



## **REA Members Briefing: Brexit – What Next? January 2020**

As of 11 pm (midnight CET) on the 31<sup>st</sup> January, the UK will officially leave the European Union, with the expiration of the Article 50 process triggered back in March 2017. This briefing lays out what we know about the next stage of the process and the timeline for future negotiations.

### ***Now the UK has left the EU – what's changed?***

In the immediate term, nothing will change. The Withdrawal Agreement, negotiated by Boris Johnson and passed by Parliament following the general election, means that the UK now enters into an Implementation Period in which the UK has agreed to both abide EU laws and transfer new EU laws up to 31<sup>st</sup> December 2020. During this time, the UK will have no formal representation in the European Union, however, the period is required to allow time for the future relationship to be negotiated.

If the UK fails to agree on a new trading arrangement by the end of 2020, and no extension to the implementation period is requested, the UK will fall back on WTO rules, previously referred to as a 'No Deal' Brexit.

### ***What might the future agreement look like?***

The Prime Minister, within the Conservative Manifesto and since the election, has made clear that Government is pursuing a new Free Trade Agreement (FTA), such as is currently in place between Canada and the EU.

#### ***'Autonomy over Alignment'***

Since becoming Prime Minister, Boris Johnson has taken a different approach to the type of FTA being sought in comparison to Theresa May. While May focused on what she termed a 'best in class' FTA, based on existing agreements and likely a high level of alignment, Johnson has made clear that his Government will prioritise 'autonomy over alignment'.

This means the Government is seeking the ability to diverge from EU rules where they choose to do so, even if it means higher trade barriers to the UK's access to the European single market. It is for this reason that we have seen Michael Gove MP warn that businesses may well face higher levels of bureaucracy when trading with Europe in the future and that they should not expect future arrangements to be completely frictionless.

The Prime minister is expected to make a speech early in February setting out the UK's Framework for negotiations.

### ***Will the FTA be comprehensive?***

Given the time restraints involved in the negotiation, it is unlikely that - if an agreement can be reached by the end of the year - that it will cover the whole economy. Some core aspects of the UK economy will likely be prioritised, such as the movement of goods, financial services and fisheries.

This could also include energy and climate change, especially given the focus on net-zero and the UK hosting COP 26 at the end of the year. However, this is not guaranteed.

If an area of the economy is not included in the deal, then it will likely default to WTO arrangements at the end of the Implementation Period. There will be opportunities for further negotiations after the FTA has been agreed, with additional Annexes being added, however, this can be expected to take a long time.



### ***What is the time frame for agreeing on an FTA with the EU?***

The time they have to agree this new FTA is very tight, as it is currently expected that it will need to be ready for ratification by the European Commission at the EU Summit in October 2020, and if it needs to go before the European Parliament (depending on the nature of the deal) it will need to be written, translated and presented to all 27 member states by November 2020.

The EU does allow for either party to request an extension to the Implementation Period, which will need to be requested by June 2020. However, the Prime Minister has made clear that the UK will not request an extension and went as far as amending the Withdrawal Agreement Bill to reflect this.

### ***When will negotiations start?***

Formal negotiations with Europe are expected to start in March, with February being used by both sides to establish their positions. The EU has stated that they aim to have its negotiating mandate signed off by the 27 member states at a meeting on the 25<sup>th</sup> of February.

### ***Who will be negotiating the FTA on behalf of the UK?***

The deal itself is expected to be negotiated by a new team of about 40 staff based in No. 10 and the Cabinet Office. The team shall be called 'Taskforce Europe' and chaired by the UK's Chief Negotiator David Frost, with direct oversight of the Prime Minister.

The Department for Exiting the European Union (DExEU) will also officially close on the 31<sup>st</sup> January, with its civil servants being redistributed to other Government Departments and its Ministers returning, for the time being, to the backbenches.

### ***What should industry be doing during the Implementation Period?***

It is important industry remains engaged with the negotiation process and feeds into the discussion about what the renewables and clean-tech sector would like to see within the FTA. The REA will continue to talk with civil servants and keep our members informed as information becomes available.

Several consultations are expected to come out of Government in February and March to understand industry views concerning issues such as tariffs, Rules of Origin and recognition of standards amongst other things. Being able to quickly feedback views on these consultations to the REA will be crucial for us to be able to accurately represent your views.

Nearer the end of the year, as the nature of the FTA (if there is one) becomes clearer, businesses will need to be preparing for what this means for continuing to trade in 2021. This might mean discussing issues with supply chains, or ensuring you have in place the necessary skills and processes to deal with any new trading arrangements.

### ***January 2020***

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