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CATALYSING COOPERATION MAINTAINING EU-UK COOPERATION ON ENERGY & CLIMATE CHANGE POST-BREXIT

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For nearly sixty years, the European Union has been a symbol of an increasingly interconnected world. The political upheavals that occurred in 2016 have been interpreted by many as a rebuff to globalisation, however it remains the case that the global challenges that will dominate the 21st Century, from terrorism to climate change, and mass migration to cyber security, can only be overcome with strong international cooperation.

Brexit has brought such cooperation between the EU and UK into question and the EU27's appetite for continued cooperation with the UK is unclear.

There is currently a danger that the EU27 underestimate the geopolitical and economic risks of the UK chaotically crashing out of the EU.

Many issues in the negotiations over the UK's exit from, and future relationship with, the EU are likely to be perceived as zero-sum-games, however, climate change and energy are areas where there is already an alignment of interests between the EU and the UK and where rapid progress towards an agreement could be made.

Developing a specific process that focusses on areas of potential cooperation, *in parallel* to any discussions on trade, has the potential to catalyse progress on trade by setting a cooperative negotiation tone and opening the way for more creative negotiating solutions.

However, any such cooperative process can only be realised if the Commission negotiators are given a specific mandate to develop it in parallel to negotiations on trade.

As such, it is imperative that potential areas of cooperation, such as clean energy and climate change, are identified and a specific process for discussing them is included in any updates to the Commission's negotiation mandate.



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INTRODUCTION

This paper analyses both the negotiation process and key issues at stake on energy and climate change and proposes public interest benchmarks against which EU citizens can assess the Brexit negotiations on climate change and energy.

The recent national elections in the EU have had a significant impact on the Brexit negotiation dynamics. The election of President Macron in France and the VVD remaining the largest party in the Netherlands have reduced the likelihood of the EU descending into political chaos that alternative outcomes in these elections might have precipitated.

On the other hand, the UK elections have increased the uncertainty of the Brexit negotiations. The loss of the Conservative Party's majority has increased the pressure for a 'softer' Brexit, potentially opening the way for increased cooperation. However, the new Government's weakness may well lead to fresh elections within the two-year Article 50 period, which could result in a crash Brexit outcome if the UK fails to maintain consistent negotiation positions, resulting in delays that exceed the two-year negotiating period.

NEGOTIATING PROCESS

Decisions on the negotiation process can substantially influence the negotiation outcome and as such it will be important that any decisions on the negotiation process support the EU's goal of maintaining European-wide ambition on climate change.

Cooperative process

There are many policy areas where continued cooperation between the UK and EU27 is not only possible, but essential. Policy areas such as defence, intelligence sharing, scientific research, energy and climate change are examples where there is an existing alignment of interests. However, there is a risk that the current negotiation processes will place an undue focus on trade-related interests that are perceived as zero-sum game, thereby creating challenging political conditions to secure agreements on continued cooperation in policy areas where it is in the interests of both the EU27 and the UK.

A specific process is needed for the EU27 and UK to identify and discuss continued cooperation on policy areas where there is an existing alignment of interests, and where more rapid progress towards an agreement could be made.



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The timing of such a process will be important. The earlier any such cooperative process is initiated the greater the potential it would have to shift the political conditions of the negotiations. At a minimum, it is important that such a process is in train by the time negotiations on trade have commenced, otherwise it is likely that the political space for cooperation will shrink in the face of combative trade negotiations.

Simply creating an additional formal process to the negotiations, however, would be insufficient. Those working on climate change have learned from experience that an overly formal and formulaic approach to negotiations, such as that taken ahead of the Copenhagen Climate talks, can quickly descend into acrimony and chaos. EU negotiators need to learn from the period prior to the Paris Agreement, in particular the importance of creative methods for building the political conditions for cooperation in advance of formal negotiations. The involvement of non-Governmental actors in building broad but ambitious coalitions was a hallmark of the Paris Agreement, and there are a range of organisations, from both the private sector and civil society that stand ready to assist the EU27 and UK in building more positive political conditions for the discussions.

