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BREXIT SCENARIOS: SPACE FOR CLIMATE AND ENERGY COOPERATION GROWS WINTER UPDATE 2017

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Executive Summary

The purpose of this scenarios update is to reflect on recent developments in the Brexit negotiations and examine the implications for energy and climate issues. Overall we assess that space for climate and energy cooperation has increased as talks move onto the second phase of negotiations. However, significant challenges remain and the timing, structure and framing of major climate and energy issues over the next 2-3 months will have a major impact on the final outcome.

The last minute agreement to a 'divorce settlement' between the UK and EU on the morning of the 8th of December marked a significant milestone for the Brexit negotiations. The joint statement provides agreement on the main issues within Phase I of the negotiations covering citizens' rights, financial obligations and the Irish border. Talks are now expected to progress to Phase II and discuss the transition deal and heads of agreement on a future relationship, where the majority of energy and climate issues will be decided.

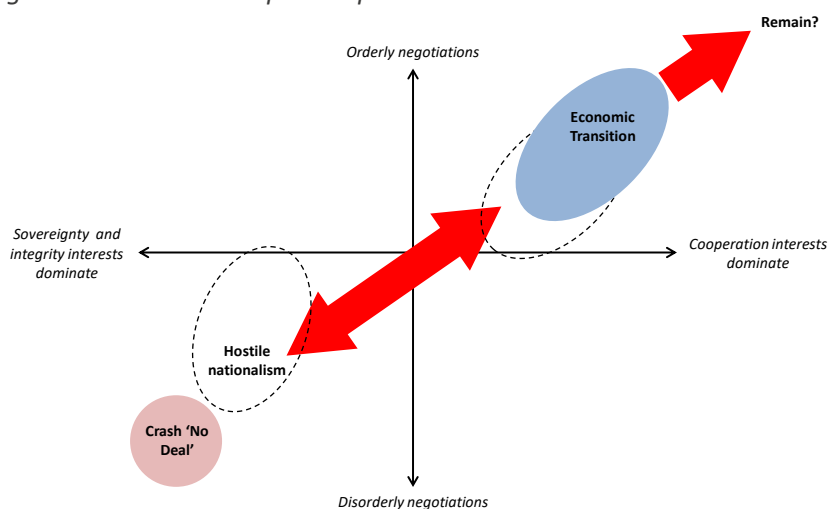
Nonetheless, the joint statement contains a number of important elements for energy and climate change including:

- **The All Ireland Single Energy Market (SEM):** The commitment by both sides to maintaining an open border, including for energy infrastructure, will require ongoing cooperation. By far the best way to achieve this would be for the UK to continue to fully participate in the EU Internal Energy Market (IEM);
- **The European Investment Bank (EIB):** The EIB is a key financier of energy infrastructure. The agreement will minimise any disruption to the EIB, which had the potential to impact investment on both sides, and opens up the prospect of establishing a UK subsidiary post Brexit;

- **Euratom:** There has been agreement that “...the UK will be responsible for international nuclear safeguards in the UK and is committed to a future regime that provides coverage and effectiveness equivalent to existing Euratom arrangements.” However, as a matter of urgency the UK Government should now publish details of how this will be achieved by the date of exit.

Progress in the negotiations has led to a revision in the scenario outcomes as shown in figure 1 below. The risk of a crash and descent into ‘hostile nationalism’, with both sides blaming the other for failure to progress the talks, was narrowly avoided but the deal shows both sides remain committed to progress. When the Northern Ireland Democratic Unionist Party (DUP) objected to language on the Irish border on the morning of the 4th December it looked like a collapse was a real possibility. In brokering a deal 4 days later UK Prime Minister Theresa May possibly rescued both the Article 50 process and her own future. In doing so there is now a much reduced chance of a hostile nationalism outcome, although that is not to say that a crash ‘no deal’ outcome is completely ruled out.

Figure 1: Winter 2017 updated political scenarios



The stutter towards conclusion at the end of Phase I exposed how fragile the talks are and the deep divides within the UK position. But having made progress, however faltering, there is now more space to explore an economic transition scenario which prioritises reaching a swift agreement on a transition phase and then moves on to discuss the heads of agreement for the future relationship. This does not mean that the negotiations will be easy going forward. In particular there is no UK Cabinet Agreement on the endstate it wants. Failure to resolve these issues could still lead to a crash outcome, but, this will likely now be directly perceived as a deliberate attempt to derail the negotiations and walk back on the Phase I agreement. This may change the political calculation for many of the leading political figures involved.



