



**UK TRADE & BUSINESS
COMMISSION**

A landscape featuring rows of solar panels in the foreground and a wind farm in the background under a cloudy sky.

UKTBC POST-SESSION REPORT: ENVIRONMENTAL AND STANDARDS PROTECTIONS MARCH 2023



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1. INTRODUCTION

The UK Trade and Business Commission brings together ten MPs from all nine Westminster parties and all four nations of the UK, along with business leaders and expert economists to provide independent scrutiny of the UK's trade deals and provide recommendations to the UK Government.

The Commission met on 23rd March 2023 to hear from six industry experts about the policies that must be in place to ensure environmental and standards protections play a prominent role in future UK trade deals.

Trade deals can be tools that actively facilitate positive climate action, encouraging high climate standards within and beyond trade deals. As the UK forges new international relationships, our experts highlighted the importance of encoding new and higher standards

of climate protection in all trade agreements.

Similarly, now that the UK can set its own regulatory standards, it is important to maintain high standards to aid cooperation and trade with neighbouring countries and to protect consumers.

Our witnesses outlined that environmental protections and regulations have an important role to place in the UK's international trade strategy.

2. SESSION WITNESSES

PANEL 1: ENVIRONMENT

🗣️ **JONNY PETERS**, Senior Policy Advisor, E3G

🗣️ **PROFESSOR PAUL EKINS**, Director, UCL Institute for Sustainable Resources

🗣️ **DR STEFANIA LOVO**, Associate Professor in Economics, University of Reading

PANEL 2: STANDARDS AND PROTECTIONS

🗣️ **SCOTT STEEDMAN**, Director General, Standards, British Standards Institution

🗣️ **LORRAINE TURNER**, Accreditation Director, UKAS

🗣️ **PHOEBE CLAY**, Co-director, Unchecked UK

3. KEY FINDINGS

1. International trade is an important mechanism for embedding environmental and standards protections domestically.
2. Alignment and cooperation with the EU is essential to maintain effectiveness and stability of environmental and standards regulation.
3. High environmental and standards protections position the UK as a leader of global best practice.

3.1 STRATEGY AND SAFEGUARDING

Our witnesses highlighted that environmental and standards safeguards have an important part to play in international trade deals. Ensuring that high standards protections and climate commitments are upheld protects British people and the planet. Integrating climate and regulatory policy with the UK's trading strategy would give the UK Government a trading framework that does not compromise on standards and protections while helping the UK achieve its climate goals and maintain high regulatory standards. Striking trade agreements does not have to mean compromising on the high standards and protections that our witnesses highlighted are very important to the UK population.

“Trade deals with the right safeguards can help the UK achieve its climate goals, so trade brings down costs, it can help the faster diffusion of clean technologies through the economy and so on, but of course trade deals can also undermine the UK's climate goals if the right safeguards aren't included.”
- JONNY PETERS, SENIOR POLICY ADVISOR, E3G

“Climate has got to trump free trade issues, and the countries that want to move fast on climate have got to ensure that they can maintain some kind of, of economic standards. And where free trade militates against that because of the undercutting of externalities and all that stuff that environmental economists know so well. Then free trade simply has to give way.” - **PROFESSOR PAUL EKINS, DIRECTOR, UCL INSTITUTE FOR SUSTAINABLE RESOURCES**

“I think a key goal from our perspective is to ensure that we are putting in place the mechanisms to ensure that standards are maintained and increased. I think the second part of this is really the benchmarking that we are putting in place to ensure that the standards that we're signing up to are equivalent or indeed help us improve on our own standards, so this process of comparison is being done fully and properly.”
- PHOEBE CLAY, CO-DIRECTOR, UNCHECKED UK

“You know it's not minimum protections, people really sort of you know rely on things like food standards in order to ensure that the food they are serving their kids are safe and healthy, animal welfare standards to me are kind of almost a badge of identity for British people, you know the notion that we're prepared to compromise on those in order to strike trade deals seems problematic.” - **PHOEBE CLAY, CO-DIRECTOR, UNCHECKED UK**

A forward looking, coherent strategy is necessary to deliver a green energy transition as well as use trade deals to protect and improve UK standards. Our witnesses agreed that, among other things, for the UK to make a green energy transition, it needs to secure access to critical minerals and to support the UK agricultural sector, something that can be achieved with the right trading policy - and by the UK Government communicating that policy effectively.