Full, open and ongoing consultation of civil society will also be important for any outcome of the Brexit negotiations to be perceived as valid. The EU-US TTIP negotiations provide a salutary lesson on the futility and political consequences of attempting to make covert trade agreements without full and transparent consultation.

In addition to setting in motion negotiation processes that are likely to lead to more cooperative outcomes, negotiators need to consider carefully the implications of negotiation areas that will impact climate and energy policy. This paper looks at the issues relevant to each negotiation process in order.

WITHDRAWAL AGREEMENT

The Brexit Withdrawal Agreement will set the tone for the future relationship agreement with the UK on energy and climate change. The European Council Guidelines have given the Commission negotiation team a mandate to discuss the following issues in the Withdrawal Agreement:

- ◇ Citizens' rights;
- ◇ Implications for businesses with existing contracts between the UK and EU27;
- ◇ A financial settlement involving both the EU Budget, and issues relating to the European Investment Bank, the European Development Fund, and the European Central Bank;
- ◇ Agreement regarding Ireland;
- ◇ Agreement on a common approach regarding international agreements the UK has entered into as part of the Union.
- ◇ Transfer of ownership of fissile material located in the UK, that is currently the property of the European Atomic Energy Community, to the UK.

Whilst the European Council Guidelines have stipulated the issues that will be addressed in the Withdrawal Agreement, the Guidelines leave substantial leeway for interpretation regarding the level of detail and scope of the agreement on the issues identified.

Public interest benchmarks for European citizens on climate change and energy

This paper proposes a series of public interest benchmarks for assessing the degree and quality of cooperation on energy and climate change in the Withdrawal Agreement. Each benchmark is subsequently addressed in further detail.

BENCHMARKS	SHOULD INCLUDE	SHOULD AVOID
Maintain investment levels in low carbon projects from the European Investment Bank	Provisions allowing for the UK to retain a relationship with the EIB	Scenarios that result in a rapid withdrawal of the UK shareholding from the EIB, as this would likely lead to substantial reduction in lending rates across Europe, including to low carbon projects.
Avoid Rep. of Ireland becoming an energy island	Policy approach that allows for the continued development of the Irish Integrated Single Energy Market (I-SEM), either by creating a special status for I-SEM or by designating Northern Ireland as a special zone.	Disruption to the Irish Integrated Single Energy Market (I-SEM) both in the immediate aftermath of the agreement, and in the future.
Avoid weakening of ambition the 2030 Climate and Energy package	Agreement to develop a EU27 / UK forum on climate cooperation to assess options for future EU/UK relationship under the UNFCCC.	Avoid a scenario where the EU27 weaken ambition on the 2030 Package, and avoid any agreement that precludes the potential to strengthen ambition in line with the Paris ratchet mechanism.

The European Investment Bank (EIB)

The EIB is an important source of large scale project finance for low carbon projects across Europe. In 2016, the EIB lent a total of €83.8bn, with €19bn going to low carbon



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projects, and the EIB has made an ongoing commitment to invest at least €20bn a year on such projects going forward. Britain is a 16% shareholder in the EIB. If the UK were to withdraw its shareholding, depending on the payment schedule, lending rates across the EU27 could be more than commensurately impacted. At present only EU Member States can be EIB shareholders.¹ Allowing the UK to retain a relationship with the EIB would help safeguard future investment in low carbon projects across Europe and avoid destabilising the EIB.

Ireland Integrated Single Energy Market

One of the first tangible ties to come out of Ireland's Good Friday peace agreement was the unrestricted flow of electricity between the Republic of Ireland and Northern Ireland. Governments in Belfast and Dublin have been working to reform their electricity markets to strengthen ties to each other and to the rest of the EU, as called for in the EU's Energy Union initiative to integrate national markets. An important first step will be for the Brexit Withdrawal Agreement to make special provision for the Irish Integrated Energy Market to allow for continued energy market integration in Ireland. However, even if the Brexit Withdrawal Agreement retains Irish energy market integration, over time there is a risk that energy and climate policy between the UK and EU will diverge, creating increasing challenges for market integration between the Republic of Ireland and Northern Ireland. As such the Withdrawal Agreement should include a commitment on maintaining regulatory equivalence within the island of Ireland in the future to avoid future regulatory divergence.