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For energy and climate issues it is now critical that they are positioned appropriately within the Phase II process to ensure the best chance of achieving a cooperative outcome. In particular three key areas are important:

- **Timing within the Phase II negotiations:** Energy and climate issues provide an obvious area where physical interconnection (both through energy infrastructure and shared environmental space) mean that there is strong mutual benefit from continuing to work together. As such they should be dealt with as early as possible within Phase II;
- **Structure of working groups:** Alongside timing, how the negotiating groups are broken down and structured can have a material impact on the final outcome. It is important that energy and climate issues remain linked as issues through Phase II, as the main synergies and trade-offs are complimentary across them;
- **Framing of major trade-offs and compromises:** Negotiations always require movement and compromise from both sides. For energy and climate, there is an obvious potential deal around UK Internal Energy Market (IEM) access versus continued UK contribution to meeting the EU 2030 decarbonisation goal of an at least 40% reduction.

Finally, for the first time a remain option is explicitly considered in the scenarios. It is possible that if the UK looks like it is moving towards a two year transition deal where it remains within the Single Market and Customs Union, followed by a deal that will require close regulatory alignment to avoid a hard border in Ireland it is possible that public sentiment may shift. Already the sustained high levels of inflation in the UK as a result of the pound devaluing are having an impact on public sentiment, where a majority of people now believe for the first time that they will be worse off as a result of Brexit.¹ We will continue to monitor and update remain options in future scenario updates.

Introduction: Previous Brexit scenarios

The official submission by the UK of its Article 50 notification on the 29th of March 2017 has started the formal process of Brexit. Despite recent progress, there remains uncertainty on how the negotiations will continue to unfold. The outcome of this negotiation will have major impacts for all areas of policy between the EU and UK, including energy and climate change. Scenario analysis provides an opportunity to explore how progress in the overall negotiations may impact specific policy areas.

The scenarios are built on four key drivers:

- **How national interests are prioritised by each side:** This encompasses how the UK and EU-27 Member States choose to prioritize different issues within

¹ ORB 2017



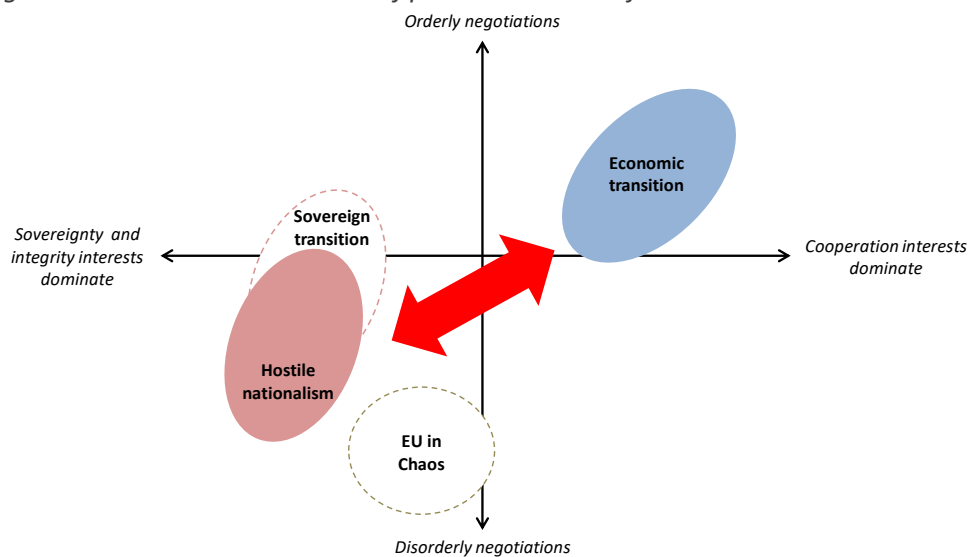
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the Brexit negotiation. This includes both issues related to withdrawal agreement such as financial liabilities and the rights of citizens; as well as issues related to the future relationship such as new free trade agreements, membership of the European Union Customs Union (EUCU) and the role of the Court of Justice of the European Union (CJEU). To date energy and climate change issues have not played a prominent role in Brexit discussions.

