

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

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

4 September 2018

Dear President Juncker and Prime Minister May,

Prioritising EU27-UK cooperation on climate change and energy

As investors with long-term holdings across all geographies and sectors, we recognise that climate change poses one of the greatest long-term threats to our economies and societies.

For that reason, we strongly support the Paris Agreement and its continued and full implementation. This is essential to provide clear, long-term and stable signals to guide investment in low carbon infrastructure, technologies and business models. We have also strongly supported the leading role that the EU played in helping to deliver the Paris Agreement thanks to its strong level of climate ambition at home.

For its part, at the EU level the UK has had a long history of being a progressive and leading member state on climate change and energy issues. The development of efficient energy markets across Europe which have internalised external costs such as climate change has fostered economic growth while boosting job creation, energy import savings, energy security, and citizens' health and wellbeing.

As the UK's exit from the EU is being negotiated, we recall that dynamic and forward-looking cooperation between the EU27 and the UK on climate change and energy has, until now, kept costs down and increased the pace of the low carbon transition. In addition, setting and achieving strong, long-term global climate ambitions in Europe has demonstrated global leadership which we believe has positively influenced the actions of other countries.

The Brexit negotiations should therefore aim to ensure that these benefits continue in the future. To this end, we strongly urge both the UK and EU27 to commit to continuing to work together to meet the commitments set out in the Paris Agreement via a comprehensive Climate and Energy Chapter for the future relationship agreement, which covers both trade and non-trade issues.

This would help to ensure that the climate and energy security of the EU27 and the UK is protected, that innovation and economic growth are supported, and that the EU and UK remain leaders in the global battle against climate change.

Addressing climate change and energy together creates an area of mutual benefits where the respective interests of the EU and the UK are balanced, allowing for more rapid agreement. Such a balance of interests is only possible if the Chapter addresses issues such as cooperation on emission targets (including renewables, energy efficiency, and buildings and vehicle standards), clean energy projects of common interest, climate and energy diplomacy and carbon pricing, which, as non-trade issues, it would be much more difficult to address adequately in a “more conventional” EU Free Trade Agreement (for instance - the FTA with Canada does not cover energy).

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

1. Maintaining and enhancing climate ambition within a strong and efficient economy

a) Agreement to cooperate on implementing the Paris Agreement.

Climate change is a global issue that is best addressed through a collaborative approach. Both the EU and the UK have been leading the way in decarbonisation over the years by showing that the energy transition can be a success story, and by negotiating jointly at the international level. Reaching the EU’s and UK’s ambition levels and targets should demonstrate this ongoing commitment and provide a solid vision for the future.

b) Agreement that after Brexit both the UK and EU27 will maintain high environmental standards on products, vehicles, industrial emissions, and green finance currently agreed within the EU, and to a process of dynamic cooperation to discuss future increases in these standards.

EU27 investors need confidence that the UK will not seek to initiate a race to the bottom in Europe on environmental standards. Those investing in the UK need clarity that HM Government will not lower standards in future (non-EU) trade deals that would allow international competitors with lower standards to undercut them. The EU27 and the UK can accelerate the development of ambitious and aligned regulations, including on renewables, energy efficiency and buildings standards - supporting maximum economic and social benefits for both sides and setting the benchmark for global environmental standards.

c) Agreement that the UK will continue to participate in the EU Emissions Trading System (EU ETS) until at least the end of Phase IV.

The EU ETS has created a level environmental playing field for the power sector and energy intensive facilities across Europe. Unpicking the UK’s participation in the mechanism would be extremely complicated. The future relationship agreement must avoid the negative implications of an overly-hasty UK exit, for example additional surplus allowances being added to the EU ETS, a reduction in the EU carbon price driven by any perceived lack of UK confidence in carbon trading, or rushed legislation which undermines the EU ETS’ overall functioning.

2. Minimising disruption to existing low-carbon sectors, instruments and projects

- d) Agreement to prioritise delivering zero tariff and non-tariff barriers to trade between the EU27 and UK in low carbon goods and services.

There are risks that Brexit may create additional costs and administrative burdens for sectors and instruments that are strategically important to the low carbon transition, such as offshore wind, energy storage, interconnection and electric vehicles. We urge you to ensure such costs are avoided. Mutual recognition of low-carbon energy products would help to avoid non-tariff barriers.

- e) Agreement to co-investment in clean energy infrastructure and R&D projects of common interest.

To retain Europe's leadership position in renewable and low carbon energy, we urge UK and EU leaders to work together to ensure the mechanisms are in place to allow for co-investment in projects of joint interest such as the North Sea Offshore Grid, Horizon Europe and successor R&D programmes. We also urge HM Government to develop additional mechanisms for delivering financial support to clean energy projects to fill the gap left by EU funding.

3. Continuing strong levels of international collaboration and leadership

- f) Agreement to diplomatic cooperation on climate change.

We recommend that the Climate and Energy Chapter commits to developing joint UK/EU Climate Change Ministerial Councils to discuss international climate change policy and to support coordinated diplomatic engagement in support of the Paris Agreement.

We welcome the recent high-level statements made by both EU27 and UK negotiators which have sought to reassure that levels of climate ambition will not be reduced as a result of Brexit. We now urge both sides to turn these positive intentions into concrete agreements via the recommendations set out above. We stand ready to work with you to support these efforts, with a view to maintaining and enhancing the leading levels of climate ambition within Europe which have helped to drive investment and reap widespread benefits.

On behalf of the Institutional Investors Group on Climate Change,



Stephanie Pfeifer, IIGCC CEO

Contact: spfeifer@iigcc.org