It is worth noting that continued energy market integration between the Republic of Ireland and Northern Ireland may require Northern Ireland to continue to operate under the EU's Energy Acquis, and so will require continued oversight from the ECJ. This will require the UK Government to relax its negotiating red line regarding continued oversight from the European Court of Justice (ECJ). If the agreement on Irish energy market integration could lead to a more nuanced position from the UK Government on ECJ oversight, it would set a useful precedent for the role of the ECJ in energy market regulation for the future relationship agreement.

UNFCCC & the Paris Agreement

The Withdrawal Agreement is likely to initiate a negotiation on the responsibilities of the UK regarding International Agreements that the EU has ratified whilst the UK has been a member of the Union. By implication, this includes the UK's and EU27's respective responsibilities under Paris Agreement and UNFCCC. Whilst it is unclear whether the Withdrawal Agreement will reach agreement on high level principles or detailed Treaty-specific responsibilities, it is important that the implications of disentangling the UK and EU's respective responsibilities are understood.

¹ **FT: European Investment Bank signals rule change after Brexit**



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Whilst seemingly technical, the decision as to whether the UK will continue to submit joint Nationally Determined Contributions (NDCs) to the UNFCCC as part of the EU's contribution may have an impact on the EU's climate ambition.

If the UK submits a separate NDC to the UNFCCC rather than remaining a part of the EU's contribution, a discussion within the EU27 regarding emission reduction targets will be needed.

At present the EU's Climate and Energy Package requires the bloc to reduce GHG emissions by at least 40% by 2030. The UK has a greater than average share of this commitment compared to other Member States, meaning that if the remaining EU27 were to keep the existing target to reduce GHG emissions by 'at least 40%' by 2030, each of the EU27 would be obliged to raise their climate ambition for 2030 by between 0.2 and 1.7%¹. At the same time, in creating its own submission to the UNFCCC, the UK would likely use targets set out by its carbon budgets under the UK Climate Change Act, which again would result in an uplift to its target compared to its responsibilities under the EU.

In this scenario, some EU Member States may call for the 2030 Package to be reopened and potentially watered down to allow them to maintain existing domestic targets, however this would be politically extremely challenging for the EU ahead of the 2018 UNFCCC Facilitative Dialogue.

The Paris Agreement set up an ongoing cycle where discussions, known as 'Global Stocktakes', are held every five years on how to ratchet up ambition to close the gap between existing pledges, and the pledges needed to achieve the long-term goal of global net zero emissions by 2050. The 2018 Facilitative Dialogue is the first such discussion, and as such its success in persuading Parties to increase ambition is the first key test of the Paris Agreement. In this context, it is important for the EU to increase the ambition of its emission reduction target.

At the same time, the decision on UNFCCC submissions comes at a time when it is critical to initiate processes that can catalyse continued cooperation between the EU27 and UK on energy and climate change policy. Continuing to make joint submissions to the UNFCCC would set the direction of travel on continued cooperation and create an alignment of interests that could increase the possibility of closer EU27 / UK cooperation on energy market integration, which in turn could decrease the cost of decarbonisation, making it cheaper to meet the targets that have been set.

This question largely hangs on whether there is sufficient political will among the EU27 to increase the ambition of emission targets. Given the uncertainty on this issue, the best outcome would be the formation of a EU27 / UK forum on climate cooperation that could assess the optimal approach for maximising European climate ambition.



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FUTURE RELATIONSHIP AGREEMENT(S)

The European Council guidelines for Brexit negotiations stipulate that whilst negotiations regarding the future relationship between the European Union and the UK can only be finalised once the negotiations on the Withdrawal Agreement are concluded, there is scope for initiating preliminary and preparatory discussions on a framework for the future relationship once sufficient progress has been made on the Withdrawal Agreement.

