

Written evidence submitted by Green Alliance (NZT0026)

1. Green Alliance is a charity and independent think tank focused on ambitious leadership for the environment. Since 1979, we have been working with a growing network of influential leaders in business, NGOs and politics to stimulate new thinking and dialogue on environmental policy and increase political action and support for environmental solutions in the UK.

Is the UK's trade policy consistent with its goals for net zero?

2. Trade policy designed to deliver on net zero and nature recovery should help reduce barriers to trade in environmental goods and services that are critical to accelerating the energy transition, ensure our national supplies of critical raw materials are sustainable and resilient, and reduce our overseas environmental footprint.
3. Four years on from the UK's departure from the European Union, the government has yet to produce a trade strategy. This could be a unique opportunity to define the UK's vision as an independent trading nation and, importantly, to set out how trade policy will align with and support the country's ambitious net zero and nature recovery goals.
4. This is something that a broad chorus of voices has been asking the government to do for years. It has been a recommendation of the International Agreements Committee, the International Trade Committee and the Environment, Food and Rural Affairs Committee.^{1,2,3}
5. In the absence of a clearly defined strategy, policy and precedent is being set in an ad hoc fashion as bilateral trade agreements are negotiated. Rushing to advance multiple trade deals without a clear strategy tying them together raises serious concerns about the potential implications for UK industry, consumers, domestic environmental commitments, and international climate and nature impacts.
6. There has already been significant divergence in the first new Free Trade Agreements (FTAs) signed, exemplified by the varying climate commitments agreed in the UK's deals with the EU, Australia and New Zealand. While the UK-EU Trade and Cooperation Agreement includes the fight against climate change as an essential element and the UK-New Zealand FTA affirms each party's commitment to implement the Paris Agreement and references its 1.5°C target, there is no mention of this target in the UK-Australia FTA.
7. The cumulative effect of even incremental divergence in future negotiations could undermine the delivery of domestic commitments to reach a net zero carbon economy and recover nature, if not underpinned by a trade strategy that sets out how the UK will approach climate and environmental considerations in negotiations. It would also provide an opportunity for the UK to set out how its work in multilateral spaces such as the World Trade Organisation (WTO) can help to reshape the rules based international trade system to facilitate trade in the environmental goods and services that will be essential to delivering the net zero transition and restoring nature.

¹ International Trade Committee, *UK trade negotiations: Agreement with Australia*, July 2022

² Environment, Food and Rural Affairs Committee, *Australia FTA: Food and Agriculture*, June 2022

³ International Agreements Committee, *Scrutiny of international trade agreement: UK-Australia free trade agreement*, June 2022

8. We would suggest specifying a few clear red lines for potential trade partners in a trade strategy. These should include:
 - a. Being a signatory to and demonstrating commitment to the objectives of the Paris Agreement through the submission of Nationally Determined Contributions and a long-term decarbonisation strategy, as required by the agreement.
 - b. Committing to collaborate on achieving the 1.5°C target of the Paris Agreement and transitioning to a net zero economy.
 - c. The presence of legally binding net zero commitments in domestic law.

How can the UK's trade policy further help with its goals for net zero?

9. Significant work is needed to align the UK's international trade policy with its net zero commitments. This should include opposing the use of Investor State Dispute Settlement (ISDS) provisions in trade agreements, introducing mechanisms to tackle the risk of carbon leakage and more broadly to address the UK's consumption emissions, and introducing core environment standards for imports.
10. ISDS provisions have serious implications for the environment and public policy – enabling foreign investors to challenge states where state action has, or potentially will, negatively impact the profitability of an investment. ISDS has been used by companies to challenge a broad range of measures to improve environmental standards and phase out fossil fuels.
11. These provisions can also result in regulatory chill, where the threat of legal action by foreign investors discourages states from introducing regulations which could harm the profits of investors even if these are in the wider public interest. Some governments, including New Zealand, have admitted to delaying or restricting climate regulation due to the risk of being sued by corporations under ISDS mechanisms.⁴
12. For global climate policy to progress at the pace needed, it is crucial that the UK opposes the inclusion of ISDS provisions in trade agreements. We note that the UK has signed bilateral side letters with Australia and New Zealand agreeing to limit the application of the ISDS provisions as part of its accession to the CPTPP agreement.^{5,6} We also welcome the UK's recent decision to leave the Energy Charter Treaty, which will strengthen global efforts to roll out cheap, clean renewable energy.
13. When it comes to tackling carbon leakage, no one policy is a silver bullet. We encourage the government to pursue a carbon border adjustment mechanism (CBAM), mandatory product standards and market creation policies in tandem to create the holistic policy environment required to meaningfully address carbon leakage.
14. A CBAM should over time cover all high carbon intensity industrial sectors. All sectors which contribute significantly to climate change and any products, components or raw materials that are highly internationally traded should be covered by a CBAM to ensure a level playing field across industries and to maximise the effectiveness of the mechanism in tackling carbon leakage.
15. It is essential to ensure that policies are applied fairly across the board and are focused primarily at mitigating environmental impact to ensure they are compatible with WTO rules

