

Event Report – The impact of Brexit on the Scottish and UK energy systems

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On 22-23 March 2018, the University of Edinburgh and ClimateXChange co-hosted a Panel and a Workshop exploring the potential impact of Brexit on the Scottish energy system. Over the two days, a distinguished set of experts from across industry, government, academia and law debated the risks and uncertainties of Brexit in the context of the Scottish Government's ambitious decarbonisation strategy, and the UK's wider climate and energy policy agenda.

Panel Event

The Panel was asked, 'How disruptive will Brexit be to Scotland's Energy Strategy?' The evening began with Andy Kerr, Director of the Edinburgh Centre for Carbon Innovation, speaking about European integration (from Rome to Lisbon) and the role of the EU in co-producing policy on energy and climate change with Member States. Charles Livingstone of Brodies LLC followed by providing a legal perspective on the future balance of power and competencies between Scotland, the UK and the European Union. The focus then turned to energy, with Antony Froggatt discussing the potential impact of Brexit on the UK's current climate and energy policies. Keith Anderson, the Chief Executive Officer of Scottish Power provided the 'industry perspective' on Brexit, noting in particular that despite the legal challenges of Brexit, there were few anticipated changes to industry business models. Katherine White, Head of Strategy and Projects at the Energy and Climate Change Directorate, rounded the Panel off with a Scottish Government perspective on the potential impact of Brexit on the new Scottish Energy Strategy.

The motivation for the Panel event was to provide a Scottish perspective on the impact of Brexit on our energy system. Indeed, this is a highly topical issue; the Scottish Government has been at the forefront for building the case against the UK's departure from the European Union, and has recently published an assessment highlighting significant costs of a 'hard' Brexit to the Scottish economy (Scottish Government, [2018](#)). Amidst high-level discussions about the UK's future relationship with the European Union, the Scottish Government has also recently finalised its ambitious Energy Strategy (Scottish Government, [2017](#)) which features a renewables target of 50% of 'all energy' by 2030. It remains unclear to what extent Brexit will have a positive, negative or neutral effect on this target and other aspects of the Energy Strategy. Indeed, some on the Panel held the view that Scotland's path to decarbonisation is largely underpinned by a domestic energy industry governed by national legislation, and that the risks of Brexit to cross-border energy supplies and other issues are marginal and manageable. Others pointed

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out the significant regulatory and legal uncertainty created as a consequence of leaving the European Union’s Internal Energy Market; this might impact long-term investments in low-carbon energy technologies and cross-border supply chains, disrupting the path for Scotland’s new energy strategy.

Workshop

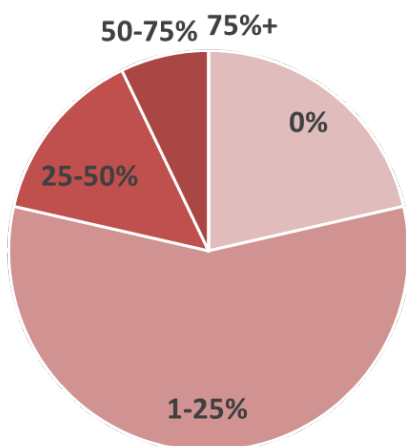
This invitation-only workshop gathered 15 experts from across government, industry, and academia to consider the future of the UK’s electricity system in the context of Brexit. Participants engaged with the following questions:

- What are the risks and uncertainties facing the UK electricity system after Brexit? To what extent does the functioning of this system – now and in the future – depend on EU membership?
- How can the probability and impact of the identified risks be measured and assessed?
- What can be done to mitigate risk and reduce uncertainty for the UK electricity system following Brexit?

In order to answer these questions, participants were asked to carry out a structured Risk Assessment exploring the effects of Brexit on the UK’s electricity system. The morning session involved an initial context-setting exercise, considering the extent of the UK’s technical, regulatory and institutional integration with the European Union and its Member States. This was followed by an identification of the key risks and uncertainties posed by Brexit, employing a ‘whole-systems’ perspective and taking into account both short- and long-term issues.

Participants were asked prior to the workshop whether Brexit would pose risks to energy flows to the UK. The consensus view was that a disruption to energy supply was quite unlikely (fig 1).

What is the probability that UK/European energy flow will be disrupted in the immediate period following Brexit?



What do you think will be the closest institutional model for UK/EU energy relations?

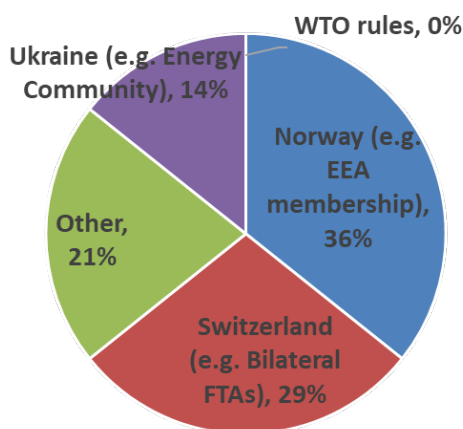


Figure 1: Pre-Workshop questionnaire results

However, there was less certainty around the institutional model that would most closely resemble the post-Brexit UK-EU energy relationship. Interestingly, none of the participants thought that energy

relations would become governed by WTO rules, signalling a confidence that either an off-the-shelf or bespoke arrangement was the most likely outcome of the Brexit negotiations.

Much of the remainder of the discussions focussed on this uncertainty of the likely model to guide EU-UK energy relations. Participants identified a wide number of issues during the Risk Assessment exercise; these are summarised in figure 2, with varying levels of priority assigned according to the focus of the discussions and the range of risks identified.

