

EIUG position on the implications of 'No Deal' Brexit for Energy Security and Pricing

EIUG has considered the potential energy security and pricing impacts of a 'no deal' Brexit on UK ELLs, having discussed the issues with Ofgem, government departments and relevant stakeholders in the energy industry

Need for Ongoing Co-operation

EIUG understands there is little risk of tariff barriers or quotas being imposed on gas or electricity in the event of a 'no deal' Brexit. The EU does not currently charge import duties on electricity and although it does have a tariff on imported gas (0.7%) it has chosen not to apply this in practice. Nonetheless, it is essential that future imposition of tariffs is avoided.

The concern is more with non-tariff barriers that reduce the efficiency of gas and electricity trade, or emergency arrangements that restrict imports to the UK when EU systems are under stress, which would have a negative impact on UK security of supply. UK/EU cooperation should therefore be maintained on the operation of emergency measures, capacity mechanisms, carbon pricing, supplier obligations or other interventions affecting trade.

Ofgem Due Diligence

EIUG is reassured by Ofgem's work to ensure that GB gas and electricity systems can operate satisfactorily on day one after Brexit regardless of the outcome of negotiations, including a 'no reciprocal agreement' scenario.

Ofgem have identified potential issues with interconnector licenses and network codes. Provided work starts sufficiently far ahead of Brexit and adequate resources are made available, they are confident these issues can be resolved to allow continuity in trade in the absence of a reciprocal agreement.

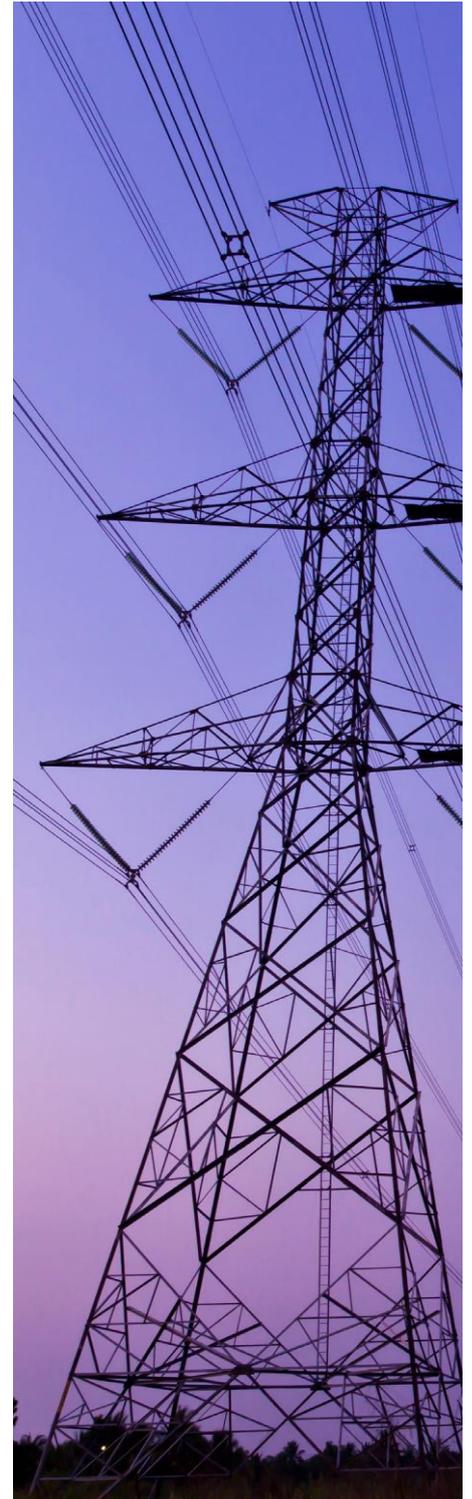
EIUG understands these issues pose more of a risk to overall economic efficiency and energy prices than to security of supply.

Adequate Resources Required

EIUG believes it is essential that BEIS, Ofgem, National Grid and industry code administrators have the resources they need to ensure this work is carried out to completion and that appropriate fall back arrangements can be put in place in place ahead of Brexit, if needed, in the event that a 'no deal' exit becomes inevitable.

Risk of Parliamentary Delays

EIUG would be concerned if there were delays or other problems obtaining Parliamentary approval of the Repeal Bill (allowing for current codes to be retained), or the Nuclear Safeguards Bill which replicates provisions of the EURATOM treaty.



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Requirement for Timely Clarification

The situation with regard to the EU Clean Energy Package (which includes 2030 energy efficiency and renewable energy targets) and the EU Emissions Trading Scheme, and the extent to which the UK will remain bound by either after Brexit, will also need to be clarified as soon as possible, and in any case well ahead of Brexit itself.

Monitoring EU Energy Developments

It would be prudent for the government to continue monitoring EU energy developments, even those unlikely to apply directly to the UK after Brexit, to assess any indirect impacts – e.g. on the availability of EU energy exports in constrained conditions, or any other developments that may hinder free trade of gas or power in response to price – that could have implications for UK energy security.

Brexit at a time of increased Interdependence and Change

It is worth noting that with declining domestic UK energy sources and increasing renewable generation, the UK will be leaving the EU at a time of increasing energy interdependence between ourselves and neighbouring countries. This increases the importance of maintaining energy trade and strengthening energy interactions with our EU neighbours.

Need for Transparent Risk Assessment

Energy security policy will need to be reviewed if, at some point in the future, the EU proposes to restrict open commercial access to energy production, importation or storage located within the EU, or to restrict exports of gas or electricity in emergency conditions.

In the meantime, Ofgem and others should maintain transparency about their contingency work ahead of Brexit so energy users can be reassured of a satisfactory outcome.

