BREXIT IMPLICATIONS ON CLIMATE, ENERGY AND ENVIRONMENT

On 24 June 2016 the United Kingdom voted 52% to 48% in a referendum to leave the European Union. Many resources are now likely to be diverted from running the EU and progressing important policies toward instead managing and negotiating the referendum implications. The UK has strong historic electricity and gas links with Europe and is deeply entwined with EU low carbon agenda, from the Emission Trading System (ETS) to the 2030 Framework for Climate and Energy. Three big questions emerge regarding climate, energy and environment after Brexit:

- Does the UK develop new climate policies or remain with the EU’s?
- How will the UK’s link with the EU’s ETS develop?
- What will the UK’s departure mean for EU policy ambition?

This brief explores these questions and uncertainties. However, one thing remains certain: As our statement read immediately after the referendum result, Bellona has championed environmental and climate protection in Europe from outside EU membership for over 20 years and will continue to do so. While domestic implications for the UK remain unclear, NGOs’ voices in Europe will continue to be heard.

**International climate agreements**

The UK has taken part in formulating and agreeing to all standing environmental, climate and energy related EU laws and remains a founding member of the 13-strong Green Growth Group of EU nations. The UK contribution to delivering the Paris Agreement has to now been integrated into the EU’s 2030 Framework. Former UNFCCC Executive Secretary Christiana Figueres has stated that if the UK left the EU, the EU would have to modify its submission to the Paris Agreement. It is unlikely this means any changes to the agreement itself, but it may mean that the EU also has to revisit its planned 2030 targets. The Paris deal needs ratification by 55 countries covering 55% of global emissions before it comes into force. The UK alone represents about 2%. The EU has started the ratifications process. In 2008 Bellona advocated for the NBIM to detach a portion of its portfolio in the Fund for active management, in order to develop such a field. Although active management has taken place, it has not been in climate and environmental technology. Bellona still believes this should be one of the Fund’s main priorities.
EU climate and energy policy

The UK has been a major player in EU climate and energy policy and this is already an important and challenging time. The overarching Energy Union is in 2016 set to deliver a number of key policies, and its governance provisions may now also be brought under question.

2030 Framework for Climate and Energy

Britain has traditionally given EU climate policy gravitas and while sceptical to efficiency and renewable targets, the UK has consistently argued for higher GHG emission reduction targets than the agreed 40%. With a UK departure, this target is less likely to be increased, as has been called for after the Paris agreement. But is also opens the door to more climate sceptic actors such as Poland to potentially reign in ambition.

Energy efficiency and renewable energy

The Commission has been due to present the Energy Efficiency Package, including the review of the Directives on Energy Efficiency and on the Energy Performance of Buildings, after the summer and in December the Renewable Energy Package, which was set to include the review of the Renewable Energy Directive for the period 2020-2030 as well as new proposals on sustainability criteria for bioenergy. The Slovak Presidency also intends to commence trilogue negotiations with Parliament on the review of the Directive on Energy Efficiency Labelling, There is no immediate reason why these will be delayed, but as heavy and at times controversial policies, where the UK was often more in favour of flexible targets rather than hard Member State level targets, the policy content may well be affected.

Emission Trading System (ETS)

A loss of the UK at Council negotiations, in central Commission positions and as Members of the European Parliament will inevitably have implications for the EU as a whole. Already MEP and ETS rapporteur Ian Duncan (UK, ECR) has resigned from leading the reform through Parliament, embroiling this central climate policy, which the UK was a frontrunner in establishing, into another measure of uncertainty. The ETS price has already fallen 10% since 24 June. While the Parliament’s Environment Committee has not yet amended the timetable for ETS reform (the file is already unlikely to be concluded until way into 2017), it will need to appoint a new rapporteur as soon as possible. As rapporteurs are appointed by political groups, the file will most likely stay within the ECR group, where it is highly likely to befall a Polish MEP.

