

LISTS OF ENERGY GOODS, HYDROCARBONS AND RAW MATERIALS

LIST OF ENERGY GOODS BY HS CODE

- Natural gas, including liquefied natural gas, liquefied petroleum gas (LPG) (HS code 27.11)
- Electrical energy (HS code 27.16)
- Crude oil and oil products (HS code 27.09 - 27.10, 27.13-27.15)
- Solid fuels (HS code 27.01, HS code 27.02, HS code 27.04)
- Fuel wood and wood charcoal (HS code 44.01 and HS code 44.02 goods used for energy)
- Biogas (HS code 38.25)

LIST OF HYDROCARBONS BY HS CODE

- Crude oil (HS code 27.09)
- Natural gas (HS code 27.11)

## LIST OF RAW MATERIALS BY HS CHAPTER

Chapter	Heading
25	Salt; sulphur; earths and stone; plastering materials, lime and cement
26	Ores, slag and ash, with the exception of uranium or thorium ores or concentrates (HS code 26.12)
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals; of radioactive elements or of isotopes, with the exception of radioactive chemical elements and radioactive isotopes (including the fissile or fertile chemical elements and isotopes) and their compounds; mixtures and residues containing these products (HS code 28.44); and isotopes other than those of heading no. 28.44; compounds, inorganic or organic, of such isotopes, whether or not chemically defined (HS code 28.45)
29	Organic chemicals
31	Fertilisers
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof, with the exception of pearls, natural or cultured, whether or not worked or graded but not strung, mounted or set; pearls, natural or cultured, temporarily strung for the convenience of transport (HS code 7101)
72	Iron and steel
74	Copper and articles thereof
75	Nickel and articles thereof
76	Aluminium and articles thereof
78	Lead and articles thereof
79	Zinc and articles thereof
80	Tin and articles thereof
81	Other base metals; cermets; articles thereof

ENERGY AND ENVIRONMENTAL SUBSIDIES

As part of the principles set out in Article 367(14) of this Agreement:

- (1) Subsidies for electricity generation adequacy, renewable energy and cogeneration shall not undermine the ability of a Party to meet its obligations under Article 304 of this Agreement, shall not unnecessarily affect the efficient use of electricity interconnectors provided for under Article 311 of this Agreement, and, without prejudice to Article 304(3) of this Agreement, shall be determined by means of a transparent, non-discriminatory and effective competitive process; and
  - (a) subsidies for electricity generation adequacy shall provide incentives for capacity providers to be available in times of expected system stress and may be limited to installations not exceeding specified CO<sub>2</sub> emission limits; and
  - (b) subsidies for renewable energy and cogeneration shall not affect beneficiaries' obligations or opportunities to participate in electricity markets.

- (2) Notwithstanding point 1, provided that appropriate measures are put in place to prevent overcompensation, non-competitive procedures may be used to grant subsidies for renewable energy and cogeneration if the potential supply is insufficient to ensure a competitive process, the eligible capacity is unlikely to have a material effect on trade or investment between the Parties, or subsidies are granted for demonstration projects.
- (3) If partial exemptions from energy-related taxes and levies<sup>1</sup> in favour of energy-intensive users are introduced, such exemptions shall not exceed the total amount of the tax or levy.
- (4) If compensation for electricity-intensive users is granted in the event of an increase in electricity cost resulting from climate policy instruments, it shall be restricted to sectors at significant risk of carbon leakage due to the cost increase.
- (5) Subsidies for the decarbonisation of emissions linked to own industrial activities shall achieve an overall reduction in greenhouse gas emissions. The subsidies shall reduce the emissions directly resulting from the industrial activity. Subsidies for improvements of the energy efficiency of own industrial activities shall improve energy efficiency by reducing energy consumption, either directly or per unit of production.

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<sup>1</sup> For greater certainty, levies do not include network charges or tariffs.

NON-APPLICATION OF THIRD-PARTY ACCESS  
AND OWNERSHIP UNBUNDLING TO INFRASTRUCTURE

A Party may decide not to apply Articles 306 and 307 of this Agreement to new infrastructure or to a significant expansion of existing infrastructure where:

- (a) the risk attached to the investment in the infrastructure is such that the investment would not take place unless an exemption is granted;
- (b) the investment enhances competition or security of supply;
- (c) the infrastructure is owned by a natural or legal person separate, at least in terms of its legal form, from the system operators in whose systems it was or is to be built;
- (d) before granting the exemption, the Party has decided on the rules and mechanisms for management and allocation of capacity.

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ALLOCATION OF ELECTRICITY INTERCONNECTOR CAPACITY  
AT THE DAY-AHEAD MARKET TIMEFRAME

PART 1

1. The new procedure for the allocation of capacity on electricity interconnectors at the day-ahead market timeframe shall be based on the concept of "Multi-region loose volume coupling".

The overall objective of the new procedure shall be to maximise the benefits of trade.

As the first step in developing the new procedure, the Parties shall ensure that transmission system operators prepare outline proposals and a cost-benefit analysis.

2. Multi-region loose volume coupling shall involve the development of a market coupling function to determine the net energy positions (implicit allocation) between:
  - (a) bidding zones established in accordance with Regulation (EU) 2019/943, which are directly connected to the United Kingdom by an electricity interconnector; and
  - (b) the United Kingdom.

3. The net energy positions over electricity interconnectors shall be calculated via an implicit allocation process by applying a specific algorithm to:
  - (a) commercial bids and offers for the day-ahead market timeframe from the bidding zones established in accordance with Regulation (EU) 2019/943 which are directly connected to the United Kingdom by an electricity interconnector;
  - (b) commercial bids and offers for the day-ahead market timeframe from relevant day-ahead markets in the United Kingdom;
  - (c) network capacity data and system capabilities determined in accordance with the procedures agreed between transmission system operators; and
  - (d) data on expected commercial flows of electricity interconnections between bidding zones connected to the United Kingdom and other bidding zones in the Union, as determined by Union transmission system operators using robust methodologies.

This process shall be compatible with the specific characteristics of direct current electricity interconnectors, including losses and ramping requirements.

4. The market coupling function shall:

- (a) produce results sufficiently in advance of the operation of the Parties' respective day-ahead markets (for the Union this is single day-ahead coupling established in accordance with Commission Regulation (EU) 2015/1222<sup>1</sup>) in order that such results may be used as inputs into the processes which determine the results in those markets;
  - (b) produce results which are reliable and repeatable;
  - (c) be a specific process to link the distinct and separate day-ahead markets in the Union and the United Kingdom; in particular, this means that the specific algorithm shall be distinct and separate from that used in single day-ahead coupling established in accordance with Regulation (EU) 2015/1222 and, in respect of commercial bids and offers of the Union, only have access to those from bidding zones which are directly connected to the United Kingdom by an electricity interconnector.
5. The calculated net energy positions shall be published following validation and verification. If the market coupling function is unable either to operate or to produce a result, electricity interconnector capacity shall be allocated by a fall-back process, and market participants shall be notified that the fall-back process will apply.
6. The costs of developing and implementing the technical procedures shall be equally shared between the relevant United Kingdom transmission system operators or other entities, on the one side, and relevant Union transmission system operators or other entities, on the other side, unless the Specialised Committee on Energy decides otherwise.

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<sup>1</sup> Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (OJ EU L 197, 25.7.2015, p. 24).



## PART 2

The timeline for the implementation of this Annex shall be from the entry into force of this Agreement, as follows:

- (a) within 3 months – cost benefit analysis and outline of proposals for technical procedures;
  - (b) within 10 months – proposal for technical procedures;
  - (c) within 15 months – entry into operation of technical procedures.
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