

UK-EU Trade and Cooperation Agreement Implementation Report (1 January 2021-31 December 2022)

June 2023

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1. Foreword from the Minister for Europe

1. The UK's departure from European Union (EU) on 31 January 2020 was a historic moment that implemented the result of the 2016 referendum.
2. In leaving the EU, we needed to honour the instruction of the British people to take back control of our money, laws and borders. The UK-EU Trade and Cooperation Agreement (TCA) delivered a close trading relationship with the EU without giving up on those gains. It also provides the basis for stable and positive relations with our EU neighbours.
3. The agreement safeguards our commercial interests, by ensuring goods can move between the UK and EU on a tariff- and quota-free basis and by supporting investment and trade in services in line with the EU's other FTAs. It protects our citizens' interests by continuing UK-EU cooperation on law enforcement and social security. And because our relationship with the EU is now based on respect for each other's sovereignty, we can make the most of the regulatory freedoms offered by Brexit – from securing the vaccine rollout, to replacing the Common Agricultural Policy.
4. This is the first report the government has published on implementation of the TCA. In general, the agreement is functioning well. The TCA's network of committees is active, and the wider governance is up and running. We have also made progress on other areas including energy cooperation, where the UK and EU face shared challenges – diversifying away from Russian hydrocarbons and the transition to net zero.
5. But there is scope to make more of the TCA. For example, in the field of energy, to speed up the work on delivering what the TCA agreed on new electricity trading arrangements.
6. The first two years of the TCA's operation - the period covered by this report - have also coincided with disagreement between the EU and UK over the acute political, economic and societal difficulties caused by the Northern Ireland Protocol. In February 2023, the UK and EU reached political agreement on a new way forward. The Windsor Framework addresses the problems caused by the Protocol, delivering smooth flowing trade, safeguarding Northern Ireland's place in our Union, and restoring sovereignty for its people. It also opens a new chapter in UK and EU relations, with both parties expressing their intention to fully exploit the potential of the TCA and maximise the potential of the relationship to mutual benefit.
7. While this report covers the TCA framework, there are of course other areas of important cooperation with the EU. These include wider issues governed by the Withdrawal Agreement – such as the rights of our citizens in each other's territories – and sanctions as we stand together in the face of Russia's invasion of Ukraine. This latter work has served to underline our shared values and the importance of working together. As outlined in the government's Integrated Review Refresh 2023, our ambition is to build even stronger relationships with our European allies and

partners based on values, reciprocity and cooperation across our shared interests. This includes the EU, with which we seek to work closely, as we have done in response to Ukraine.

2. Introduction

8. The TCA was signed on 30 December 2020. It took provisional effect on 1 January 2021, and formally entered into force on 1 May 2021.
9. The agreement is the world's biggest zero-tariff, zero-quota FTA, and goes beyond typical trade agreements by establishing a framework for cooperation on issues such as law enforcement and judicial cooperation, fisheries and energy.
10. The Foreign Secretary has overall responsibility for the UK's relationship with the EU, including implementation of the TCA, but Whitehall departments are responsible for its practical implementation in their respective areas. The devolved administrations are also consulted regularly on the UK's approach to matters arising from the TCA.
11. This is the government's first report on the implementation of the TCA, covering the period between 1 January 2021 and 31 December 2022. It summarises the UK's engagement with the EU through the TCA's formal structures, outlines the progress that has been made in implementing the agreement, and notes the areas where the UK has raised concerns regarding EU implementation. The report also sets out the support the government has given to businesses as they adapt to the new UK-EU trading relationship, and how trade and investment has performed during the reporting period. While the reporting period runs from January 2021 to December 2022, this report also includes developments in the first quarter of 2023, ending with the second meeting of the TCA's Partnership Council in March.
12. The government intends to publish future implementation reports every two years.

3. Institutional Framework

Partnership Council

13. The TCA establishes a Partnership Council which supervises implementation of the agreement at the political level. The Partnership Council met for the first time in June 2021, where the UK and EU discussed sanitary and phytosanitary measures for trade in agri-foods, law enforcement, and the UK's participation in Union Programmes, amongst other topics. The Partnership Council has taken five Decisions during this period, all of which are available on GOV.UK.
14. The Partnership Council met for a second time on 24 March 2023, where the UK and EU discussed cooperation in the areas of energy, trade and security and agreed next steps to advance cooperation in these areas. The agenda and joint statement are both published on [GOV.UK](https://www.gov.uk)

Committees

15. To support the work of the Partnership Council, the agreement establishes 19 official-level committees responsible for supervising implementation in specific

areas. In total, these committees met 42 times during 2021 and 2022 (see Annex A), with each committee meeting at least twice. Through these engagements, the UK has scrutinised the compliance of EU and Member State policy measures with the TCA, pushed for the accelerated delivery of the EU's commitments under the TCA, and engaged in technical exchanges on forthcoming regulatory developments. Specific examples of the UK's approach to these committees are set out in the following sections. The government publishes all committee agendas, minutes and decisions on [GOV.UK](https://www.gov.uk).

Arbitrators

16. The UK and EU have formally established a list of 20 individuals who are willing and able to serve as members of an arbitration tribunal under the TCA's dispute resolution mechanism. This was agreed via a Decision of the Partnership Council in December 2022. The list is published on [GOV.UK](https://www.gov.uk).

Domestic Advisory Group

17. As required by the TCA, in 2022 the government established a Domestic Advisory Group (DAG) - a body composed of civil society organisations – to consult on matters regarding implementation of the trade-related aspects of the agreement. The Group's membership is available on [GOV.UK](https://www.gov.uk). The first meeting of the UK DAG took place on 28 April 2022, and was attended by the then Minister for Europe James Cleverly MP. The group has since elected an Executive Council comprising a chair and two vice-chairs.

Civil Society Forum

18. The agreement also establishes a Civil Society Forum (CSF) in which UK and EU business and civil society representatives can consider implementation issues and offer Recommendations to the Partnership Council on the trade-aspects of the agreement. The CSF has met once on 4 October 2022 and discussed energy issues, trade in goods and the level playing field provisions in the TCA.

