HOUSE OF LORDS
European Affairs Committee

House of Lords
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www.parliament.uk/

The European Affairs Committee of the House of Lords was appointed to consider matters relating to the United Kingdom's relationship with the European Union and the European Economic Area, including the implementation and governance structures of any agreements between the United Kingdom and the European Union; and to consider European Union documents deposited in the House by a Minister. This scrutiny is frequently carried out through correspondence with Ministers. Such correspondence, including Ministerial replies and other materials, is published below.

This edition includes correspondence from 29 March – 30 June 2021.

EUROPEAN AFFAIRS COMMITTEE

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You wrote to me on 14 October 2020 regarding the proposal for a Council Directive amending Directive 2011/16/EU on administrative cooperation in the field of taxation, known as DAC7, and asked for a response on how DAC7 will affect UK businesses facilitating relevant activities in the EU once more detailed information had emerged.

I am now in a position to reply, and am writing to highlight developments since your letter and to share the Government's plans to support UK businesses.

The EU Council formally adopted DAC7 on 22 March 2021. DAC7 contains reporting requirements for non-EU platform operators that facilitate relevant activities in the EU, including UK businesses. In order to avoid non-EU platform operators having to report directly to Member States, DAC7 contains an equivalence provision with the OECD Model Rules for Digital Platforms[1], the model on which DAC7 is based. This provision should enable non-EU platform operators to meet their DAC7 requirements by reporting to their own tax administration. The information will then be exchanged between tax authorities.

The Government recently announced at Spring Budget 2021 that it will consult on implementing the OECD Model Rules[2]. The measure would help taxpayers selling their services on digital platforms to get their tax right, and help HMRC to obtain access to data so they can check the information taxpayers have returned is correct. Digital platforms have welcomed the standardised international approach of the OECD Model Rules.

In addition, by implementing the Rules, the Government is seeking to protect UK businesses from burdens resulting from DAC7 by arranging for them to report only once, to HMRC, through a single set of rules. The Government's intention is to provide UK businesses with certainty as to how to meet their DAC7 obligations.

While the EU Commission has yet to make clear exactly how the DAC7 equivalence mechanism will operate in practice, the UK Government has nonetheless taken action to minimise the impacts of DAC7 on UK businesses, by making clear that it will be implementing the OECD Model Rules.

29 March 2021

PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL CONCERNING THE RESPECT FOR PRIVATE LIFE AND THE PROTECTION OF PERSONAL DATA IN ELECTRONIC COMMUNICATIONS AND REPEALING DIRECTIVE 2002/58/EC (REGULATION ON PRIVACY AND ELECTRONIC COMMUNICATIONS) (5358/17)

Letter to the Chair from the Rt Hon John Whittingdale OBE MP, Minister of State for Media and Data, Department for Digital, Culture, Media and Sport

Thank you for your letter dated 18 March 2021 on the above EU proposal.

We are aware that the European Commission's proposed ePrivacy Regulation has progressed. The Council of the EU's compromise text reaffirms an extraterritorial element to the proposed ePrivacy regime. For this reason, the UK has been closely monitoring its progress.

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[1] OECD Model Rules for Reporting by Platform Operators with respect to Sellers in the Sharing and Gig Economy https://www.oecd.org/tax/exchange-of-tax-information/model-rules-for-reporting-by-platform-operators-with-respect-to-sellers-in-the-sharing-and-gig-economy.htm

[2] Budget 2021, Section 3.12 Avoidance, evasion and non-compliance https://www.gov.uk/government/publications/budget-2021-documents/budget-2021-html

The UK Government is also aware that the EU is yet to reach a provisional agreement on the text between the EU Parliament, Commission and Council of Ministers. We understand that the trilogue negotiations have not yet begun, but are expected to proceed soon. Whilst the timings of this agreement are unknown, the UK Government will be looking into the potential impact of the current draft text on the UK's electronic communications industry and other affected parties and on our ability to protect national security and to prevent, detect, investigate and prosecute criminal activity.

The global nature of the digital economy means that it is important that we monitor international standards, including developments within the EU.

The UK now controls our own data protection laws, in line with our interests. We will continue to operate a high-quality regime that underpins the trustworthy use of data and we will review our own framework in this area with the same aims.

The draft positive adequacy decisions for the UK published by the Commission earlier this year will shortly be presented to Member States for formal approval in the Council. The European Data Protection Board has now issued a non-binding opinion on the decisions, which we are analysing. No other third country seeking adequacy from the EU has undergone an assessment from a position of such closely shared standards and such deep economic and law enforcement cooperation.

The EU's adequacy test does not require other countries' rules to be exactly the same - they require the standard of data protection to be 'essentially equivalent'. EU Member States themselves can implement EU data legislation differently or apply derogations, and many do. Data rules do not have to be exactly the same to allow transfer between countries. Furthermore, in the course of the Commission's thorough assessment of the UK's legislation and regulatory framework for personal data, the UK's Privacy and Electronic Communications Regulations did not represent an area of concern.

The UK has a world-class data protection regime and is committed to ensuring the UK remains a global leader in data protection. We will continue to monitor relevant international legislation and consider any changes to our domestic laws that are needed.

