

Aldersgate Group – Written evidence (LPF0004)

About Aldersgate Group

- The Aldersgate Group is an alliance of major businesses, academic institutions, professional institutes, and civil society organisations driving action for a sustainable and competitive economy. Our corporate members, who have a collective turnover in excess of £550bn, believe that ambitious and stable low carbon and environmental policies make clear economic sense for the UK.¹ They have operations across the UK economy and include companies such as Associated British Ports, Aviva Investors, BT, CEMEX, the John Lewis Partnership, Johnson Matthey, Michelin, Siemens, SUEZ, Tesco and Willmott Dixon.
- We develop independent policy solutions based on targeted research and the expertise and diversity of our members. Through our broad membership, we advocate change that delivers benefits to an ever-growing spectrum of the economy.
- Our response to the inquiry into EU-UK level playing field will focus on the importance of an ambitious level playing field and how this would impact the pursuit of future Free Trade Agreements (FTAs) with non-EU countries. The response will address the questions related to the importance of a level playing field, concerns around flexibility and pursuing trade deals with other countries. In our response, we will highlight that there is an opportunity for the UK to set an ambitious precedent with regards to trade deals that promotes a race to the top on environmental standards, where the UK and the EU have shared ambitions.

Response to call for evidence into EU Environment and Level Playing field

- The UK's departure from the European Union presents the UK with the opportunity to develop its own trade policy for the first time in forty years. This will have implications for the UK's regulatory regime, the competitiveness of its industries, and crucially the country's ability to meet its domestic climate and environmental targets. Looking ahead, UK trade policy needs to be aligned and integrated with the most urgent climate and environmental related priorities: reaching its net zero emissions target by 2050, reversing the decline of its natural environment within a generation and supporting the competitiveness of UK businesses during this transition.

¹ Individual recommendations cannot be attributed to any single member and the Aldersgate Group takes full responsibility for the views expressed.

- Many businesses also operate within both the UK and the EU market, meaning that they would be subject to both territories' regulations and standards. Indeed, trade with the EU accounts for 43% of all UK exports in 2019 and services is the largest areas of exports from the UK to the EU.² It is therefore important that businesses understand how the future agreement will affect their business model, as well as the impact of future regulations.
- The UK is a world leader in setting ambitious climate and environmental targets and has made important progress in delivering many of them. To meet these and future ambitions, the level playing field in a future UK-EU relationship should be comprehensive and at minimum commit both parties to a binding non-regression clause on existing standards.
- Currently, FTAs often include reciprocal commitments to non-regression on environmental standards, and commitments to progress climate change mitigation and environmental improvement efforts through trade and investment-related initiatives. As Aldersgate Group argue in its briefing, *Aligning the UK's trade policy with its climate and environmental goals*, the UK's future FTAs should go beyond aspirations with sufficient mechanisms to ensure effective implementation domestically, and enforcement and dispute settlement mechanisms for other parties. The Government has made a welcome commitment in its approach to EU negotiations that an agreement should "reaffirm both sides' commitments to tackling climate change under the Paris Agreement" and "should recognise both parties right to regulate to meet our respective climate goals".³ Given both the UK and EU's significant targets to reach climate neutrality by 2050, environmental level-playing field provisions would be mutually beneficial in meeting these ambitions and the final agreement should recognise this.
- An ambitious level playing field on environmental provisions would not restrict flexibility for domestic policy progression. As a member of the European Union, the UK was able to "gold-plate" EU legislation, where the national implementation of an EU Directive went beyond the minimum level of compliance. An example of this is the EU's Working Time Directive, which stipulates 20 days of annual leave, and the UK regulations require 28.⁴ On this basis the UK does not stand to lose flexibility by signing up to an ambitious and comprehensive level-playing field with the EU as it will maintain the ability to go above and beyond existing standards.
- Maintaining a compatible level of standards and regulation will be important. Taking resource efficiency as an example, as supply chains

² House of Commons Library (2020) *Statistics on UK-EU Trade*

³ HM Government (February 2020) *The Future Relationship with the EU: The UK's Approach to Negotiations*

⁴ Institute of Directors (2013) *Gold-playing of EU employment directives in UK law*

tend to operate on a regional and global level, Aldersgate Group have previously argued that the UK's approach on products standards should at least match the EU's commitments on a sustainable product policy framework. Having an approach on product standards that at least matches or exceeds the EU approach could help make the UK an attractive hub for resource efficiency innovation. Where the UK exceeds the EU's ambition, it will be important to ensure that this is done in a way that remains sufficiently joined up with the EU approach so that businesses can clearly understand how UK and EU standards relate to each other.

- As argued in our recent briefing, *Aligning the UK's trade policy with its climate and environmental goals*,⁵ setting up new FTAs provide the UK with the opportunity to promote high environmental standards with its trading partners. The UK has a unique opportunity to set a new ambitious precedent in trade policy to promote a race to the top for environmental standards. Thus, strong level playing field provisions in an UK-EU treaty would not hinder ambitions for FTAs with non-EU countries if these also integrate the need to maintain and progress environmental ambitions.
- Non-EU FTAs might present a risk to the UK's right to regulate and tighten standards over time, through regulatory-cooperation and investment dispute mechanisms. Strong environmental commitments in a UK-EU treaty would offer protection against future threats to dilute UK standards if a non-regression clause was legally binding. We would encourage the Government in particular to accelerate progress on trade agreements with the EU and non-EU countries that have similar environmental and climate goals.

⁵ <https://www.aldersgategroup.org.uk/asset/1671>