“[Critical minerals] are essential for clean energy technologies, as far as the UK is concerned they're almost all imported either directly or in the technologies that they're crucial for, wind turbines, photovoltaic panels, electric batteries, etc. And again, there's very little beyond a critical minerals expert advisory group that I'm a member of and have recently launched a critical mineral strategy which hasn't got a lot to say about trade.” - **PROFESSOR PAUL EKINS, DIRECTOR, UCL INSTITUTE FOR SUSTAINABLE RESOURCES**

“You know agriculture is the Cinderella of climate policy but it’s absolutely central to the nature agenda and it’s absolutely central to the food security and water agendas, and at the moment our farmers haven’t a clue what they’re expected to do.” - **PROFESSOR PAUL EKINS, DIRECTOR, UCL INSTITUTE FOR SUSTAINABLE RESOURCES**

“The UK really needs to come forward with a green trade strategy and that trade strategy I think should balance [...] the openness based approaches, the tariff reductions [...] but also trade defences, standards based approaches and cooperation with other countries outside of FTAs” - **JONNY PETERS, SENIOR POLICY ADVISOR, E3G**

Embedding strong regulatory principles in trade deals is another key part of building a UK trade strategy that protects people and the planet. Our witnesses were clear that UK businesses do not feel a regulatory burden and instead, a consistent and coherent approach to standards and regulation benefits businesses, the wider market, and society more broadly.

“When you have a consistent and coherent set of standards accreditation and regulation then you can really build a trusted market framework and that’s what we’re looking for, efficiencies, streamlining, simplifying supply chains, accelerating innovation and delivering competitive advantage, and we know actually from our independent research which CBR did last year that standards, use of standards contributes 23% of UK GDP growth, but it’s a very little understood fact, people are not aware of how standards and regulation can be used to accelerate business advantage and better business, social justice and net zero.” - **SCOTT STEEDMAN, DIRECTOR GENERAL, STANDARDS, BRITISH STANDARDS INSTITUTION**

“We asked businesses what they felt the impact of regulation was on their activities [...] 72% thought that the government regulates business perhaps even too little or the right amount.” - **PHOEBE CLAY, CO-DIRECTOR, UNCHECKED UK**

“I think accreditation against internationally recognised standards does bring trust and confidence across the whole of the economy when conformity assessment works well with the aligned standards, you can have confidence in testing, certification and that brings consumer confidence.” - **LORRAINE TURNER, ACCREDITATION DIRECTOR, UKAS**

“Are we right to be asking ourselves as a developed economy, what is the bare minimum we can live with in order to strike trade deals? And instead what would it look like if we were asking ourselves is what our ambitions, what are we striving for, what are the standards that we think are what we should be aiming for and how can we leverage trade deals in order to achieve those standards in relation to the environment, the labour market and more broadly our general sort of wellbeing.” - **PHOEBE CLAY, CO-DIRECTOR, UNCHECKED UK**

3.2 ALIGNMENT AND COOPERATION WITH THE EU

As our nearest trading partner, close cooperation with the EU is essential in environmental policy. Our witnesses highlighted the need for barrier-free trade with the EU that supports inward investment in green industries as well as the need to actively align with new EU environmental regulation to provide a secure and internationally accepted direction of travel for UK businesses.

“We need to find every conceivable way where we can get closer to the European Union on cooperating across borders that will reduce the barriers that were put in place with Brexit and then the subsequent negotiations because that is the single biggest barrier to us getting the foreign direct investment that is absolutely critical if we’re going to decarbonise and if we’re going to do a whole lot of other things in the tech space and in all sorts of other areas.” - **PROFESSOR PAUL EKINS, DIRECTOR, UCL INSTITUTE FOR SUSTAINABLE RESOURCES**

“It would make a lot of sense for the UK to carry on moving in the same direction as the EU. It's ultimately what business wants as well. If you put aside the moral side of the argument that the UK should be doing this stuff....business would support this as well.” - **JONNY PETERS, SENIOR POLICY ADVISOR, E3G**

Divergence between the UK and EU will increase trading challenges for UK businesses.

“Future divergence will make it more difficult for businesses to sell to the EU market, including selling green technology, green environmental services and goods and this will mean that it will diminish the return to investing in these green technologies just because there's not such a huge export market. And you know we know export is a driver of innovation, so you know ensuring that this is happening is important.” - **DR STEFANIA LOVO, ASSOCIATE PROFESSOR IN ECONOMICS, UNIVERSITY OF READING**

“I think going forward as those requirements diverge, if they do diverge, then that will cause confusion and it will cause I think the need for products to be tested against different sets of standards potentially as well. So not only is there the challenge of not accepting conformity assessment results since EU exit, meaning re-testing will be needed for UKCA anyway, there'll also be different tests potentially or different certification that needs to be conducted.” - **LORRAINE TURNER, ACCREDITATION DIRECTOR, UKAS**

“The risk of diverging laterally and having multiple regulatory regimes for consumer products is only going to cause cost and confusion and certainly a massive handicap to the UK which is a relatively small market in the world,” - **SCOTT STEEDMAN, DIRECTOR GENERAL, STANDARDS, BRITISH STANDARDS INSTITUTION**

With new green technology developing rapidly, our witnesses stressed the importance of the UK remaining competitive and adapting to align with trading partners. Close cooperation is needed, starting from linking the UK Emissions Trading Scheme (ETS) with the EU ETS system and adopting the EU CBAM system when it is introduced.

