



Jean-Claude Juncker
President of the European Commission
Rue de la Loi 200
Berlaymont - 1049 – Brussels

Rt Hon Theresa May MP
UK Prime Minister
No 10 Downing St
London, SW1A 2AS

4 September 2018

Dear President Juncker and Prime Minister May,

RE: Prioritising EU27 / UK cooperation on climate change and energy

The continued implementation of the Paris Agreement on climate change is essential to provide clear, long term and stable signals to guide business investment in low carbon infrastructure. To achieve this, the EU27 and the UK need to ensure that the Facilitative Dialogue process results in strong global climate ambitions without undermining economic growth. It will be important for the EU27 and the UK to demonstrate international leadership by cooperating in exploring long term emission targets early in this process to catalyse increased ambitions from other countries. In this regard, we recognise that both the EU Commission and the UK Government see long term net-zero GHG emissions targets as a vital element of the Paris Agreement. We would welcome further guidance on how this could be achieved at the 24th Conference of Parties (COP) to the UN Framework Convention on Climate Change, in December this year.

The success of the Paris Agreement will ultimately rest on Parties' delivery against agreed targets. Dynamic and forward-looking cooperation between the EU and the UK on climate change and energy policies, standards and clean energy infrastructure would keep costs down and increase the pace of the low carbon transition. As such, within the Brexit negotiations we are calling for a comprehensive Climate and Energy Chapter and that this be prioritised in the future relationship negotiations. Addressing climate change and energy together creates an area of mutual benefits where the respective interests of the EU and the UK are balanced, allowing for more rapid agreement. Such a balance of interests is only possible if the Chapter addresses issues such as cooperation on emission targets, clean energy projects of common interest, climate and energy diplomacy and carbon pricing, which it would not be possible to address adequately in a "more conventional EU" Free Trade Agreement (the FTA with Canada does not cover energy).

Within such a Climate and Energy Chapter, the priorities for the EU27 and UK business and investor community are set out below:

- 1. Agreement to cooperate on implementing the Paris Agreement.** Climate change is a global issue that is best addressed through a collaborative approach. Both the EU and the UK have been leading the way in decarbonisation over the years by showing that the energy transition can be a success story. Reaching the EU's and UK's ambition levels

and targets should demonstrate this ongoing commitment and provide a solid vision for the decades to come.

- 2. Agreement to no tariffs on energy trading, efficient trading arrangements across interconnectors and cooperate on developing markets for shared balancing services.** Interconnection will play an important role in helping to balance energy flows as an increasing proportion of intermittent renewable energy is brought onto electricity grids. Any imposition of tariff or non-tariff barriers to the flows of energy across interconnectors would increase the cost of the low carbon transition and set back action on climate change. The aim therefore must be to ensure that trading of energy operates freely across borders on a level playing field that keeps costs down for consumers and ensures decarbonisation and security of supply. Continued wholesale market integration between the UK and the EU should therefore be encouraged. The Irish Single Electricity Market (SEM), one of the many benefits that resulted from the Good Friday Agreement, would face a possibly existential risk if cross-border electricity tariffs were applied.
- 3. Agreement that after Brexit both the UK and EU27 will maintain the high environmental standards on products, vehicles, industrial emissions, and sustainable finance currently agreed within the EU, and agreement to a process of dynamic cooperation to discuss future increases in these standards.** EU27 businesses and investors need confidence that the UK will not seek to initiate a race to the bottom in Europe on environmental standards. UK businesses need clarity that the UK Government will not lower standards in future (non-EU) trade deals that would allow international competitors with lower standards to undercut them. The EU27 and the UK can accelerate the development of ambitious and aligned clean product regulations supporting maximum economic and social benefits for both sides and setting the benchmark for global environmental standard setting.
- 4. Agreement to prioritise delivering zero tariff and non-tariff barriers to trade between the EU27 and UK in low carbon goods and services.** There are risks that Brexit may create additional costs for sectors that are strategically important to the low carbon transition, such as offshore wind, energy storage and electric vehicles. We urge you to ensure such costs are avoided. Mutual recognition of low-carbon energy products, such as Guarantees of Origin for renewable electricity would help to avoid non-tariff barriers.
- 5. Agreement to diplomatic cooperation on energy and climate change.** We recommend that the Climate and Energy Chapter commits to developing joint UK/EU Energy and Climate Change Ministerial Councils to support coordinated diplomatic engagement with major energy exporting countries, including Russia, emergency response measures to manage supply interruptions and to discuss international climate change policy.
- 6. Agreement to co-investment in clean energy infrastructure and R&D projects of common interest.** To retain Europe's leadership position in renewable and low carbon energy there is a need to avoid an investment hiatus that the uncertainty around Brexit will create. We urge UK and EU leaders to work together to ensure the mechanisms are in place to allow for co-investment in projects of joint interest such as the North Sea Offshore Grid, Horizon Europe and successor R&D programmes. We also urge the UK Government to develop additional mechanisms for delivering financial support to clean energy projects to fill the gap left by EU funding.
- 7. Agreement that the UK will continue to participate in the EU Emissions Trading System (EU ETS) until at least the end of phase IV.** The EU ETS has created a level environmental playing field for energy intensive facilities across Europe. Unpicking the

UK's participation in the mechanism would be complicated. The future relationship agreement must avoid additional surplus allowances being added to the EU ETS that might result from an overly-hasty UK exit.

By including these priority issues in a Climate and Energy Chapter, the UK and the EU can help to ensure energy bills are kept as low as possible whilst enhancing energy and climate security for all Europeans. Our group of organisations would be interested in meeting with you both to discuss these issues in more detail.

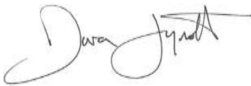
Yours Sincerely,



John McGrane
Director General, British Irish Chamber of
Commerce



Vincent Dufour
Group's Senior VP, European Affairs, EDF



Dara Lynott
Chief Executive, Electricity Association of Ireland



Lawrence Slade
CEO, Energy UK



Neil Brown
Senior Partner, Earth Capital Partners



Hugh McNeil
CEO, Renewable-UK



Paul Polman,
CEO, Unilever



George Latham
Managing Partner, WHEB



Giles Dickson,
CEO, WindEurope



Lars Appelqvist
CEO, Lofbergs

CC.

EU

Michel Barnier, European Chief Negotiator, Taskforce on Article 50 negotiations with the UK
Miguel Arias Cañete, EU Commissioner for Climate Action & Energy
Maroš Šefčovič, Vice-President of the European Commission
Guy Verhofstadt, European Parliament's representative in the Brexit negotiations
Coreper I and II Ambassadors

UK

Rt Hon Dominic Raab MP, Secretary of State, Department for Exiting the EU
Rt Hon Greg Clark MP, Secretary of State for Business, Energy and Industrial Strategy
Rt Hon Claire Perry MP, Minister of State for Energy and Clean Growth
Rt Hon Philip Hammond MP, Chancellor of the Exchequer
Oliver Robbins, Prime Minister's Europe Adviser
Alex Chisholm, BEIS
Philipp Rycroft, DExEU
Tom Scholar, HMT