

Trade and Environment

Evidence from WWF to the House of Commons International Trade Committee

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WHO WE ARE

WWF is the world's leading independent conservation organisation. Our mission is to create a world where people and wildlife can thrive together.

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Reason for submitting evidence

- I. Trade deals have significant consequences for the environment in the UK and around the world by reducing barriers on the exchange of goods and services, some of which can cause environmental harm, others of which may improve the sharing of technologies that can help tackle climate change. Unfortunately, without additional new safeguards, the UK's current trade agenda risks causing more environmental harm than good, and we wish to bring these issues to the attention of the Committee.
- II. ***Please note whist we are submitting our own evidence; we also support the evidence submitted by Greener UK***

SUMMARY

- III. **To foster an integrated approach to trade and environmental policies, the government should publish a trade policy. This is common practice in other countries, such as the US or the EU, and it would ensure that there is a transparent and coherent approach to trade and environmental goals.**
- IV. **To ensure that agricultural trade supports the efforts to green the UK's agricultural system and does not offshore environmental harm, we need core environmental standards, which would set minimum environmental thresholds for all products produced and imported into the UK.**
- V. **Minimum standards are needed for food and farming to prevent offshoring of carbon emissions and environmental harm, as the Carbon Border Adjustment mechanism would not capture the broad range of environmental impacts of farming effectively.**

- VI. **Enhanced parliamentary scrutiny and improved stakeholder consultation are both necessary to ensure that trade policy adequately captures environmental objectives.**
- VII. **With the public demanding that imports meet the UK's high environmental, animal welfare and food safety standards, meaningful public consultation on trade negotiations and developing core standards are both key to gain public confidence in trade agreements.**

HOW WELL ARE THE GOVERNMENT'S FREE TRADE AGENDA AND ITS ENVIRONMENTAL POLICIES ALIGNED? AND IS THE GOVERNMENT AMBITIOUS ENOUGH IN ITS APPROACH?

1. The UK has started using its new, independent trade agenda to pursue some environmental policies, however its current approach to trade is not ambitious enough to meet its environmental and climate goals. Firstly, the lack of a published trade policy means that the UK's approach to trade is not clear and is being established on a deal-by-deal basis. This does not provide the UK public and businesses with sufficient confidence in the government's plan for integrating trade policy with its other policy goals.
2. There are widespread calls to correct this by publishing a trade policy or strategy. In June 2021, a diverse group of stakeholders, including businesses, environmental organisations, and consumer rights groups, **wrote a letter to then secretary of state** asking that DIT publish a trade policy. A unified framework for trade agreements to ensure that there is joined up thinking across trade, industrial strategy, sustainability, employment, treatment of SMEs, etc, was also raised by the **All-Party Parliamentary Group for Trade and Export Promotion**.
3. A deal-by-deal approach does not provide the interconnected thinking needed to ensure that the overarching effect of trade agreements delivers for the UK's goals in all its policy areas. An overarching policy would also **strengthen the hand of UK negotiators of trade deals**, as it would send a message to their negotiating partners that the UK cannot fall below its domestically approved red lines. This is **common practice for US negotiators**, who will refer to the legislation passed under the Trade Promotion Authority which sets out the limits for what can be done in trade deals.
4. While there is no overarching strategy for trade and the environment, DIT has been taking forward some useful individual initiatives. In terms of unilateral action, it has liberalised trade in green goods and services through the Green 100 tariff reduction. Liberalising environmental products and services is very useful for supporting positive efforts from producers of sustainable products, but it equally does not prevent environmental harm caused by producers of the most unsustainable products. To address that, **core environmental standards** are needed. These would take the form of legislation requiring agri-food imports sold in the UK to meet comparable standards to those we require of our own farmers. This would ensure that the Government's manifesto promise to maintain high environmental standards is kept in a meaningful way. Crucially, so long as standards were applied equally to producers in the UK and overseas, this approach would be in line with WTO rules, and could be developed and applied after ratification of the UK-Australia FTA.