16 April 2021

COMMISSION DELEGATED REGULATION (EU) …/... OF 14.7.2020 SUPPLEMENTING REGULATION (EU) NO 648/2012 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL WITH REGARD TO THE CRITERIA THAT ESMA SHOULD TAKE INTO ACCOUNT TO DETERMINE WHETHER A CENTRAL COUNTERPARTY ESTABLISHED IN A THIRD COUNTRY IS SYSTEMICALLY IMPORTANT OR LIKELY TO BECOME SYSTEMICALLY IMPORTANT FOR THE FINANCIAL STABILITY OF THE UNION OR OF ONE OR MORE OF ITS MEMBER STATES (9651/20)

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Letter to the Chair from the Rt Hon John Glen MP, Economic Secretary to the Treasury, HM Treasury

Thank you for your letter of 21 January. I am writing to keep you updated on the various items of interest to the European Union Committee identified in that letter, as well as to respond to the Committee's questions regarding the European Commission's push for Union clearing members to reduce their exposures to UK Central Counterparties (CCPs).

To address the questions at the end of your letter first, the sentiment expressed by the EU in their recent announcement is one they have put forward over previous years and throughout the EU exit process. At present, the European Commission technical working group are currently working with industry to assess the transfer of contracts denominated in EU currencies to CCPs located in the EU. The working group are expected to issue their recommendations by midto-late 2021, and we expect there to be a much better sense of likelihoods regarding extension of the 18-month equivalence process following that. However, as of yet, we have seen limited evidence of clearing business relocating. UK CCPs offer a global pool of liquidity which carries significant economic benefits for firms.

In relation to what actions UK authorities could take to minimise the likelihood of equivalence being withdrawn, the UK has always been clear that we stand ready to cooperate with EU authorities to manage the impact of the UK clearing market on the EU, if the EU's approach remains consistent with international norms on supervisory cooperation. To this end, the Bank of England (Bank) continues to have a good working relationship with ESMA, which includes information sharing and principal level meetings on a regular basis. The BankESMA MOU, effective as of January 2021 sets out the arrangements for co-operation. Meanwhile, HMT has recently agreed an MoU with the EU which creates the framework for voluntary regulatory cooperation in financial services between the UK and the EU. It also establishes the Joint UK-EU Financial Regulatory Forum, which will serve as a platform to facilitate dialogue on financial services issues. However, while these are encouraging developments, equivalence ultimately remains a unilateral decision for the EU.

To address the issues raised at the start of your letter, the first of these updates concerns the timescale for a permanent UK replacement for EMIR 2.2. Whilst EU EMIR 2.2 has been onshored by operation of EU Withdrawal Act 2018, as discussed in previous letters, HM Treasury has delegated responsibility to the Bank of England to specify how the UK's EMIR 2.2 regime will work in practice (within the parameters set by onshored EMIR), following the revocation of the onshored EMIR 2.2 delegated acts. The Bank of England is in the process of implementing an approach to the new

onshored legal framework for incoming CCPs and plans to consult on this in the second half of 2021. We will update you and the European Affairs Committee when this consultation is published.

You also asked to be kept informed of any developments in two further subject areas. Firstly, the Government's assessment of the likelihood or possible impact of potential regulatory divergence leading to ESMA declining to grant ongoing comparable compliance to the UK Tier 2 CCPs, and the extent to which ESMA has a say in the regulation of UK CCPs in practical terms. There have been no material developments in these areas since our previous correspondence.

ESMA has not made any further statements on its approach to comparable compliance since the adoption of the relevant Delegated Regulation late last year, and it remains an autonomous decision for ESMA to make. However, as ever, I should reiterate that the UK has no intentions to lower standards for the regulation and supervision of CCPs, is committed to maintaining and improving on our high standards in line with international guidance, and will continue to work collaboratively with international partners.

You asked about the extent to which ESMA has a say in the regulation of UK CCPs. The Bank of England is the home regulator for CCPs incorporated in the UK. It regulates and supervises these CCPs in line with its financial stability objectives and the principles of deference. For third country CCPs, EU EMIR 2.2 grants ESMA powers to issue requests for information. In relation to CCPs which ESMA has categorised as Tier 2, ESMA must ensure that the CCP is complying with the conditions for recognition in EMIR on an ongoing basis. Thus a UK Tier 2 CCP is required under EU EMIR 2.2 to demonstrate ongoing compliance with relevant parts of EU EMIR (relating to capital requirements, organisational/prudential requirements, conduct of business and interoperability arrangements) in order to offer services in the EU, unless ESMA makes a finding of 'comparable compliance' whereby dual regulation and supervision could be 'switched off' either completely or partially. As part of its supervision of Tier 2 CCPs, ESMA may conduct general investigations and on-site inspections; and impose fines on both Tier 1 and Tier 2 CCPs (there are more limited circumstances where ESMA may impose a fine on a Tier 1 CCP).

The Bank-ESMA MOU sets out a framework for cooperation between ESMA and the Bank, which recognises the responsibilities of the Bank under its statutory objectives and the responsibilities of ESMA under EU EMIR. The full practical implications of ESMA's supervision may evolve once ESMA has made comparable compliance decisions.

As stated previously, the Bank of England is satisfied that the arrangements concluded in the MoU do not compromise its regulatory autonomy or statutory objectives. If there are material developments in these areas we will update the Committee as requested. I hope this letter provides the Committee with sufficient information, and I am of course happy to provide further details to address any additional questions or concerns the Committee may have.

26 May 2021

Letter from the Chair to the Rt Hon John Glen MP, Economic Secretary to the Treasury

Thank you for your letter of 26 May 2021 and for your answers to the issues raised in my letter of 21 January 2021. The European Affairs Committee welcomes your commitment to update the Committee on the Bank of England's consultation on a new legal framework for Central Counterparties (CCPs). On your assessment that there have been "no material developments" in the area of regulatory divergence with respect to UK Tier 2 CCPs, we would be grateful if you could update the Committee if any such developments arise in the future.

