



Department for International Trade

The Rt Hon Anne-Marie Trevelyan MP
Secretary of State for International Trade
Department for International Trade
Old Admiralty Building
London
SW1A 2DY

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

T +44 (0) 20 7215 5000
E trevelyan.correspondence@trade.gov.uk
W www.gov.uk/dit

10th January 2022

Dear Angus,

Many thanks for your letter. Following the conclusion of COP26, I am responding on the points raised in your correspondence as part of the International Trade Committee's ongoing inquiry into COP26 and International Trade. The response to these points can be found at Annex A.

I attended COP26 in my capacities as both the Secretary of State for International Trade and UK International Champion on Adaptation and Resilience for the COP26 Presidency. While trade policy did not play a significant role in negotiations, I am proud of what my department was able to achieve:

- UKEF played a key role in securing nearly 40 signatories to an agreement to end new direct public support for the international unabated fossil fuel energy sector by the end of 2022. In addition, they delivered multiple events bringing together Export Credit Agencies to discuss green export financing.
- DIT launched our Clean Growth Programme in the fringes of the summit, published the first of our clean growth export capability guides and delivered a green showcase in the UK Presidency Pavilion at COP26

As a government, we are keen to build off the success of our activity at COP26, to maximise the opportunities green trade presents for the UK and contribute to efforts to tackle climate change.

Throughout the remainder of the UK's COP26 Presidency and beyond, we are committed to helping meet the UK's ambitious environmental and climate change objectives.

Our new Export Strategy, launched during International Trade Week, features Clean Growth as a central pillar and we will leverage our position as an independent trading nation to bring trade and the environment closer together in the year ahead.

Trade has a key role to play in the transition to a more sustainable global economy, whilst simultaneously delivering economic benefits for the UK. I look forward to further dialogue with the Committee on these topics and hope Annex A is helpful in clarifying how we will bring together the agendas of trade and climate change during the UK's COP Presidency, and beyond.

Yours sincerely,

A handwritten signature in black ink, reading 'Anne Marie Trevelyan'. The signature is written in a cursive style with a horizontal line underneath the name.

THE RT HON ANNE-MARIE TREVELYAN
Secretary of State for International Trade
& President of the Board of Trade

Annex A: Response to the International Trade Committee's request for detail on trade related activity at COP26.

Bringing together the COP26 and trade agenda

ITC request: We 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.

DIT's Outcome Delivery Plan – published in July of last year – sets our key priorities, which include securing world-class FTAs, reducing market access barriers and championing the rules-based international trading system. In addition, we have set out how the UK's trade policy can help support the Government's wider economic and foreign policy objectives through a number of recent publications, including "*Build Back Better: our plan for growth*" and "*Global Britain in a Competitive Age: the Integrated Review of Security, Defence, Development and Foreign Policy*", which were both published in March last year.

Finally, the launch of each new trade negotiation is also accompanied by a set of published materials – including a strategic case for the negotiation, negotiating objectives, an economic scoping assessment and Government response to any public consultation – to provide a transparent articulation of what we are trying to achieve.

In relation to your recommendation that HMG publish an in-depth coherent trade policy, I would refer you to my recent letter to you regarding the UK's trade negotiations objectives and strategy dated 6 December 2021, where I directed your attention towards recent landmark publications where we set out our vision, principles, and aims as a newly independent trading nation in some detail, and demonstrate how these cohere with key domestic and international Government priorities. In addition, I can now also refer you to my keynote speech at the Centre for Policy Studies Margaret Thatcher Conference on 22 November, where I set out my priorities for trade.

Meetings held between national trade ministers/officials at COP26

ITC Request: 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.

During COP26, I held formal meetings with over a dozen ministers. The majority of these were undertaken in my capacity as the UK International Champion on Adaptation and Resilience for the COP26 Presidency - few foreign trade ministers were present at the summit, limiting opportunities for engagement.

I met with ministers from countries including Switzerland, Argentina, and South Korea, as well as representatives from the state of California. Although many of the meetings included high-level discussion on the intersection between the climate and international trade agendas.

I also met with the DG to the WTO, Dr. Ngozi Okonjo-Iweala, where we discussed how trade and climate are interlinked and how the UK can champion environmental issues at the WTO.

No other DIT officials or Ministers took part in senior-level meetings with foreign trade ministers or trade officials at COP26.

Net Zero Review and carbon leakage

ITC Request: We 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.

The Net Zero Review was published on 19 October 2021 and provides an overview of HMG's current thinking on carbon leakage, including potential preventative measures. This includes ideas being suggested multilaterally like the IMF's Global Carbon Price Floor, unilateral measures like product standards or CBAMs, and domestic measures like the use of Free Allowances within the UK's Emissions Trading Scheme.

As set out in the Net Zero Review, the government is conducting further analysis in this area to better understand the risks, potential policy options and impacts. From a trade perspective, any policy option we eventually pursue should be market-oriented, WTO compliant, evidence-based, proportionate and forward looking.

