

Leading the Way on Green Trade

Thank you for having me in your wonderful building this morning.

You are at the heart of the City and of course, London is one of the world's greatest green financial centres.

The greatest city on earth, as the Prime Minister always says – and one, of course, that is built on trade.

The ancient temple below our feet, reminds us how the Romans sent goods to every part of their empire, from their warehouses along the Thames.

While today, millions of pounds of financial services are sold every minute, of every hour, of every day to the world from the skyscrapers around us and above us and the buildings that we walk past everyday.

So the story of trade has shaped this city and indeed the whole of our nation.

So this morning I want to discuss its latest chapter: our ambitions to become a green trade global leader.

I'm going to set out how we're doing this, how we'll achieve it and what we're doing right now.

But first, if I may, I would like to say a few words about Ukraine.

Because as we are all too painfully aware, this illegal and unprovoked war by Putin has levied an immense cost on lives, on the economy and on individual freedoms of those living across Ukraine.

As the Prime Minister has said on many occasions, the UK stands firm with Ukraine and we will continue to do all in our power to support the Ukrainians to fight and win, and to rebuild their democratic nation.

That is why, with our allies, we have brought in the largest and most severe economic sanctions that Russia has ever faced...

Measures that will degrade Putin's ability to attack the people of this brave country.

And trade is an important element of that response.

We've supported Ukraine's economy by cutting tariffs under the UK-Ukraine Free Trade Agreement to zero.

Since the start of the invasion more than £4 billion of Russian products have been subjected to full or partial import and export sanctions.

Because this terrible conflict has underlined what can be achieved through a cohesive global approach.

And it has also reminded us that most urgently, we must de-Putinise the world's economy...

Both through sanctions, and by cutting off access to the oil revenues that power his war machine. That's why here in the UK, we have announced that we will phase out imports of Russian oil and gas.

More broadly, these past months have highlighted the need to accelerate our journey as a global community away from hydrocarbons.

To decisively turn our backs on the era of dependence on those polluting fuels, and to transition to a Net Zero future.

I don't choose the word, journey, accidentally.

Because whilst we are unrelentingly focused on reaching net zero; this must be done by transitioning to a new clean energy world without economic damage, to new energy-efficient homes cost effectively, and to clean transportation as individuals and businesses invest in their next vehicles.

And it will only succeed if this is a genuine national endeavour.

In addition, if we are to together build a net zero world, we must share our ideas, our expertise and our innovations.

The UK has all of these in abundance and we therefore have a responsibility and an opportunity that we must not miss.

Indeed, there's a real moral imperative on us to act. To borrow the Prime Minister's words which he spoke at COP26 in November:

'As we look at the green industrial revolution that is now needed – We in the developed world must recognise the special responsibility to help everybody else to do it.'

It won't come as a surprise to you that I think that green trade is going to be a key tool that will allow us to address some of those imbalances.

International cooperation is going to be essential.

And at COP26 in Glasgow last November, we saw what we can achieve together.

197 countries demonstrated the power of collective and concerted international action...

By pledging to combat change and keep 1.5 degree target alive...

Pushing forwards to COP27 in Egypt later this year and COP28 in the UAE in 2023 to drive a steady drum beat of action.

And in Glasgow, the world also agreed that decisive action is needed now.

And that delivering net zero is not just in our environmental interest but, of course, in our economic interest too.

So, the financial case for green trade is very clear:

The global market for low-carbon exports is growing rapidly.

By 2030, it's projected to be worth almost £2 trillion.

While a potent combination of ambitious entrepreneurs, high ambitions and steadfast and determined government backing, the UK is now in a leading position to take a first mover advantage.

This translates into some exciting opportunities for us:

Because quite simply green trade, spells green jobs.

In fact, by 2050, over 1.2 million people could be directly employed in low carbon goods and services sectors, a six-fold increase from today.

That's a really extraordinary figure, and will be critical to achieving our domestic goals of levelling up across the whole of the UK too.

Our challenge now is to turn this potential into firm reality.

Unsurprisingly, our approach is rooted in our fundamental belief of the benefits of free trade.

Because it is only when trade is free and fair...

When markets accurately account for environmental costs...

And when business can properly compete...

That we can together succeed in generating real green growth for developed and developing countries alike.

Some have argued that pursuing a free trade agenda is somehow anti-environmental...

Or that protecting the climate, we must somehow turn our backs on the world.

This kind of thinking isn't just patently wrong; I think it's dangerous.

We need to be very clear about what life without free trade would entail from an environmental perspective.

Without free trade – the world would face an uphill struggle in developing the technologies we need to cut emissions. By contrast, thanks to global competition, since the 1990s for instance, the price of lithium-ion batteries has fallen by 97%.