- **Orderly versus disorderly negotiation process:** There is no precedent for the Brexit process. The massive complexity involved and potential attempts by each side to gain an advantage through the structure and sequencing of how issues are addressed is of crucial importance. An orderly process would facilitate trust building, enable a clear representation of different views and facilitate compromise towards a final agreement. However, there is a significant risk that the negotiations collapse into a disorderly process, undermining trust and hence make reaching any deal much harder to achieve.
- **The timing and extent of any economic impacts:** This includes how factors such as the devaluation of the British Pound, inflation and uncertainty for business and investors shape public attitudes to Brexit going forward.
- **Momentum after the Article 50 negotiations:** There is significant uncertainty over the full timeframe for the Brexit process. Both sides have publicly discussed some form of continuation arrangement, with the UK referencing “implementation periods” and the EU considering the possibility for a two or three year transitional arrangement. Whether the Article 50 process is viewed as a ‘one-shot’ or ‘repeated’ game will significantly impact the final outcome.

From an assessment of the key drivers and interests, the political space for landing a Brexit deal within the next 2-3 years were identified in summer 2017 as shown in figure 2 below. The key axes in defining the scenarios are an orderly versus a disorderly negotiation process and whether sovereignty/integrity or cooperation interests dominate national positions. These scenarios are focused on the period to 2020, with an assessment of future momentum (either upward or downward). All of the initial scenarios were predicated on the UK leaving the EU and did not explicitly consider the potential remain. However, Given the events since the summer a remain outcome will be explicitly considered in this update for the first time.

Figure 2: Summer 2017 overview of political scenarios for Brexit



The negotiating dynamics were assessed to be initially headed towards a Sovereign Transition scenario whereby the UK continues to prioritize national sovereignty and the EU promotes the integrity of existing institutions. However, it was recognised that this is a very unstable political space and political events in Spring 2017 especially the elections in the UK, France and the Netherlands, had a profound impact on the scenarios for Brexit.

The election of President Macron in France and the VVD remaining the largest party in the Netherlands prevented extreme right-wing Parties gaining power in key European capitals. This enabled a clear, unified Brexit negotiating mandate to be established across the EU-27 Member States and reduced the likelihood of descending into an “EU in chaos” scenario.

The surprise hung Parliament in the UK significantly undermined the Government’s authority. Prime Minister Theresa May explicitly called a snap election to enhance her negotiating mandate for a hard exit aligned around promoting national sovereignty over economic cooperation with the EU. Instead the Prime Minister emerged with a much weakened mandate under a coalition government with the Northern Ireland Democratic Unionist Party (DUP). This has exposed deep divisions within the Conservative party and reduced the possibility of a Sovereign Transition scenario.

The net result led to a polarisation of scenarios outcomes between a ‘no deal’ descent into hostile nationalism under disorderly negotiations; or a focus on securing an economic transition deal to avoid a cliff edge at the end of the Article 50 process.



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Impact of recent events on scenario drivers

The last minute agreement to a ‘divorce settlement’ between the UK and EU on the morning of the 8th of December marked a significant milestone for the Brexit negotiations. The European Council is now set to approve that ‘sufficient progress’ has been achieved in Phase I of the negotiations, allowing movement to Phase II which will cover the terms of a transitional deal and the heads of agreement for a future trading relationship.

A failure to achieve sufficient progress in December would have been extremely damaging, and may have forced the negotiations into an immediate crash scenario. Instead there is now a greater chance to construct an orderly Phase II negotiation and take forward a cooperation track on energy and climate change issues.

Despite the significance of the Phase I deal, this does not mean that a crash ‘no deal’ scenario is off the table. The Phase I outcome is subject to the principle that ‘nothing is agreed until everything is agreed’. Already the hard Brexit factions within the Conservative Party have been suggesting that it may be possible to adjust the deal in future in the UK population don’t like the terms.² This means that there is still the potential for the talks to crash if the hard Brexit faction disagree with the package as a whole. However, the timing of such a decision is now likely to be later in 2018, when the contours of the Phase II deal come into sharper resolution, rather than immediately at the start of the year. The impact of the new events on the scenario drivers is summarised in figure 3 below.

Figure 3: Impact of recent events on scenario drivers

	<u>Winter Update</u>	<u>Notes</u>
Prioritisation of national interests		Positive: The agreement of the joint statement demonstrated constructive working by both sides and resolved key issues in relation to citizens rights, budget obligations and the Irish border.
Orderly versus disorderly negotiation process		Positive: The negotiations can now progress in an orderly fashion to Phase II. However, the UK will need to resolve internal differences on its vision for the final agreement.
Timing and extent of economic impacts		Mixed: Some indications that UK public is increasingly concerned that Brexit may make them worse off and inflation remains high.
Momentum after Article 50 negotiations		Mixed: Although positive momentum was created through the joint statement on Phase I. UK figures trying to ‘roll back’ the bindingness of the agreement may have a negative impact on trust and will need to be closely monitored going forward.