Parliamentary Partnership Assembly

19. The European Parliament and the UK Parliament have established a Parliamentary Partnership Assembly (PPA) as a forum to exchange views on the UK-EU partnership. The PPA has met twice during the period of this report. The then Paymaster General Michael Ellis MP and the Minister for the Armed Forces James Heappey MP represented the government at the inaugural PPA in May 2022, and the Minister for Europe Leo Docherty MP and the Minister for Energy and Climate Graham Stuart MP represented the government at the second meeting in November 2022. The PPA has made a Recommendation to the Partnership Council on energy cooperation, to which the Partnership Council has responded. The government regularly briefs the UK parliamentary delegation to the PPA and welcomes the Assembly's work.

4. Trade in goods

20. The TCA eliminates tariffs and quotas for goods traded between the UK and the EU where rules of origin requirements are met. It includes commitments on Technical Barriers to Trade (TBT), Sanitary and Phytosanitary (SPS) measures, Customs and Trade Facilitation (CTF), and administrative cooperation in the field of Value Added Tax (VAT). These commitments aim to facilitate trade while protecting the UK's freedom to regulate in the best interests of its citizens and businesses.
21. The government recognises that, during this period, businesses have had to adapt to the new trading relationship for goods alongside the COVID-19 pandemic and Russia's illegal war in Ukraine, which have both caused significant supply chain challenges and increased costs. The government has taken a number of actions to help traders adjust:
- a. A phased approach to implementing border controls on EU imports. On 5 April, the government published its draft Border Target Operating Model, which proposes a new approach to security controls (applying to all imports), and sanitary and phytosanitary controls (applying to imports of live animals, animal products, plants and plants products) at the border. The Target Operating Model sets out how controls will be simplified, digitised and, over time, delivered through the UK's new Single Trade Window.
 - b. Continued recognition of CE marking on the UK market, alongside UK Conformity Assessed (UKCA – the UK's own robust regulatory framework for goods). The government has extended the deadline to recognise CE marking until 31 December 2024.
 - c. Setting up the free of charge Export Support Service in October 2021, to provide UK businesses with a first point of contact to answer any questions they may have on exporting their products or services to Europe. From launch until the end of 2022, the Export Support Service has received 12,400 enquiries with 93% coming from small and medium enterprises.

VAT and ecommerce

22. The EU requires businesses based in Great Britain to establish a fiscal representative when registering for its Import One Stop Shop (IOSS), which streamlines VAT collection away from the border for ecommerce sales. The government recognises this requirement is a burden for business, especially SMEs, and has sought to remove it by amending the TCA's debt recovery threshold as provided for in the agreement. The UK raised this issue at both meetings of the Trade Specialised Committee on Administrative Cooperation in VAT and the Recovery of Taxes and Duties, and the Trade Partnership Committee in 2021, as well as the Partnership Council in March 2023. To date the EU has not agreed to this proposal. The government continues to seek a resolution.

SPS trade restrictions

23. Since 2021 the EU has prohibited the import from Great Britain of undepurated live bivalve molluscs (LBMs) from Class B waters and seed potatoes. The government has repeatedly requested the EU's risk assessments for these restrictions, as required by the TCA, but as of 31 March 2023 has not received them. The government does not accept that these prohibitions are in line with the TCA's requirements that SPS measures are proportionate and do not discriminate, considering the similar or identical SPS conditions that exist in Great Britain and the EU. The government has raised the matter at the Partnership Council, the Trade Partnership Committee and the Trade Specialised Committee on SPS. The government also considers that some of the EU's requirements for pets travelling from Great Britain to the EU are unnecessarily burdensome on owners and assistance dog users.

TBT Working Groups

24. The TCA includes a number of sector-specific annexes which seek to promote cooperation and tackle barriers to trade in the automotive, chemical, pharmaceutical, organic products and wine sectors. These annexes include provisions for Working Groups to oversee the annexes on automotive, pharmaceutical and organic products. The government has used both meetings of the Trade Specialised Committee on TBT and the Trade Partnership Committee to raise the importance of regulatory cooperation in these areas. At the second Partnership Council meeting in March 2023 the UK and EU agreed to finalise preparations for the TBT Working Groups as a matter of priority.

Goods market access and national treatment

25. Through the Trade Specialised Committee on Goods, the government has scrutinised EU policies which could have a significant effect on UK-EU trade in goods, including the European Chips Act and the Carbon Border Adjustment Mechanism. The government has stressed the importance of bilateral and multilateral discussions on these measures and welcomes further technical engagement with the EU.

26. At the first Trade Specialised Committee on Goods, the EU raised concerns about the UK offshore wind subsidy programme known as Contracts for Difference. Subsequently the EU requested consultations at the WTO. In July 2022, the UK Secretary of State for International Trade and EU Executive Vice-President Dombrovskis agreed a way forward and the EU confirmed that it would cease to progress the WTO dispute.

UK-EU trade flows in goods¹

27. In 2021, the global trading system continued to grapple with high demand and localised lockdowns, leading to supply chain bottlenecks and higher commodity prices. Russia's illegal war in Ukraine has put additional pressure on international trade, particularly in energy and agricultural commodities.

¹ All figures for trade in goods exclude precious metals.

