

# MORNING TRADE UK



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By EMILIO CASALICCHIO, SEBASTIAN WHALE and GRAHAM LANKTREE

## SNEAK PEEK

- The 14th round of talks on the Energy Charter Treaty wrap up today. Will there be a deal?
- The UK extends steel safeguards — but not everyone is happy.
- Greenhouse gas, transport emissions, biodiversity: how green are Britain's free trade deals?

**Good morning and welcome to Morning Trade UK.** Send tips, suggestions or encouragement via [glanktree@politico.co.uk](mailto:glanktree@politico.co.uk), [ecasalicchio@politico.co.uk](mailto:ecasalicchio@politico.co.uk) and [swhale@politico.co.uk](mailto:swhale@politico.co.uk) | Follow us on Twitter: [@g\\_lanktree](https://twitter.com/g_lanktree), [@e\\_casalicchio](https://twitter.com/e_casalicchio) and [@sebwhale](https://twitter.com/sebwhale). | Signal/WhatsApp: 07522122775, 07834782961 and 07734854417.

## DRIVING THE DAY

**ECT ECT ECT:** It's crunch time (again) for negotiations on a global pact that protects the investments energy companies make abroad.

**Don't get excited:** Foreign investment-watchers will be refreshing their web pages late morning to discover whether the 14th round of talks on the Energy Charter Treaty ended in an agreement to update the text.

**Post-COP realities:** The U.K. is among those pushing for changes that would allow the deal to better sit alongside its climate commitments — i.e. not allowing fossil fuel firms to sue it for scuppering their investment plans with new green initiatives.

**What London wants:** Britain, alongside the EU, is said to be pushing for a phase out that would ban companies from taking legal action to recoup lost profits on existing fossil fuel investments a decade after the agreement comes into force. Profits on new fossil fuel investments that end up harmed would be impossible to recoup after just 12 months. London was pushing for a phase-out of more than a decade at first but has reined it back.

**How it works:** The 50-plus nations in the deal would be free to decide whether to implement this fossil fuel carve-out for investments in their territories. But the assumption is that those who do will face the same carve-out from other nations on a reciprocal basis.

**Meanwhile ...** the EU is also pushing for existing climate agreements like Paris to be written into the ECT text, and for a dispute mechanism that would call out nations that fail to stick to those

international commitments. Some member states are urging the bloc to quit the entire deal, however.

**In the bag:** One person with knowledge of the discussions told MTUK the wording that details when investors would have the right to seek damages has been locked down, as have talks on the transit of fuels. But the extent to which countries are allowed to change their domestic regulations before ending up at risk of legal action was still an open discussion late in the talks.

**On the cusp?** The same person mentioned above argued there was a 40 percent chance of a deal being announced this morning. Jas Basi, a senior associate for the Global Counsel consulting group, meanwhile said an agreement was a “possibility, but with a dose of skepticism because there have been so many rounds of talks.”

## QUICK HITS

**FOOD SECURITY PACKAGE:** The U.K. will provide an additional £372 million for countries most impacted by rising global food prices, Boris Johnson announced today. The PM also said there is a “very strong moral case” for trying to get grain from the blockaded port of Odessa, Ukraine.

**NOW HIRING:** The Department for International Trade is recruiting for a [head of content and digital](#), a [senior adviser](#) on competition and goods, and a [deputy director](#) for multilateral tariff policy and operations.

**NEW GIG, CONGRATS:** Former Spad and trade expert Raoul Ruparel has been appointed director of the Boston Consulting Group’s new center for growth. Here’s his [tweet](#).

**TRADE DIALOGUE STATEMENT:** The latest U.K.-U.S. SME trade dialogue in Boston covered opportunities in emerging technologies, the post-pandemic recovery, and access to capital, the government [said](#). The next will take place in the U.K. this fall.

**\*\*What to expect from the upcoming Czech Presidency of the EU?** POLITICO reporters Barbara Moens & Lili Bayer talk you up to speed in our upcoming Pro Briefing Call on June 27, 11:30 a.m. CEST. [Register here](#).\*\*

## AGENDA

**CANADA READOUT:** Keep your eyes primed for a readout from the end of the second round of trade talks between the U.K. and Canada.

**FWIW:** Official level talks have also been happening in Sydney for the U.K.’s accession to CPTPP. We’re not expecting a readout on that one.