² <http://www.independent.co.uk/news/uk/politics/brexit-deal-latest-updates-michael-gove-divorce-terms-eu-theresa-may-a8100811.html>



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Prioritisation of national interests: Assessment of Phase I negotiators joint report

The joint report from the negotiators of the EU and UK that was agreed on the 8th of December has important implications for energy and climate issues in relation to the Irish border, the European Investment Bank (EIB) and the UKs withdrawal from Euratom. However, as the vast majority of energy, climate and environment issues will be dealt with in the second phase of the negotiations the most important implication is that talks can now progress to deal with these issues in 2018.

Nonetheless the fact that the Phase II negotiations will have to be consistent with the Phase I outcome means that both the transition phase and future trade relationship will need to avoid the imposition of a hard energy border between Northern Ireland and the Republic of Ireland. Some of the key elements of the agreement that will have implications for energy and climate issues are:³

- Para 43: “The United Kingdom also recalls its commitment to the avoidance of a hard border, including any physical infrastructure or related checks and controls”
- Para 48: “The United Kingdom remains committed to protecting and supporting continued North-South and East-West cooperation across the full range of political, economic, security, societal and agricultural contexts and frameworks of cooperation, including the continued operation of the North-South implementation bodies”
- Para 49: “In the absence of agreed solutions, the United Kingdom will maintain full alignment with those rules of the Internal Market and the Customs Union which, now or in future, support North-South cooperation, the all island economy and the protection of the 1998 Agreement”
- Para 50: “...the United Kingdom will ensure that no new regulatory barriers develop between Northern Ireland and the rest of the United Kingdom, unless, consistent with the 1998 Agreement, the Northern Ireland Executive and Assembly agree that distinct arrangements are appropriate for Northern Ireland.”

By far the most practical way to achieve the elements listed above would be for the UK to continue to fully participate in the EU Internal Energy Market (IEM). This would enable the all Ireland Single Energy Market (SEM) to continue to function as it does today and avoid the imposition of a hard energy border and ensure that no new regulatory barriers developed into the future. In fact it is difficult to construct an alternative set of arrangements that would fulfill the criteria outlined in the joint statement but be meaningfully different. Given that the agreement sets up a default position of the UK remaining in full alignment with the Customs Union and Internal Market in the absence of an alternative agreed solution it would be of mutual benefit to seek continued UK participation in the IEM instead. Potential modes of taking this forward are outlined in the cooperation track section below.

³ https://ec.europa.eu/commission/sites/beta-political/files/joint_report.pdf



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The agreement on the European Investment Bank (EIB) also has important energy and climate implications. The EIB has been a key financier of UK energy infrastructure providing over €9 billion in loans over the last 5 years.⁴ However, uncertainty over Brexit has led to a sharp reduction in UK applications for new loans as the processing time for decision means that new applications may run into the March 2019 deadline for Article 50 to conclude. The joint report clarifies the UK's terms of withdrawal regarding the EIB and reduces any risk that its operations will be disrupted. The UK also calls for negotiations on a 'continuing arrangement' with the EIB to be explored in Phase II. This could provide benefit to both sides in minimizing the cost of decarbonisation through shared interconnection etc. In particular this could be achieved by establishing a new EIB subsidiary in the UK which is already being publicly discussed.⁵

Finally the joint statement also clarifies that both sides have agreed the principles for addressing the key separation issues relating to Euratom, and the ownership of special fissile material. In particular there has been agreement that "...the UK will be responsible for international nuclear safeguards in the UK and is committed to a future regime that provides coverage and effectiveness equivalent to existing Euratom arrangements."⁶ Ensuring no rollback on nuclear safeguards is absolutely the right objective to pursue. However, as a matter of urgency the UK Government should publish details of how this will be achieved by the date of exit; especially with regard to insitutional capacity to undertake and enforce any new regime, and mutual recognition by other international countries such as the Unites States and Canada.

Oderly vs disorderly process: Still a risk of a crash 'no deal' outcome

The fact that the negotiations are now set to progress to Phase II has reduced the immediate liklihood of a no deal outcome. This is likely to sustain a more orderly process than the alternatives but, as described above, a new breakdown cannot be ruled out. Owing to the complexity of the Brexit negotiations the phrase 'no deal' can have several different meanings. In particular following the progress on the Joint Statement there are three remaining aspects of the negotiation that can have a 'no deal' outcome: the transitional agreement; the heads of agreement on the future relationship which will be part of Article 50; and the full future relationship agreement which will be concluded once the UK has become a third country.

