifying national emissions in a rigorous way.¹⁵ However, we also heard of particular areas where it would be "very useful" to advance Article 6 negotiations at COP26.¹⁶ These include addressing concerns around double counting and considering how credits under the Kyoto Protocol (via the Cleaner Development Mechanism) will transfer into the new system.

Following COP26, please indicate the areas and outcomes of the Article 6 negotiations. In particular, we would like to know about:

- any discussions and agreements in the areas of carbon leakage, double counting and/or the Cleaner Development Mechanism of the Kyoto Protocol;
- what data still needs to be collected for a robust system of international carbon accounting and any agreement reached on this at COP26; and
- the other international fora in which the UK will consequently be engaging on the issue of carbon leakage.

We also request information on when we can expect the publication of the Net Zero Review (previously expected by spring 2021) and further clarity on the options the UK is considering to address carbon leakage domestically.

FACT Dialogue

We welcome the COP26-supported Forest, Agriculture and Commodity Trade (FACT) Dialogue.¹⁷ Witnesses praised the initiative, which encourages co-operation between producer and consumer countries on more sustainable supply chains.¹⁸ We note this may feature at the COP26. We understand that the FACT Dialogue is working towards a shared roadmap for the transition to sustainable supply chains and international trade. We ask that you update us on when this roadmap is likely to be agreed and subsequently published.

[2021](#) that Democratic lawmakers in the United States have proposed a border carbon tax, although this has not currently been introduced.

¹² (Then) DIT Minister Greg Hands, 20 July 2021, CPS [event](#); see also [letter](#) to the Chair from the (then) Secretary of State for International Trade, 6 July 2021.

¹³ [Letter](#) to the Chair from the (then) Secretary of State for International Trade, 6 July 2021.

¹⁴ DIT ([COP0020](#)) para 11

¹⁵ [Q11](#)

¹⁶ [Q12](#)

¹⁷ See DIT ([COP0020](#)) para 13; UK Board of Trade (July 2021), [Board of Trade Report: Green trade](#).

¹⁸ [Q2](#); [Q16](#)

Building on COP26 for the remainder of the Presidency

We are interested in how you will learn from, and build upon, COP26 to foster international co-operation on climate-trade issues. Please outline any other trade-related dialogue planned for the remainder of the UK's year-long COP Presidency. We are especially interested to know how the Government, as COP President, plans to build plurilateral/multilateral co-operation and co-ordination around climate, trade and development policy, while respecting the principle of "Common but Differentiated Responsibilities" under the UN Framework Convention on Climate Change.

Building on COP26 at the WTO

The Government intends to show "ambition and leadership" at the World Trade Organisation (WTO) on climate change,¹⁹ at a time when there is a need to integrate climate concerns more fully within international trading rules.²⁰ In this respect, we welcome the UK's participation so far in the trade and environmental sustainability structured discussions (TESSD). We also note the WTO's 12th Ministerial Conference (MC12) later this year is likely to be especially important for seeking greater consensus on these issues.

As COP President, we believe it is important for the UK to maintain the momentum from COP26 at the WTO and to build directly on any outcomes. MC12 begins less than one month after the COP26, bringing together trade ministers/senior officials from the WTO's 164 members. We note how rare it is for major multilateral climate and trade events of this kind to occur in such rapid succession and encourage the Government to take advantage of this opportunity.

Please can you clarify:

- the UK's priorities and desired outcomes on climate-trade issues at both the TESSD and MC12, in light of the COP26 negotiations;
- how the Government will ensure the wider outcomes/achievements of the COP26 are reflected at the TESSD and MC12; and
- the detailed agenda for MC12 (once agreed) and the expected participation of climate experts and negotiators at this event.

A broader view on climate change and trade

Beyond COP26 and its immediate after-effects, the evidence our Committee received suggests a wider range of areas in which the relationship between climate change and international trade can be considered.²¹ We may return to one or more of these issues in future, directly or through our other inquiries. The use of explicit environmental protections within FTAs is also of interest to our Committee and something that we are likely to consider in the context of our wider FTA scrutiny.

¹⁹ DIT ([COP0020](#)) para 9

²⁰ The Government's [Integrated Review](#) committed to modernising the international rulebook, especially on the environment. This need to modernise was raised in written evidence (Professor Leal-Arcas, [COP0001](#); CBI, [COP0019](#); Trade Justice Movement, [COP0004](#); National Farmers' Union, [COP0011](#); International Adjudication under Pressure, [COP0018](#)).

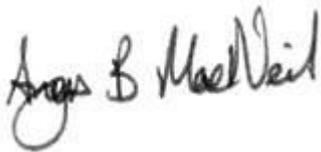
²¹ Including the removal of tariff and non-tariff barriers to trade in Environmental Goods and Services; the reform of fossil fuel/farming subsidies; renegotiation of the Energy Charter Treaty; and other areas.

In light of the UK's bid to accede to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), we encourage the Government to engage actively with existing climate-trade initiatives being pursued by Asia-Pacific Economic Cooperation (APEC) countries within the CPTPP.²²

My Committee looks forward to taking initial evidence on 27 October from Minister Freer (who I am copying for information) and to receiving a reply to my letter of 9 September on the UK-Australia FTA.²³ Following COP26, I also look forward to receiving your written reply to all the points raised in this letter.

In accordance with our usual practice, this letter, along with any replies, will be published on the Committee's webpage.

Kind regards,

A handwritten signature in black ink that reads "Angus B MacNeil". The signature is written in a cursive style with a large initial 'A'.

Angus Brendan MacNeil
Chair of the International Trade Committee

²² For example, the liberalisation of Environmental Services, as reflected in [APEC's Study for Final Review of Environmental Services Action Plan \(ESAP\)](#) (December 2020). Also, we heard that there are ongoing conversations by APEC countries on fossil fuel subsidy reform [\[Q21\]](#).

²³ [Letter](#) from the Chair to the Secretary of State to International Trade, 9 September 2021