

Minutes of the second Trade Specialised Committee on Goods, 5th October 2022.

The EU co-chair welcomed participants to the meeting. The provisional agenda as published in advance was adopted for the meeting. Both parties made an opening statement.

Item 2 – Review of completed obligations under the Goods heading and Actions from the previous TSC on Goods

The Parties noted the completion of the obligations under Article 29 (notification of export licensing procedures) and Article 36 (exchange of contact details in relation to cultural property) of the TCA that had taken place in advance of the Committee meeting that took place in 2021. The Parties also noted that limited further technical exchanges had taken place between the parties as regards methodological differences in collecting trade data and on the EU proposal of a Carbon Border Adjustment Mechanism.

Finally, the parties also referred to the obligation in Article 31 of the TCA and noted that the exchange of data on Preference Utilisation Rate (PUR) that took place on 23rd September 2022.

Item 3 – Taking stock in the trade in goods

The Parties delivered presentations outlining key features of import/export flows, noting that imports and exports recovered strongly in the first half of 2022 compared with the first half 2021 in almost all sectors. However, there are still caveats when comparing trade of 2021 and 2022 as the COVID-19 pandemic introduced several temporary (and a few permanent) shifts on demand and supply, though effects in 2021 were less significant and are expected to have dissipated broadly in 2022. Moreover, the Russian invasion of Ukraine on top of global rally in commodity prices have determined strong variations of prices of many goods, unprecedented in past 50 years.

The Parties noted that in 2022 differences between the data released by EU and UK has fewer discrepancies than compared to 2021, mostly due to changes in UK methodology. Both parties recognized that it would be useful to further explore and discuss these differences in trade flows for certain sectors.

The Parties exchanged information on methodological differences in producing trade data and agreed to undertake further technical exchanges on this.

Item 4 – Presentation and exchange of views on the utilisation rates of annual import statistics exchanged pursuant to Article 31

Both parties referred to sets of trade data (PUR) that had been exchanged in advance of the meeting. Preliminary analysis showed a high level of utilisation rate on both sides. Both parties agreed that further monitoring and possible follow-up discussions on sectors where the utilisation rate is low would be useful.

The parties discussed the timings for the publication of the next year's PUR data and agreed to explore whether this could take place in the first half of 2023.

Item 5 - European Chips Act (Pillar 3)

The EU made a presentation on the design and objectives of pillar 3 under the EU Chips Act. This was followed by a discussion on different elements of the proposal, in particular as regards the scope of the measures and the definition of certain key terms. The EU underlined that some of the measures presented under Pillar 3 are linked to a targeted and proportional approach to ensure supply to critical sectors, which would be used in a crisis as measures of last resort.. The UK outlined their plans for the

development of a semiconductor strategy and underlined the importance of collaboration through further bilateral and multilateral discussions in this area. Considering that the EU Chips Act proposal is still subject to discussion in the Council and in the Parliament, the EU offered to make an update at the next committee meeting in 2023 upon request of UK.

Item 6 - Fortified Flour – UK “The Bread and Flour Regulation”

The EU asked for an update on the Bread and Flours regulations 1998 as amended by the Food Regulations 2021 (Amendment and Transitional Provisions - England) notably in relation to the end of the transition period on 30 Sep 2022 and the consequent entry into force of the mandatory flour enrichment requirements applying to imports from the EU. The EU asked whether UK objectives in terms of public diet could be addressed in what would be, in their view, a less trade restrictive manner than a total ban on imports for non-enriched flour.

The UK explained that all domestic flour producers are required to meet the fortification requirements under the bread and flour regulations to meet public health aims. Products from the EU were exempted in line with the mutual recognition principle when part of the EU Single Market. Following EU exit, these recognition clauses provided preferential treatment to the EU compared to other third countries. WTO and MFN commitments mean that these recognition clauses are not possible. Hence as from 01/10/22 any relevant flour imported into the UK needs to comply with fortification requirements. EU businesses can still export unfortified flour to the UK as long as it is destined for re-export or to be used in products for export to third countries.

Item 7 – Update on European Commission’s proposals for a Carbon Border Adjustment Mechanism (CBAM)

Following the discussion that took place in the Committee meeting last year, the EU provided an update on their proposals for a Carbon Border Adjustment Mechanism (CBAM), as part of the package of proposals to reduce EU carbon emissions by 55% by 2030. The CBAM would begin at the start of a quarter - the Commission’s proposal was for it to start on 01 Jan 2023 but it is now expected it will not start before June 2023 or later. The EU noted that any carbon price paid in the country of origin of a good would be recognised and that there will be an opportunity for third countries to put in place an agreement with the EU which could cover, but would not be limited to, how their carbon price would be recognised under the EU CBAM. The EU indicated they would turn to the details of this agreement process once the Regulation is finalised and the transitional period started. On the reporting of embedded emissions, the EU clarified the reporting of embedded emissions would follow a simple methodology and, under the Commission’s proposal, would not require verification in the transitional period. With regards to Art. 9 of the proposed regulation, the EU noted their intent to find avenues to facilitate compliance with the CBAM. The UK expressed that carbon leakage is a shared concern and that it would welcome further dialogue to explore avenues available for compliance. The UK also noted the significant number of UK produced goods in CBAM sectors which are traded to the EU, and that for the UK further technical discussions would be useful to support implementation.

Participation list

UK Delegation

- UK Co-chair of the Trade Specialised Committee on Goods
- UK Government Officials from BEIS, DCMS, Defra, DIT, FCDO, HMT, HMRC
- UK Government Officials from the UK Mission to the European Union
- Scottish Government Officials
- Northern Ireland Executive Official
- Welsh Government Official
- Government of Jersey Official
- Government of Guernsey Officials

EU delegation

- EU Co-chair of the Trade Specialised Committee on Goods
- European Commission Officials (TRADE, TAXUD, SecGen, GROW, AGRI, CNECT)
- EU Officials from Delegation of the European Union to the UK
- Representatives of EU Member States

**The second Trade Specialised Committee on Goods under the EU-UK Trade and
Cooperation Agreement**

Brussels, 5 October 2022

9:00 – 12:00 (BST) / 10.00-13.00 (CEST)

Provisional Agenda

(Brussels and via videoconference)

1	Opening remarks and adoption of the agenda
2.	Review of completed obligations under the Goods heading and Actions from the previous TSC on Goods
3.	Taking stock in the trade in goods
4.	Presentation and exchange of views on the utilisation rates of annual import statistics exchanged pursuant to Article 31
5.	European Chips Act (Pillar 3)
6.	Fortified Flour – UK “The Bread and Flour Regulation”
7.	Update on European Commission’s proposals for a Carbon Border Adjustment Mechanism
8.	AOB and closing remarks