

**Remarks by Vicky Ford, MEP,
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“Implications of Brexit for UK and EU Energy and Climate Policy”
EPRG Workshop, University of Cambridge

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Thank you for inviting me to speak this evening at this important conference

This is a crucial time in the pathway to Brexit. The actions and decisions that politicians and stakeholders take now will shape what our new relationship with the EU look like. If we get this wrong, then real jobs will be at risk. Now is the time to engage MPs across the UK on the nitty gritty practicalities of the negotiations ahead.

Politicians across Europe returning from their summer breaks have started to refine their own positions and priorities for negotiations with the UK. If we are to avoid the economic fall out of an acrimonious divorce then it is important to look at what is on the minds of those in other EU countries.

After triggering Article 50, the agreement on the terms of our exit from the EU will require only a majority from the other EU countries. However, a new trade deal between the UK and the EU needs the unanimous consent of all 27 EU countries. Any one country could veto it. We cannot assume that just because a deal has the support of say Germany, France and Poland that it will be acceptable to all. Many countries have their own historic alliances, and the suggestion that we might try to pick off countries one by one and offer a series of bilateral agreements went down very badly. Our own negotiating strategy needs to be detailed and very well prepared. It is very important that your own industry's issues are heard clearly.

My MEP colleagues often remind me that the top priorities of their own national leaders are not the negotiations with the UK. Security and counter-terrorism, the situation with migrants arriving from outside the EU, domestic economic problems and upcoming elections in many other countries all colour their attitude to negotiations with the UK.

Security and Defence

Theresa May's immediate message to European leaders that she wishes the UK to continue to playing a leading role on security, defence and counterterrorism has set a constructive tone. Negotiations in this area are fiercely complex. In her time as Home Secretary the Prime Minister built great respect with counterparts across the continent. They respect our differences on issues such as Schengen and asylum policies, but the UK's expertise, assistance and advice on home affairs, justice and security is greatly valued.

Energy Security is a top political priority for many European Countries. The EU imports over half of the energy it consumes and dependency is particularly high for oil and gas. Many countries particularly those in Eastern Europe are still too heavily dependent on Russia for their natural gas supplies, and we have seen energy repeatedly used as a political weapon. This is why there has been so much focus in recent years in improving the energy security in Europe, including encouraging investment in Interconnectors and diversifying supply, such as through developing the southern gas corridor.

The PM has made it clear that whilst we are leaving the EU the UK is not leaving Europe. We are not relocating our island to another part of the globe. Working with our European neighbours on Energy Security is vital for the UK's own energy security. Ireland and Northern Ireland share joint energy infrastructure, the interconnectors we have built and are planning to build across the Irish Sea, the English Channel and across the North Sea make our own energy grid more resilient. Other countries value the long term strategic benefits of the North Sea - not just in terms of traditional supplies of Oil and Gas but also the opportunities offered by interconnected wind power. The UK should be keen to maintain participation in cross border infrastructure programmes such as the TEN-E, and also potentially the European FUND for Strategic Investments - EFSI - and the EIB depending on the nature of our future relationship. Being seen as a valued and Cooperative partner in this area will help with negotiations elsewhere.

As chair of the European Parliament Internal Market committee I have been thinking ahead to the shape of our future Relationships with the Single Market

Brexit will bring the opportunity to negotiate new bilateral trade deals with other parts of the globe but this will not happen immediately. We should also focus on maintaining our trade with the EU Single Market as this currently accounts for nearly half of all British exports.

At a high level it appears that agreeing a "custom built" deal with preferential trade terms should be mutually beneficial to both the UK and EU. Britain does have a large trade deficit with the EU, we buy more than we sell and Brits make up their largest customer group.

But the trade benefit is not at all equally spread across the other 27 countries, some of them have very little trade with Britain. Some countries will be tempted by the prospect of new barriers to trade if this were to result in some production relocating from the UK to their own backyards. Agreeing a new trade deal on goods, let alone services and digital products, will require detailed consultation and political good will.

Having said that the relatively barrier free trade between EU countries over the past 40 years has led to an elaborate intertwining of industrial supply chains between the UK and the continent especially in the automotive, aeronautical, chemical and pharmaceuticals sectors. These cannot be rapidly reconfigured. Industrialists across the continent are concerned about the impact on their own production if new trade barriers are erected - it's not currently possible to make an Airbus without its "made in Britain" wings. There is interest both sides of the channel to making sure barriers to trade are minimised.

But, if we are to maintain relatively barrier-free trade then continental producers will demand their UK competitors also have to comply with any EU rules and product standards. This is why the thorny issue of regulatory equivalence is fundamental to the Single Market debate is

Changes to environmental regulations, product standards or consumer safety rules can create substantial burdens and new costs for industry. It is vital our British manufactures and energy suppliers can inform the decisions makers on the rules and standards that apply to them. We need to have a say on the regulations and standards that affect our industrial competitiveness.

Frustration with EU regulations was given by many people as their personal reason for voting Leave it will clearly not be politically acceptable if our Westminster Parliament has no say on those rules, only a rubber-stamping role similar to that of Norway. A new strategy will be needed.