Many of the uncertainties facing the UK electricity system were interpreted as being either (a) relatively insulated from Brexit-related effects or (b) deemed to have more important variables determining their outcome. For example, the discussion about the treatment of cross-border electricity infrastructure concluded that strong market fundamentals and domestic policy were key drivers of investment, and these aspects were relatively insulated from Brexit. However, exceptions were identified; participants in particular highlighted the difficulties of implementing the Irish Single Energy Market (I-SEM), considering its sensitivity to broader agreement around the status of Northern Ireland (in/out of Customs Union, Single Market, etc).

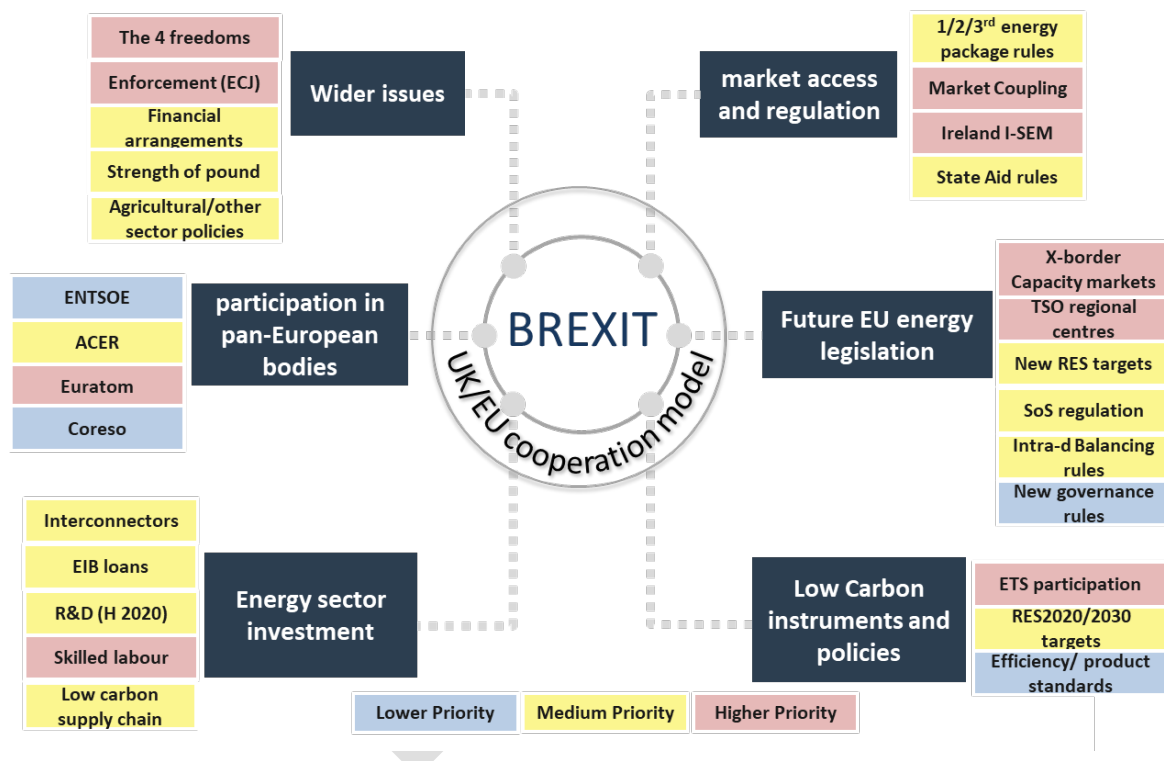


Figure 2: Brexit-related uncertainties and their relative importance

The priority assigned to each of these elements must, of course, be treated with caution, given the overall level of uncertainty. Many of these issues are also inter-related and a number of ‘spill-over’ effects were identified. Moreover, many of the issues may not have been seen as having immediate consequences, but over time were identified as having the potential to evolve into significant regulatory, legal, technical or market-related incongruities between the UK and Europe.

For the closing session, participants were asked to give their individual views on whether Brexit will have made a material difference to the UK electricity system in 2050. There was, again, a divergence of

views, with a relatively even split between ‘optimists’ and ‘pessimists’. This again is a testament to the continued uncertainty over the eventual model of cooperation agreed between the UK and the European Union over the medium-term. Many participants highlighted the loss of UK influence in Europe as a mutually disadvantageous situation which was likely to have long-term consequences. Others contended that Brexit will have been a ‘mere blip’ in the wider process of energy system change; this logic extended to the process of European integration, which would carry on with or without UK involvement. Some participants also agreed that in a global context, the UK would be better off in the EU in relation to dealings with other regions’ energy agendas, particularly those of China and the USA.

Workshop Participants

Dan Barlow, Programme Manager, ClimateXChange

Keith Bell, UKERC Co-Director, Strathclyde University

Ronan Bolton, Lecturer in Energy Policy, University of Edinburgh

Lynne Bryceland, Europe and Wales Policy Manager, Scottish Power

Paul Deane, Energy Researcher, Energy Policy and Modelling Group, University of Cork

Chris Dent, Centre for Energy Systems Integration, University of Edinburgh

Joseph Dutton, Policy Advisor, E3G

Antony Froggatt, Senior Fellow, Chatham House

Matthew Hannon, Chancellor’s Fellow, Strathclyde University

Andreas Lindemann, MSC Energy, Society & Sustainability, University of Edinburgh

Callum MacIver, Research Associate, University of Strathclyde

Fiona Milligan, Communications Manager, NorthConnect

Keith Patterson, Partner and energy legal expert, Brodies LLP

Jakub Vrba, Energy Industries Division, Scottish Government

Mark Winskel, Chancellor’s Fellow, University of Edinburgh

Ben Zaczek, Dept. of Business Enterprise & Industrial Strategy, UK Government

Peter Zeniewski, Chancellor’s Fellow in Energy & Society, University of Edinburgh

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