**COMING ATTRACTIONS:** The international trade committee is set to grill Anne-Marie Trevelyan on the U.K.’s free trade deal with Australia next Wednesday at 10 a.m.

## HEAVY METALS SHOW

**STEEL A POLITICAL FOOTBALL:** Protective tariff measures for the U.K. steel sector are set to be extended and all involved are stoked about it — except the Chinese, a few other nations, and the trade dumping watchdog.

**Chinese weapon:** A week out from the deadline for a decision on the issue, the trade department said it would keep in place the controversial measures meant to protect domestic producers from cheaper Chinese imports. [Full writeup here.](#)

**Medium-term:** The five measures former trade chief Liz Truss needed crisis legislation to extend (which were once carried over from the EU after Brexit) will remain in force until June 2024. The steel sector, the Labour trade team and Conservative MPs in steel seats are pleased as punch.

**Don't forget:** Truss needed to take drastic legislative action because dumping regulator the Trade Remedies Authority had advised against extending the measures after finding in a detailed investigation there was no economic justification for them.

**But but but:** Politics is politics, and after furious insistence from the steel sector, Truss caved.

**And lo:** The same thing has happened again — although this time AMT has a fig leaf for making a political choice. In October 2021, she changed the rules to allow her to direct TRA investigations on carried-over EU measures to focus on her preferred parameters.

**So so so:** The TRA made it plain [in its report](#) (well ... the language was impenetrable, but still) that without the political interference it would not recommend extending the safeguards. But, under the terms of the AMT-directed investigation, it did recommend extending the safeguards.

**Steel not getting real:** “Unfortunately the evidence doesn’t always account for the politics,” said Sam Lowe, trade chief at the Flint Global consulting firm. “And trade and steel is always deeply political.”

And it could get more so ... The upshot of the decision is that the U.K. is leaving itself open to a World Trade Organization challenge from other nations that think its safeguards regime amounts to discrimination. Keeping safeguards without independent economic justification is illegal under WTO rules. The U.K. said it had flagged its decision to the WTO.

**Indeed:** “Other countries would be well within their rights to argue” that the safeguard measures are not justifiable, Lowe added. But he noted that bringing a trade dispute is also a “big political decision,” and such a challenge would take a loooooong time to progress.

## GREEN REVIEW

**GREEN GULF:** Intrigued by the predicted rise in U.K. greenhouse gas emissions from the proposed deal with the Gulf Cooperation Council, MTUK delved a little deeper into the green credentials of Britain’s fledgling free trade deals.

**Housekeeping:** The information in various DIT documents is subject to a number of caveats that might affect estimates — from technological developments, government policies, and changes in firm and consumer behavior.

But with that said ...

**India:** Depending on the depth of the deal with India, overall greenhouse gas emissions associated with U.K.-based production are estimated to increase by around 0.08 to 0.14 percent, while transport-related emissions are estimated to increase by up to 21 or 36 percent. DIT said the numbers are small compared with overall U.K. production emissions.

**And there's more:** A U.K.-India FTA could increase water stress, water pollution and biodiversity loss as a result of economic changes within the U.K. and Indian economies as well as shifts in global trade patterns, DIT [said](#).

**Australia:** U.K. greenhouse gas emissions will be “largely unchanged” by the agreement, but the deal could increase Australia’s production emissions by around 0.1 percent, DIT [said](#). The deal is estimated to lead to a 31 to 40 percent increase in transport emissions — although estimates don’t account for the future decarbonization of international shipping.

**New Zealand:** [Estimates](#) suggest U.K. greenhouse gas emissions will not change from the FTA, but there will be a 50 percent increase in transport emissions with the same caveats applied.

**Worth noting:** Both the New Zealand and Australia FTAs have environmental chapters, affirming commitments to achieving obligations set out under the Paris Agreement, among other measures.

**Canada and Mexico:** These deals are focused on increased liberalization in areas such as services and digital trade. And so, they may have “relatively limited environmental impacts,” DIT explained.

**Gulf States:** The U.K.’s deal with the GCC is set to have the largest increase in U.K. greenhouse gas emissions of any proposed so far, with an expected 0.12-0.23 percent rise. More in Thursday’s [MTUK](#).

**A DIT spokesperson said:** “The U.K. is a global leader on climate action and free and fair trade can play a critical role in the global green transition, including by increasing access to environmental goods and services.”