Currently British voices influence EU regulations not only through the European Council and our MEPs but also via the myriad of specialist stakeholder groups and trade associations where British experts from public as well as private sectors often hold leading roles. These voices often have great influence; we should not take it for granted that they will continue.

One suggestion is to base our future on the "regulatory cooperation" proposals "modern trade agreements". Have you read the regulatory cooperation chapter in the latest EU/Canada trade deal but this is a very far cry from the current relationships between UK regulators and those of our EU neighbours. If the UK accepts this approach, there is absolutely no assurance that our Industry will be consulted at any stage in the EU rule or standard making process.

Instead, I think we are more likely to achieve a more balanced co-operative relationship if we work on a sector by sector approach, focusing cooperation primarily where there is true international need for a cross border consensus; certain areas of financial services and the digital economy as well as key manufacturing sectors come to mind.

For energy a case was made during the referendum that leaving the EU of course may release us from some of the European energy regulations which Britain has disagreed with and thus enable our energy to be more affordable. For example, the UK government has opposed the EU setting individual countries binding targets for Energy Efficiency and renewables. But to be honest it was already very clear that post 2020 the UK and many other countries would not support the concept of these individual national targets being set at an EU level.

Brexit brings an opportunity to look at our own regulatory environment anew as well as that of the EU. For example, we have known for a long time that the EU Emissions trading scheme needs revision and it is good to see my Scottish colleague Ian Duncan back in the driving seat of the reforms.

However in my view the UK government should also reconsider going forward whether our own carbon floor price mechanism is working well as there are other tools used by other countries to deliver on decarbonisation commitments and drive investment in low carbon technologies whilst still supporting the competitiveness of energy-intensive industries.

Regarding climate change more specifically, an EU exit would not remove the legally binding UK climate change targets under the Climate Change Act 2008, but it could increase the focus on all aspects of UK-based generation, especially if exit resulted in poorer security of supply through decreased interconnectivity to Europe, reduced harmonisation of EU energy markets or less investment into the UK by multinational companies.

Brexit would also affect the UK's international climate targets under the United Nations Conference on Climate Change (UNFCCC). Currently the UK negotiates as part of the EU block and has internally set targets that together with other Member States aim to meet the EU's overall target. An EU withdrawal would have to address that lack of a UK-specific target under UNFCCC.

The UK has been one of the main drivers in Europe on environmental issues and therefore Brexit does not imply that this we would have radically different approach to that which we follow currently.

One unresolved question is how Brexit would affect the UK's ratification of the Paris Agreement, which the UK signed in April 2016. The UK's vote to leave the EU has the potential to affect progress

towards ratification. It does not alter the need to reduce emissions or the scale of that reduction, but might have an impact on how the UK's carbon budgets are met.

The Financial Times has quoted the view of Christiana Figueres (the executive secretary of the UNFCCC) that the Agreement might need to be recalibrated. Ministers have made no recent comment on when the UK might ratify the Paris Agreement, beyond indicating that it will be "as soon as possible". I'm sure we will hear more on this.

Finally, and because we are in world leading Cambridge where Rutherford first split the atom I want to touch on the issue of Science and Research, the continued need for Investment and the importance collaborative research to Innovation.

Research is key to generation next generation solutions. The EU, through its £70bn Horizon 2020 Fund (which the UK championed), has become a major funding stream for British based research. Bids for research funding are fiercely competitive and it is helpful that the Chancellor has announced that the UK will guarantee research funding up to 2020.

BUT, This debate is not just about just about research grant funding. Research collaborations between industry and academia are increasingly key to driving industrial advances and innovation. This is key for the energy sector, whether it is in developing new renewables, energy storage, battery technology, energy efficiencies, how we use new developments in ICT to enable Internet of Things solutions for Smart Grids. Today's cutting edge science frequently relies on being able to share ideas easily with others.

The most sensitive negotiating element in all of Brexit that of free movement, and reactions to the detailed stance we take we will affect how others positions. On one hand the leave vote was a clear message that free movement as we have had it to date in the UK cannot continue.

UK negotiators should not underestimate how deeply cherished the right to free movement is in other parts of Europe, especially those that were held under Communist rule where there are recent, often emotionally painful, memories of the heavy restrictions on movement.

BUT if we want to remain at the forefront of world science and innovation we need to send a clear message that we are open to scientists from across the world.

This means keeping an open attitude to movement of talent, facilitating the exchanges of skills and also making sure our scientists and researchers are able to access the capital to invest in innovation and fund the infrastructure behind it. EU Science and Research policy may well be one area where it is in the interests of both the UK and the EU of maintaining very close collaborative links.

Ladies and Gentleman, there is a huge amount of work to be done in the months ahead, not only in shaping the UK's own negotiating position but also enabling us to better understand the views and concerns of others. Since June 23 experts from all over the UK have been offering their help, advice, and expertise. It has been most heartening. Thank you for listening to me this evening but thank you even more for coming together today. For sharing your ideas and refining new suggestions for solutions. This positive can-do attitude is absolutely vital.

THANK YOU