On the issue of temporary equivalence for CCPs, we note that you expect to be better placed to comment on the likelihood of any extension after the EU's technical working group issues its recommendations later this year. We would be grateful if you could update the Committee further once those recommendations are published, and that in doing so you indicate the Government's intended response (particularly if the working group recommends against an extension to equivalence).

Separately, you will no doubt be aware that the other of the EU's two time-limited equivalence decisions (on central securities depositories) expires on 30 June 2021, in less than three

weeks' time. Ahead of this deadline, we would be grateful if you could update the Committee on whether the Government thinks an extension to this equivalence decision is likely. We would also like to know what the Government is doing to increase the likelihood of an extension in this area, particularly if this differs from the approach taken with respect to CCP equivalence which you outlined in your letter of 26 May. Finally, what is the Government's assessment of the consequences for the UK and EU financial services sectors if this equivalence decision lapses at the end of this month?

In addition, please be advised that the Committee may ask you to appear before us later this year, to answer a broader set of questions on UK-EU financial services matters. However, I anticipate that this will not be until after the summer recess.

We look forward to your response within the usual ten working days.

10 June 2021

Letter to the Chair from the Rt Hon John Glen MP, Economic Secretary to the Treasury

Thank you for your further letter of 10 June, in which you asked a number of questions regarding the European Commission's equivalence decisions for the UK, on Central Securities Depositories (CSDs).

Specifically, you asked whether the UK Government thinks it likely that the EU would grant an extension to its equivalence decision for the UK's regulatory framework for CSDs, which is due to expire on 30 June 2021. You also asked what the Government is doing to increase the likelihood of such an extension, and if it has assessed the consequences for the UK and EU financial services sectors if this equivalence decision lapses at the end of June.

For background, our understanding is that the European Commission have said that they put their temporary CSDR equivalence decision in place largely to facilitate the migration of Irish shares from CREST, the UK's securities settlement system operated by Euroclear UK and Ireland (the UK CSD, EUI), to Euroclear Bank, which is a CSD based in Belgium. The UK government was not involved in any decision making on this work, given this is a matter for the Irish government and their financial services sector. Our understanding is that this process is mostly complete, with the vast majority of the migration of Irish securities taking place earlier this year.

Granting the UK equivalence under CSDR is a unilateral decision for the EU authorities and it is for them to decide whether a further extension is necessary or desirable, from their perspective. The migration of the vast majority of Irish securities out of CREST and into Euroclear Bank appears to have gone smoothly, and we expect EUI to have discontinued the settlement of all its remaining EU securities by 30 June.

As you know, the UK left the EU with an identical rule book for CSDs and we therefore clearly remain equivalent to EU regulation in this area. Furthermore, HM Treasury made an equivalence decision (without any time limits) for CSDR as regards the European Economic Area (EEA), which was announced as part of a wider package of equivalence decisions by the Chancellor in November 2020. This decision, along with the others granted to the EEA states in the area of financial services, was made to provide clarity and stability to industry, supporting the openness of the sector and to help deliver on our goal of open well-regulated markets.

In your letter you also asked me to keep you updated on various issues as they relate to Central Counterparties (CCPs). As set out in our correspondence in May, I will keep you updated on the various items of interest to the Committee identified in the letter, as the situation develops and as appropriate.

I hope this letter provides the Committee with sufficient information. As ever, I am happy to provide further details to address any additional questions the Committee may have.

24 June 2021

GENERAL CORRESPONDENCE

USE OF PUBLIC NOTICE POWERS TO WAIVE THE REQUIREMENT FOR EXIT SUMMARY (EXS) DECLARATION FOR MOVEMENTS IN ROLL-IN AND ROLL-OFF VEHICLES, AND EMPTY PALLETS, CONTAINERS AND VEHICLES

Letter to the Chair of the EU Good Sub-Committee from Lord Agnew KT, Minister of State, HM Treasury and Cabinet Office

At the end of the transition period, legislation came into effect granting the Commissioners of HMRC time-limited powers to waive the requirement for the submission of pre-departure safety and security information for goods leaving Great Britain, or to alter the time limit before departure when these declarations are required. The powers may be used where there is evidence that disruption is occurring at ports, or evidence to support a belief that disruption will occur.

During the debate on this Statutory Instrument, I committed to updating Parliament on the use of these powers. I previously wrote on 6 January 2021 to let you know that the powers were used to temporarily waive safety and security requirements for two categories of movements until 30 March 2021:

- empty pallets, empty containers and empty vehicles being moved under a transport contract to the EU (and to other countries for which pre-departure declarations were not required before 31 December 2020); and

- goods in RoRo vehicles where there is a requirement for an exit summary declaration. This will include, for example, transit movements using RoRo.

Now I am writing to let you know that HMRC Commissioners have decided to use the powers again to extend those temporary waivers until 30 June 2021. This extension to the waiver will come into force as the waiver in the previous public notice would have been due to expire, on 31 March 2021.

31 March 2021

UK HOSTED G6 MEETING

Letter to the Chair from the Rt Hon Priti Patel MP, Home Secretary, Home Office

I am writing to update you on the meeting of the G6 group, attended by Interior Ministers from France, Germany, Spain, Italy and Poland, alongside the Attorney General and Secretary for Homeland Security from the United States of America, and the Vice-President for Protecting our European Way of Life and Commissioner for Home Affairs from the European Commission, which I hosted on 24 March 2021 via video conference.