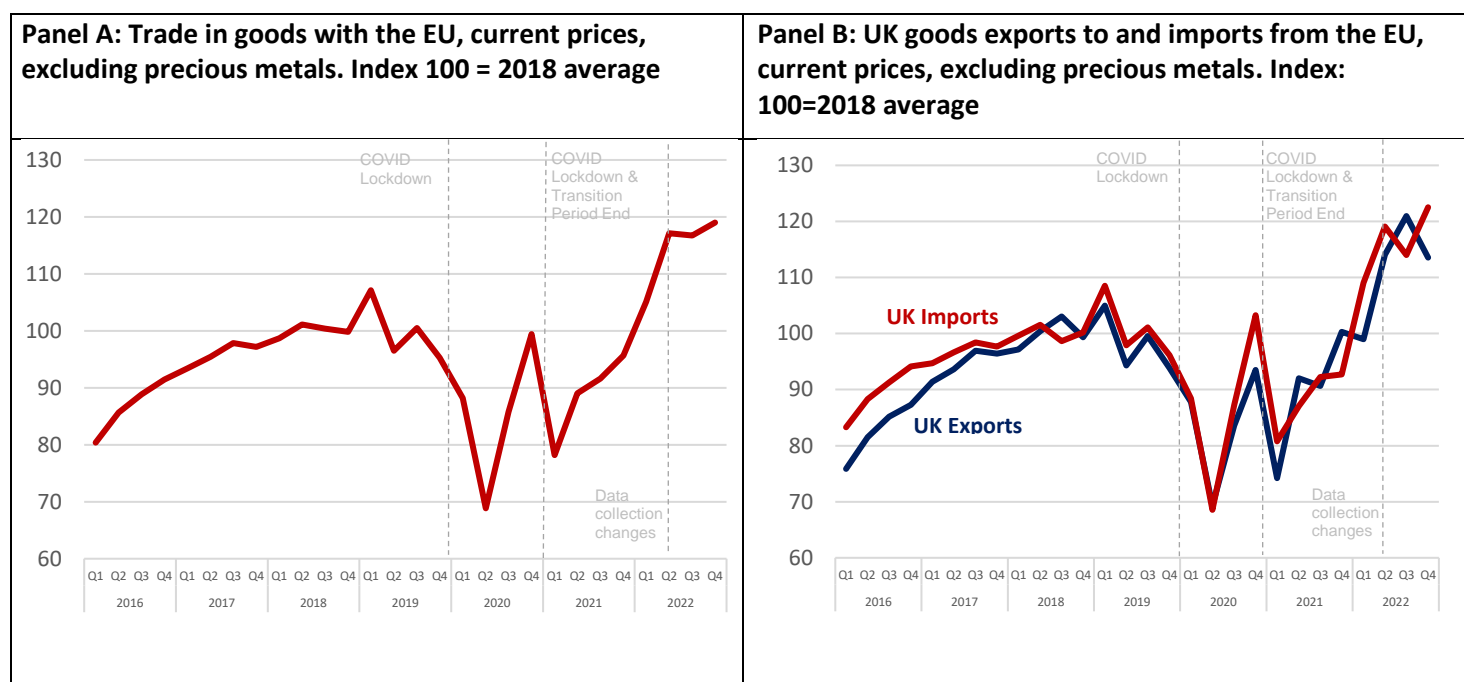
28. Trade in goods accounted for 66% of total UK trade with the EU in the 12 months to Q3 2022. As would be expected in the COVID context, trade in goods (exports and imports) from the EU fell in the first half of 2020 and again in the first quarter of 2021, before recovering in the latter half of 2021 and 2022 respectively (panel A).
29. In 2021, total goods trade with the EU was £391bn (£381bn when adjusted for inflation). In 2021, goods exports to the EU were £155bn and imports were £236bn, or £149bn and £231bn respectively when adjusted for inflation. There was a continued recovery in 2022, with UK goods exports to the EU of £194bn and imports of £311bn (£158bn and £275bn respectively when adjusted for inflation). In current prices, UK-EU trade flows in goods surpassed pre-COVID-19 levels². Some of this increase owes to inflation.
30. In 2022, it is estimated that up to 95% of imports from the EU entered Great Britain without tariffs³. Just under half of imports (44%) were tariff-free on Most Favoured Nation (MFN) terms, a further 3% entered using inward and outward customs relief, and around 90% of the remainder made use of preferential (zero) tariffs.
31. In 2022, up to 91% of Great Britain's goods exports to the EU traded without tariffs⁴. This figure accounts for exports which are MFN tariff-free, goods which used customs relief, and the over 80% which benefited from preferential tariffs. This data does not include Northern Ireland's trade with the EU.

² Pre-COVID refers to the 2018 calendar year for goods trade. This is in line with the ONS who recommend 2018 data for longer-term comparisons as the most recent period in which relatively stable trade patterns were observed before stockpiling occurred.

³ HMRC Overseas Trade Statistics, December 2022. 'Tariff free' estimate includes all imports that were reported to enter at a 0% duty, plus all imports that entered through inward and outward processing where zero or reduced customs duties may apply.

⁴ Eurostat Imports by Tariff Regime, November 2022. Estimate excludes 12% of goods exports where the final regime is unknown, part of which is attributable to Northern Ireland.

Figure 1: Trade in Goods^{5,6,7}



5. Services, investment and digital

33. The TCA significantly builds on WTO rules and locks in market access across substantially all services sectors. The agreement provides service suppliers and investors with certainty and clarity about their future operating environment, supporting trade and investment whilst also safeguarding the UK's right to regulate.
34. To help businesses adapt to a new set of trading arrangements with the EU, the government has offered a number of avenues of support. This includes publishing guidance for service suppliers and business travellers, with extensive guidance on how to seek visas and work permits in EU Member States; and launching the Recognition Arrangements Grants Programme, which provides grants of up to £75,000 per year to help regulators seek mutual recognition of professional qualifications. The Export Support Service also offers advice to UK services exporters.

Professional qualifications

35. The TCA establishes a process through which the UK and EU can agree recognition agreements on professional qualifications covering the UK and all 27 EU Member States. Regulators and professional bodies must put forward proposals for

⁵ ONS UK trade, December 2022 (seasonally adjusted).

⁶ From January 2021 HMRC implemented a data collection change affecting data on exports to the EU from Great Britain (GB). As a result, statistics on GB exports to the EU since January 2021 are not directly comparable with previous months. HMRC have concluded that when comparing the components of trade across the old and new collection platforms, there is a discontinuity of around 5% by export value and 6% by import value. The discontinuity between imports and exports in 2021 has now been adjusted for, such that ONS has upwardly adjusted EU import data for 2021 to bring it in line with EU exports data from January 2021. Further work will be undertaken in 2023 to estimate and potentially adjust for these changes to allow for more robust comparisons to pre-Brexit periods. Further info available [here](#).