Without free trade – Some nations will be unable to access the green technology required to transition to a low carbon economy.

Because right now, 90% of the world's lithium production is concentrated in just three countries.

And without free trade – the cost of clean technology won't fall quickly enough. Conversely, with free trade, lower tariffs on electric vehicle batteries are helping to decrease production costs, making them more affordable for consumers.

Without free trade – global communities can't benefit from specialisation, and the emissions reductions that it can deliver.

This might sound counterintuitive. But, in fact, apples shipped here from South America by sea create just half the carbon emissions of apples held in storage for 10 months.

The World Bank has also found that following tariff liberalisation, free trading countries receive a growth dividend of about 1.5 percent per year. Gains that can be channelled into future green growth.

Of course, the benefits of free trade are not only measured in pounds and pence.

They of course have those broader implications too:

Because when we shut our doors, we lose the mutual growth we get by human interactions.

Countries that trade together think, work, and grow together.

Closer trade ties mean stronger relationships with the academics, with scientists and engineers who will help us all to move to a low carbon economy.

So, the UK is an unabashed advocate of free and fair trade. And we're committed to working with our international partners to progress this agenda globally.

So how are we going to do it?

Well our work is focused around four key principles:

- Building our green industrial base
- Boosting green exports
- Liberalising green trade
- and greater alignment of our trade and environmental policies.

So let me turn to the first point – building a green industrial base.

UK businesses are already at the vanguard of green growth.

So now we want to tell that story to the world – so that we can drive greater investment in those high-tech industries that will boost productivity, increase exports, create jobs and cut emissions.

We've already taken some major steps:

The Global Investment Summit, which we hosted last year, secured £9.7 billion

of foreign investment for UK offshore wind, hydrogen, and electric vehicles.

And since then, we've seen real action right across the country:

Fifty-five miles off the Yorkshire Coast, Danish energy firm Orsted is forging ahead with its £6 billion Hornsea2 offshore wind project. It's one of the largest on the planet and it will directly create 521 long-term jobs.

In Hull, Siemens Gamesa has ploughed £186 million into expanding their offshore wind blade factory, taking its workforce to around 1,200 people.

While in North Wales, Turkish firm, Eren Paper, is investing £500 million into building a new corrugated cardboard factory, which will save millions of trees, through using paper waste and creating 500 new jobs.

Since the Global Investment Summit last autumn, leading Australian businesses have also announced they will commit £28.5 billion into clean energy, technology and infrastructure projects across the UK. Another clear statement of confidence in the UK as a world leader in green trade and investment.

So this is just some of all that's happening.

This Autumn, my Department, along with BEIS, is going to be hosting a new Green Trade and Investment Expo in the North East..

I'm really excited about this – not least because I'm a Northumberland MP and it's always good to bring the world to my little corner of the UK. The Expo is going to bring together UK businesses and global investors, joining forces so that we will be able to capitalise on the commercial opportunities from our drive to net zero.

We are also supporting the Port of Tyne in raising capital to create a centre for the North East's growing renewables sector.

At COP26 in Glasgow, we were the lead signatory of the Clydebank Declaration – a coalition of 24 countries committed to establishing at least six zero-emission shipping corridors by 2025.

And our team at the Office for Investment is also pulling out the stops to encourage high value green investment.

One great example is their collaboration with BEIS to secure Britishvolt's £2 billion injection into a Gigafactory in Northumberland that will create around 3,000 jobs.

But we want to do even more to encourage global businesses to consider what the UK, has to offer.

We want turbine, monopiles, electric vehicles and their components manufactured and assembled here – to create jobs, supply chains and growth in the UK.

That's why last year we launched our Investment Atlas – showing the

opportunities across the economy and across the country...

Whether that's supporting Scotland to become a global pioneer for floating offshore wind... or helping the South West's sustainable aviation industry to take off.

And our second priority is boosting exports.

From renewable energy and green finance to sustainable construction and precision agriculture – there is enormous potential here.

By 2030, low-carbon industries could generate up to £170 billion of UK exports.

If we succeed in super charging our green exports – we will create jobs, boost productivity and build that expertise that will benefit the world.

Clearly, we recognise that to play their part businesses will need finance.

UK Export Finance, our export credit agency, has an essential role to play here in supporting companies access finance as they seek to export.

Its Export Development Guarantee allows businesses to access high value loan facilities to finance sustainable production and to boost those important exports.

So today I'm thrilled to announce a £50 million UK Export Finance-backed loan guarantee for construction company Mace, a green construction pioneer, to bolster its growing export business.

The loan includes sustainability targets to incentivise the company's transition to net zero and green growth. And it will enable Mace to continue supporting environmentally friendly infrastructure projects and to create new, green jobs.