The G6 provides an opportunity for the UK and key partners to discuss home affairs issues of mutual interest, and to maximise international cooperation in these areas. The group is not linked to EU membership, and therefore the UK continues to be a member.

As the first G6 meeting since Munich in 2019, the group discussed a broad range of security and migration issues, reflecting specifically on cooperation to enhance data sharing between international law enforcement partners; on approaches to tackling online harms; and on revisiting solutions to tackling irregular migration.

The G6 explored how Interpol could be used to better effect to enhance international law enforcement co-operation. The UK is due to host the Interpol General Assembly in 2024 considers strengthening Interpol as a high priority.

The group recognised Interpol's unique potential to support law enforcement cooperation globally, and agreed to work together to enhance the use of Interpol for law enforcement data sharing; and to cooperate, with Interpol, to improve the organisation's governance and enhance its coordination with other multilaterals organisations. The group also discussed the potential of initiatives intended to complement existing data exchange mechanisms.

The G6 reflected on the terrorist attacks linked to online content in France, Germany, Austria, and the UK, and on the significant increases in instances of child sexual exploitation and abuse online in 2020. The group agreed the need to cooperate to address the impact of the pandemic on terrorist content online, and on online radicalisation. The group welcomed the international principles already in place such as the Voluntary Principles to Counter Online Child Sexual Exploitation and Abuse, whilst noting the need to ensure these principles are implemented effectively and that companies are transparent in the steps they are taking to tackle this heinous crime. The group also discussed the regulatory work of the UK, through its draft Online Harms legislation and Interim Codes of Practice, and that of the EU through its Terrorist Content Online Regulation and draft Digital Services Act. Ministers agreed to greater coordination of a global response to ensure that there is no safe space for terrorists or those who would sexually exploit and abuse children to operate online, including by developing our understanding of, and addressing, the risks to public safety caused by significant technical changes made by companies such as applying end to end encryption that wholly precludes any legal access to content.

During the Covid-19 pandemic, the Organised Crime Gangs who smuggle people have adapted their methodologies as some routes have been limited by border closures. The G6 reiterated a common interest in cooperating on initiatives to combat irregular migration. With the likely easing of border controls in 2021, Ministers considered what impact this would have on irregular migration, and discussed approaches to mitigating any further increases, including cooperation with countries of origin and developing strong collective interventions along key irregular migration routes. The group recognised that combatting smuggling and tackling OIC is important to us all and that we should work together to identify and disrupt the activities of organised criminal groups who take advantage of vulnerable migrants and often treat them as commodities.

Finally, I handed over the Chair of the G6 group to Italian Interior Minister Lamorgese, who will host the next G6 meeting, most likely in 2022.

19 April 2021

OUTCOME OF THE BILATERAL FISHERIES NEGOTIATIONS WITH NORWAY AND THE FAROES FOR 2021

Letter to the Chair from Victoria Prentis MP, Parliamentary Under Secretary of State, Minister for Farming, Fisheries and Food, Department for Environment, Food & Rural Affairs

I am writing to update the Committee on the outcome of our bilateral fisheries negotiations with Norway and the Faroes for 2021. I have also taken this opportunity to update you on the UK's ongoing negotiations with the EU.

UK-Norway bilateral fisheries negotiations

The UK and Norway have agreed not to conclude bilateral access and quota exchange arrangements for 2021. We have worked tirelessly to find a way to reach an agreement but regret that there remain key differences in our respective positions. This outcome does not have an impact on the Total Allowable Catches agreed in March 2021 during the UK-EU-Norway trilateral consultations on the North Sea jointly managed stocks.

As an independent coastal state, it is important that our relationships with all our Coastal State neighbours are balanced. Our approach in these negotiations sought to move our bilateral arrangements beyond those that existed under the old EU-Norway agreement. The imbalance while we were an EU Member State was stark: the value of Norway's catches in UK waters was around 8 times greater than the value of UK catches in Norwegian waters in both 2018 and 2019; and Norwegian vessels landed an estimated four times as much fish in value terms from UK waters as UK vessels landed in Norwegian waters during the period 2013-2018, representing an average net deficit to the UK of £116.2 million per year. I very much hope that you agree that that position is not sustainable and must be addressed.

Given this backdrop, the UK's position was twofold: first, to seek a more proportionate return for any access granted to Norwegian vessels in our waters; and, second, to view both the value of access

to our waters and the transfer of quotas from Norway to the UK as contributing to the overall balance of any agreement. Norway's view, however, was that our bilateral arrangements should be based on its traditional high levels of access for the six North Sea jointly managed stocks dating from when we were an EU Member State, and Norway were unwilling to consider transfers of quota to compensate for that level of access.

This position would have resulted in the UK failing to receive a fair return on the access granted and, therefore, a highly imbalanced arrangement. As a result of this impasse, it was not possible to reach an agreement for 2021 that would have been acceptable to both parties.

Regardless of the outcome of this year's annual bilateral consultations, I should emphasise that Norway remains a key ally and partner with whom we will continue to work closely and productively in many fisheries policy areas. Agreeing not to conclude an agreement with Norway was a difficult decision, and I look forward to renewing discussions with Norway early in the autumn with a view to securing a more balanced and sustainable arrangement for 2022 and beyond.