⁷ Staged Customs Controls (SCC) allowed customs declarations to be reported up to 175 days after the date of import for imports of non-controlled goods from the EU to Great Britain (GB). The full scale and impact of SCC is complex but it is possible that some double counting of goods imports from the EU occurred as a result; with imports in the second half of 2021 recorded via the Intrastat Survey, then some appearing again on customs declarations in the first half of 2022. Further info available [here](#).

recognition agreements and these are then concluded on a sectoral basis. Following the first meeting of the Trade Specialised Committee on Services, Investment and Digital Trade, the UK and EU discussed a workable process for reviewing recommendations from regulators. The government is currently working alongside the EU to review a recommendation for a Mutual Recognition Agreement from the Architects Council of Europe and the Architects Registration Board.

Temporary movement of professionals (Mode IV)

36. While the TCA requires the UK and EU Member States to have transparent visa application processes, and clear signposting on rules for business travellers, stakeholders have reported challenges when navigating Member States' rules and guidance. The government has raised these concerns with the EU at both meetings of the Trade Specialised Committee on Services, Investment and Digital Trade.
37. At the 2022 meeting of the Trade Specialised Committee on Services, Investment and Digital Trade, the UK and EU also discussed charges, fees or taxes for intra-company transferees. The UK subsequently received confirmation that France has amended their labour code to ensure UK intra-corporate transferees are not subject to a skills tax. The UK has also confirmed that, as of 1 January 2023, EU intra-corporate transferees are now exempt from the Immigration Skills Charge.

Touring artists

38. The government recognises that artists and creative professionals face a particular set of challenges regarding visas and work permits. Since the end of the transition period, the government has engaged with Member States on these issues and confirmed that some visa and permit free touring routes are available in 23 of the 27 Member States. This includes Spain, one of the UK's biggest touring markets, which introduced 90-day visa and work permit free touring in November 2021 following engagement by the government and the sector. The government raised touring during meetings of the Trade Specialised Committee on Services, Investment and Digital Trade, and both the 2021 and 2023 meetings of the Partnership Council. Through the Specialised Committee on Road Transport, the government has also raised some of the challenges reported by specialist touring hauliers.

Financial services

39. In a Joint Declaration published alongside the TCA, the UK and EU committed to concluding a Memorandum of Understanding (MoU) on financial services that would establish a framework for regulatory cooperation. Technical discussion between the UK and EU on the text of this MoU concluded in March 2021. The government has noted its readiness to sign and implement the MoU, including at the second Trade Specialised Committee on Services, Investment and Digital Trade.
40. At the second Partnership Council meeting the UK and EU looked forward to signing the Memorandum of Understanding on financial services soon.

Legal Services

41. The TCA's legal services provisions ensure UK solicitors, barristers and advocates have the right to advise EU clients on UK and international law on the basis of their home jurisdiction professional titles, except where Member States have listed non-conforming measures. The UK has had productive engagements with the European Commission regarding this sector, including at the second meeting of the Trade Specialised Committee on Services, Investment and Digital Trade, following concerns raised by stakeholders that Luxembourg and Greece were not providing the required market access. As a result of the government's engagement, Luxembourg has now committed to remedy this issue through legislation.

Digital Trade

42. The TCA's provisions on digital trade promote commercial activity across the goods and services sectors and facilitate cooperation in a fast-paced regulatory environment. Through the Trade Specialised Committee on Services, Investment and Digital Trade, the UK and EU considered various legislative initiatives - including UK and EU developments on online safety, digital markets and digital ID. The UK has raised concerns about data localisation measures in France.

UK-EU trade in services flows

43. Services trade fell significantly in 2020 and at the start of 2021, with imports more impacted than exports. Sectors reliant on the movement of people such as travel, and transportation were particularly impacted. Services delivered remotely were more resilient, but, reflecting the global trend, services trade was more heavily affected by the COVID-19 pandemic than goods overall.

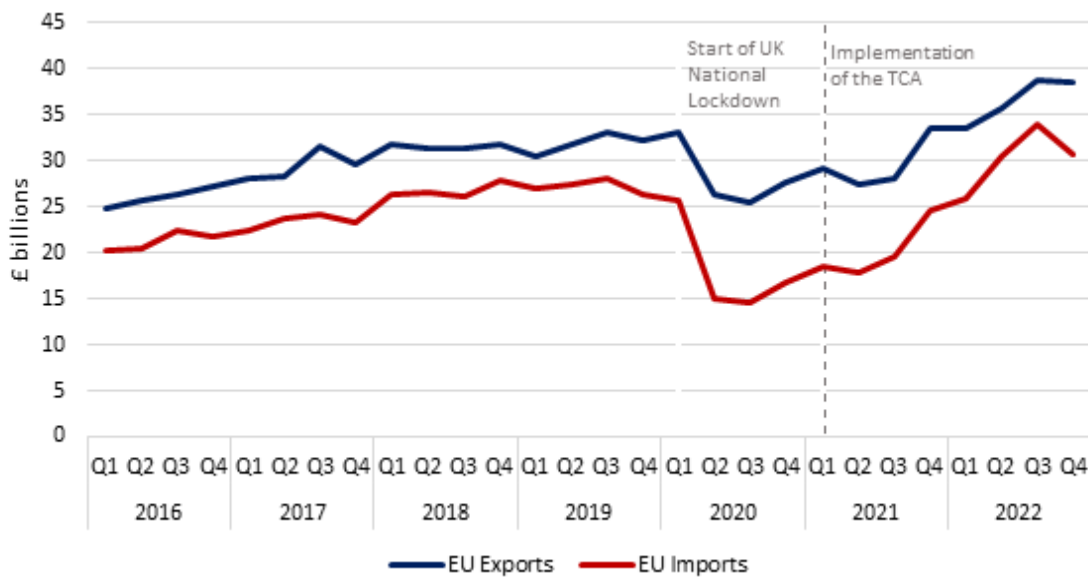
44. The EU remains a top trading partner in services. In 2022 the EU accounted for 41% of UK services trade, compared with 42% pre-COVID-19^{8,9}. In current prices, services trade has now recovered and increased above pre-COVID-19 levels. In 2022, UK services exports to the EU were £146bn and imports from the EU were £121bn.