It is highly likely that the negotiations with the UK will take longer than the two-year period allowed for in Article 50. As such, the initial focus of these discussions should prioritise transitional arrangements to avoid a disruptive cliff edge, which will be important to ensure the UK's exit from the EU is smooth and orderly. In any transitional arrangements, to maintain short-term policy certainty and investor confidence, the EU should allow the UK to maintain its current position within the IEM and ETS until a new agreement comes into force. Such a scenario would require the UK to continue to comply with the energy acquis in full. This approach would require the UK to continue to accept the jurisdiction of the ECJ during the transition period.

The European Council guidelines for the Brexit negotiations make allowance for trade and non-trade related agreements, stating that *'the European Council stands ready to initiate work towards an agreement on trade'*, whilst also noting that *'the EU stands ready to establish partnerships in areas unrelated to trade'*. Beyond this, the structure of the process for negotiating the future relationship remain undefined.

Unless EU Negotiators are given a specific mandate to make progress on areas where there is greater potential for cooperation, *at the same time* as discussing a future trade relationship, there is a real risk of the UK chaotically crashing out of the EU. Addressing areas of potential cooperation, such as energy and climate change, *at the same time* as trade, increases the potential for creative negotiating solutions and reducing the risk of impasse.



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FUTURE RELATIONSHIP AGREEMENT(S) WITH UK: Public interest benchmarks for European citizens

BENCHMARKS	SHOULD INCLUDE	SHOULD AVOID
ISSUES TO BE ADDRESSED THROUGH A DISTINCT COOPERATIVE PROCESS		
Maintain goal of Europe wide electricity grid	<p>Agreement on continued and liquid trade in electricity across interconnectors between the UK and EU.</p> <p>Agreement on continued cooperation to allow for shared balancing services between the EU and UK.</p>	Avoid any agreement that precludes the potential to strengthen energy market cooperation in the future.
Maintain European climate ambition	<p>Agreement on continued coordination on GHG targets through the 2030 Climate & Energy package, allowing for continued joint NDC submission to the UNFCCC.</p> <p>Agreement with UK on carbon pricing coordination, including a transitional agreement with the UK remaining in the EU ETS until at least the end of phase 3 (2013-2020).</p>	<p>Re-opening the 2030 Climate and Energy package (which might be necessary if the UK and EU chose to submit separate NDCs to the UNFCCC).</p> <p>Additional surplus allowances ('hot air') being added to the EU ETS.</p>
Accelerate renewable energy deployment	Agreement on North Sea Grid development	Delay to the development of the North Sea grid
Europe speaking with one voice on climate change and energy	Coordination on UNFCCC negotiations, including to continue submitting joint or coordinated NDCs	Losing the UK as an ally in pursuing high ambition commitments in the UNFCCC
ISSUES TO BE ADDRESSED IN A TRADE AGREEMENT		
High environmental standards across Europe	UK to maintain equivalent standards with EU on vehicle and product standards.	Putting the UK in a position where their only option for economic success involves a deregulatory economic strategy forcing a 'race to the bottom' on environmental standards
No disruption to supply chains for low carbon goods and services	Prioritisation of minimising barriers to trade between UK & EU27 for low carbon goods and services to avoid slowing the pace of the low carbon transition due to supply chain disruption.	Introducing tariff or non-tariff barriers to trade in low carbon goods and services.



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COOPERATION AGREEMENT

Developing European and regional electricity grids

The EU Energy Union proposals released in 2015 set out a vision for an integrated continent-wide energy system where energy could flow freely across borders. Market integration will become increasingly important in providing EU citizens with clean and affordable electricity, as it will allow the increasing quantity of variable renewable energy being brought onto the grid to be balanced efficiently across the continent. In 2016 Cepa and Imperial Collage estimated the total benefits of EU-wide electricity market coupling as approximately €3.4 bn/yr.²

The calculus of the benefits of continent-wide energy market cooperation remains unchanged for European citizens following Brexit, however for continued EU-UK market integration on energy to be feasible, there are a range of institutional and governance questions that will need to be resolved in the future relationship agreement.