I recognise that the lack of an agreement with Norway for 2021 creates challenges for certain sectors of the UK's fishing fleet, and I acknowledge the frustration of those stakeholders who disagree with the decision not to conclude an agreement. However, all things considered, it was the right decision to take in the wider long-term strategic interests of the UK.

Finally, I would also point out that the UK vessel which traditionally fishes in Northern Norwegian waters continues to have access to 5,500 tons of cod quota for 2021 in the waters around Svalbard through a separate arrangement with the Norwegian authorities. The details of these opportunities have already been published in the Secretary of State determination of fishing opportunities for British fishing boats.

UK-Faroes bilateral fisheries negotiations

Similar to the previous Norway arrangement, the EU-Faroes arrangement in place while we were a Member State resulted in a heavily imbalanced relationship, with the Faroes landing an average of £30 million more per year from UK waters than the UK landed from Faroese waters (in the period from 2014-2019). Most of the value for Faroese vessels came from their pelagic access to EU waters. In practice, this access was almost exclusively to the UK zone. In the period from 2014 to 2019, the Faroes' average uptake of their access to EU waters was 87% across all stocks, rising to almost 100% for mackerel and blue whiting. In contrast, the UK's uptake of its access to Faroese waters under the EU-Faroes arrangement was very low (0.02%).

Considering this situation, I hope you will agree that, as with our relationship with Norway, it is important to ensure that a more balanced arrangement is put in place. However, with respect to 2021, Faroes stated that it was unwilling to enter in an arrangement which would compensate the UK for providing access to its valuable fishing waters. The UK also actively pursued the option of entering an arrangement based solely on an exchange of fishing quotas. However, the majority of the Faroes' demersal asks were North Sea stocks, which given the priority of these stocks for the UK fleet, was not feasible from a UK perspective.

I regret that it was not possible to secure an arrangement for 2021 with our friends and allies in the Faroes, but we will return to negotiations in the autumn with renewed vigour with the objective of securing a mutually satisfactory arrangement for 2022.

UK-EU negotiations

The consultations with the EU have been ongoing since January and will determine fishing opportunities in EU and UK waters for 2021. They have been complex and are the first with the UK negotiating as an independent coastal state. These negotiations are presently on-going, but we anticipate their conclusion shortly, after which we will write to you in more detail.

On 14 April, we set provisional catch limits for UK-EU shared fish stocks for the remainder of 2021, or until agreement is reached with the EU, to provide as much certainty as possible for the UK industry on their fishing opportunities for the remainder of this year. The provisional catch limits for UK vessels are consistent with the approach and new quota shares outlined in the UK-EU Trade and Cooperation Agreement. They also reflect the progress made in the annual consultations. The setting of provisional catch limits does not mean that negotiations have finished. The UK remains committed

to working closely with the EU on the sustainable management of shared stocks for 2021. If catch limits are agreed with the EU, then these will be updated accordingly.

Once the UK-EU negotiations for 2021 have concluded, the Government will lay a Written Ministerial Statement and provide Parliament with a more detailed analysis of the impact of this year's fisheries negotiations on the UK industry.

21 May 2021

FREE TRADE AGREEMENT BETWEEN THE UNITED KINGDOM, AND NORWAY, ICELAND AND LIECHTENSTEIN

Letter to the Chair from the Lord Grimstone of Boscobel, Kt, Minister for Investment, Department for International Trade, and Department for Business, Energy and Industrial Strategy

The United Kingdom has secured a new trade deal with Norway, Iceland and Liechtenstein that will boost critical British sectors like digital, slash tariffs on high-quality British food and farm products, and supports jobs in every corner of our country.

The deal agreed in principle is the first time these three European countries have included dedicated chapters on digital trade and small businesses in any trade deal, making it the most advanced they have done to date.

Cutting-edge digital provisions will limit unnecessary paperwork when British firms export to Norway and Iceland. Electronic documents, contracts and signatures will allow goods to move seamlessly across borders and saving businesses time and money.

The agreement slashes tariffs – which have been as high as 277% – for exporters of West Country Farmhouse Cheddar, Orkney Scottish Island Cheddar, Traditional Welsh Caerphilly, and Yorkshire Wensleydale cheese to Norway. There are tariff reductions and quotas on pork, poultry and other goods, too. British wines and spirits including Scotch Whisky will also now be recognised in Norway and Iceland also.

Reduced import tariffs on shrimps, prawns and haddock will reduce costs for the British fish processing industry, helping support some 18,000 jobs in that industry in Scotland, East Yorkshire and North Lincolnshire.

The agreement means British businesses can bid for more government contracts in all three countries, worth some £200 million a year.

he deal will allow caps on the charges mobile operators are allowed to levy on each other for international mobile roaming, a world-first in an FTA, keeping costs low for holiday makers and business travellers.

It allows high-skilled professionals to enter Norway, Iceland and Liechtenstein for business purposes also, means faster and simpler visa processes, and it includes professional qualification recognition – so nurses, lawyers, vets and other professionals will have a clear route to have their qualification recognised to work in the partner countries.

The deal means clearer rules for financial services firms that ensure they cannot be treated unfairly, and includes the most ambitious commitment to support investment ever secured by the United Kingdom in an FTA, enabling investors to appoint preferred candidates for senior management without being limited by nationality and residency criteria.

We will lay a copy of the trade agreement in Parliament alongside an Explanatory Memorandum and a Parliamentary Report providing further detail on the terms of the deal. I hope this will be helpful to you and your Committee.