45. Recent figures highlight that Ireland and Germany have remained the UK's top export destination for services within the EU.

8 ONS Trade in Services by type and partner country, non-seasonally adjusted, April 2023

9 Pre-COVID refers to the four quarters up to Q3 2019 for services trade. This is in line with the ONS who recommend 2019 to be used as a baseline as stockpiling was not evident for services trade.

Figure 2: Trade in Services¹⁰



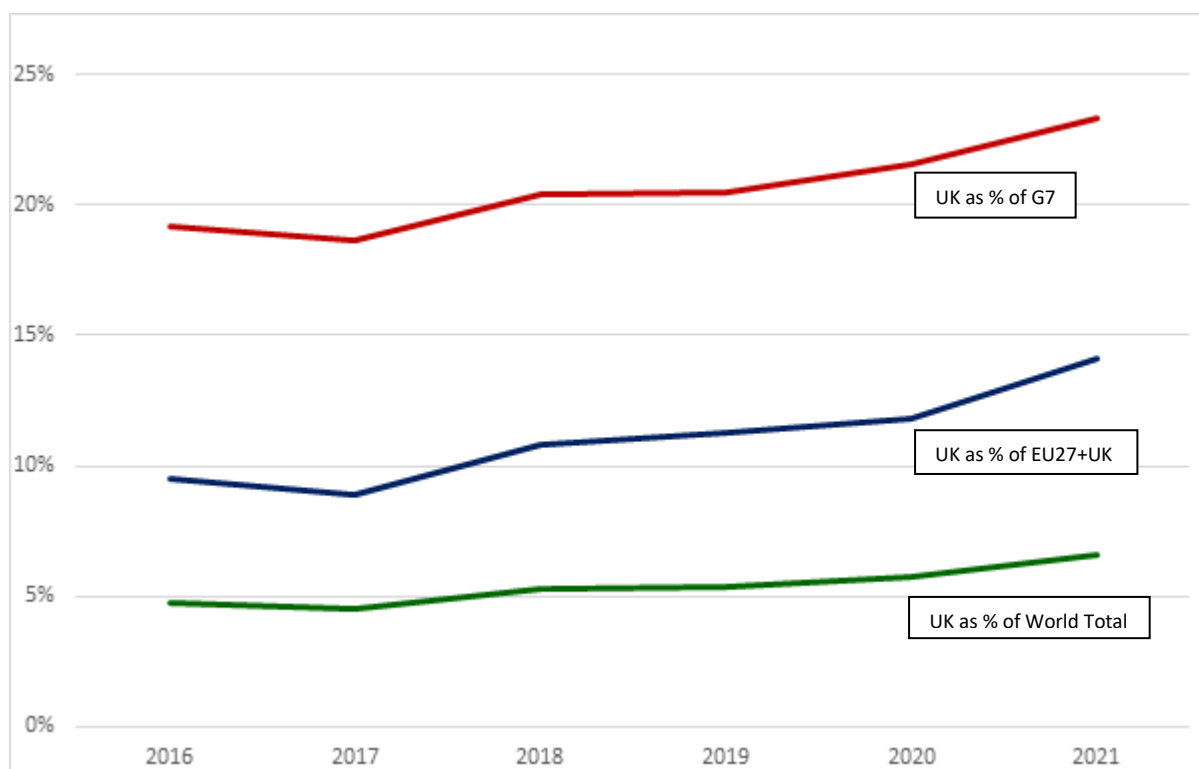
UK-EU FDI stock

- 46. The UK had attracted £2.0 trillion of inward FDI stock by 2021, making it the leading location for foreign direct investment (FDI) in Europe and second in the World behind only the United States¹¹. The UK’s share of global FDI has increased since 2017 (see Figure 3).
- 47. In 2020, the UK’s inward FDI stock from the EU was £705bn, accounting for around 37% of the UK total. In 2021, the UK inward FDI stock from the EU was £685bn. Between 2020 and 2021, the UK’s outward FDI to the EU increased from £703bn to £714bn, with market share of the total outward stock remaining the same at 40%. Between 2012 and 2021 UK outward FDI to the EU grew by 41%.
- 48. In 2021, the Netherlands, Luxembourg and France are the top source member states for inward UK FDI from the EU. The Netherlands, Luxembourg and Spain are the UK’s leading destinations for UK outward FDI.

¹⁰ ONS: Balance of payments, seasonally-adjusted. March 2023.

¹¹ UNCTAD World Investment Report: Annex table 03: FDI inward stock, by region and economy, 1990-2021

Figure 3: UK Inwards FDI Position¹²



6. Intellectual property, public procurement, regulatory cooperation and small and medium-sized enterprises

Intellectual Property

49. The TCA's provisions on Intellectual Property (IP) guarantee high standards of protection and enforcement of IP rights, facilitate UK-EU cooperation between relevant authorities, and ensure the UK has the flexibility to develop a regulatory regime that is in line with the government's domestic priorities.

50. Through the Trade Specialised Committee on Intellectual Property, the UK and EU have had constructive exchanges regarding Standard Essential Patents, the Designs framework, and the impact of Artificial Intelligence on IP regulation. At the second Partnership Council meeting the UK and EU looked forward to signing the Memorandum of Understanding on intellectual property soon, which would enhance cooperation and collaboration between the bodies.

Public Procurement

51. The TCA provides a transparent and non-discriminatory framework for access to public procurement. The agreement is based on the WTO's Government Procurement Agreement, with some supplementary provisions that typically feature in FTAs. The TCA also ensures the UK can maintain a separate and independent

¹² IMF – Coordinated Direct Investment Survey

procurement regime that is quicker, simpler, more transparent and better able to meet the UK's needs.