Firstly, continued EU-UK energy market integration will require convergence of the technical requirements for market coupling. Technical decisions on the Electricity Network Codes (ENCs), which set the common standards required for market integration are made by the Agency for the Cooperation of Energy Regulators (ACER). Currently, full membership of ACER is only available to EU Member States. Inclusion of the UK's regulator (Ofgem) in ACER would require a change to this and oblige the UK to dynamically incorporate the relevant EU legislation, ensure an enforcement mechanism is in place and provide financial contributions to ACER. Continued UK membership of the European Network of Transmission System Operators for Electricity (ENTSO-E) should be somewhat simpler, as it is already open to non-EU Member States, and simply requires members to meet the Third Energy Package requirements, have a suitable enforcement mechanism in place and to dynamically incorporate new IEM legislation. A key issue in the negotiations will be the level of involvement the UK can have in decision making.

Secondly any FTA with the UK would need to ensure that a level playing field is maintained specifically in relation to trade in energy. The two most important considerations for maintaining a level playing field for energy are climate change targets and state aid controls.

All EU Member States have signed up to collectively reducing EU Greenhouse Gas Emissions by at least 40% by 2030 under the EU Climate and Energy Framework. Continued integration of energy markets should be conditional on the UK maintaining its commitment to contribute to this target. Whilst the UK has robust domestic targets, such targets are conditional on ongoing domestic political support, and without any agreement on this issue in an EU-UK FTA there is an ongoing risk of the UK pursuing a deregulatory strategy that would undermine the level playing field for EU energy



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generators. Whilst the 2030 target is the key target at present, continued energy market integration should also require an agreement on continued coordination on GHG targets beyond 2030. Given this need for an agreement on emission targets in any FTA with the UK, it would be logical to also address future cooperation on mechanisms that help meet such targets. The EU Emissions Trading System is perhaps the most significant such mechanism. To avoid destabilising the market for EU Allowances (EUAs), it would make sense to include an agreement with UK on carbon pricing coordination, including a transitional agreement with the UK remaining in the EU ETS until at least the end of phase 3 (2013-2020).

State Aid controls act to ensure Member States do not give their domestic industries an unfair economic advantage over their competitors in neighbouring Member States. Maintaining a level playing field in the energy industry is particularly important as any unfair subsidies in this sector could advantage not only a countries' energy industry, but any associated reduction in energy costs could be passed onto businesses and consumers creating an economy-wide market distortion. As such, the degree of market integration with the UK should be matched by an equal degree of equivalence of state aid controls.

Cooperation on electricity market integration could be achieved either through a bilateral agreement or through amendments to an existing multilateral framework, such as the European Energy Community. The Energy Community was established in 2005 to assist some of the EU's neighbours to liberalize their energy sectors prior to potentially joining the EU. The Community currently includes all EU Member States and nine external countries (Albania, Bosnia and Herzegovina, Georgia, Kosovo, the Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia and Ukraine).

Energy Community countries are expected to adopt the relevant energy acquis to join the IEM. Enforcement procedures are currently split across various organisations, however the European Commission is currently looking to develop a more formal enforcement mechanism.

Agreeing IEM access for the UK through the Energy Community would avoid any further proliferation of bilateral energy agreements, such as that with Switzerland, thereby simplifying European energy governance. Whilst the Energy Community is primarily designed to prepare prospective EU Member States for full EU membership, there are no explicit reasons why Energy Community membership would not work as a means of allowing the UK to continue to participate in the IEM. The UK may seek additional opportunities to input into Energy Aquis policy discussions, but this will be a matter for negotiation.