9 June 2021

Letter to the Chair from Victoria Prentis MP, Parliamentary Under Secretary of State, Minister for Farming, Fisheries and Food, Department for Environment, Food & Rural Affairs

I am writing to notify you of the government's intention to implement secondary legislation which will make certain changes to the UK's fisheries management measures, which may be of interest to you and your committee members. These cover (a) changes to technical measures in UK waters in the Celtic Sea; and (b) changes to seabass management measures. Following progress in relation to annual consultations with the EU on fishing opportunities, the Department for Environment, Food and Rural Affairs (Defra) is this week laying a Statutory Instrument (SI), "The Sea Fisheries (Amendment etc.) Regulations 2021", to enable these changes to be taken forward.

Amendments to Celtic Sea technical measures

Our objectives in relation to Celtic Sea technical measures are to improve the selectivity in the fishery as a whole, to help enable the vulnerable stocks, including cod, to recover, and to enable the continuation of a profitable and sustainable fishery as stocks recover. New measures introduced should be practical for our fleets and as straightforward as possible to understand, while recognising the complex nature of the fishery.

The approach to Celtic Sea technical measures has been developed with scientists, fisheries managers and stakeholders. We have recognised that current measures linked with the composition of landings at the end of the fishing trip come with the risk that the most selective gears are not taken up in practice. Such provisions result in a tendency to default to the least selective options, and with it, a possible incentive to discard fish to meet the required thresholds. The new measures are evidenced-based and informed by collaborative industry-science fishing gear trials of different trawl cod ends (collection bag), escape panels and other trawl modifications; also by the risk to fishing businesses of quotas being used up early in the fishing season; and by numeric forecasts of the expected benefits to fish stocks and future fishing opportunities. The new measures have been empirically assessed, in terms of risks and gains, to provide long-term benefits to depleted stocks and other important commercial fish stocks. With less reliance on assumptions around implementation, there is more confidence in the measures delivering the expected positive outcomes.

The new SI will enable the Government to implement this change by revoking current Celtic Sea technical measure legislation (Art 9 of EU Reg 123/2020, Art 13 of EU Reg 223/2019 and EU Reg 737/2012 as retained in UK law following the end of the Transition Period). The new technical measures will then be applied through licence conditions applied to both UK and foreign vessel licences. The new measures will apply from 5 September 2021.

The effect of this SI will be to introduce improvements to technical measures within the Celtic Sea otter trawl and bottom seine fishery by retaining more effective selective gear options in the Celtic Sea Protection Zone and introducing improvements across the wider Celtic Sea area. The key change in the west Channel (ICES division 7e) is applying a baseline of minimum 100mm codend which will replace current complex rules based on catch composition. A 100mm square mesh panel will also be required except in the area of 7e east of 5° west. In the whole area (UK waters of 7e,f,g,h,j) a maximum twine thickness of 6mm single or 4mm double will apply and strengthening bags will be prohibited for otter trawl and bottom seine vessels, other than for vessels targeting Nephrops (currently by derogation, but this will be subject to further consultation with stakeholders).

The detail of the proposed measures is set out at Annex A.

Amendments to commercial seabass management measures

Our objective in amending seabass measures is to better utilise, not increase, current seabass fishing mortality by rebalancing the ratio between landings and wasteful discards. This package of measures complements and improves the agreed 2020 seabass management measures already rolled forward for 2021, addressing the discarding of seabass without increasing total removals.

The package has been discussed with industry, scientists and fisheries managers. We recognised that current measures allow for large amounts of seabass to be discarded, with ICES estimating that 482 tonnes were wastefully discarded in 2018. The new measures increase flexibility through (a) a per month kilogram cap within the existing 5% per trip limit for trawl and seine bycatch; and (b) the retention and sale of seabass caught in locally regulated nets fixed at levels before the general seabass fishing prohibition was instated in 2017. In relation to the increased flexibility in the bycatch allowance for trawls and seines, we have estimated the impacts of the changing cap by applying these changes to historical data for the UK fleet.

For locally regulated shore-based nets, seabass is caught whether there is an adjustment to exclude locally regulated beach nets from the general fishing prohibition or not. This means there is an economic sanction on not being able to market such tidal net shore-based catches and wasting fish, without achieving a reduction in fishing mortality. Removing this prohibition, while limiting this adjustment to pre-2017 beach net levels, would avoid the risk of any increase in usage of beach nets (which could put pressure on the stock). The relevant level of shore-based nets will continue to be locally regulated subject to a range of requirements. We will monitor the implementation and impact of this change.

These measures will also be implemented via the new SI, which will amend UK legislation (Art10 of EU Reg 123/2020, as retained in UK law following the Transition Period), as to the level of seabass by-catch caught within British fisheries limits that can be landed and/or marketed, and also make incidental and consequential adjustments to the seabass management measures. The changes will apply in the English and Welsh zones from 30 July 2021.

The seabass measures are set out in more detail at Annex B.

As noted, we anticipate the new seabass rules to apply from 30 July 2021 and the technical measures in the Celtic Sea from 5 September 2021. Once the SI has been laid I would be happy to invite any interested parties to a meeting where the measures can be discussed further. I am writing in similar terms to Sir William Cash (EU Scrutiny Committee (Commons)), Neil Parish (EFRA) and Angus MacNeil (Chair DIT Committee). Grateful if this letter could be shared with the Select Committee on the European Union.

Please do not hesitate to get in touch if you need further information.

Annex A – UK Celtic Sea technical measures

These conditions are intended to apply in United Kingdom waters from 5 September 2021.