52. The UK is closely monitoring implementation of the EU's International Procurement Instrument (IPI), a new measure that gives the European Commission the ability to restrict third country access into EU public procurement markets. At both meetings of the Trade Specialised Committee on Public Procurement, the government sought assurances that the application of the IPI would not lead to discrimination against UK businesses.
53. The UK has also raised questions about France's cloud certification scheme for the providers of cloud services to the public sector, through the Trade Specialised Committees on Public Procurement, the Trade Specialised Committee on Services, Investment and Digital Trade, and the Trade Partnership Committee. The scheme includes data localisation measures and public procurement restrictions that could prevent UK and other non-EU suppliers that store their data outside the EU from bidding for public procurement contracts in France. The government is also monitoring the development of the EU's proposed Cybersecurity Certification Scheme for Cloud Services (EUCS), following stakeholder concerns that it may include similar data localisation requirements.

Good Regulatory Practices and Regulatory Cooperation

54. The TCA establishes a set of principles for good regulatory practice and sets out the basis for UK-EU regulatory cooperation on trade issues. Through the Trade Specialised Committee on Regulatory Cooperation, the UK and EU have provided updates on their respective better regulation frameworks, the digital transformation of regulation, and the challenges of regulating in a fast-changing innovation environment. The UK has also used the TCA's wider committee structure to raise regulatory cooperation with the EU (e.g. on Technical Barriers to Trade).

Small and medium size enterprises

55. In addition to helping businesses adjust to the TCA through mechanisms such as the export support service, the government has developed resources on [GOV.UK](https://www.gov.uk) for SMEs regarding the agreement in line with the UK's commitments.

7. Energy

56. The TCA supports and strengthens the UK and EU's respective security of supply and decarbonisation goals, and commitment to tackling climate change. The agreement's provisions on energy cover important shared interests, from electricity and gas interconnection to cooperation on security of supply and the deployment of renewable energy. Russia's illegal war in Ukraine underlines the importance of delivering on these commitments, which will help stabilise energy supplies, address the cost of living, and make progress against the UK and EU's shared decarbonisation goals.

57. At the second Partnership Council, the UK and EU both underlined the importance of their collaboration on energy over 2022 as Europe decouples from Russian fossil fuels and highlighted the importance of dialogue on security of supply. They confirmed their commitment to progress work on the electricity trading arrangements envisaged in the TCA.

Security of supply

58. The TCA provides for the development of a framework for UK-EU cooperation on the security of supply of electricity and natural gas. At a meeting of the Specialised Committee on Energy in September 2022, and at the second Partnership Council, the UK and EU agreed that continued exchange of information was essential and that they would regularly engage in technical discussions on electricity and gas security of supply over the 2022/2023 and 2023/24 winter periods. The UK is now working to establish this technical dialogue with the EU and our respective Transmission System Operators (TSOs) in preparation for 2023/24 winter period.

59. The TCA also requires the UK and EU to establish new working arrangements for cooperation between their respective TSOs and national regulatory authorities. The UK has engaged through meetings of the Specialised Committee on Energy to push for progress on a draft Decision that should enable these arrangements to come into force. This draft Decision was agreed at working level in June 2022. At the second Partnership Council meeting the EU agreed that the Specialised Committee on Energy should progress the TSO working arrangements.

Electricity Trading

60. The TCA commits the UK and EU to develop arrangements for more efficient electricity trade over interconnectors, bringing benefits for consumers and businesses in the UK and EU, supporting security of supply, and enabling the deployment of renewable energy projects in the North Sea.

61. Despite the UK's efforts, there have been delays to progressing the delivery of these arrangements and the original timeline established by the relevant annex in the TCA has not been met. The UK has raised its concerns about these delays and will continue to work with the EU through the Specialised Committee on Energy to progress development of these new arrangements as a matter of priority. On 7 February 2023 the Specialised Committee on Energy adopted a Recommendation requesting the UK and EU and their respective TSOs carry out further analysis on the design options for the new trading arrangements within five months.

North Sea Cooperation

62. In December 2022, the UK signed a MoU with the North Seas Energy Cooperation (NSEC), giving effect to our TCA commitment to cooperate on the development of offshore renewable energy. The MoU will facilitate cooperation between NSEC partners on the development of renewables in the North Seas, particularly hybrid projects that combine interconnectors and offshore windfarms, opening up the potential for a North Sea grid. This will support domestic energy ambitions on

offshore wind, interconnection, and hydrogen, to meet the UK's net zero target and reinforce long-term security of supply.

8. Level playing field for open and fair competition and sustainable development

63. The TCA's provisions on the Level Playing Field for Open and Fair Competition and Sustainable Development are designed to prevent distortions of trade between the UK and EU caused by anti-competitive practices. The UK closely monitors developments in EU subsidy control and wider regulation, including in the areas of labour and social standards, environment, climate, competition and tax.

Subsidy control

64. The UK has used the Trade Specialised Committee on Level Playing Field to raise concerns about EU subsidies and related subsidy policies. This includes the use of the EU Brexit Adjustment Reserve fund, the EU Foreign Subsidies Instrument (FSI), the European Chips Act and the State aid temporary frameworks introduced in response to the COVID-19 pandemic and Russia's illegal war in Ukraine. The government remains concerned about the administrative burden for firms as a result of the FSI and the distortive impact that increased EU subsidisation may have on UK- EU trade. The government will continue to monitor new EU subsidies such as the proposed European Sovereignty Fund, and EU subsidies policy, including the State aid temporary framework amendments introduced under the Green Deal Industrial Plan.

65. At the second meeting of the Trade Specialised Committee on Level Playing Field the UK provided an update on the UK's competition regime and asked a number of questions about the EU competition regime, in particular the Digital Markets Act. The UK and EU share common challenges on competition, and the cooperation envisaged by the TCA continues to be in both the UK's and EU's interest.

Labour and social standards

66. At the second meeting of the Trade Specialised Committee on Level Playing Field, the UK examined the EU's labour market enforcement policies, including the approach it takes to high-risk sectors and how it enforces compliance with these policies at the Member State level. The EU's Strategic Framework on safety and health at work was also considered in the 2021 meeting.

