

# The Wine (Revocation and Consequential Provision) Regulations 2023

<b>Lead department</b>	Department for Environment, Food and Rural Affairs
<b>Summary of proposal</b>	The policy will amend UK wine regulations to better suit the needs of domestic wine producers, while also removing EU regulations that is currently restricting the UK wine sector.
<b>Submission type</b>	Impact assessment (IA) – 28 September 2023
<b>Legislation type</b>	Secondary legislation
<b>Implementation date</b>	tbc
<b>Policy stage</b>	Final
<b>RPC reference</b>	RPC-DEFRA-5298(1)
<b>Opinion type</b>	Formal
<b>Date of issue</b>	12 October 2023

## RPC opinion

<b>Rating<sup>1</sup></b>	<b>RPC opinion</b>
<b>Fit for purpose</b>	The IA includes analysis that is supported by appropriate stakeholder and consultation evidence, to produce a robust EANDCB. The Department notes the difficulty in identifying the number of small and micro businesses (SMBs) affected but includes a sufficient discussion of the impact upon them. The IA should attempt to make a stronger case for regulatory intervention. A range of wider impacts have been considered for each policy; however, the IA would be improved by considering the collective wider impact of all interventions being made. The Department has committed to undertake a post-implementation review (PIR).

<sup>1</sup> The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). RPC ratings are fit for purpose or not fit for purpose.

## Business impact target assessment

	<b>Department assessment</b>	<b>RPC validated</b>
<b>Classification</b>	Qualifying regulatory provision (OUT)	Qualifying regulatory provision (OUT)
<b>Equivalent annual net direct cost to business (EANDCB)</b>	£-22.0 million	£-22.0 million <i>(2019 prices, 2020 pv)</i>
<b>Business impact target (BIT) score</b>	£-110.2 million	£-110.0 million
<b>Business net present value</b>	£189.7 million	
<b>Overall net present value</b>	£189.7 million	

## RPC summary

Category	Quality <sup>2</sup>	RPC comments
EANDCB	<b>Green</b>	The Department has appropriately identified and quantified the direct impacts upon business of the various reforms being made, to enable the EANDCB to be validated. The IA would be improved by taking into consideration the trends seen in the wine market and applying these to the forecasted baselines.
Small and micro business assessment (SaMBA)	<b>Green</b>	The exact number of SMBs affected is difficult to estimate, however the Department sets out the range of sources that have been consulted upon, to understand the scale of SMBs. While the Department includes a suitable level of discussions of the impact upon SMBs, the IA would be improved through discussing how SMBs are disproportionately affected by current regulations.
Rationale and options	<b>Satisfactory</b>	The Department should provide further discussion to support intervention, as it is not clear that the sector is constrained by the current regulatory requirements faced, in particular given the expected growth of UK wine production that is forecast.
Cost-benefit analysis	<b>Weak</b>	The Department should more clearly explain the full range of inputs and assumptions made, including those provided directly by stakeholders to understand the representativeness. The IA explains the approach to calculations made and the sensitivity applied to give low and high estimates.
Wider impacts	<b>Weak</b>	The Department includes a brief assessment of the trade, innovation and environmental impacts (where appropriate) for each policy in turn. The IA also briefly discusses the competition impacts for some. The IA must include an assessment of the impact on competition and market dynamics of the entire range of measures introduced collectively, as well as considering the implications for trading with the EU.
Monitoring and evaluation plan	<b>Satisfactory</b>	The IA includes a commitment to undertake a PIR, not only for the reforms covered by this statutory instrument, but also an additional two seeking to make further reforms to wine regulations. The IA includes some details of the monitoring and evaluation (M&E) that will support this.

<sup>2</sup> The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. The definitions of the RPC quality ratings can be accessed [here](#).

## Summary of proposal

The Department are seeking to introduce a series of reforms to legislation governing the wine industry, to help reduce the regulatory burden on both those importing wine into the country as well as those producing it. It is also intended that the reforms will help boost innovation in the sector and improve efficiency by reducing waste. The IA only considers two options: do-nothing and the legislative option. The legislative option being taken forward contains multiple elements including:

- to remove the requirement that imported wine needs to show the prefix 'importer' or 'imported by' before the address of the business responsible for importing that wine to Great Britain;
- to remove restrictions on the growing of hybrid grape varieties;
- to remove the ban on the production and sale of piquette in the UK;
- to remove the ban on blending imported wines;
- to remove restrictions governing the type of wraps and stoppers that can be used on bottles;
- to remove wine certification arrangements;
- to remove EU rules concerning reservation of certain bottle shapes for certain EU wines; and
- to revoke retained regulation (EU) 2019/935 setting out GB methods of analysis and controls on enrichment.