Brexit and European renewable energy deployment

European renewable energy businesses have a combined annual turnover of €129bn and employ over a million people. EU companies have a share of 40% of all patents for



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renewable technologies. However, the renewables industry has been hit by overly rapid reductions in renewables policy support mechanisms across Europe, including in the UK. To retain Europe's leading role in global investment in renewable energy, the EU must ensure that Brexit does not create further damage to the European renewables industry.

Offshore wind represents an important generation technology for European decarbonisation in many scenarios. However, the industry's development is at a critical stage and is unlikely to be developed at scale unless appropriate transmission arrangements are put in place. The North Seas Countries Offshore Grid Initiative (NSCOGI), offers an opportunity to take advantage of the wind resources in the North Sea and reductions in the price of off-shore wind technology. Over €100 billion is due to be invested in electricity transmission networks in the North Seas region over the next 15 years. This will allow interconnecting national electricity markets and creating a competitive regional electricity market, as well as connecting offshore wind farms to the grid. The UK has an important role in the North Sea Grid Initiative, with significant offshore wind generation potential located in UK waters, offshore wind manufacturing facilities in Hull, as well as acting as a demand centre. The potential benefits of the North Sea Grid would be substantially reduced without the inclusion of the UK. To avoid any detrimental impacts to European renewable energy investment, the EU should seek to initiate an agreement with the UK to continue cooperation on the North Sea Grid.

Europe speaking with one voice on climate change and energy

The EU has a proud tradition of leading the debate on climate change in the international climate negotiations under the UNFCCC. The UK has been an important member of the EU negotiating team and the EU should assess whether the goal of increasing the ambition of the Paris Agreement would be best served by continued joint negotiation with the UK. At present the inclusion of the UK in the EU's negotiating team adds weight, ambition and expertise to the bloc's positions. The EU should carefully consider the feasibility of continuing to negotiate as a bloc with the EU. Whilst this approach would require changes to coordination and decision sign-off processes, in the long run the benefits of continued cooperation will outweigh these short-term inconveniences.

International energy diplomacy will also require continued cooperation between the UK and EU27. Against a backdrop of Russia using their gas supply to the EU as geopolitical leverage, increasing tensions between energy producers in the Middle East and the West, and increasing cyber security risks across the energy value chain, the case for continued cooperation on energy diplomacy between the EU27 and UK could not be stronger.

Clean Technology Innovation

Whilst the Withdrawal Agreement is likely to address existing Budgetary commitments that the UK is responsible for meeting, the future relationship agreement(s) should seek



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to maintain the successful relationship the EU27 has with the UK in relation to innovation funding and cooperation on clean energy innovation. There are two possible pathways by which this could be achieved. Either the UK could continue to participate in Horizon 2020, requiring them to make formal EU Budget contributions, however a separate bespoke arrangement allowing for continued cooperation, coordinated knowledge sharing and European-wide innovation projects might avoid the political challenges of continued UK contributions to the EU budget, thereby creating the political space for deeper cooperation.

TRADE-RELATED ENERGY AND CLIMATE ISSUES

Despite the importance of separating out much of discussions on energy and climate change into a separate cooperative process, there will be specific energy and climate change issues that are directly related to trade.

Maintaining high environmental standards across Europe

The process of EU market integration over the last three decades has involved the harmonization of environmental standards across the Union. This has allowed Member States to increase environmental standards collectively, safe in the knowledge that the requirements for businesses will be the same across the Union, ensuring a level playing field for trade.

Whilst the UK has stated its intention to leave the Single Market, it is seeking a close trading relationship with the EU. The Commission is already aware of the risks of the UK following a deregulatory environmental strategy to the integrity of the EU27's environmental standards. For the EU to maintain a level playing field on environmental standards, the closer the trading relationship the EU is willing to agree with the UK, the greater the degree of equivalence the Union should require the UK to meet on environmental standards.

