



## Policy Focus

*A bi-monthly review of major policy developments in Brussels, London and Washington, prepared for BABC member companies*

**June 2007**

### **London**

#### **Gordon Brown delivers confirmation speech**

In his confirmation speech to party members following his appointment as Prime Minister on June 27<sup>th</sup>, Gordon Brown described Britain as a country of 'rising aspiration' and promised a new government that will meet the challenges of 2007 and beyond. [LINK](#)

### **London**

#### **EU Treaty Agreed**

The successor Treaty to the failed EU constitution was agreed on Saturday, June 23<sup>rd</sup>. The agreement included a deal which allows Britain to opt out of a human rights charter and keep its independence on tax and foreign policy. Gordon Brown said he was satisfied that the EU internal market was protected under the new Treaty. Conservative leader David Cameron has argued that a referendum on the Treaty was still necessary. [LINK](#)

### **Brussels**

#### **New French Government Indicates that it will Oppose Turkey's Bid for EU Membership;**

French officials continue to express concern about the European Commission's plans to open membership talks with Turkey. This is regarded as signaling that the French President Nicholas Sarkozy is serious about pushing Turkey into a privileged partnership with the EU, not full membership. [LINK](#)

### **Brussels**

#### **The EU Climate Change Debate Puts the Focus on the Transport Sector;**

At a European transport ministers meeting on June

### **London**

#### **UK Gas Supplies Threatened by Shortages;**

Britain's natural gas supplies are threatened by shortages in the next decade as electricity companies build more gas-fired power stations and domestic gas production declines. The UK is increasingly reliant on gas imports—until 2004 the UK was self-sufficient in gas but is now a net importer and will be in intense competition for supplies from Norway, Russia and the Middle East. The Rt. Hon Alistair Darling MP, Secretary of State for Trade and Industry, has set out plans to reduce Britain's reliance on gas imports in 2020 from 80% of its needs to 60%. Industry has raised doubts as to whether this goal is achievable. [LINK](#)

### **Washington**

#### **Democrats Press Ahead with Plan to Channel Oil Subsidies to Renewable Fuels;**

Senate Democrats would like to see a major reversal of energy tax policies that would take billions of dollars in tax breaks and other benefits from the oil industry to underwrite renewable fuels. The tax increases would reverse incentives passed as recently as three years ago to increase domestic exploration and production of oil and gas. The change reflects a shift from a Republican focus on expanding oil production to the Democrat concern about reducing global warming. [LINK](#)

### **London**

#### **Financial Services Authority (FSA) Struggles with Insider Trading;**

Based on the number of penalties issued by the FSA (8 since 2001 and none this year), insider trading is not common in the UK. However, stock movements

8<sup>th</sup>, it was decided to bring the transport sector under increasing regulation with respect to greenhouse-gas emissions. In a report "Energy Strategy for Transport," Ministers said that the transport sector must reduce emissions and energy consumption by 20% by 2020. Together with measures to cap CO2 emissions from cars, and including aviation in its carbon emissions trading scheme, the Council also called for maritime shipping, inland waterways and railways to take up a larger share of freight transport. [LINK](#)

## Brussels

### Environmental Groups Cast Doubt on EU Climate Change Goals;

The European Environment Agency (EEA) stated in its annual report that greenhouse-gas emissions decreased by 0.8% in 2005. The Commission has welcomed the decrease but has called for more action. Environmental groups regard the modest figure as indicative of the EU's failure to achieve emission-reduction targets agreed in Kyoto in 1992. The overall emissions reduction was the work of a few member states; namely, Romania, Finland, the Netherlands and Germany. [LINK](#)

## Washington/ London/ Brussels

### G8 Pledges Support for UN Climate Talks;

The G8 Summit took place from June 6<sup>th</sup> – 8<sup>th</sup> in Heiligendamm, Germany (Germany holds the G8 Presidency for 2007) and the world's leading industrialized nations agreed to start talks aimed at halving global CO2 emissions by 2050. Large emerging economies will also be invited to join the talks to be concluded in 2009. US President George Bush, who refused to ratify the Kyoto protocol, stated, "I recommitted myself today, that the United States will be actively involved, if not taking the lead, in a post-Kyoto framework, post-Kyoto agreement. I view our role as a bridge between people in Europe and others and India and China." [LINK](#)

## Washington

### US Secretary of State Says American 'Ideals' and 'Interests' are Inextricably Linked;

The US Secretary of State Condoleezza Rice stated that the US would continue to use free trade, foreign aid and all elements of its power to promote an open international order based on political liberty and national sovereignty. According to Rice, US foreign policy is governed by interests and ideals, "liberty and

ahead of acquisitions suggest otherwise. According to the FSA, insider trading occurs before a quarter of all deals and FSA officials blame UK laws for limiting their capability to prosecute offenders. The situation is likely to worsen as takeovers have doubled in the past year to the equivalent of \$859 billion. [LINK](#)

## London

### Action on Private Equity Tax Breaks;

Gordon Brown, Prime Minister as of June 27<sup>th</sup>, is determined that any action on tax breaks enjoyed by private equity should not impact other business taxpayers. Brown is resisting pressure to abolish generous capital gains tax relief on business assets, despite mounting anger over the use of those reliefs by partners in private equity firms to pay tax at a rate of only 10%. Brown will ask his successor to report by autumn this year on potential changes to the tax breaks of private equity executives and their companies.

HM Treasury is currently assessing the extent to which partners in equity firms use 'carried interest' (a form of investment return that is treated as a capital gain and may be taxed at only 10%) as opposed to 40% higher rate of income tax. HM Treasury is also looking at private equity companies' ability to use interest on debt to reduce tax on operating profits. [LINK](#)

## London

### Bank of England States that British Property Market Might be at Risk;

Bank of England Governor Mervyn King has said that the British property market could be at risk if a decline in savings from Asian countries pushes up long-term interest rates. The comments came after falls in global debt markets last week lifted long-term bond yields to multi-year highs sending jitters through riskier asset classes. [LINK](#)

## Washington

### US Tightens Export Restrictions on China;

The US Administration has posted a "China Policy Rule" on its website, which would expand the number of military end-use items for which US companies would need licenses to export to China. Industry groups argue that the rule is counterproductive adding that the expanded restrictions will hurt US industry by prompting China to buy an increasing

justice within states leads to peace and stability between states.” [LINK](#)

### Forthcoming Events

#### London:

#### Washington:

**9 July:** Senate Committee Hearing on Excessive Speculation in the Natural Gas Market (Homeland Security & Government Affairs)

#### Brussels:

**1 July:** Inauguration Concert of the Portuguese EU Presidency

number of technologies from Europe. However, Commerce Secretary Carlos Gutierrez said it struck the right balance in the US’ complex relationship with China. [LINK](#)

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