

# Brexit: Emergent Understandings of Consequences and Impacts

## Brexit and the Energy Market

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# European electricity market is good for customers

## Pan-European trading volumes driving price convergence

- Feb 2018 Day-Ahead power trading on EPEX SPOT up almost 3% YoY
- Prices in Central Western Europe (CWE) converged 30% of the time (Feb 2017: 22%) [GB is in North West European zone that includes CWE]
- UK Day-ahead market volume up by 15.2% ([https://www.epexspot.com/en/press-media/press/details/press/French\\_and\\_UK\\_Day-ahead\\_markets\\_grow\\_year-on-year](https://www.epexspot.com/en/press-media/press/details/press/French_and_UK_Day-ahead_markets_grow_year-on-year))

## National Grid GB sees value for customers

- estimates each 1GW of new interconnector capacity could reduce wholesale prices by up to 1-2%. 4-5GW of new links to mainland Europe could unlock nearly £3 m/day of benefits to energy consumers by 2020.”  
(<http://nationalgridconnecting.com/european-connections/>)
- “For winter 2017/18, we expect there to be a net flow of power from Continental Europe to GB at peak times, occasionally not at full import.”  
(<https://www.nationalgrid.com/sites/default/files/documents/Winter%20Outlook%202017.pdf>)

## Energy market participation is a material consideration for Brexit

# EU Electricity market participation

## EU regulatory red lines (21 February 2018)

- Single Market participation sector-by-sector excluded (no cherry-picking)
- FTAs cannot upset existing relationships (can be deep but not special)
- Host State principle applies for any FTA = **Market access requires full compliance with host state rules**
- Supervision only by EU institutions & bodies
- Relationship requires full dynamic alignment with EU acquis (eg EEA but not Switzerland)

## EU assessment

- Union decision-making autonomy and CJEU are always fully preserved
- UK views on regulatory issues in the future relationship ... are not compatible with the principles in the EuCo (European Council) guidelines

[https://ec.europa.eu/commission/sites/beta-political/files/slides\\_regulatory\\_issues.pdf](https://ec.europa.eu/commission/sites/beta-political/files/slides_regulatory_issues.pdf)

## Theresa May (2 March 2018)

“There are many other areas where the UK and EU economies are closely linked – including energy ... On energy, we will want to secure broad energy co-operation with the EU. This includes protecting the single electricity market across Ireland and Northern Ireland - and exploring options for the UK’s continued participation in the EU’s internal energy market.”