5. Several independent bodies have recommended linking access to the UK market to standards of food production. In its final report, in March 2021, the Trade and Agriculture Commission recommended establishing national core standards for all food imported and produced in the UK¹ as did the National Food Strategy Part 1 and Part 2². Similarly, the most recent **Committee on Climate Change Progress Report** made “carbon border adjustment mechanism or minimum standards for energy intensive industrial and agriculture products” a priority recommendation for DIT. We elaborate on why minimum standards are a better mechanism for agriculture products than CBAMs in our response to question 3.
6. WWF has been working on how core environmental standards could be designed, and for which areas they would be most useful, and we have commissioned a research project on this topic led by IEEP and TULIP Consulting. They have produced an initial **think piece**, which sets out the key issues to consider when designing core standards and suggests areas of interest for further exploration. The final report from this research will be available in April.

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?

7. One of the ways in which DIT has sought the need to integrate trade and environment policies is through reinstating the Board of Trade, and advisory body, which has published several reports on UK trade policy. The **Green Trade Report** fed into DIT’s thinking on how to join up trade and environment. However, this does not amount to a trade and environment strategy, as there is no commitment from government that it will take forward all the recommendations from the report; furthermore, many of the recommendations are framed in a broad way which means which could translate into many different types of policy, and this type of further detailed work is needed from government to align its trade and environment policies.
8. For example, the report calls for tackling environmentally damaging market distortions by “pursuing unilateral action in limited circumstances, in a way that ensures that trade remains fair” (p. 7), which could be implemented via a specific policy such as core environmental standards as proposed above.
9. DIT have also established a range of stakeholder consultation mechanisms, such as the Strategic Trade Advisory Group (STAG) and the Thematic Working Groups. However, the STAG was initially set up without an environment and climate representative.³ It was only in the second call for expressions of interest for membership that an environment and climate seat was created, in October 2020.⁴

¹ The report mentioned several different types of measures which could be used to safeguard standards, with Pillar 1 confirming that import restrictions for the purposes of protecting climate, environment and animal welfare can be introduced under WTO rules, and Pillar 2 proposing that zero tariff, zero quota access to UK market should be reserved for products that meet a set of standards and technical norms, with higher tariffs for the products that do not meet those requirements. **Trade and Agriculture Commission: Final Report**, 2021.

² The NFS called for core standards as a key part of a trade policy that does not undermine a sustainable and ethical food system for the UK. It listed a set of core standards for animal welfare, providing a concrete example of what types of standards are needed. **National Food Strategy**, 2021.

³ Written statement - HCWS1480, **Trade Advisory Groups**, 3 April 2019

⁴ **<https://www.gov.uk/government/publications/call-for-expressions-of-interest-in-membership-of-the-strategic-trade-advisory-group>**

There have been many concerns raised about the operation of the other stakeholder consultation mechanisms, especially regarding the confidentiality agreements required from their members.⁵ The trade negotiations to date, especially the Australia Free Trade Agreement, show that the major concerns of the environment stakeholders on these groups have not been taken into account.

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. We do not currently have the evidence to respond to the first question, but we will respond to the second question.
11. 44% of the UK's overall carbon footprint comes from imports. As policies to meet net zero and nature restoration accelerate, it becomes increasingly important to ensure we mitigate against offshoring in the future and that the UK's position as a major importer is levered to encourage a wider transition in environmental production via our supply chains. Unilateral action on the environmental impact of consumption is needed, and a CBAM may be a useful transitory mechanism in certain sectors, such as heavy industry, in the absence of a global carbon price. However, it would need to be accompanied by an appropriate set of policies so as not to hinder development in the Global South.
12. In food and farming, the **carbon footprint of imports** is higher than the average for the rest of the economy and amounts to 48%. Food and farming are estimated to be responsible for c. **30% of global greenhouse gas emissions, and for 50% of terrestrial and 70% of freshwater biodiversity loss.**
13. Nonetheless, a CBAM in food and farming would not be appropriate or effective, due to the complex environmental impacts of the sector. Accounting for GHG emissions, but not impacts on biodiversity, water pollution, soil quality, etc., could lead to perverse outcomes, as it would incentivise conventional industrial farming, which may have comparable emissions per kg of product but cause wider environmental harm in the process while also raising animal welfare and public health concerns. Core standards for all food produced and imported into the UK, would be a more appropriate mechanism for avoiding an offshoring of environmental impacts of food production and preventing a race to the bottom in environmental standards.
14. For the full account of WWF-UK's position on CBAMs, see our **published response** to the Environmental Audit Committee's inquiry.