Adopting carbon border adjustment regulation is necessary to mitigate potential carbon leakage, help British industry to decarbonise, and remain competitive.

“Close cooperation and basically starting from linking the two ETS systems, which is crucial for even thinking about the CBAM and all the rest.” - **DR STEFANIA LOVO, ASSOCIATE PROFESSOR IN ECONOMICS, UNIVERSITY OF READING**

“The UK should link its emissions trading system with the EU. This is basically the main way in which the UK could negotiate an exemption from the EU's CBAM, avoiding high compliance costs for British business and actually really particular issues for business in Northern Ireland as well, that's an important consideration here.” - **JONNY PETERS, SENIOR POLICY ADVISOR, E3G**

“There's also another important consideration which is as the EU phases in its CBAM from October this year, this will likely create a trade diversion effect meaning that as the EU imports less high carbon industrial products, more high carbon industrial products will come to the UK, just based on where we are in the kind of global trading system. So, we have this actual negative impact coming in from the EU CBAM being phased in, so already we're kind of, because of us being kind of off the coast of the EU there's a huge reason for us to be considering doing the same thing anyway on that basis as well.” - **JONNY PETERS, SENIOR POLICY ADVISOR, E3G**

“I don't see there's much chance of decarbonising our energy intensive industries unless they start facing a carbon price, but as soon as they start facing a realistic carbon price then obviously the heavily traded energy intensive goods, steel, chemicals, ceramics, will be undercut by imports, that will follow as sure as night follows day. So that's the rationale for the CBAM and I think it would be insane frankly for the UK not to follow suit with the, if the EU went ahead as it seems to intend to do.” - **PROFESSOR PAUL EKINS, DIRECTOR, UCL INSTITUTE FOR SUSTAINABLE RESOURCES**

“There might actually be a really serious risk of carbon leakage if the two parties are not aligned.”

- DR STEFANIA LOVO, ASSOCIATE PROFESSOR IN ECONOMICS, UNIVERSITY OF READING

“It’s taken us over 30 years to get there but we’re beginning to see a decent carbon price in both the EU and the UK. But that will create absolute havoc with carbon intensive industries, exports and imports unless we do get a carbon border adjustment mechanism and it opens up the opportunity of another idea which is a carbon club of countries that are pricing carbon sensibly and at the level that needs to be priced for net zero, whereby we get a different kind of free trade agreement, one that is properly based on a carbon level playing field, are those countries that do price carbon properly.”

- PROFESSOR PAUL EKINS, DIRECTOR, UCL INSTITUTE FOR SUSTAINABLE RESOURCES

“Introduce the CBAM, but also I think to do that while linking the UK ETS with the EU ETS and also coming up with a credible offer for developing countries which includes international climate finance from some of the revenues from the CBAM.”

- JONNY PETERS, SENIOR POLICY ADVISOR, E3G

CBAM and other green trade mechanisms work in conjunction with high standards and regulations. As new markets and new technologies develop – and other countries refine their own climate goals – the UK must actively respond.

“So a carbon border adjustment does its best to kind of level the playing field at the border, but if you want to go further and actually talk about creating new markets, market creation for things like green steel, you know less carbon intensive cement and so on, we need to be setting the standards of what those green products look like and that’s a very important part of our approach to trade as well.”

- JONNY PETERS, SENIOR POLICY ADVISOR, E3G

“I mean first up the UK absolutely needs to step up its climate ambition in response to the US inflation reduction act. I think the thing that we should be sort of candid about though is that it’s going to be nearly impossible for the UK to match the scale of subsidies under the US inflation reduction act, and so in that context we need to make sure that the UK is really using every kind of option available to it to try and match in terms of its policy response, so that includes upping the UK’s climate targets, yes subsidies but also regulation and importantly international cooperation as well.”

- JONNY PETERS, SENIOR POLICY ADVISOR, E3G

It was made clear by our witnesses that the EU Retained law bill posed a large risk to environmental protections and to regulatory standards in the UK.

“I think its purpose is to make any further alignment more difficult. We know that the Labour Party is basically favourable to further alignment and I think this is a wrecking bill really, it has no economic merit at all, in fact it will lead to absolute chaos across several departments, especially the one that I’m closest to, DEFRA, which has so many environmental regulations. Our environment is already going backwards in several very important respects and it’s perfectly clear from the first report of the Office for Environmental Protection that we’re nowhere near on track even to reach the targets that we put in Statute on the environment.”

