

# The implications of the UK-EU Trade and Cooperation Agreement for UK participation in EU research and innovation programmes

## 1. Summary

- 1.1. The adoption of the UK-EU Trade and Cooperation Agreement (TCA) late in December 2020 provides much needed and long-awaited clarity on the UK's status in the new EU Research and Innovation Framework Programme, Horizon Europe, which will run from 2021 to 2027. Though the governance and UK financial contribution modalities will change significantly compared with when the UK was an EU member state, the reality for UK researchers wishing to apply for EU funding is unchanged. With some very limited exceptions, UK researchers will be eligible to apply for funding from all parts of Horizon Europe.
- 1.2. The TCA covers UK participation in Horizon-funded initiatives such as Joint Research Centre (JRC) activities, article 185 and 187 partnerships, the European Institute of Innovation and Technology (EIT), the European Research Infrastructures Consortium (ERICs) and the European Research Area Committee. Alongside Horizon Europe, the TCA provides a basis for continued UK participation in the Euratom Research and Training programme for 2021–25, which covers the ITER fusion partnership, as well as the Copernicus Earth observation programme, part of the wider EU Space programme.
- 1.3. This information note summarises the relevant points of the TCA and explains what it will mean for UK universities wishing to participate in EU research and innovation programmes in the future.

## 2. Legal texts

- 2.1. Participation in Union programmes is covered in part five of the [TCA](#) (pp.386-403). This agreement does not in itself define UK association in Horizon Europe because the legal texts underpinning the programme have still to be agreed. Instead, the TCA sets out the key principles for UK participation in the programmes in which it intends to participate. These principles cover eligibility, financial and governance arrangements and other technical provisions, and are summarised below. The TCA also establishes the

- ‘Specialised Committee on Participation in Union Programmes’ (henceforth ‘Specialised Committee’ – see Article INST.2, pp.11-16), a joint UK-EU committee through which relevant matters will be discussed and agreed in future, including the future adoption of a formal association agreement for Horizon Europe.
- 2.2. This subsequent agreement is foreseen in the TCA as ‘Protocol I’ (see Article UNPRO.1.3), to be agreed at a later date, which will set out in which programmes the UK intends to participate, the duration of UK participation, specific conditions, and, where applicable, set out the UK’s financial commitment to the relevant programme. A draft of Protocol I was published alongside the TCA text among the [joint declarations](#), with the express intention that this is adopted as soon as legally possible.
- 2.3. Although both sides reserve the right to reconsider participation in the programmes set out in Protocol I, the declaration states that ‘[i]t is the Parties’ firm intention that the Specialised Committee will adopt the Protocols at the earliest opportunity to allow their implementation as soon as possible, in particular with the ambition that United Kingdom entities would be able to participate from the beginning of the programmes and activities identified, ensuring relevant arrangements and agreements are in place, insofar as possible and in accordance with Union legislation.’

### Key points

- The TCA includes a deal on UK participation in Horizon Europe which both sides have signed up to, but this still needs to be rubber-stamped after the programme has finally agreed by the EU.

### 3. Eligibility, scope and duration

- 3.1. The TCA provides that any individual or organisation established in the UK is eligible to apply for and be awarded EU funding from any Union programmes covered in Protocol I. This includes:
- All pillars of Horizon Europe (including the European Research Council and Marie Skłodowska-Curie Actions), as well as:
    - Joint Research Centre activities
    - Article 185 and 187 partnerships
    - The European Institute of Innovation and Technology
    - The European Research Infrastructures Consortium

- The European Research Area Committee.
  - Euratom Research and Training Programme
    - European Joint Undertaking for ITER ('F4E') and the Development of Fusion Energy
    - Copernicus
- 3.2. The [UK government website](#) has separately confirmed that the UK will continue to participate in the COST programme.
- 3.3. The only part of Horizon Europe in which the UK will not participate is the European Innovation Council (EIC) fund, to which the UK declined to sign up. This is a new funding stream in Horizon Europe which will award funding to SMEs in the form of equity. It should be noted that UK entities will still be eligible for grant-based EIC funding streams; we expect these to include the EIC Pathfinder fund, EIC Transition fund and EIC Accelerator fund (but not the investment component).
- 3.4. The agreement lasts for the full duration of the programmes covered (seven years, except for Euratom RTP which runs until 2025, albeit a two-year extension is foreseen in Protocol I), unless any of the suspension or termination clauses are triggered before the end of the agreement (see section 4). A new Protocol I may subsequently be adopted to allow for continued UK participation in future EU programmes.