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?

Environmental Chapters

⁵ Sky News, **Trade experts reject government gagging orders**, 23 July 2020

15. DIT have referred to Environmental Chapters as the key way of including environmental and climate change commitments in trade negotiations to date. A number of these types of Chapters require governments to progress on the ratification and implementation of a specific list of Multilateral Environmental Agreements. Frequently, they include provisions that affirm shared environmental commitments, ranging from very broad and vague objectives to more specific commitments to cooperate. However, many trade agreements exclude environmental and sustainable development chapters from the dispute settlement mechanisms of the agreement. Others, such as the US, Mexico and Canada Agreement and the Comprehensive and Progressive Transpacific Partnership, allow environmental disputes to be brought, but it is very difficult to prove an environmental harm from trade as the provisions are usually phrased in broad terms, and do not constitute a specific obligation.
16. While these chapters do have some merit they do not solve the key environmental problems that arise from trade negotiations. They do not address the critical issue of liberalising trade in agricultural products which may be causing harm to the environment. For example, the Australia trade agreement would allow imports of beef that is contributing to deforestation, polluting waters and damaging the soil- the commitments in the Environment Chapter in the deal do not place any conditionality on the agrifood that is imported from Australia. While the Environment Chapter is enforceable under the Agreement's dispute settlement mechanism, which is welcome, the provisions it contains are not sufficient to require Australian environmental standards to improve. The commitment to enforce domestic laws is not very helpful when those laws are already not satisfactory. Furthermore, the Environment Chapter explicitly recognises the countries' right to regulate their level of environmental protection, and this can include regressing from existing laws.

ISDS

17. Investor-State Dispute Settlement (ISDS) is a mechanism which allows investors to sue states if they believe that their rights under investment and trade agreements have been breached. The amount of compensation demanded in such cases can be very high, amounting to hundreds of millions of pounds (with high legal fees in addition to that).
18. **ISDS claims have been brought against states which have tried to bring in environmental policy**, e.g. at present the German energy company RWE is suing the Netherlands for £1.2bn over its plans to phase out coal, while Rockhopper Exploration, based in the UK, is suing the Italian government after it banned new drilling near the coast. This puts businesses which are at the frontline of creating new, green markets- such as renewable energy- at a disadvantage with regards to the businesses that rely on investment provisions to keep their unsustainable industries afloat, even though they have little future.
19. Neither the UK-Australia Agreement, nor the UK-New Zealand Agreement in Principle contained ISDS, and the UK could continue this positive trend by setting out in a trade policy that it will not agree to ISDS in its trade negotiations, and that it will review ISDS in its existing trade and investment agreements. This should include negotiating side-letters to **regional trade agreements that include ISDS, such as the CPTPP**.⁶

⁶ While the UK already has bilateral investment treaties with several countries in the CPTPP issue of whether to negotiate side-letters with the rest of the CPTPP members is still a live question.

20. Codifying in policy that the UK will not sign on the ISDS chapters will reduce the chances that nations will expend effort pushing the UK to accept such provisions in future trade deals.

BY WHAT MEASURES SHOULD THE ENVIRONMENTAL IMPACTS OF NEW FREE TRADE AGREEMENTS BE ASSESSED?

