

**PROFESSIONAL AND BUSINESS SERVICES COUNCIL RESPONSE TO THE  
HOUSE OF COMMONS INTERNATIONAL TRADE COMMITTEE INQUIRY  
REGARDING TRADE AND ENVIRONMENT**

**Professional and Business Services Council**

1. The Professional and Business Services Council (PBSC) is a partnership between the professional & business services sector and Government. It is industry-led and co-chaired by the private sector and the Department of Business, Energy and Industrial Strategy; it brings together sectors including law, accountancy, consultancy, actuarial, architecture, surveying and advertising services, amongst others.
2. The views contained herein are those of the business side of the PBSC only.
3. The PBSC has identified several priority areas and works in partnership with Government to inform thinking on the future direction of the sector and its contribution to the UK economy. One of priorities identified is pursuing greater market access for international trade in professional services.

**General remarks**

4. Trade and investment are levers which can be utilised in order for the UK to achieve its Net Zero and other environmental ambitions. From the private sector, businesses are increasingly seeking to green their supply chains, reduce their carbon emissions, and track and account for their environmental impacts.
5. The Professional and Business Services sector has a crucial role to play in helping companies to meet these objectives. PBS capabilities extend across the whole value chain from consulting, engineering, recruitment and advertising to legal services. We have a broad set of skills to help decarbonise by working with our clients.

**International Trade Committee Questions**

Q1. How well are the Government's free trade agenda and its environmental policies aligned? And is the Government ambitious enough in its approach?

6. The UK Government has taken several significant steps towards aligning its trade and environmental policies, examples include including environmental goods as part of the UK Global Tariff as well as recent announcements reforming aspects of the UK Export Finance offer. It has also been leading work at the WTO on trade and environment through the TESSD process.
7. However, there we feel that there are places where the Government could go further in order to align these two policy areas so as to the ensure greater impact of both. This should not be seen solely in the context of the Environment Chapters in specific FTAs, rather it should look at the UK's trade policy more broadly to encompass FTAs, UK engagement at the WTO and OECD, the Multilateral Environment Agreements, trade promotion and more.

Q2. To what extent have the Department for International Trade and UK Export Finance changed their working practices in order to bring together the Government's environment and trade policies?

8. The PBSC welcomes the announcement from DIT that a new lead for Trade and Environmental policy issues at Director-level. As the policy issues relating to trade and environment cut across multiple Whitehall departments, cross-Whitehall coordination and policy formation is an integral part in the UK having a meaningful trade and environment policy impact.
9. While there exists a DIT Thematic Working Group on Trade and Sustainable Development. More effort could be undertaken to integrate trade and environment policy into the work of the STAG, TAGs and other TWGs.

Q3. What might be the impacts of measures introduced by the UK's trading partners designed to reduce reliance on carbon-intensive fossil fuels – for example carbon border adjustment mechanisms – on UK trade? And what could a UK carbon border adjustment mechanism mean for its imports and exports?

10. It is undoubtedly true that more work is needed on the impact of potential CBAM-type measures on UK trade and possible responses by the UK Government, including a potential UK-specific CBAM type measure. CBAM's remain a sub-optimal policy outcome as a preferential way forward would be for all countries to agree a mechanism to price carbon accurately around the world.
11. In addition to looking at the policy impacts of such a measure, the UK Government should work with the private sector to accurately measure the carbon intensity of UK supply chains and products (particularly Scope 3 emissions) and work together to identify ways of decarbonising production processes and wider supply chains.

Q4. What are the benefits and costs of the UK's approach to environmental and climate change commitments in free trade negotiations to date? And to what extent might the inclusion of Investor-State Dispute Settlement clauses in free trade agreements affect the UK's climate change policies?

12. We do not have any data on the benefits and costs. To a large extent, in the new UK-Japan Comprehensive Economic Partnership Agreement (CEPA) the UK appears to have replicated the sustainability arrangements of the EU-Japan Economic Partnership Agreement. The terms of the Trade and Sustainable Development (TSD) chapter reaffirm the right to regulate. It also reaffirms the parties' commitments under various International Labour Organization Conventions and obliges them to cooperate across a wide range of Multilateral Environment Agreements (MEAs). These include product-specific initiatives around timber and fisheries, as well as broader efforts to combat the trade of endangered flora and fauna. The chapter also sets up various consultation mechanisms between the two parties as well as with their respective civil society organisations.
13. These provisions to have value, however more effort should be made to mainstream environmental provisions throughout the FTA, including relating to green procurement, environmental services, green subsidies and environmental products.
14. Including robust and enforceable obligations on environment and climate change within trade agreements, could be used to establish the UK as a leader and early-mover in this area and open the door to influence the wider international environmental trade agenda.
15. Specifically regarding environmental services, regulatory cooperation is an increasingly important component of services trade. The UK Government should seek to use its FTAs and

the sections relating to regulatory cooperation to establish regulator-to-regulator discussions on environmental services' regulation and options for international cooperation which could be embedded within FTA structures. These dialogues need to be paired with appropriate mechanisms for industry input.

Q5. By what measures should the environmental impacts of new free trade agreements be assessed?

16. The UK Government should explore the use of both ex-ante and ex-post sustainability impact assessments for UK FTAs.

Q6. How effective is the Government's engagement with international forums to ensure that there is a broad consensus among its trading partners on how to align trade with environmental issues?

17. Discussions on trade and environment take place in a number of international fora. The UK Government should continue to meaningfully engage in discussions at the G7, OECD and WTO. The UK's appointment as Chair of the WTO Trade and Environment Committee is a welcome step in this regard.

Q7. What can the UK learn from how other countries' experiences of aligning trade and environmental policies? How have other countries innovated in this area?

18. N/A

Q8. What opportunities are there for the Government to innovate to create more opportunities for "green" goods and services to export, to decarbonise and green supply chains?

19. There is significant scope to develop policy and provide thought leadership around green goods and services, and decarbonising and greening supply chains.

20. On services, specifically, we note that the current definition of environmental services is very narrow. A report has been compiled by the City of London Corporation on this question - [link](#). However, in practice the evolution of environmental services has been profound. The Professional and Business Services (PBS) sector has been at the forefront of this shift. As the sector comprises of a broad range of subsectors including; accountancy, advertising, architecture, consultancy, engineering, law, recruitment and surveying.

21. Many of the services provided by PBS firms are not necessarily new, but PBS firms are evolving and expanding their services to meet the environmental challenges. Such as lawyers advising on new environmental regulations, architects designing energy efficient buildings or accountants designing systems to account for carbon and other reporting requirements.

22. The PBSC has recently published a paper on what can be done to promote trade in environmental services in the PBS sector at COP26. [PBSC In Service of Sustainable Infrastructure](#).

Q9. To what extent is the UK's trade policy keeping up with demands from consumers on issues such as sustainability, deforestation, eco-labelling and greener supply chains?

23. N/A