

Energy Institute Debate: Implications of Brexit for the UK energy sector

12 October 2016, London

The Energy Institute (EI) hosted a Question Time style debate for energy professionals to identify top concerns and priorities for the energy sector as the UK prepares to negotiate its exit from the EU. The event was held under the Chatham House Rule; this is a high-level summary of proceedings.

Participants, including a panel of senior industry figures and an audience of EI members, acknowledge that energy will be only one of many areas of negotiation for Government. For this reason, it is vital to prioritise a few focussed outcomes which are most important for the energy system.

The top priorities identified were:

- **Access to the single energy market**
- **Access to skilled labour**
- **Clarity of process and timing**

Viewed in isolation, the energy industry may not be among the Government's top priorities for Brexit negotiations. However, its contributions to industrial capabilities, national security and GDP make energy of fundamental strategic importance to the success of the UK outside of the EU.

Single energy market

Continued access to the EU energy market will help meet future demand, decarbonisation targets and keep prices down for consumers. Negotiations should aim to maintain harmonised trading agreements and standards, as well as interconnection for electricity and gas. Harmonised trade agreements, and if possible keeping existing trade agreements where they are mutually beneficial, are recommended over individual bi-lateral agreements with member states.

In addition to ensuring supply meets demand, interconnection and grid harmonisation also support the essential increase in renewables and help balance the market. This capacity will enable Government to balance climate change targets with growing demand and an ageing infrastructure.

Skilled labour

The workforce underpins all aspects of running and future development of the energy system, so the issue of people with the right skills is critical. This is an issue of concern for energy companies, centres for research and innovation, and academia, who rely heavily on access to top talent through the movement of people across borders. Negotiation outcomes should provide assurance for existing foreign workers, researchers and academics, as well as continuing to make the UK an attractive place to work and study. If possible current protected lists and inter-company movement of personnel practices should be safeguarded and simplified.

The breadth and depth of industry expertise is extremely valuable to companies operating in the UK. By maintaining the free movement of labour, Government will be assuring the industry is able to meet challenges and provide essential services, that future professionals can receive the training and

education needed to enter the sector, and that our universities can continue their leading role in global research and innovation.

It was noted that this is not an issue for the energy industry alone, but all sectors in the UK economy underpinned by scientific and technical skill sets will especially be affected.

Process and timing

A clear roadmap of the negotiation and transition process will provide clarity for the industry and importantly for investment and finance. Tactically it might be a positive step to identify points of mutual agreement at an early stage, so that negotiators can focus on more challenging issues. Communicating these issues, where possible, along with the transition process and timetable will help provide assurance going forward. It will also be helpful to clarify domestic practicalities, including whether any EU-driven laws translated into UK law are repealed, and how any devolution of decision-making among UK administrations is affected.

Uncertainty around the Brexit negotiation process and timetable for leaving the EU threatens investment in energy projects at a time when key changes to infrastructure are needed and pressure from low oil prices are already challenging. From a financing standpoint, Brexit raises risk and increases the cost of capital, weakens the case for investing in rebuilding generation capacity, and makes it harder to attract the foreign investment needed in the UK. This will be exacerbated by loss in funding from the European Investment Bank. A clear roadmap will help provide certainty to investors and ensure our future energy security.

General comments

Debate participants emphasised that many issues concerning energy policy can and should be addressed regardless of EU relations, and are fully under the control of UK Government. Articulating clear plans through stable policies will give much needed positive signals to industry and investors, particularly in volatile times surrounding Brexit. It is well recognised that the negotiation and transition process will take time. Clarity, where it can be provided, will be essential for companies and investors as they look ahead.

It was also highlighted that the energy industry needs to communicate a clear, unified narrative. The challenge of maintaining affordable and secure energy supplies as we transition to a low carbon economy will only be achieved by cooperation across sectors and across borders. Renewables, domestic oil and gas production and interconnection will all be necessary to manage the low carbon transition and meet future demand. Likewise many of the concerns around Brexit are shared across the energy sectors and by other industries. This system-spanning narrative needs vocalising by Ministers and others in influential positions in the sector. The UK Climate Change Act and the associated Carbon budgets set the direction of travel that this narrative can continue to support.

Another recurring theme was the likelihood that the high cost of necessary updates and expansions to generating capacity over coming years will mean higher prices for consumers. Government can make those unavoidable price rises more manageable and reduce volatility through stable, long-term policy. Again these decisions will not be contingent on our negotiations or relationship with the EU.

Background

The EI's 2016 [Energy Barometer report](#) revealed that prior to the referendum, energy professionals expected negative impacts for all areas of the energy system if the UK were to leave the EU but remain in the single energy market. As the UK Government moves towards negotiating exit from the EU, the EI continues to enable dialogue between industry professionals and Government to assist with prioritisation and share advice and concerns.

The group of EI members which responded to the Energy Barometer, the EI College, were consulted on the recent inquiry into Implications for energy policy of leaving the EU. [Their written evidence](#) was submitted to the Commons Select Committee on Energy and Climate Change which drew out the following top energy priorities for negotiation of Brexit:

- Maintain security of supply
- Retain access to EU energy market, and allow EU to access UK market
- Retain movement of labour and access to skilled workers
- Maintain free flow of project finance
- Continue to share information and participate in collective efforts affecting energy system
- Maintain a strong commitment to the environment
- Ensure energy supplies remain affordable (domestic, commercial and industrial)

Following this inquiry, the EI invited a wider group of members to take part in the 12 October debate to further develop recommendations for negotiation priorities. Questions were submitted to the moderator in advance to guide initial discussion, and the 80 audience members were able to ask further questions on the night. The above is a summary of these proceedings.