The transitional agreement is likely to be a time limited deal that ensures continuity following March 2019 to avoid a cliff edge for business and investors. The EU Council has already begun setting out a clear position in its draft guidelines for Phase II that this will require the UK to continue to remain within the Customs Union and Single

⁴ <https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2016-05-26-uk-unplugged-brexit-energy-froggatt-raines-tomlinson.pdf>

⁵ <https://uk.reuters.com/article/uk-eu-eib-exclusive/exclusive-european-investment-bank-plans-internationally-focussed-offshoot-idUKKBN1E02XE?feedType=RSS&feedName=GCA-GoogleNewsUK>

⁶ https://ec.europa.eu/commission/sites/beta-political/files/joint_report.pdf



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Market and fully adhere to all new regulation.⁷ The EU is unlikely to move from this position both because of its relative negotiating strength (it made very few compromises in Phase I), and the fact that to make any substantive changes to existing relationships would require a full trade deal, which would negate any need for a transition period. However, this may prove to be unacceptable to the hard Brexit faction within the UK Conservative Party, which could potentially lead to them attempting to crash the negotiations into a ‘no deal’ outcome rather than accept continuing EU regulations with no say in their creation.

The second potential aspect is the heads of agreement on the future relationship. This will form part of the Article 50 process and set out the broad outlines of the future relationship agreement. Crucially this will not constitute a full trade agreement as this would require a separate ratification process for the EU once the UK becomes a third country. There is likely to be a disagreement between the two sides on how detailed this will be, with the UK pushing for it to be as fleshed out as possible and the EU perhaps being content with a more limited outcome. This is likely to be one of the most challenging parts of the negotiation and so again it is possible that there could be sufficient disagreement to result in a ‘no deal’ outcome at this stage.

The third and final area where there could be a ‘no deal’ outcome is in the future relationship agreement itself. This will most likely take the form of a ‘CETA Plus’ model i.e. a detailed trade agreement covering goods and services similar to the EU-Canada Comprehensive Economic and Trade Agreement, ‘plus’ additional agreements in non-trade areas such as security cooperation. This will form the enduring basis of UK-EU relations post-Brexit; the CETA agreement has taken over 7 years to negotiate and is still awaiting full ratification. However, the heads of agreement negotiated as part of the Article 50 process may expediate the timeline.

As described above, because ‘nothing is agreed till everything is agreed’ on the Article 50 process a failure to achieve agreement on either the transitional arrangement or heads of agreement could still result in the UK crashing out of the EU in March 2019 onto WTO rules. With regards to these scenarios this will be the major focus of a ‘no deal’ outcome. The second aspect of ‘no deal’ outcome would be a failure to agree a future relationship by the end of a transitional period. This is a material risk but as it will play out over a longer time frame will not be explored in as much detail.

Timing and extent of economic impacts

The impact of Brexit on the strength of the Pound and inflation has continued since the summer. The monthly UK Consumer Price Index (CPI) increased again to 3.1% in November 2017.⁸ Sustained levels of high inflation since the referendum (which was under 0.5% prior to the result) have been a major contributing factor in the Bank of England increasing interest rates for the first time since 2007. Further interest rate

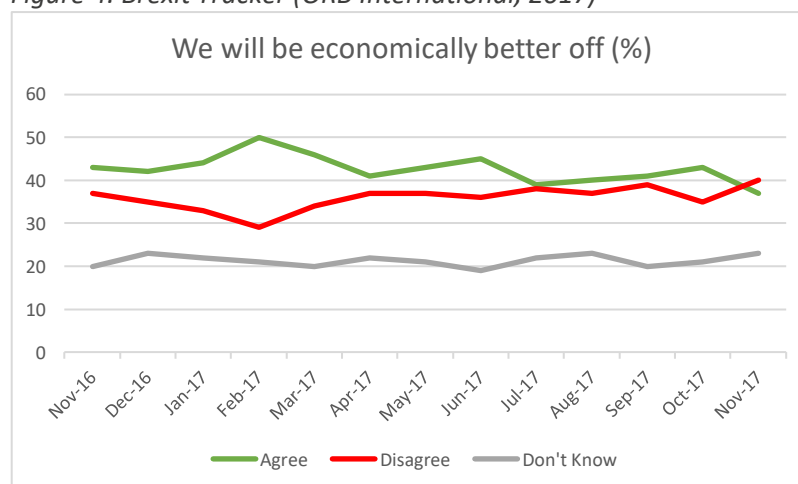
⁷ <https://www.politico.eu/article/tusk-puts-forward-guidelines-for-phase-2-talks/>