Environment and climate

67. The UK has used the Trade Specialised Committee on Level Playing Field to proactively monitor EU adherence to its TCA Level Playing Field commitments on climate, seeking information from the EU on its progress in tackling climate change, and on its 'Fit for 55' package of legislation. The UK and EU have shared information on approaches to carbon pricing, including on reforms to our respective emissions trading schemes.

68. The UK has been similarly engaged on the EU's approach to implementing its Biodiversity Strategy. The EU has presented its eighth Environmental Action Plan to the UK, answering questions on its proposed approach to monitoring

implementation; and how it interacts with the EU's Circular Economy Action Plan and the European Green Deal.

9. Transport

69. The TCA provides rights for UK road hauliers to carry goods to and from the EU, within the EU and transit the EU, with reciprocal rights provided for EU hauliers. There are bridging provisions for UK and EU passenger transport operators to operate scheduled road passenger services to and from the EU, pending the ratification of a Europe-wide Treaty that will add these rights to the Interbus Agreement. The TCA also provides rights for UK and EU air carriers to provide services between points in the UK and points in the EU without limitation. Rights in relation to international maritime services are set out in the Services and Investment provisions.

Aviation

70. The TCA provides for the UK to negotiate and conclude bilateral arrangements with EU Member States regarding all cargo 'fifth freedom' flights. The UK has signed 19 such agreements, and 3 more await signature. The TCA notes the potential benefits of the continued liberalisation of ownership and control of airlines, and the government has continued to press for progress on this through the Specialised Committee on Air Transport.

71. On aviation safety, the TCA establishes a process for agreeing supplementary annexes to the agreement that would facilitate the recognition of UK and EU certificates. The UK is supportive of concluding annexes on aircraft maintenance and air traffic management, which would be mutually beneficial for both UK and EU industry. To date, the European Commission has not been willing to engage in such discussions.

Road transport

72. The TCA specified several technical implementation measures and progress has been made on these. At the second meeting of the Specialised Committee on Roads Transport, the UK and EU formally agreed to the UK's inclusion in the Internal Market Information System (IMI) which gives UK authorities access to information on EU drivers carrying goods within the UK. The UK has raised concerns over the application of TCA transit rights to UK hauliers transiting through the EU on journeys between the UK and Gibraltar. The government continues to engage the EU on this issue.

10. Fisheries

73. The TCA reflects the UK's status as a sovereign independent coastal state with the right to manage the resources in its waters and apply its own fisheries management practices. The agreement provides for a significant uplift in UK quota and helps to ensure fishing activities for shared stocks in UK and EU waters are environmentally sustainable in the long term. It also sets out access arrangements for EU and UK

fleets to fish in each other's waters and provides for annual fisheries consultations regarding Total Allowable Catches (TACs) for shared stocks, amongst other things.

Annual negotiations

74. Since 2021 the UK has completed three sets of annual fisheries negotiations as an independent coastal State, including bilaterally with the EU, trilaterally with the EU and Norway, and with coastal States in the North-East Atlantic, and beyond. The conclusion of the latest negotiations means the UK fishing industry will benefit from 665,000 tonnes of fishing opportunities in 2023 worth over £750 million. As a result of quota share uplifts agreed in the TCA, the UK has around 115,000 tonnes more quota from the 2023 negotiations than it would have received with its previous shares as an EU Member State.

Access to and management of UK waters

75. The UK and the EU have implemented provisions for mutual access to waters. Access to the UK and EU's Exclusive Economic Zone to fish most stocks was implemented through annual licensing arrangements immediately after the UK's exit from the EU. Access to the relevant parts of the UK's territorial sea is also being implemented through licensing arrangements. The separate access arrangements for EU vessels to fish in the waters around the Crown Dependencies (CDs) and vice versa for CD vessels have been implemented.

76. The TCA also provides for the UK and EU to notify the other when introducing new management measures which are likely to affect vessels of the other party in our respective waters. For example, the UK has notified the EU of prohibiting bottom trawling in certain English offshore Marine Protected Areas.

77. The UK is using the Specialised Committee on Fisheries to deliver our wider sustainability objectives, including through joint requests to the International Council for the Exploration of the Sea (ICES) to improve available scientific advice

11. Social security coordination

78. The TCA's provisions on Social Security Coordination ensure that individuals have a range of social security cover when moving between the UK and the EU including access to reciprocal healthcare arrangements. The agreement respects the UK's ability to apply the Immigration Health Surcharge to EU citizens as part of the UK's domestic immigration system and supports business by ensuring that individuals and employers only pay social security contributions in one country at a time.

79. The UK has used the Specialised Committee on Social Security Coordination to adopt technical recommendations to support the administration of social security rights and obligations. At the second Specialised Committee meeting, the UK and EU agreed the Electronic Exchange of Social Security Information (EESSI) system should be used to support implementation by the UK and EU member states, just as it is currently being used to administer the social security provisions in the UK-EU Withdrawal Agreement. EESSI provides for a more rapid and secure transfer of data

between institutions involved in implementation of social security provisions. The EU has also agreed to seek a solution to the practice of some Member States who require proof of private sickness insurance during visa applications.

12. Law enforcement and judicial cooperation in criminal matters

80. The TCA provides a comprehensive package of law enforcement and criminal justice capabilities that ensure the UK can work with counterparts across Europe to tackle serious crime and terrorism – protecting the public and bringing criminals to justice.
81. The agreement represents the most comprehensive law enforcement and criminal justice arrangements the EU has ever agreed with a third country outside the Schengen area, reflecting our shared values and interests. This includes arrangements which support ongoing cooperation through Europol and Eurojust. Coordinated action last summer by judicial and law enforcement authorities in the UK, France, Germany, Belgium, and the Netherlands, supported by Europol and Eurojust, against cross-Channel people traffickers resulted in the dismantling of a criminal network suspected of using small boats to smuggle up to 10,000 migrants across the English Channel over the last 12 to 18 months, with 39 suspects arrested and 135 boats seized. This is believed to be the biggest ever international operation of its kind.
82. The UK has used the Specialised Committee on Law Enforcement and Judicial Cooperation to work with the European Commission in a number of areas foreseen by the TCA.
 - a. The Partnership Council has twice agreed – in December 2021 and December 2022 – to extend the interim period in which the UK may derogate from part of the agreement on the transfer and processing of EU Passenger Name Record data. This is pending the implementation of necessary technical adjustments to the UK's PNR data processing systems. This interim period will end on 31 December 2023.
 - b. In June 2022, the EU completed its evaluation of the UK's implementation of arrangements for the exchange of DNA and fingerprint data under the Prüm framework. The UK continues to roll out connections to EU Member States and is working with EU partners on implementation of vehicle registration data exchange capabilities.
 - c. The UK and the EU have negotiated a standard form for requests for Mutual Legal Assistance in criminal matters, which is expected to enter into force later this year, making TCA cooperation in this area more efficient.