1. Where the vessel fishes using otter trawls or bottom seines in those parts of British fishery limits which fall within the Celtic Sea Protection Zone it must use a codend[3] with minimum 110 mm mesh size and fitted with a square mesh panel with 120 mm minimum mesh size.

2. Where the vessel fishes using otter trawls or bottom seines in those parts of British fishery limits which fall within ICES divisions 7e-j other than those referred to in condition 1 above, it must use a codend with minimum 100 mm mesh size, and when fishing west of longitude 5°W it must also use a square mesh panel with minimum 100 mm mesh size.

3. Where the vessel fishes using otter trawls or bottom seines in ICES divisions 7e-J it must use a codend that is constructed of a single twine of a maximum of 4 mm or a double twine of a maximum of 6mm.

4. Where the vessel fishes using otter trawls or bottom seine in ICES divisions 7e-j, other than when targeting Nephrops, it must not use or carry on board a strengthening bag[4].

5. The obligation in condition 1 does not apply to a vessel which fishes using otter trawls or bottom seines in ICES division 7f within 12 nautical miles of the baseline from which the breadth of the territorial sea adjacent to the United Kingdom is measured, which must instead use a codend with minimum 100 mm mesh and square mesh panel with minimum 100 mm mesh size.

[3] Including any extension piece attached thereto.

[4] A s defined by Article 6 of Commission Regulation (EEC) No 3440/84 of 6 December 1984 on the attachment of devices to trawls, Danish seines and similar nets, as retained in UK law.

6. The obligation in condition 1 does not apply to a vessel whose catch comprises 5% or more of Nephrops, which must instead use any one of the following gear configurations:

(a) a codend of at least 80mm mesh size coupled with a 300 mm square mesh panel (for vessels in excess of 12 metres in length) or a 200 mm square mesh panel (for vessels below 12 metres in length);

(b) Seltra panel;

(c) Sorting grid with a 35 mm bar spacing;

(d) 100 mm codend with a 100 mm square mesh panel;

(e) Dual codend with the uppermost codend constructed with T90 mesh of at least 90 mm and fitted with a separation panel with a maximum mesh size of 300 mm.

7. The obligation in condition 1 does not apply to a vessel whose catch comprises more than 55% of whiting, or 55% of anglerfish, hake or megrim combined, which must instead use a codend with minimum 100 mm mesh size and square mesh panel with minimum 100 mm mesh size.

8. The obligation in condition 1 does not apply to a vessel which fishes solely in ICES division 7f to the east of longitude 5° West and whose catch comprises less than 10% gadoids (Gadidae), which must instead use a codend with minimum 80 mm mesh and a square mesh panel with minimum 120 mm mesh.

9. The obligation in condition 1 or condition 5 does not apply to a vessel which fishes west of longitude 5° West, in ICES divisions 7e, or in ICES division 7f within 12 nautical miles of the baseline from which the breadth of the territorial sea adjacent to the United Kingdom is measured, provided that the vessel instead uses a 100mm single twine codend with maximum 5mm twine thickness.

10. For the purposes of this condition, the Celtic Sea Protection Zone shall mean ICES divisions 7f, 7g, that part of ICES division 7h which is north of latitude 49° 30' North and that part of ICES division 7j which is north of latitude 49° 30' North and east of longitude 11° West.

11. Square mesh panels as referred to in this condition shall be placed into the top panel of the codend. The rearmost edge of the square mesh panel, which is the part closest to the codline, shall be no more than 9 metres from the codline.

Annex B – European seabass management measures

These conditions are intended to apply in the English and Welsh zones from 30 July 2021.

1. The commercial trawl/seine flexibility will be amended from a 520kg cap per two months to a 380kg cap per month within the 5% seabass per trip limit.

2. Bycatches of seabass in shore-based commercial netting will be removed from the scope of the general seabass fishing prohibition. This exemption will only apply to historic numbers of locally regulated beach nets set at pre-2017 levels.

10 June 2021

CONCLUSION OF THE UK-EU FISHERIES NEGOTIATIONS

Letter to the Chair from Victoria Prentis MP, Parliamentary Under Secretary of State, Minister for Farming, Fisheries and Food, Department for Environment, Food & Rural Affairs

As an update for the Committee, I am writing to confirm that the UK and the EU have concluded bilateral annual fisheries consultations and reached an agreement on Total Allowable Catches (TACs) for 70 fish stocks and other fisheries management measures for 2021. This letter supplements the recent letters sent on 21 May 2021 covering earlier bilateral negotiations and marks the conclusion of the annual fisheries negotiations for 2021.

The negotiations between the EU and UK were challenging, and we were in uncharted territory. Throughout the negotiations we have worked closely as a UK team with the Scottish, Welsh and Northern Irish Governments to secure a balanced and positive outcome for the whole of the UK.

Although it has taken longer to conclude than I had hoped, the resulting deal is one which reflects the UK's new status as an independent coastal State. The agreement provides much needed stability for the UK industry and sets a good platform for our future relationship with the EU on fisheries management. For example, the agreement includes commitments by the UK and EU to work together via the new Specialised Committee on Fisheries across a range of issues, including the challenges presented in the Celtic sea mixed fishery and on combined TACs and deep sea species.

Value and sustainability

The total value of fishing opportunities for the UK in 2021 across the 70 agreed EU-UK TACs is approximately 160,000 tonnes, worth approximately £333 million. For these stocks, the UK fleet will have available around 26,000 tonnes more quota than that which was allocated in 2020, estimated to be worth about £27m in additional value.