Effort Sharing Decision

The ESD governs emission reductions in sectors not covered by the ETS. The Commission has been due to present an ESD reform on 20 July. As a policy with high national importance, it may now be delayed. Also set to be included in the 20 July package is a reform to Land Use, Land Use Change and Forestry (LULUCF) and a proposal on decarbonisation of transport.

Energy security

Energy Security, solidarity and trust among EU Member States and Norway has been a priority since Russia’s annexation of Crimea. Reviewing the Regulation on measures to safeguard security of gas supply and on the review of the Decision to set up an information exchange mechanism on intergovernmental agreements will continue to have high priority for many and especially Eastern Member States. The upcoming Slovak Presidency of the EU Council is expected to prioritise these issues over other climate related policies. The UK’s role as both a gas supplier and an island relying on European power connections will remain a central question. Norway’s comparable role as gas supplier and potential ‘green battery’ to Europe can provide precedent to any arrangements which may arise, particularly regarding solidarity mechanisms and obligations to share information with the Commission.
Climate finance
As a centre of finance, the situation in London will have implications for green investments. Delivering the Paris Agreement largely depends on the ability to stimulate green growth, which uncertainty in the markets may place at risk. This can have implications on one of Bellona’s priority work areas, namely Bioenergy with Carbon Capture and Storage (BECCS/Bio-CCS), which is crucial to delivering the Paris Agreement. As a technology which requires significant capital investment, uncertainty in the markets may mean continued delays. While the UK has been heavily criticised for energy policy U-turns like revoking CCS funding last year, it is expected to release a new energy plan by the end of 2016.

Specific projects
Energy projects involving the UK may now also be at risk, including the planned interconnection between Norway and the UK, as the relevance of state aid guidelines and other funding mechanisms are called into question. It is likely to remain uncertain for some time what conditions non-UK operators will meet in the British energy market, for instance whether they will continue to be eligible for contracts for difference.

Next steps
24 June 2016: General Affairs Council Statement
25 June 2016: Foreign Ministers met in Berlin
27 June 2016: Tusk, Hollande, Merkel, Renzi met
28 June 2016: European Parliament adopts Plenary Resolution on Brexit
28/29 June 2016: European Council
1 July: Slovakia takes over EU Presidency
October 2016: Cameron steps down
7-18 November 2016: COP22 in Marrakech
8 December 2016: European Parliament Environment Committee votes on draft ETS report

⇒ The UK will have to invoke Article 50 of the Treaty of the European Union, triggering the procedure for withdrawal of EU membership. Before invocation of Article 50 the UK will retain all rights and obligations of EU membership. It remains unclear whether the UK will take its EU Council presidency in 2017.

Reactions
The EU Council conclusions of 28 June call for respecting the will of the British people and recognize that a process of orderly exit is in everyone’s interest. EU leaders therefore demand the new UK leadership takes a swift decision to invoke Article 50 and start membership withdrawal.
UK Commissioner for Financial Stability Jonathan Hill has resigned.
UK Prime Minister David Cameron will resign by October and will not lead negotiations.
Leaders of Leave campaign, including Boris Johnson say there is “no need for haste” with Article 50.
Scottish first minister Nicola Sturgeon says the prospect of a second independence referendum is back on the table, but that her first priority is to keep Scotland in Europe.
British NGOs have already raised fears about the impact of Brexit on domestic environment and climate regulation, largely based on a lack of trust in the commitment of the Conservative Party to environmental regulation. Campaigning to protect UK environmental legislation has started with Friends of the Earth CEO Craig Bennett calling for donations and Greenpeace stating: “Over the coming months we all need to demand that the government replaces European regulations protecting nature with new UK laws that are just as strong”. James Thornton of Client Earth has challenged all UK political leaders to affirm their commitment to strong UK environmental laws and united climate action. E3G maintains that Brexit has shaken up the energy & climate landscape, but the fundamentals are unchanged. Bellona shares this view.

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