⁸ ONS, 2017

risers are anticipated in 2018 if inflation continues to remain high.⁹ Despite the continued low value of the Pound against other currencies the UK trade deficit continued to widen in September, in particular decreases in exports to non-EU countries, which fell by £1.7billion (3.8%) from June to September, were a major factor.¹⁰ GDP growth in the Eurozone was 0.6% in the third quarter of 2017, significantly higher than the 0.4% in the UK.¹¹

The poor economic news in the UK may now be starting to impact public sentiment. The monthly Brexit tracker conducted by the research firm ORB international showed for the first time in November 2017 that more people in Britain think they will be economically worse off as a result of Brexit rather than better off, as shown in figure 4 below.

Figure 4: Brexit Tracker (ORB International, 2017)



However, it will be important to continue to monitor this trend going forward to establish whether it is more than just a one-off sampling result. In particular this data was collected before the joint statement was agreed on 8th December which may have a significant impact on public sentiment.

Momentum after Article 50

The momentum of the negotiations has also received a boost from the joint statement. However, comments in the immediate aftermath from hard Brexit UK ministers on the bindingness of the agreement has weakened trust with the EU. The ability of the UK to not only agree but also implement any deal has been a growing concern for EU-27 stakeholders throughout the autumn. As such this is likely to be an important point of emphasis through the remaining negotiations.

⁹ <http://www.bankofengland.co.uk/monetarypolicy/Pages/decisions.aspx>

¹⁰ ONS, UK Trade Bulletin September 2017

¹¹ ONS and Eurostat, 2017

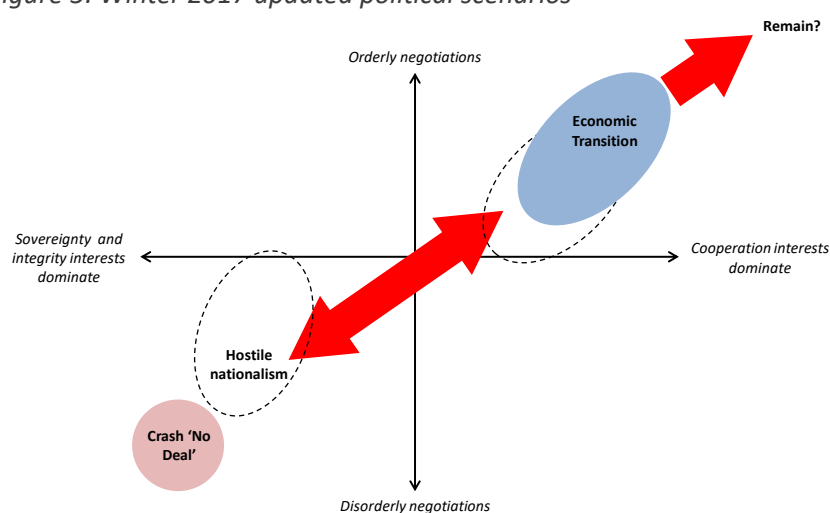


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Scenarios update: space for climate and energy cooperation grows

The net result of the drivers is to lead to an increasing polarisation between cooperation or crash outcomes in the scenarios as shown in figure 5 below. The previous 'Hostile Nationalism' scenario, which was the highest probability outcome, is now less likely. In its place is a smaller probability 'Crash No Deal' scenario. Despite the fragility of the negotiations the 'Economic Transition' outcome which will increase the space for energy and climate cooperation has grown more likely. For the first time we also include the possibility of a remain outcome although this is considered to be relatively low probability at this stage.

Figure 5: Winter 2017 updated political scenarios



The final week of the December negotiations on the joint statement provided the greatest risk of a hostile nationalism outcome. When the DUP objected to the wording of the agreement on the 4th December there was a genuine chance that the talks could collapse. A key component of hostile nationalism was the ability of both sides to blame the other for the breakdown. For the hard Brexit faction within the UK Conservative Party the combined hostility towards both the Irish Government and DUP would have provided such an opportunity. Prime Minister Theresa May was seen as being particularly vulnerable and could have been replaced in the aftermath through a leadership challenge. The fact that no challenge was forthcoming and the compromises that were made four days later to get the agreement have significantly altered the landscape. Prime Minister May has won wide backing for her handling of the talks from across her Party, buying room to manoeuvre.