Maintaining equivalence in environmental standards across the environmental acquis comes with a range of benefits, for both the EU27 and the UK. Examples of co-benefits can be demonstrated through the following policy examples:

Vehicle emission standards

Within the EU, road transport is responsible for about 20% of all CO₂ emissions, with passenger cars and vans contributing about 15%. The air pollutant emissions from vehicles are also a significant contribution to the overall state of air quality in Europe. The EU has led the world in developing policies that promote low emissions and clean air however these policies have rested on the premise of collective responsibility and collective action. At present the EU has a car fleet average emission level target of 95 grams of CO₂ per kilometre. Any trade agreement that addresses



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trade in vehicles between the UK and EU needs to include agreement on maintaining policy equivalence in this and other vehicle emission standards.

Industrial Emissions

The Industrial Emissions Directive is the main EU instrument regulating pollutant emissions from industrial installations, and as such is important in ensuring all European manufacturers contribute to ensuring a cleaner environment for European citizens. Industrial production processes account for a considerable share of the overall pollution in Europe due to their emissions of air pollutants, discharges of waste water and the generation of waste. To ensure a level playing field for trade, the UK should be required to put in place equivalent measures to support the best available techniques (BAT) covering industrial emissions to air, water and land, generation of waste, use of raw materials, energy efficiency, noise, prevention of accidents, and restoration of the site upon closure.

Eco-design and Energy Labelling

The Ecodesign Directive provides EU-wide rules for improving the environmental performance of products, such as household appliances, information and communication technologies or engineering. The Directive sets out minimum mandatory requirements for the energy efficiency of these products. The Energy Labelling Directive complements Ecodesign requirements with mandatory labelling requirements. Any trade related agreements will clearly need to require any UK products sold onto the EU market to maintain these standards, and, given the ongoing evolution of these standards, ongoing coordination will be needed to maintain equivalence.

No disruption to supply chains for low carbon goods and services

The EU has some of the most technologically advanced companies providing low carbon goods and services. Between 2002-2011 jobs in the 'green sector' in the EU rose from 3 to 4.2 million full-time equivalents. Even during the recession years (2007-2011), employment in this sector grew by 20%. The EU is a world leader in exports and imports of environmental goods, followed by China and other Asia-Pacific Economic Cooperation (APEC) countries. In 2013, for an EU list of 165 green goods exports amounted to €146 billion (around 8% of the EU's total) and imports to €70 billion.

Whilst all trade negotiations involve balancing national economic interests, trade in environmental goods offers additional benefits for the international community by helping address climate change and other environmental challenges. Minimising any trade-related barriers to the supply chains of such products warrants specific attention. Trade negotiators in the WTO are increasingly recognising the importance in minimising



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any barriers to the supply chains in environmental products, and are involved in ongoing negotiations on the Environmental Goods Agreement (EGA). The EGA has initially sought to eliminate tariffs on range of environment-related products, but the scope of the agreement allows for a broader reduction in non-tariff barriers.

The EGA offers a useful model for the EU to consider in its trade negotiations with the UK. The EU has an opportunity to act as a leader on this issue by creating a distinct process to prioritise barrier elimination for the trade in low carbon goods between the EU27 and the UK.

CONCLUSION

The Brexit negotiations offer an opportunity for the EU to reaffirm its support for an outward facing, more interconnected, cooperative world at a time when internationalism is under threat. Cooperation on these issues is more than simply a matter of maximising respective national self-interests, but also underpins the European transition to a low carbon economy, with all the associated international benefits of addressing climate change. However, such cooperation needs to be translated into specific negotiation processes and outcomes to have a tangible impact.

Cooperation on energy has been a priority since the formation of the Union, and the EU should take the opportunity the Brexit negotiations offer to consider the policy direction it wants to pursue regarding enlarging the Energy Community and integrating non-EU Member States into energy policy mechanisms. Such an approach would support the Union's objectives for a competitive, resilient and secure Pan-European energy system, but will need to be constructed in a way that protects the integrity and effectiveness of the EU's energy and climate policies, and is in keeping with the Union's decisions on its future as a whole.

¹ Climate Action Network (CAN) **Europe**

² CEPA: Estimating Benefits Of Market Coupling In The EU (2016)