As in previous years, the UK negotiated this year's TACs and quotas taking full account of sustainability principles. Scientific advice on catch opportunities provided by the International Council for the Exploration of the Sea (ICES) relates to 66 of the 70 TACs negotiated. Our preliminary assessment shows that the UK expects 35% (23 out of the 66 TACs) to be in line with this advice.

In relation to maximum sustainable yield (MSY) advice, our preliminary assessment of the negotiated outcome for 2021 shows that of the TACs which relate to MSY advice, 50% have been set consistent with MSY (16 out of 32 TACs). These figures are a preliminary assessment and subject to change once further analysis of catches by third countries has been completed.

As an independent coastal State, the UK has undertaken an independent review of the method used to assess if TACs have been set consistent with MSY. As a result of this more rigorous assessment, this year's results are not comparable with previous years. A more detailed report will be published shortly outlining the revised assessment method and a comparison of this year's negotiated outcomes against previous years.

Quota exchanges

Exchanges of quota with the EU, as part of annual negotiations, was not possible this year. However, the agreement includes a commitment with the EU on the principle of exchanging fishing quota on an interim basis ahead of a longer-term exchange system to be decided by the Specialised Committee on Fisheries. The UK expects that quota exchanges would be part of future annual negotiations, as provided for in the UK-EU Trade and Cooperation Agreement.

Non-quota stocks

On non-quota stocks, due to the late conclusion of negotiations this year and the need to provide our respective industries with clarity, the UK and EU agreed that, exceptionally, tonnage limits would not be applied in 2021. The UK and EU agreed to exchange data to monitor the uptake of non-quota stocks in line with the UK-EU Trade and Cooperation Agreement and agreed to work together through the Specialised Committee on Fisheries to develop multi-year strategies for non-quota stocks as a priority.

We have also agreed changes for 2021 on management measures for seabass to reduce wasteful discarding without increasing fishing mortality.

A copy of the agreement will shortly be available on gov.uk. I will also ensure the clerks receive a copy to pass on to you and committee members.

10 *June 2021*

Letter to the Chair from the Rt Hon Lord Frost CMG, Minister of State, Cabinet Office

1. Please find enclosed the 2020 Withdrawal Agreement Annual Report[5], issued pursuant to Article 164(6) of the Agreement. The Report has been jointly drafted by the UK and EU and was adopted at last week's Joint Committee meeting, 9 June.

2. I would be grateful if you could treat the report in confidence until its publication on 23 June 2021.

17 June 2021

LOCAL VOTING AND CANDIDACY RIGHTS FOR EUROPEAN CITIZENS LIVING IN ENGLAND AND NORTHERN IRELAND

Letter to the Chair from Lord True, CBE, Minister of State, Cabinet Office

Today, the Minister for the Constitution and Devolution has made a written statement in Parliament setting out the Government's plans in relation to the local voting and candidacy rights for European citizens living in England and Northern Ireland.

I am writing to you as I believe this will be of particular interest to you as Chair of the House of Lords European Affairs Committee.

The statement (copy attached)[6] highlights new changes to EU citizens' voting and candidacy rights which the Government is intending to include in the forthcoming Elections Bill.

Now that the UK has left the EU, and with the ending of free movement and introduction of the new points-based immigration system in last year's Immigration and Social Security Co-ordination (EU Withdrawal) Act, there should not be a continued automatic right to vote and stand in local elections solely by virtue of being an EU citizen.

As the statement indicates, the Government's position is that:

- EU citizens who were living in the UK prior to the end of the Implementation Period on 31 December 2020 will maintain local voting and candidacy rights in local elections in England and Northern Ireland.
- Local voting and candidacy rights for EU citizens who have arrived in the UK since 1 January 2021, will rest on the principle of a mutual grant of rights with EU Member States.

This position reflects the Government's commitment to respecting the rights of EU citizens who made their home in the UK before the end of the Implementation Period and goes beyond our obligations in the Withdrawal Agreement. It also mirrors the stance taken on the EU Settlement Scheme, which protects the rights of EU citizens who were resident here by the end of the Implementation Period and provides them with the UK immigration status they need to continue to live, work and access benefits and services here.

This will apply to local elections in England and Northern Ireland, elections to the Northern Ireland Assembly, and Police and Crime Commissioner elections in England and Wales.

These measures also cover the polls in which EU citizens have been eligible to vote as part of the local franchise: local authority governance referendums, local council tax referendums, neighbourhood planning referendums and parish polls. Other local and devolved elections in Scotland and Wales are within the remit of the devolved administrations.

The Government has already confirmed that resident EU citizens elected in the May 2021 local elections in England, and the Police and Crime Commissioner elections in England and Wales will be able to serve their full term, and this will also apply to those elected before 2021. An EU citizen

[5] Withdrawal Agreement Joint Committee Annual Report 2020
[6] Written Ministerial Statement – 17 June 2021

elected before these measures come into force, and who otherwise remains eligible, will be able to serve their full term.

Citizens of the Republic of Ireland will not be affected by these changes, as the voting rights of Irish citizens in the UK long predate EU membership. The rights of qualifying Commonwealth citizens will also not be changed by these measures. As such, citizens of Malta and Cyprus – which are both EU member states and Commonwealth countries -– will continue to hold voting and candidacy rights in local and national elections.

I will write to you again when the Bill is introduced into Parliament to provide more detail on its provisions and on opportunities to discuss them further, should you wish to hear more about our plans or to raise any questions you may have. If you would like to get in touch before then, please do not hesitate to do so.

17 June 2021