The debate in the UK will now quickly turn to focus on the transition deal and future relationship. Thus although no deal is not completely off the table it would be extremely difficult for it not to be characterised as a deliberate act of sabotage at this stage, with the political fallout this would entail. This is why the risk of Hostile

Nationalism has now been replaced by a smaller probability of a ‘no deal’ crash outcome.

Instead a more orderly negotiation process that seeks to prioritise economic cooperation is now more likely. This is not to say that this will be an easy negotiation but the focus will shift from issues of divorce to what type of enduring relationship can be constructed. In previous versions of these scenarios we explicitly ruled out looking at a remain option. However, if the UK does agree to an extended transition period where it remains in the EEA and Customs Union; and if trade negotiations suggest that a “CETA Plus” deal will still require close regulatory alignment (as the Irish border issue demands) then it may well be that the UK population will reconsider whether there is genuinely a sovereignty gain from continuing to leave the EU. It may also be that attempts to negotiate a trade deal with the protectionist US regime under President Trump prove difficult and/or may contain unpopular outcomes on environmental protections. As such we no longer rule out remain as an option but it is not given a high probability weighting at this point. We will continue to monitor and review prospects for remain in future updates of the scenarios.

Phase II negotiations: an opportunity to establish a cooperation track for energy and climate issues

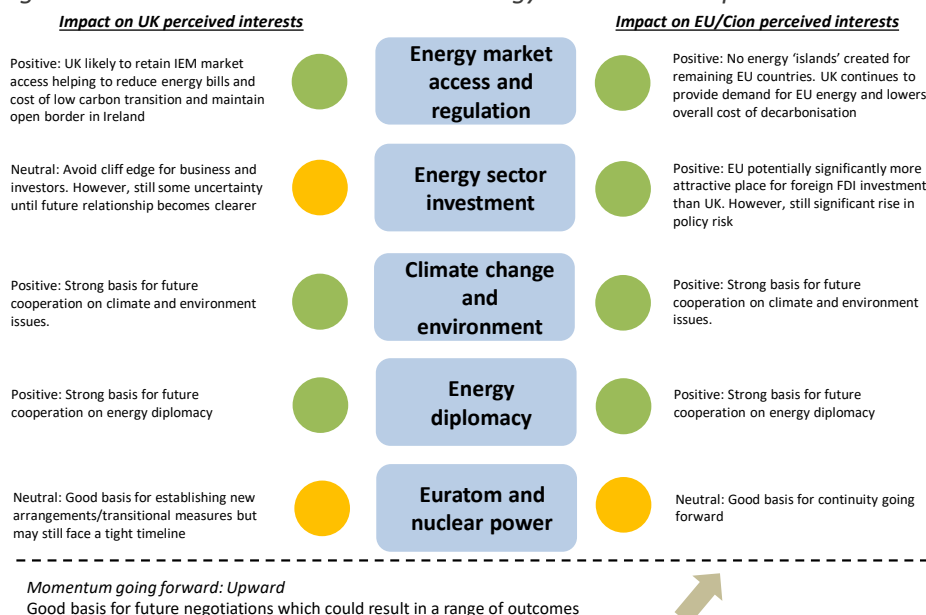
As discussed above the majority of energy, climate and environment issues will be dealt with in Phase II of the negotiations which are now likely to begin in February or March 2018. There is a large mutual benefit to both sides from establishing a cooperation track focused on climate and energy issues. However, success is by no means guaranteed and careful diplomacy will be required to position energy and climate issues within the discussions on the future relationship. In particular three key areas are important:

- **Timing within the Phase II negotiations:** Areas of potential cooperation should be prioritised early within the negotiations in order to continue to build trust and momentum. Energy and climate issues provide an obvious area where physical interconnection (both through energy infrastructure and shared environmental space) mean that there is strong mutual benefit from continuing to work together. As such energy and climate issues should be an area for early attention within Phase II to carry momentum into the later process;
- **Structure of working groups:** Alongside timing, how the negotiating groups are broken down and structured can have a material impact on the final outcome. It is important that energy and climate issues remain linked as issues through Phase II, as the main synergies and trade-offs are complimentary across them. Energy cooperation supports decarbonisation efforts and vice versa through shared interconnection and renewable energy development. If energy were treated separately with other networked industries (e.g. telecoms) a primary impetus for cooperation would be lost;

- Framing of major trade-offs and compromises:** Negotiations always require movement and compromise from both sides. For energy and climate there is an obvious potential deal around Internal Energy Market (IEM) access versus continued participation in the EU Effort Sharing Regulation and Emissions Trading Scheme (ETS). At a high level this would involve continued UK participation in the IEM (which would also resolve Irish border issues), with the UK gaining some access to governance institutions such as ACER, ENTSO-E and ENTSO-E-G; in exchange the EU would require the UK to continue to participate in achieving the 2030 emissions reduction target, where it contributes an above average share at present. These issues are explored in more detail in a separate E3G briefing paper on cooperation issues.¹²