21. Environmental impacts should be an integral part of all impact assessments of trade deals. For instance, the economic benefits of the trade deal should be analysed in the context of the UK's commitment to achieve net zero by 2050, and the transition it is pursuing to reach that target. HM Treasury's (HMT) **Interim Report of the Net Zero Review** highlighted how the risk of carbon leakage increases with a country's efforts to reduce emissions. It further set out that this risk depends on trade exposure and the extent to which there are agreed international policies in place, which means that trade agreements are likely to impact on the UK's ability to meet net zero. HMT suggested mitigating the risk via the design of policies to support this transition. In this vein, the Committee on Climate Change (CCC) made minimum standards for imports a priority recommendation for DIT in its latest **progress report**, from June 2021.
22. The **impact assessment of the Australia trade agreement** shows some of the problems with the existing methods for assessing environmental impact. The assessment itself cites evidence of Australian agricultural activities - especially beef and dairy production - contributing to deforestation or land use change in Australia (p. 51). And yet, the assessment's estimates of greenhouse gas (GHG) emissions associated with Australian production of goods imported to the UK as a result of the agreement do not take into account the emissions due to deforestation or land use change (p. 46). This is a significant omission and means that the GHG emissions estimates are likely to be significantly underestimated. We recommend that full life-cycle impacts, including emissions from land-use change, are included in such impact assessments of trade deals.

WHAT CAN THE UK LEARN FROM HOW OTHER COUNTRIES' EXPERIENCES OF ALIGNING TRADE AND ENVIRONMENTAL POLICIES? HOW HAVE OTHER COUNTRIES INNOVATED IN THIS AREA?

Green Trade Policy

23. The UK could follow the example of some of its major trading partners and publish a trade policy that sets out how it will align its trade and environment priorities. The US, the EU and New Zealand all have published trade policies, which give their negotiators a clear mandate on what they should aim to achieve in negotiations. This strengthens their hand in negotiations as it shows that their red lines are based on domestic support. Through an overarching policy these countries ensure coherence across trade deals and policy issues to provide an integrated approach to trade and environmental policy.⁷

Environmental standards

24. Other countries also provide useful examples of how environmental standards can be incorporated into trade policy as legislation that applies to all trade. The **Marine**

⁷ Anna Sands, **How can the UK be a credible trading nation without a trade policy**, June 2021

Mammal Protection Act in the US exemplifies how it is possible to create import restrictions that protect the environment in a WTO-compliant way. The legislation requires that all seafood imported into the US is produced with marine mammal protections that are “comparable in effectiveness” to US standards. A similar approach could be used for UK agriculture and trade, to ensure that food imports to the UK meet standards comparable in effectiveness to the environmental requirements placed on UK farmers- this could be done through establishing core environmental standards.

Parliamentary scrutiny and public consultation

25. The UK Parliament has much less power to scrutinise trade agreements than Parliaments in the US, the EU, and Japan. There is no guaranteed debate or vote during the CRAG process, as it is subject to Parliamentary timetable. The US Congress and the EU Parliament must approve the final trade agreement for it to be ratified. This also means that they are better informed at all stages during the negotiations, and they have access to classified negotiating text.
26. Enhanced parliamentary scrutiny in the UK would have a positive impact on the environment as it would empower parliamentarians to make trade agreements work for the UK’s net zero commitment and high environmental standards. With trade agreements having a very significant impact on the environment, they would be considered environmental legislation. This means that they should be subject to the public participation requirements of the Aarhus Convention.⁸

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?

27. UK trade currently goes against the wishes of UK consumers by allowing increased imports of products that do not meet domestic high environmental, food, animal welfare and public health standards, such as via the Australia-UK trade deal, in large cases for the reasons we have expanded upon in earlier questions. These wishes of the public were expressed in the 1 million signatures to the **NFU’s petition in 2020**, and in **the National Trade Conversation Surveys organised by Which?**. According to the survey conducted by Which?, 84% of consumers think that the UK should make sure that environmental standards applicable in the UK also apply to imported food. This shows a widespread support among the public for the development of core environmental standards.

⁸ UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention)

<https://www.unece.org/env/pp/treatytext.html>