

The second Trade Specialised Committee on Level Playing Field for Open and Fair Competition and Sustainable Development under the UK-EU Trade and Cooperation Agreement

12 October 2022

Brussels

Joint Minutes

The second meeting of the Trade Specialised Committee on Level Playing Field for Open and Fair Competition and Sustainable Development under the Agreement between the European Union (EU) and the United Kingdom (UK) for Trade and Cooperation took place on 12 October 2022 in Brussels.

The representatives from the European Union and the United Kingdom discussed the following points:

1. Introduction/opening session

EU and UK co-chairs opened the discussion, introduced their teams, and formally adopted the agenda for the meeting.

2. Discussion on issues related to subsidy control and competition:

2a) UK Levelling up Agenda

The UK gave a presentation on the UK Levelling Up Agenda and explained how, in its view, the levelling up measures ensure compliance with the TCA subsidy control principles. It touched upon UK Freeports, the Levelling Up and Regeneration Bill and the UK Shared Prosperity Fund. The EU asked questions on the role of subsidies in the Levelling Up Agenda, including the legal framework for granting subsidies under the Subsidy Control Act 2022. The EU also asked questions about the measures granted by the UK Government to companies operating within UK Freeports and expressed concerns about whether and how the UK had accounted for any potential impact on trade or investment brought about by these measures.

2b) European Chips Act – pillar 2 and associated funding

The EU gave a presentation on the European Chips Act package, including the proposed funding arrangements. In particular, the EU explained the objectives of the funds and the rules that would apply to their use, including compliance of the funding with the subsidy commitments of the EU-UK TCA. The UK asked questions about the determination of “first of a kind” facilities, including whether this definition would include support for older chips. The UK also sought clarifications on the funding conditions for the Microelectronics and

Connectivity Important Project of Common European Interest (IPCEI) and expressed concerns about how the EU intended to avoid distortions of UK-EU trade as a result of the measures.

2c) Implementation of the UK Subsidy Control Act

The UK gave an update on the implementation of the Subsidy Control Act 2022. In particular, the UK covered the following areas: transparency, subsidies or schemes of interest and of particular interest, streamlined routes, enforcement, statutory guidance on the Subsidy Control Act 2022, and draft guidance on the role of the Subsidy Advice Unit. The EU asked questions on transparency, the role of the granting authorities and their interaction with the CMA, particularly with regards to the compliance of a subsidy with the subsidy principles laid down in the EU-UK TCA. The EU noted its continued interest in the implementation of the Subsidy Control Act 2022. The UK agreed to a follow up meeting at the technical level once the Act has commenced.

2d) EU State aid Temporary Frameworks

The EU gave a presentation on the State Aid Temporary Framework to Support the Economy in the Context of the Coronavirus Outbreak and the State Aid Temporary Crisis Framework (TCF) to Support the Economy in Context of Russia's Invasion of Ukraine. In particular, the EU explained the objectives of these temporary measures and the rules that apply to limit distortions of competition and ensure compliance with the subsidy commitments of the EU-UK TCA. The EU noted that the Ukraine TCF had been amended in July to provide Member States the tools that, in its view, would accelerate the rollout of renewable energy as well as the decarbonisation of industries. The UK asked whether subsidies granted under the Covid Temporary Framework had been assessed for trade and investment impacts beyond the EU single market. In particular, the UK expressed concerns about how the EU would ensure compliance with the TCA principles for aid to longer term energy projects. The UK also asked about expected timelines for the Ukraine TCF.

2e) UK-EU competition cooperation and update on regulatory developments

The EU gave an update on the latest policy developments on competition, including the Digital Markets Act and the Guidelines on the application of EU competition law to collective agreements regarding the working conditions of solo self-employed persons. The UK asked for information on the extent of regulatory dialogue that the EU expects to have with gatekeeper firms under the DMA and how much this may affect any tailoring of obligations to different firms. The UK gave an update on recent UK competition policy developments, including the establishment of the Digital Markets Unit within the Competition and Markets Authority and the Digital Markets, Competition and Consumer Bill. The EU asked for further information on timelines for the Bill as well as future policy initiatives. The UK noted that the

UK and EU share common challenges on competition and that cooperation was in both Parties' interests.

3. Discussion on issues related to labour and social standards, environment and climate and other instruments for trade and sustainable development:

3a) Updates from the UK and EU on labour market enforcement

The EU and the UK discussed their respective labour market enforcement policies. The UK explained the current state of play in labour market enforcement, including the previously discussed single enforcement body, and the annual strategy on labour market enforcement produced by the independent Director of Labour Market Enforcement. The EU asked questions about the situation of P&O ferries and expressed concerns on capacity and resourcing for labour inspectorates, labour market enforcement and the Retained EU Law (Revocation and Reform) Bill 2022.