The only quantified costs identified by the Department are the range of familiarisation costs for business associated with each new or amended piece of legislation. Additionally, the IA notes that society may face health costs, if there were to be an increase in alcohol consumption. The IA includes a number of quantified benefits, including the avoided costs from the removal of the importer labelling requirement, increased profits for wine producers, reduced production costs (from no longer using foil wraps), and the retained costs from no longer needing to pay wine certification scheme fees. Furthermore, the IA mentions non-monetised benefits such as various improvements to grape yields, reductions in waste, supply chain benefits, environmental benefits and providing a greater choice and quality for consumers.

## EANDCB

### Counterfactual/baseline

Given that the '*Importer labelling*' measure makes a temporary regulation into a permanent set of requirements, the EANDCB correctly reflects the IA's position against a do-nothing counterfactual, in which the temporary measure expires, rather than against that of the status quo. It is likely that an EANDCB validated against the status quo would be approximately zero, as the preferred option reflects continuity of the existing regulatory landscape in place and any familiarisation costs for businesses would be minimal. The do-nothing counterfactual is the appropriate course of action to take in this instance, given the temporary easement which currently blocks the '*Importer labelling*' measure from being in force is due to end, as clearly acknowledged by the Department in paragraph 67.

For the ‘*Importer labelling*’ measure, the Department use a static estimate (of 2022 levels) for the number of bottles that will avoid needing to be labelled, not taking into consideration any market trends. The IA would be improved by including some further explanation as to why a static figure (and that of 2022 in particular) is the most representative of the likely level of bottles not requiring labelled for the entire appraisal period.

### **Identification of impacts**

For the ‘*Importer labelling*’ measure, while the Department explain that this will see a shift in liability for products imported, from the importer in the counterfactual to food business operators (FBOs) in the legislative option, the IA does not then consider the impacts upon both groups from this change. The Department should consider the impacts on both importers and FBOs from this, including any unintended effects.

The Department has provided a largely qualitative assessment of the impact of the measure to remove restrictions on the growing of hybrid grape varieties, including in the production of wines with a Protected Designation of Origin (PDO). However, this would appear to be a significant change to the PDO framework and effectively creating a UK PDO framework which contains different designations from the EU one. The IA should have considered the indirect impacts of this including whether UK PDOs will be recognised by the EU (and other countries), as well as broader UK-EU agreements and standards.

Impacts for each policy intervention are helpfully discussed in turn, however the IA would benefit from a summary and discussion of all impacts collectively. This would allow the reader to better understand the overall impact of the costs and benefits, including if the business populations affected by the different interventions are the same or differ.

### **Direct/indirect impact classification**

All of the impacts that have been monetised are correctly identified as being direct in line with RPC case history guidance<sup>3</sup>. However, it is not clear that all of the non-monetised impacts that are identified as being direct would be. The IA would benefit from ensuring that for all impacts, the decision to classify them as direct or indirect is clearly explained.

### **Permissive impacts**

In addition, the Department does well to highlight the permissive nature of several of the reforms being made and has sought to quantify the potential impacts arising from this permissive legislation. The IA would benefit from including some discussion (linking to RPC permissive legislation guidance<sup>4</sup> in addition to the direct impact guidance<sup>5</sup>) how the impacts from such policies (e.g., the non-monetised impacts

---

<sup>3</sup> <https://www.gov.uk/government/publications/rpc-case-histories-direct-and-indirect-impacts-march-2019>

<sup>4</sup> <https://www.gov.uk/government/publications/rpc-case-histories-permissive-legislation-february-2020>

<sup>5</sup> <https://www.gov.uk/government/publications/rpc-case-histories-direct-and-indirect-impacts-march-2019>

discussed as part of the *'Blending wine'* measure) can be treated as having direct impacts given no requirement is placed upon business.

The Department should, in the analysis for the *'Foil wraps and mushroom stoppers'* measure, provide a clearer justification for why the approach to forecasting the expected growth in domestic wine production is appropriate. In addition, the IA would benefit from providing further detail why the size of potential piquette market, and resulting profit, is not based on the initial evidence that the Department discuss (i.e. evidence from the sale of piquette in the USA). In addition, given prior concerns by the EU regarding piquette's potential to reduce the price of wine, the IA should include some discussion of the potential unintended consequences for the UK wine market from its reintroduction.

## SaMBA

### Scope of impact upon SMBs

The IA does well to set out the difficulties faced in establishing the number of SMBs and includes some discussion of the impacts faced by SMBs from the reforms, however the IA would benefit from including discussion of how the regulations currently in place disproportionately impact SMBs. If SMB importers or producers are more greatly affected, or limited, by the regulations than their larger counterparts, then they would likely stand to benefit more from the reforms being made.

### Medium-sized business (MSB) exemption

While the IA includes an assessment of the impact upon SMBs, it is missing a similar consideration of the impact upon MSBs, in line with government guidance<sup>6</sup>. The Department should have considered the number of MSBs affected, as well as what positive impact the regulations would bring these businesses.