### Key points

- The deal covers UK participation in Horizon Europe and a number of other EU research and innovation programmes, with some very limited exceptions, until 2027 at the earliest. **This includes participation in the European Research Council and Marie Skłodowska-Curie Actions.**
- UK researchers can still lead Horizon Europe project just like they could in previous Framework Programmes.

## 4. Suspension and termination of the agreement

- 4.1. The deal includes a number of a suspension or termination clauses that one side or the other may activate in specific circumstances.
- 4.2. On the EU side, these are provided in Article UNPRO.3.1, which sets out two notable grounds for suspension:

- Any change in the 'conditions for entry and residence' for anyone involved in any activity funded through this agreement, including students, researchers, trainees or volunteers. It specifically mentions that any discrimination between EU member states would also provide grounds for invoking this clause.
  - Any change in 'financial charges, including fees' that apply to anyone involved in these activities. There is no further definition given of what this could cover, but UUK understands that costs such as the NHS surcharge would be included here.
- 4.2.1. Suspension would not be automatic; the EU would give the UK 45 days' notice of its impending suspension if the change is not reversed in the meantime. During this time, the UK and EU may agree appropriate measures for reversing any change through the Specialised Committee, in which case the suspension would not take effect. The Specialised Committee would then meet at the end of the notice period to discuss whether the change was still in effect, and if so, the UK would be suspended from that point. At any point after that, the UK can give notice that it has corrected the change, and the EU would be required to make an assessment within 30 days. If the EU agrees, the UK would be reinstated immediately, and if not, the suspension would remain in effect.
- 4.2.2. Suspension would mean that UK entities and researchers would become ineligible for funding in any 'award procedures' not yet completed. This means that UK researchers would neither be able to apply for funding from EU calls nor could they complete grant agreements which were still awaiting sign-off, though any awards for which the grant agreements had already been signed would not be affected. The UK's operational contribution and participation would be adjusted down to account for any calls from which the UK would be ineligible to receive funding (see section 5.2).
- 4.2.3. One year after the suspension takes effect, if there has been no progress towards resolving the change in question, the EU will either terminate the UK's participation permanently or 'reassess' the conditions for UK participation.
- 4.3. On the UK side, the agreement provides a so-called 'performance review' mechanism in Article UNPRO.3.4, which sets out two distinct processes that the UK may initiate if UK receipts fall by specified percentages.
- 4.3.1. The first of these may be triggered by the UK if its receipts are more than 12% lower than its than its operational contribution for the previous year (excluding the participation fee). In this case, the UK may request that the Specialised Committee

adopts a report setting out 'appropriate measures' for addressing the imbalance, which would be applied for twelve months.

4.3.2. The second may be triggered if UK receipts are more than 16% lower than its than its operational contribution for the previous year (excluding the participation fee). This would allow the UK to either give 45 days' notice of its intention to terminate its participation or make a request to the Specialised Committee that further measures be taken, explicitly including revising down the UK's operational contribution.

4.4. The UK retains the right to unilaterally terminates its participation in any given programme in Article UNPRO.3.3. This article provides that the UK may give 45 days' notice of its intention to terminate in any one of three circumstances:

- If the EU changes the core objectives or modalities of the programme.
- If the overall programme budget (and accordingly the UK contribution) increases by 15% or more compared with the initial financial envelope.
- If the UK is excluded on justified grounds (e.g. security reasons) from activities accounting for more than 10% of the programme budget.

### Key points

- The deal is subject to a number of suspension or early termination clauses.
- On the EU side, these cover changes to the immigration regime and fees for researchers coming to the UK to work on Horizon Europe projects, or discrimination by the UK between members states.
- On the UK side, they can be triggered if UK receipts fall substantially below the level of their contribution, or if there are unexpected increases in the UK contribution as a result of increases in the Horizon Europe budget or fundamental changes to the overall programme.
- In either case, there will be opportunities to resolve difference through a joint committee, and the agreement would only be suspended or terminated after a 45-day notice period.

