

# Post Article 50 statement on UK-EU Internal Energy Market relationship

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A EURELECTRIC paper

March 2017

***EURELECTRIC is the voice of the electricity industry in Europe.***

*We speak for more than 3,500 companies in power generation, distribution, and supply.*

***We Stand For:***

***Carbon-neutral electricity by 2050***

We have committed to making Europe's electricity cleaner. To deliver, we need to make use of **all low-carbon technologies**: more renewables, but also clean coal and gas, and nuclear. Efficient electric technologies in **transport and buildings**, combined with the development of smart grids and a major push in **energy efficiency** play a key role in reducing fossil fuel consumption and making our electricity more sustainable.

***Competitive electricity for our customers***

We support well-functioning, distortion-free **energy and carbon markets as** the best way to produce electricity and reduce emissions cost-efficiently. Integrated EU-wide electricity and gas markets are also crucial to offer our customers the **full benefits of liberalisation**: they ensure the best use of generation resources, improve **security of supply**, allow full EU-wide competition, and increase **customer choice**.

***Continent-wide electricity through a coherent European approach***

Europe's energy and climate challenges can only be solved by **European – or even global – policies**, not incoherent national measures. Such policies should complement, not contradict each other: coherent and integrated approaches reduce costs. This will encourage **effective investment** to ensure a sustainable and reliable electricity supply for Europe's businesses and consumers.

***EURELECTRIC. Electricity for Europe.***

Secure, reliable and safe electricity supplies are critical facilitators of economic growth. Consequently, negotiations on both the terms of the UK withdrawal under Article 50 of the Lisbon Treaty and on any future trading arrangements with the EU will have an impact both on the energy sector and on the European economy as a whole.

The development of the EU's Internal Electricity Market (IEM) has had significant benefits for consumers in both the European Union (EU) and the wider European Economic Area (EEA). It has enabled available resources and capacities to be shared across borders to reduce costs, improve security of supply and better integrate renewable electricity. To develop these benefits further EURELECTRIC supports the continued development of a larger, more integrated European electricity market.

The UK has played an important role in developing liberalised energy markets, establishing the world's first major carbon market and supporting the importance of energy security in Europe's geopolitical relationship with its neighbours. Given the mutual benefits and importance of energy to both parties in powering our economies and societies, EURELECTRIC believes that this collaboration on energy should continue as closely as possible.

EURELECTRIC is open to being a constructive stakeholder through the negotiations and will be considering the details required in any energy-related agreement with the UK. Given the UK has now notified the European Council of its intention to leave the European Union under Article 50 of the Lisbon Treaty, EURELECTRIC has prepared some high-level principles to be considered by the European institutions, the UK Government and other stakeholders.

Hopefully these will aid the discussions on the UK's future relationship with the IEM and ensure that the mutual benefits of free and fair trading of electricity between both parties can be maintained.

#### **High-level principles for UK-EU Internal Energy Market relationship:**

- **Negotiations on the Internal Energy Market (IEM) can be treated separately from those on the EU Single Market** – The unique networked characteristics of the electricity sector and importance of energy to both economies require mutual collaboration irrespective of wider negotiations between the UK and the EU;
- **The free and fair trading of electricity is based on common rules** – EURELECTRIC is committed to the free trade of electricity, on equitable terms. Any IEM agreement should ensure harmonised rules so that electricity can flow freely between UK and the EU;
- **Special focus to be given to the Single Electricity Market (SEM) between Ireland and Northern Ireland** – Not only does Ireland connect with the rest of the IEM through Great Britain, it operates a bi-jurisdictional market with Northern Ireland. A functioning SEM across Ireland and Northern Ireland should be maintained and to support this, flows of electricity and gas to Ireland should receive careful consideration;
- **Third country stakeholders have knowledge and expertise that can help develop the IEM** – Accordingly, when the UK leaves the European institutions, there should be a robust structure – alongside other third countries – securing an on-going cooperation on cross-border matters between EU and UK. Its continued participation in other IEM structures such as ACER and ENTSO-E would be welcome;

- **Interconnection targets may need to be considered if the UK does not count towards targets** – The interconnection capacity of connected markets to the UK, may need to be considered if the UK was no longer considered as an IEM participant in respect of interconnection targets;
- **The UK and EU should continue to work together internationally on climate issues, including UK participation in emissions trading with the EU** – A fundamental component for the fair trading of electricity is the carbon price paid by electricity generation in one country relative to another. To avoid disruptions, the UK should continue to participate in the current trading phase. Otherwise a linked ETS would be highly desirable in the longer term;
- **Environmental rules significantly impacting the cross-border trade of electricity should be maintained** – A wide range of EU environmental legislation will need to be considered as part of any UK-EU agreement. Some of these requirements will have a major impact on the cross-border trade of electricity and should be maintained. However the impact of some other legislation is less clear cut;
- **Careful consideration needs to be given to the impacts on the EU's 2030 energy and climate framework** – The UK's departure could well require an adjustment of the non-ETS, renewables and energy efficiency targets applicable to other Member States, or impact other political commitments in the 2030 framework such as the modernisation fund;
- **Financial regulation also underpins energy trading, and its interaction with the IEM should be considered** – The role of financial regulation will be an important element of the UK-EU negotiations. Rules on commodity trading affect not only some electricity contracts but also primary fuels and carbon. The impacts of financial regulation on energy trading therefore need be considered when discussing the impact of Brexit on the energy sector;
- **An arbitration mechanism is needed to ensure common rules are adhered to** – A clear message from the UK Government has been on its intention to leave the European Court of Justice (ECJ). Effective arbitration or dispute resolution mechanisms will be needed to ensure that common rules agreed are adhered to by all sides;
- **Transitional arrangements for energy would be welcome** – It is unlikely the negotiations will be finalised within the period scheduled under Article 50. Therefore EURELECTRIC would urge for early clarity on possible transitional agreements impacting electricity trading to prevent any cliff edges that could arise;
- **Specifically, a transitional arrangement on Euratom will be required** – The UK confirmed that it is also planning to leave Euratom Treaty, but stated its intention to a continued collaboration as an important priority. Whilst there is no immediate security of supply issue, a transitional arrangement on Euratom would be important early on to prevent any adverse implications for the European electricity industry.

EURELECTRIC pursues in all its activities the application of the following sustainable development values:

Economic Development

▶ Growth, added-value, efficiency

Environmental Leadership

▶ Commitment, innovation, pro-activeness

Social Responsibility

▶ Transparency, ethics, accountability



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