13. Thematic Cooperation

Health Security

83. The TCA provides for the UK and EU to cooperate on cross-border health threats, including provisions which enable the EU to grant the UK ad hoc access to its Early Warning and Response System (EWRS) and to invite the UK to participate in its

Health Security Committee (HSC). Cooperation has been effective so far; the UK was granted access to the EWRS for SARS-CoV2, and attended HSC meetings on this issue, as well as Mpox, encephalitis associated with Mpox and following the discovery of Polio in London wastewater.

84. As provided for by the TCA, the European Centre for Disease Prevention and Control (ECDC) and the UK Health Security Agency (UKHSA) signed an MoU on 1 December 2021 which aimed to ensure collaboration on matters of communicable disease prevention and control. Work has started between the UKHSA and ECDC to develop a Joint Action Plan to maximise technical cooperation on specific topics, in addition to ongoing individual collaboration between scientific and technical staff in ECDC and UKHSA.

Cyber Security

85. The TCA includes a number of provisions for cooperation on cyber security matters, including the option for the UK and EU to establish a regular dialogue and for the UK to participate by invitation in activities of the European Union Agency for Cybersecurity (ENISA), such as the Network and Information Systems Cooperation Group. To date, these provisions have not been implemented. The UK is open to strengthening cooperation as envisaged in the cyber security provisions of the TCA and has begun early-stage work with ENISA to enable this.
86. At the second Partnership Council meeting the UK and EU looked forward to establishing the dialogue on cyber issues provided for under the TCA.

Counter terrorism

87. The TCA provides for UK-EU cooperation to prevent and combat acts of terrorism, including by establishing a regular dialogue to promote and facilitate the sharing of assessments on the terrorist threat and the exchange of best practices and expertise on counter terrorism. The UK is open to strengthening cooperation on counter terrorism in due course. At the second Partnership Council meeting the UK and EU looked forward to establishing the dialogue provided for under the TCA in the area of counterterrorism.

14. Participation in EU programmes

88. The UK and the EU agreed in the TCA the terms on which the UK would participate as an associated non-EU country in certain EU programmes (Horizon Europe, Copernicus and Euratom Research and Training). The UK and EU also agreed access to EU Space Surveillance and Tracking services. Participation could not be finalised at the signature of the TCA as the underpinning EU legislation had not yet been adopted. The UK and EU agreed this would be finalised as soon as possible, as set out in the Joint Declaration published alongside the TCA.
89. UK association to EU programmes has been a key TCA implementation issue. The EU refused to finalise the UK's participation in these programmes over the reporting period. This has been to the detriment of cooperation between the UK and EU's

shared scientific and research communities, at a time when there should be collaboration on global challenges. As time has passed, the value of the agreement negotiated in 2020 has continued to erode for both sides. The UK has consistently challenged the EU's position and urged the swift implementation of the TCA. This includes raising the issue at the Partnership Council in June 2021, and at both meetings of the Specialised Committee on Participation in Union Programmes. The latter formed part of the consultations process launched under the TCA's dispute settlement mechanism, where the UK set out that the EU is in breach of the TCA.

90. At the second Partnership Council meeting on 24 March 2023, the UK and EU noted their openness to take forward discussions on association in the coming weeks. The UK hopes that negotiations will be successful, but has been clear that UK participation must be on fair and appropriate terms.

15. Annex A: Meetings of the TCA Specialised Committees

- Trade Specialised Committee on Goods (8 October 2021 and 5 October 2022)
- Trade Specialised Committee on Customs Cooperation and Rules of Origin (7 October 2021 and 17 October 2022)
- Trade Specialised Committee on Sanitary and Phytosanitary Measures (22-23 September 2021 and 19 October 2022)
- Trade Specialised Committee on Services, Investment and Digital Trade (11 October 2021 and 20 October 2022)
- Trade Specialised Committee on Public Procurement (12 October 2021 and 27 October 2022)
- Trade Specialised Committee on Level Playing Field for Open and Fair Competition and Sustainable Development (12 October 2021 and 12 October 2022)
- Trade Specialised Committee on Intellectual Property (13 October 2021 and 10 October 2022)
- Trade Specialised Committee on Regulatory Cooperation (13 October 2021 and 26 October 2022)
- Trade Specialised Committee on Technical Barriers to Trade (15 October 2021 and 24 October 2022)
- Trade Specialised Committee on Administrative Cooperation in VAT & Recovery of Taxes and Duties (15 December 2021 and 6 October 2022)
- Specialised Committee on Social Security Coordination (6 July 2021 and 30 June 2022)
- Specialised Committee on Energy (14 July 2021, 30 March 2022 and 28 September 2022)
- Specialised Committee on Fisheries (20 July 2021, 27 October 2021, 27 April 2022, 20 July 2022 and 21 October 2022)
- Specialised Committee on Law Enforcement and Judicial Cooperation (19 October 2021 and 13 October 2022)
- Specialised Committee on Air Transport (14 October 2021 and 28 June 2022)
- Specialised Committee on Aviation Safety (23 November 2021 and 14 November 2022)
- Specialised Committee on Road Transport (24 November 2021 and 21 November 2022)
- Specialised Committee on Participation in Union Programmes (21 December 2021 and 22 September 2022)
- Trade Partnership Committee (16 November 2021 and 1 December 2022)