

European Scrutiny Committee

House of Commons London SW1A 0AA

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From: Sir William Cash MP

3 November 2021

The Rt Hon. Lord Frost CMG
Minister of State
Cabinet Office
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EU financial support for regions and sectors affected by the UK's withdrawal: the Brexit Adjustment Reserve (update)

Thank you for your letter of 20 September 2021 on the EU's Brexit Adjustment Reserve, which will be used by the remaining 27 Member States primarily to help their businesses adjust to the new regulatory and customs barriers to trade between the UK and the EU following Brexit.¹

We have taken note of your shared concern that the Reserve could have negative implications for UK businesses where it is used to subsidise their EU competitors, particularly – but not exclusively – in the fisheries sector. In that light, we welcome confirmation of your correspondence with the European Commission to request further details on its assessment of the Reserve's potential impact on UK/EU trade under the subsidy control provisions of the Trade and Cooperation Agreement. We note that, since you wrote to us, the Government also raised the matter of the Reserve more formally at the first meeting of the UK-EU Trade Specialised Committee on Level Playing Field on 12 October. Since your letter referred to the possibility of raising this issue in that forum “subject to any outcome of that earlier correspondence”, this suggests that the Commission's reply to your letter did not fully assuage concerns within Government about the Reserve's “potential impact on UK/EU trade in line with the TCA”.

In light of the above, we would welcome further information from you about the outcome of your engagement with the EU on the potential impact of the Brexit Adjustment Reserve to date, the substance of the discussions at the

¹ Document COM(20) 854, (41771).

Specialised Committee on 12 October, and the specific nature of any concerns the Government still has about the competitive impact of that EU funding programme on for the UK.

We look forward to receiving your reply by the end of November.

I am copying this letter to Neil Parish, Chair of the EFRA Committee and Ben Williams, Clerk of that Committee; to Pete Wishart, Chair of the Scottish Affairs Committee and Leoni Kurt, Clerk of that Committee; to Lord Kinnoull, Chair of the House of Lords EU Select Committee, and to Chris Johnson, that Committee's Clerk; and to Les Saunders in the Cabinet Office.

CHAIR