Article 6 negotiations and carbon pricing

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

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

At COP26, the UK agreed the outstanding elements of the Paris Agreement, in particular on Article 6.

This allows countries to cooperate on implementing their nationally determined contributions towards emission reduction. Amongst other things, it means that emission reductions can be transferred between countries to help increase ambition and support overall global emission reductions.

Carbon leakage was not discussed in the context of Article 6 at COP26. Article 6 discussions relate to how countries may choose to voluntarily cooperate to help achieve their NDCs.

Consensus was achieved on how to avoid double counting. The outcome requires corresponding adjustments for emissions reductions or removals traded internationally, regardless of whether they are generated inside or outside NDCs, should they be used for delivery against NDCs or other international mitigation purposes.

There was also agreement on the treatment of projects and pre-2020 units under the Clean Development Mechanism. Projects will be allowed to transition to participate under Article 6, subject to limitations and meeting the more robust conditions of the new mechanism. A limited carryover of pre-2020 units was agreed, provided relevant projects were registered on or after 2013. These units are eligible for use against first NDCs only.

Finally, parties agreed the detailed tables and formats for the Enhanced Transparency Framework, through which Parties will report on their climate action under the Paris Agreement. As part of this, Parties finalised the tables to track progress of implementing and achieving their NDCs.

As set out in the Net Zero Review, HMG will continue to explore work on carbon leakage through several international fora, including: the G7, G20 and the WTO, including through Trade and Environmental Sustainability Structured Discussions (TESSD).

FACT Dialogue

ITC Request: 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.

At the World Leaders Summit on Forests and Land Use at COP26, more than 140 leaders committed to halting and reversing forest loss and land degradation by 2030, with a pledge that is backed by almost £14 billion (\$19.2 billion) of public and private funding.

As part of this summit, the FACT roadmap was launched. This new roadmap and its Joint Statement, agreed by 28 countries, is a new partnership between governments of major producer and consumer countries. It seeks to break the link between deforestation and the trade of agricultural commodities and grow sustainable rural economies.

Launched by countries responsible for 75% (\$360 billion) of the world's soy, palm, cocoa, beef and leather, timber, paper, and pulp exports, it will accelerate actions that incentivise sustainability in the supply chain, support smallholder farmers to participate in markets, improve transparency of supply chains, and accelerate new technology and innovation in sustainable practices.

Alongside this, twelve companies – including Cargill, Wilmar, and Olam – managing over half of global trade in key commodities like palm oil and soy, committed to enhanced collaboration and the development of their own roadmap to accelerate action on eliminating commodity-driven deforestation consistent with a 1.5°C pathway. This additional roadmap will be delivered by COP27.

Building on COP26 for the remainder of the Presidency

ITC Request: 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.

DIT will use the UK's status as an independent trading nation to champion progress on climate-trade issues, including during trade dialogues on the road to COP27. As G7 President, through our inaugural trade track, we hosted dialogues on forestry and sustainable supply chains with trade and environment ministries, and secured commitments from partners for the first time to work collaboratively to address the risks of carbon leakage and enhance international climate ambition.

The UK has been active in broadening participation in trade and environment initiatives at the WTO, including the TESSD; the Informal Dialogue on Plastics (IDP); and the statement on Fossil Fuel Subsidies. We have been using the UK's diplomatic network to reach out to developing countries in particular.

In particular, it is clear that developing countries are often most impacted by climate change and biodiversity loss and have a significant interest in seeing global progress towards environmental objectives. The UK is working to ensure that these new groups address the unique challenges faced by developing and least developed countries. By working together, we can embed the views and interests of developing countries from the start of this journey and help them achieve the economic and environmental gains from climate adaptation and transitioning to low-carbon, nature positive economies.

As champions of free and fair trade and the global rules-based system, we will continue to seek complementarity between the UK's trade and environment objectives, ensuring that trade does not prevent us from meeting our ambitious net zero by 2050 climate change target.

Building on COP26 at the WTO

ITC Request: 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.*

The twelfth WTO Ministerial Conference (MC12), had been due to take place in December 2021, however it was announced on 26 November that the conference had been postponed indefinitely.

Despite this delay, green trade continues to be one of the UK's top priorities, and we will continue using our platform as president of COP26 and our voice at the WTO to push for ambitious international action. We welcome the decision to continue with the publication of the MC12 plurilateral statements on plastics, fossil fuel subsidy reform and environment, all of which the UK has cosponsored. Whilst our negotiating positions on specific trade and environment issues will continue to develop as MC12 approaches, the UK remains proactively engaged across a number of trade and environment initiatives at the WTO, including TESSD, to maintain momentum and drive progress in this important area in 2022 and beyond.

A broader view on climate change and trade

ITC Request: 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

The UK's ambition is to be a constructive member of CPTPP and participate enthusiastically in its sustainability-related fora, drawing on our stakeholders' expertise. We will advocate for clean growth and cooperation in the global fight against climate change. To date the UK has not formally engaged with APEC climate-trade initiatives however DIT officials are informally engaging with APEC, including on their work relating to climate.