## 5. Financial contribution

- 5.1. The agreed financial contribution mechanism is set out in Article UNPRO.2.1. It has two components; the operational contribution, which covers the funding for awards made through the programme, and a participation fee, which is intended to cover the overheads of UK participation.
- 5.2. The operational contribution is calculated by multiplying the ratio of UK GDP to EU total GDP by the total Horizon Europe budget. It will be adjusted upwards or downwards annually to account for any positive or negative difference in total programme commitments in the preceding year compared with initial budget. It will also be adjusted downwards to take account of any calls from which the UK was excluded, 'quasi-excluded' (see section 5.4) or for which UK entities were ineligible to apply at the deadline to due suspension or termination of the agreement.
- 5.3. Per Article UNPRO.3.5, the UK may object to increases in its operational contribution where the programme budget was more than 5% greater than the initial budget via the Specialised Committee. The UK must still pay the increased contribution, but the Committee must come up with 'appropriate measures' to address the UK's objections, which could include limiting UK participation in certain types of calls.
- 5.4. A specific process is set out in Article UNPRO.2.1a to address what is termed as 'quasi-discrimination' against the UK in specific calls. The UK can raise a case of 'quasi-discrimination' in the three months following the deadline of any calls in which the participation rate (based on the number of UK applications) is 25% or more lower than either the UK participation rate in 'similar' calls in the preceding three years, or the UK participation rate in all calls if there are no 'similar' calls. This will be assessed and determined by the Specialised Committee.
- 5.5. The participation fee is set as a percentage of the UK's operational contribution. It starts at 0.5% in 2021 and increases steadily to 4% by the end of the programme.
- 5.6. The financial contribution includes an 'automatic correction' mechanism whereby the UK must top up its contribution if its receipts exceed its contribution (excluding the participation fee) by 8% or more for two consecutive years. This mechanism only works in one direction; there is no automatic mechanism in the UK's favour if its receipts fall below its contribution. However, the UK does have the right to trigger its 'performance review' mechanism if its receipts fall by more than 12% compared with its contribution, which could lead to some form of financial redress or other measures (see section 4.3).

### Key points

- The UK will pay into the programme budget in proportion to its GDP, plus a pro-rated participation fee, which will reach 4% of its basic contribution by 2027.

- The amount the UK pays in will be adjusted annually to account for variations in the Horizon Europe budget. It will also be reduced to account for any calls that the UK may not take part in, either for agreed reasons or on the grounds that the EU has 'quasi-discriminated' against the UK in a particular call.
- If the UK receives 8% more than it pays in, the UK will have to top up its basic contribution.

## 6. Other elements

- 6.1. UK recipients of EU programme funding will continue to be subject to audits by the European Court of Auditors in the same way as they were as an EU member state. The same applies to investigations by the European Anti-Fraud Office, albeit these may be conducted in collaboration with the relevant UK authorities.
- 6.2. UK officials and experts may still attend EU programme committees and working groups for the programmes in which they participate, albeit as observers with speaking but no voting rights rather than full member. The practical impact of this change in status is expected to be minimal as these groups tend to operate on a consensus basis and very rarely take formal votes.
- 6.3. A mid-term review of these arrangements will be carried out by the Specialised Committee after four years. This review will consider trends in UK participation up to that point and may propose changes to the terms governing UK participation.

## 7. Next steps

- 7.1. UUK is keen to communicate this positive news as widely as possible to its membership and to EU universities and researchers. We will be working with BEIS, UKRI, the UK Research Office in Brussels, the Science and Innovation Network and other UK research and innovation stakeholder organisations to this end. This work will continue throughout the Horizon Europe programme as we seek to ensure the UK university sector derives the maximum benefit from its continued participation and the collaboration opportunities that this provides.
- 7.2. In addition to this communications activity, we will be monitoring progress towards the final confirmation of UK association, as explained in section 2. We will inform members and EU partners as quickly as possible once this is confirmed. We hope this will happen in time for the opening of the first Horizon Europe calls, which is anticipated in April 2021

- 7.3. UUK will continue to liaise with BEIS on questions arising from the successful conclusion of this deal, including how this funding will be accounted for in the UK domestic R&I budget, and whether the UK Government is still planning its own Discovery Fund to complement UK participation in Horizon Europe.
- 7.4. If you have any questions about this briefing, the deal and how it affects UK university participation in EU research and innovation programme, please contact [peter.mason@international.ac.uk](mailto:peter.mason@international.ac.uk).