The Union presented on its approach to labour market enforcement, including a description of the relevant EU agencies and an update on resourcing figures. The UK asked questions about the EU's approach to preventive measures in high-risk sectors and how the Union enforces compliance at a Member State level.

3b) EU Nature Restoration Law

The EU gave a presentation on the EU Nature Restoration Law. In particular, the EU explained the objectives of the Law, a set of binding targets for specific ecosystems as well as National Restoration Plans that Member States will be required to adopt. The UK asked questions about Member State best practice, pollinator monitoring, progress post publication of the Nature Restoration Law, and how the law links with other strategies.

3c) UK Environmental Impact Assessments

The UK gave a presentation on the new system of Environmental Outcome Reports provided for in the Levelling Up and Regeneration Bill. The EU asked the UK how the level of nature protection will be maintained under the new UK system. In addition, the EU asked questions and expressed concerns about whether the UK's level of nature protection will be lower in the proposed new investment zones and the areas within Freeports than in the rest of the UK territory. The EU also enquired about the impact of the UK's Retained EU Law Bill in maintaining nature protection. The UK explained how it would maintain the overall levels of environmental protection in the UK, including in Freeports and investment zones.

3d) Updates from the UK and EU on wastewater treatment

The UK gave a presentation on its approach to wastewater treatment, including the recently published Storm Overflows Discharge Reduction Plan, which sets out how the UK intends to improve its environmental levels of protection. The EU asked the UK about recent releases from wastewater treatments and storm water overflows and about the effective enforcement taken with regard to those releases. The UK highlighted its efforts to improve transparency on monitoring storm overflows and the enforcement action it is taking in relation to the water industry to uphold existing levels of protection.

The EU presented its approach to wastewater treatment, including the action taken to enforce the level of protection, as well as the progress made by Member States in this area. The EU informed the UK of the intention of the EU to raise the level of protection from wastewater treatment by means of a proposal to revise the Urban Waste Water Treatment Directive. The UK asked the EU about its monitoring of storm overflows and Member State compliance of the EU's Urban Waste Water Treatment Directive (UWWTD).

3e) Updates from the EU and UK on climate issues

The Union and the UK discussed their respective climate policies. The EU gave a presentation on the EU Fit for 55 package, an update on the EU Emissions Trading Scheme (EU ETS) and its approach to international cooperation to mitigate climate change. The UK asked questions about the cap, free allowances, aviation, scope expansion and the impact that the current economic and energy crisis may have had on the EU ETS review.

The UK gave an update on the recent developments regarding the UK Emissions Trading Scheme (UK ETS). The EU asked questions on the recent UK ETS consultation, including aviation, maritime, waste and carbon capture utilisation and storage and on the net zero review recently announced by the UK Government. The UK explained how the UK ETS and net zero delivery are both integral parts of the UK's overall climate ambitions.

Attachments

1. Final agenda

2. List of participants

1. FINAL AGENDA

Trade Specialised Committee on Level Playing Field for Open and Fair Competition and Sustainable Development under the EU-UK Trade and Cooperation Agreement

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| 1. | Opening remarks and adoption of the agenda |
| 2. | Discussion on issues related to subsidy control and competition: 2a) UK Levelling Up agenda <ul style="list-style-type: none">• Freeports• The Levelling Up and Regeneration Bill• UK Shared Prosperity Fund 2b) European Chips Act <ul style="list-style-type: none">• IPCEI and other associated funding• Pillar 2 - security of supply 2c) Implementation of the UK Subsidy Control Act 2d) EU State aid Temporary Frameworks 2e) Updates from the UK and EU on policy developments and cooperation on competition matters |
| 3. | Discussion on issues related to labour and social standards, environment and climate and other instruments for trade and sustainable development: 3a) Updates from the UK and EU on labour market enforcement 3b) EU Nature Restoration Law 3c) UK Environmental Impact Assessments 3d) Updates from the UK and EU on wastewater treatment 3e) Updates from the EU and UK on climate issues <ul style="list-style-type: none">• EU Fit for 55 package, approach to multilateral cooperation and Net Zero targets• UK Emissions Trading Scheme (ETS) and Net Zero targets |
| 4. | Closing remarks |

2. LIST OF PARTICIPANTS

UK DELEGATION

- UK Co-chair and Secretary of the Trade Specialised Committee on Level Playing Field for Open and Fair Competition and Sustainable Development
- UK Government Officials from FCDO, BEIS, Defra, DLUHC, HMT, HSE.
- UK Government Officials from the UK Mission to the European Union
- Scottish Government Officials
- Northern Ireland Executive Officials
- Welsh Government Officials

EU DELEGATION

- EU Co-chairs and Secretaries of the Trade Specialised Committee on Level Playing Field for Open and Fair Competition and Sustainable Development
- European Commission Officials (TRADE, COMP, SecGen, CNECT, ENV, CLIMA, EMPL)
- EU Officials from Delegation of the European Union to the UK
- Representatives of EU Member States