- PROFESSOR PAUL EKINS, DIRECTOR, UCL INSTITUTE FOR SUSTAINABLE RESOURCES

“In the retained EU law bill that’s coming through there is of course, we are worried about what’s going to happen, and we hope that OPSS and we’re supporting the department, will work their way through those regulations. But should a black hole open up, that will cause issues for British businesses, there’s no doubt about that.”

- SCOTT STEEDMAN, DIRECTOR GENERAL, STANDARDS, BRITISH STANDARDS INSTITUTION

3.3 LEADING GLOBAL BEST PRACTICE

Putting climate strategy and standards protections at the forefront of the UK's international trade strategy is important political signalling. In both standards and environmental regulation, the UK has an opportunity to position itself as a global leader.

"I would say that over the last number of years we have totally transitioned, 85% of British standards are international or European regional, not EU standards, and that positions the UK in an incredible place to take a leadership role globally and in terms of raising productivity and standards for consumers at home."
- SCOTT STEEDMAN, DIRECTOR GENERAL, STANDARDS, BRITISH STANDARDS INSTITUTION

"We are a very sophisticated market structure with a combination of high risk and low risk, performance regulation and some prescriptive regulation in the more regulated sectors, this gives us a massive opportunity to push an alternative form, an innovative form of trade deals, where instead of arguing about whether my regulation is the same as yours or higher or lower, I say look, you can trade with us if you use these international standards. That's what we have in the UK, they are higher than the regulation, they are about going beyond regulation, they're not minimum protection, they're aspiring to something like net zero transition, modern slavery"
-SCOTT STEEDMAN, DIRECTOR GENERAL, STANDARDS, BRITISH STANDARDS INSTITUTION

"I think we can point to some examples where the UK is actually acting as a trailblazer in terms of setting high international standards. I would highlight the Consumer Rights Act for example that is seen internationally as one of the kind of case studies or models to be followed, likewise our Animal Welfare Act, the Online Safety Bill, at one point was also viewed as a sort of trailblazing set of regulations."
- PHOEBE CLAY, CO-DIRECTOR, UNCHECKED UK

Trade deals and trading relationships offer the chance for the UK to influence what happens in other countries, meaning they are an important tool to embed climate protections and standards regulations internationally. Our witnesses highlighted the importance of political signalling, maintaining a strong role in international negotiations, and supporting low-income countries to decarbonise and adopt high regulatory standards.

"Our opportunity frankly is to use our influence in international standards and international accreditation processes to make sure that the UK and other countries are operating in a seamless standards led framework where UK voices have had a strong input."
- SCOTT STEEDMAN, DIRECTOR GENERAL, STANDARDS, BRITISH STANDARDS INSTITUTION

"Free trade agreements actually offer the opportunity to influence what happens in other countries. So it is really an opportunity to have a say on other countries, so I think this can be done by having appropriate climate change provisions in free trade agreements, but also to maintain a very consistent role in international negotiations, so really giving the signals."
- DR STEFANIA LOVO, ASSOCIATE PROFESSOR IN ECONOMICS, UNIVERSITY OF READING

"How can we leverage these trade deals in order to actually export standards, you know really accept that we have that sort of in the bag and therefore we want to actually export them to our trading partners."
- PHOEBE CLAY, CO-DIRECTOR, UNCHECKED UK

"I think ultimately WTO reform is a political issue and if we're going to start moving towards that kind of place then we need to have politicians step up and recognise that this is an important priority, but back this up with real kind of diplomatic potential and a real push."
- JONNY PETERS, SENIOR POLICY ADVISOR, E3G

"I would be recommending that we integrate our trade, our technical and our foreign policy agendas in a much more coherent way than we have." - **SCOTT STEEDMAN, DIRECTOR GENERAL, STANDARDS, BRITISH STANDARDS INSTITUTION**

"So strong objectives, maintaining a consistent role in negotiations with other countries. So, you know thinking about priorities, climate change provision for example can focus on removing harmful subsidies on agriculture and fossil fuels and also focusing on cooperating and in terms of transferring knowledge and technology to other countries, especially low-income countries." - **DR STEFANIA LOVO, ASSOCIATE PROFESSOR IN ECONOMICS, UNIVERSITY OF READING**

"I think the UK should assist low income countries and support their transition to a lower carbon economy. I think the UK has a moral duty to do so and you know to support low income countries in the spirit of the principle of common and differentiated responsibility that is in the Paris Agreement."
- **DR STEFANIA LOVO, ASSOCIATE PROFESSOR IN ECONOMICS, UNIVERSITY OF READING**