If these three factors can be created through the Phase II structure this will provide an excellent basis for establishing a cooperation track on energy and climate issues within the context of an Economic Transition scenario as shown in figure 6 below. There would be a high probability of negotiating arrangements to allow continued access to the Internal Energy Market for the UK which would lower the cost of decarbonisation for both sides. While there would still be some risks for energy sector investment in the UK this scenario would avoid a cliff edge for business. An economic transition arrangement would also provide a basis for strong continued cooperation both on climate change and energy diplomacy issues (e.g. dealing with Russia). There would still be potential challenges for the UK with regard to Euratom where it is important that the UK builds the institutional capacity to replace existing arrangements by exit day.

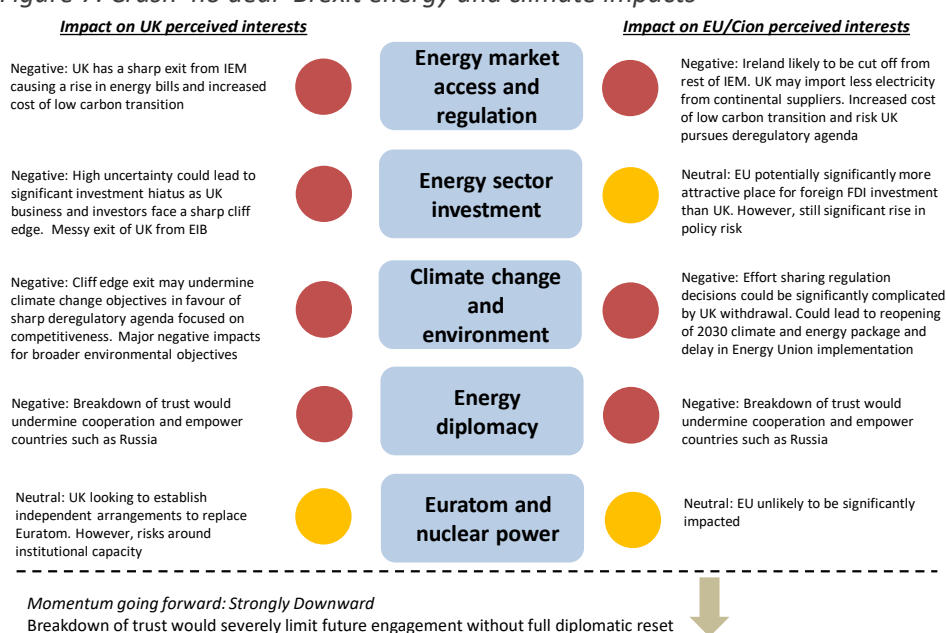
Figure 6: Economic transition scenario energy and climate impacts



¹² https://www.e3g.org/docs/1_9_17_E3G_Brexit_and_Energy_Climate_Cooperation_PDF.pdf

In contrast if forces (particularly in the UK) drive the process towards a crash Brexit outcome this would be extremely damaging for energy and climate change policy as shown in figure 7 below. There would be a sharp exit from the UK from the IEM increasing costs on both sides and potentially leaving the Republic of Ireland as an energy island within the EU despite the progress made in the Joint Statement. There would be a massive cliff edge for energy investors and high levels of uncertainty in the UK. This could lead to a significant investment hiatus which would be highly damaging. The collapse of negotiations would have a negative impact on future climate change and environment cooperation; and undermine energy diplomacy empowering countries such as Russia.

Figure 7: Crash ‘no deal’ Brexit energy and climate impacts



The narrowing of scenario options over the last 3 months brings sharply into focus what is at stake in the Brexit negotiations. There is now more political space to discuss and promote cooperative outcomes that would support energy and climate objectives. But this is not a certainty and the fragile state of the UK could easily be pushed into chaos. In the coming months it will be important for civil society, business and academic groups on both sides of the channel to articulate a vision that delivers strong energy and climate change outcomes for citizens in both the UK and EU-27 Member States.



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About E3G

E3G is an independent climate change think tank operating to accelerate the global transition to a low carbon economy. E3G builds cross-sectoral coalitions to achieve carefully defined outcomes, chosen for their capacity to leverage change. E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere. In 2016, E3G was ranked the number one environmental think tank in the UK.

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