## Rationale and options

### Rationale

The Department should make a clearer case for regulatory intervention. While the IA states that the current regulations imposed on the UK wine industry are restrictive, the information that the UK wine industry is both diverse and expected to grow over the coming decade, does not immediately appear to support the position that businesses are constrained by the current regulatory landscape. The IA should provide a clearer case for how businesses are negatively impacted by the legislation or explain in more detail how the sector will prosper under the reforms, as well as developing the discussion of how the reforms can lead to a reduction in waste, as well as improved efficiency.

---

<sup>6</sup> <https://www.gov.uk/government/publications/better-regulation-framework/medium-sized-business-regulatory-exemption-assessment-supplementary-guidance--2#:~:text=This%20guidance%20provides%20further%20advice,future%20regulations%20and%20for%20legislation>

## Cost-benefit analysis

### Evidence and data

The Department clearly sets out that evidence from both the prior consultation and follow-up engagement with industry has helped inform the analysis and estimates produced. In the analysis to support the avoided costs for the ‘*Importer labelling*’ measure, the Department has provided an estimate for the costs avoided per bottle, with this covering the avoided labelling, labour and storage costs for business. The IA explains that the estimates were produced as a result of “*consultation with members of the industry, the WSTA and from responses to the consultation*”, however would benefit from including a breakdown of this per bottle cost into these three cost sub-categories.

### Methodology

The IA correctly seeks to quantify the profit (rather than revenue) that could be generated by the production and sale of Piquette by wine producers, as set out in RPC guidance<sup>7</sup>. The Department should also address whether the foregone income that producers would no longer receive from selling pomace (the main input for Piquette) as animal feed (as discussed by the Department in the consultation<sup>8</sup>) has been accounted for in the analysis.

### Assumptions, risk and sensitivity

The IA explains that the assumptions informing the various familiarisation costs are based on the document length of the new regulations and the degree of technical difficulty. The Department should have sought to strengthen these assumptions through testing them with affected stakeholders and more clearly explaining why some reforms are more complex to understand than others, particularly in light of the uncertainty around some of these assumptions that is highlighted. In addition, the IA would be further strengthened by considering the cumulative impact on individual businesses, given the overlap in businesses affected in scope across the reforms, and if understanding the implication of several of these changes on a business may be more onerous. This may be particularly true, if a high proportion of those affected are small and micro businesses (SMBs) as is suggested later in the IA.

## Wider impacts

### Innovation

Some of the reforms are seeking to directly increase the flexibility that will be afforded to wine producers and the potential for innovation in their production. The IA would be improved if, in addition to the direct impact on innovation discuss how the reforms will foster innovation more widely beyond the new production options created by the legislation.

---

<sup>7</sup> <https://www.gov.uk/government/publications/rpc-case-histories-other-bit-methodology-issues-march-2019>

<sup>8</sup> [https://consult.defra.gov.uk/alcoholic-drinks-geographical-indications-team/consultation-wine-reform/supporting\\_documents/Wine%20Reforms%20Consultation%202023.pdf](https://consult.defra.gov.uk/alcoholic-drinks-geographical-indications-team/consultation-wine-reform/supporting_documents/Wine%20Reforms%20Consultation%202023.pdf)



## Competition

The Department has included some comments on the impacts to competition, for some but not all reforms. The IA needs to be improved by including a holistic assessment of the impact not only upon competition, but the future structure of the UK wine industry (e.g., will domestic production grow and gradually replace imports if demand remains constant).

## Internationale trade and investment

As with other wider impacts, the IA does well to include discussion of the expected trade impacts for each measure in turn. However, the IA must be improved by considering the impact on trust of the UK PDO model, the impact on potential trade with the EU and the impact on producers who may want to sell in both the UK and EU markets. Furthermore, a consideration of the impact on investment (both domestic and international) into the UK wine sector should be included.

## Distributional impacts

The IA would be improved by including a discussion of the distributional impacts. More specifically, the IA should seek to discuss any regional or localised impacts due to the concentration of wine production in specific areas of the country.

## Monitoring and evaluation plan

The Department has committed to undertaking a PIR for the entire range of reforms that they are intended to make to UK wine regulations. This includes those covered by this SI, as well as a further two SIs that are expected to be introduced soon. The IA includes some high-level detail on the content of the PIR and the M&E activities that will be undertaken to support it (which include both utilising existing monitoring practices and bespoke research). The M&E plan set out in the IA would be improved if the Department were able to provide some further detail on what would be needed to see in key metrics, for the reforms and other amendments to be deemed as being successful in delivering the key objectives.

## Regulatory Policy Committee

For further information, please contact [regulatoryenquiries@rpc.gov.uk](mailto:regulatoryenquiries@rpc.gov.uk). Follow us on Twitter [@RPC\\_Gov\\_UK](https://twitter.com/RPC_Gov_UK), [LinkedIn](#) or consult our website [www.gov.uk/rpc](http://www.gov.uk/rpc). To keep informed and hear our views on live regulatory issues, subscribe to our [blog](#).