⁴ Global Justice Now, *Corporate Courts versus The Climate*, February 2022

⁵ [Correspondence](#) from the Rt Hon Kemi Badenoch MP to Senator the Hon Tim Ayres, 16 July 2023

⁶ [Correspondence](#) from the Rt Hon Kemi Badenoch MP to Hon Damien O'Connor, 16 July 2023

and resilient to potential challenges. In line with this, the UK CBAM must also ensure developing economies are not stranded with high carbon production methods and industries. In addition to recognising the right of developing countries to continue to develop, policies should also be targeted to supporting these countries to transition to sustainable renewable technologies as quickly as possible.

16. To ensure a CBAM is maximally effective, and to reduce the compliance burden on companies covered by the policy, we would urge the government to ensure it is designed to be compatible with the EU system to the greatest extent possible. Likewise, we strongly support the UK linking its ETS with the EU ETS for the same reasons. This will make both schemes more effective and easier for the impacted sectors to comply with.
17. The government should also commit to a process for developing a set of core environmental standards to underpin trade negotiations. This would mean setting minimum sustainability thresholds for all agri-food products imported as well as those produced domestically.⁷ These standards should be designed and implemented in a way that protects UK businesses and consumers, without disadvantaging developing economies.⁸
18. This would provide a level playing field for food producers in the UK and give the public confidence in the quality and sustainability of the food they buy. At present, the only standards that apply to all food sold in the UK, regardless of origin, are food safety standards. However, food safety standards are not the same as core standards.
19. It should not be acceptable to allow products to be imported that damage the environment elsewhere when these products would not be legal to produce domestically. The government has repeatedly promised not to compromise the UK's high environmental protection, animal welfare and food standards in trade deals. However, little detail has been provided about how this commitment will be upheld in practice where no import standards currently exist. Recently completed trade deals, such as with Australia, will in fact undermine the UK's existing standards in key areas and subject UK farmers to unfair competition from food products produced using harmful pesticides which are banned in the UK.
20. Three separate sets of independent, expert advisers, the National Food Strategy, Climate Change Committee and first Trade and Agriculture Commission have all recommended the government produce a set of core standards.^{9,10,11}
21. Underpinning all this work should be an improved system of parliamentary scrutiny around trade. We have previously conducted extensive analysis of the scrutiny process for the UK-Australia FTA against the government's own public commitments, which found the process to be seriously lacking.¹² For future FTAs, the government needs to provide much greater clarity and transparency with regard to the timings of the post-signature processes, particularly the commencement of the CRaG period, a meaningful recognition of the importance of parliamentary debate, ensuring that a Commons debate is held in Parliamentary time (which again did not take place for CPTPP), and the guarantee of a vote for MPs on the content of the deal.

⁷ Greener UK, *Briefing: Core standards explained*, September 2022

⁸ Tulip, *Core Environmental Standards for UK imported Agri Food Products*, November 2022

⁹ National Food Strategy, *An independent review for government*, July 2021

¹⁰ Climate Change Committee, *Progress in reducing emissions 2022 Report to Parliament*, June 2022

¹¹ Trade and Agriculture Commission, *Final report*, May 2021

¹² Greener UK et al, *Briefing: Analysis of current free trade agreement scrutiny commitments*, September 2022

22. Broadly, frontloading scrutiny and meaningful engagement, rather than delaying any scrutiny point until the end of a negotiation process, would allow support to be built and controversial issues to be resolved as they arise.
23. The government should regularly and meaningfully consult stakeholders, including civil society organisations. It is entirely possible to increase transparency and stakeholder input while maintaining confidentiality. The government should publish its own initial text proposals. By this we do not mean information about fallback positions, red lines and other things that there may be good reason to keep confidential. Initial proposals are already known by the other parties in the negotiations, and there is no reason for Parliament and the public not to see what their government representatives are proposing. For more confidential information, MPs and selected advisory groups should be able to read and respond to confidential texts in secure environments, subject to rules on non-disclosure.
24. At least once each year the government should lay before Parliament a report containing a summary of progress made in ongoing FTA negotiations and an assessment of the issues likely to arise during the future stages of the negotiations that may affect UK producers, consumers or legislative standards (for example regarding food safety, the environment and animal welfare). Parliament should have the right to make recommendations to the government on any draft texts that have been proposed and on the UK's position during future stages of the negotiations.
25. Many of the concerns raised in our analysis of the Australia deal process could be at least partially addressed through a clearly defined overarching trade strategy, and through more concrete guarantees around opportunities for public and parliamentary scrutiny of trade deals.

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