I'm also delighted to announce that, Megger, an electrical testing solutions manufacturer, will be receiving a £138 million UKEF-backed guarantee.

This will help the firm to secure a new £50 million factory in Dover from where it can export to the world.

And of course, all this is a major shot in the arm for the town of Dover itself.

But we really are just getting started.

UKEF has £2 billion of direct lending standing ready to support overseas projects. And our teams of trade and export finance experts are focused on getting more businesses exporting and on showcasing our great innovators' work to the world.

Our third priority – using the full reach of our independent trade policy to liberalise green trade – is a critical new tool in our armoury.

You might recall, one of our first steps after Brexit was to introduce the UK Global Tariff. This removed duties on more than 100 environmental goods – lowering prices and turbocharging our green economy.

The free trade agreements that we've struck, and demolishing barriers to green trade, reinforcing shared environmental commitments, are increasing international collaboration.

In fact, our Australia deal goes further on climate, than any previous trade deal signed by them before this one.

It removes tariffs on goods which benefit the low carbon economy, including eliminating tariffs on imports of Lithium batteries...

And the deal opens the door to new co-operation across green industries.

Our deal with New Zealand removes tariffs on the most comprehensive list of environmental goods in any FTA to date.

And we are now preparing for agreements with India, Mexico, Israel, Canada, Switzerland and the Gulf Co-operation Council.

Liberalisation should be consistent with our domestic and international commitments on trade and the environment.

We recognise that some of our partners will have different views on what's included in these agreements, including on the environment.

But, of course, they are all on their own paths towards a green transition. So by developing closer ties, we believe we can help them speed up those journeys.

So, we're working hard to ensure these deals deliver practical benefits, while allowing our partners and their businesses to fully harness the expertise of our renewable energy sector... including our world-leading services industry that will play a key role in enabling the journey to net zero.

For example, if we can remove barriers, a deal with India could support the rapid growth of its offshore wind industry...helping one of the world's largest economies build a more sustainable future.

Of course, trade agreements are one part of our efforts to build a freer, fairer, and greener international trading system.

But alone, they won't propel the world to net zero or indeed reverse biodiversity loss.

We can only make the large-scale change we need through multilateral co-operation.

And that's why my department is putting green trade at the heart of our agenda at the WTO.

I'm very pleased to say that our ambassador – Simon Manley – was recently appointed chair of the WTO Committee on the Environment – which is going to be a really key role.

We are playing an integral part in establishing the WTO's Trade and Environmental Sustainability Structured Discussions. This very valuable forum, which is allowing policymakers and civil society to discuss the future of green trade, now counts 71 members – including the US and China.

And we want to go further, calling on WTO members to launch negotiations to liberalise green trade and push for substantive outcomes as soon as possible.

The growth of global trade has taken place against a backdrop of persistent market failures – like the under-pricing of carbon – and distortions – like harmful fossil fuels subsidies. Such issues have incentivised wasteful consumption, damaged the environment, and warped trade flows.

These are global issues. And tackling them abroad will be essential to achieving our environmental ambitions here back home.

This leads me to our fourth and final priority: greater alignment of our trade and environmental policies.

Aside from some humanitarian exceptions, the UK has ended support for fossil fuels overseas, ceasing trade promotion for oil and gas companies...

...and stopped offering export credit guarantees for oil extraction or processing.

I was really proud that at COP26, more than 30 countries and institutions followed our lead and pledged to end export finance support for fossil fuels by the end of this year.

Last year, under our presidency, the G7 collectively recognised the risk of carbon leakage – where businesses shift production to countries with lower emissions regulations.

This a global problem, and it will require a global solution.

The UK believes we should design a framework that properly addresses the issue alongside our international partners and avoid a complex patchwork of regulations that stifle business.

This would prevent UK emissions from being simply offshored, which of course harms global efforts to reach net zero.

And it would enhance incentives for overseas producers to “go green” and break into new markets.

It goes without saying that any solution must account for the needs of developing countries, who are often worst equipped to mitigate climate threats and indeed hardest hit by inaction.

We know tackling carbon leakage won't be easy. But it really is integral to building a truly global green economy. And we are entirely committed to this challenge.

So, I hope this morning I've given you a sense of the scope of our green trade agenda and indeed the importance that Government places upon it.

Trade has shaped countless civilisations.

That principle hasn't changed.

Today the power of free and fair trade, along with British expertise, ideas and leadership, is accelerating our progress to net zero.

Cutting emissions to tackle the climate crisis;

Generating jobs across every part of our great country;

Creating prosperity in every town and city based on clean energy;

And building a better future both for the UK and for our friends and partners around the world.

Thank you.