

Brexit Committee

Thursday, 5th December, 2019

MEETING OF BREXIT COMMITTEE

Members present: Councillor de Faoite (Chairperson);
Alderman Rodgers; and
Councillors D. Baker, Canavan, Collins, Flynn,
Harvey, Magennis, McKeown, McLaughlin,
Newton and Walsh.

In attendance: Mr. N. Grimshaw, Strategic Director of City and
Neighbourhood Services;
Ms. G. Long, Commissioner for Resilience; and
Ms. E. McGoldrick, Democratic Services Officer.

Apologies

Apologies were reported on behalf of Alderman Haire and Councillors Brooks and McAteer.

Minutes

The minutes of the meeting held on 7th and 21st November were taken as read and signed as correct. It was reported that those minutes had been adopted by the Council at its meeting on 2nd December subject to the variation of the minute of the meeting of 7th November, under the heading "Commissioning of a Report", to reflect that Councillor McLaughlin had agreed to include Councillor Flynn's proposal around good growth, inclusive growth and an ambition to a just transition to a zero-carbon economy within his proposal and that no amendment had been put to the Committee.

Declarations of Interest

No declarations of interest were reported.

Presentations

Northern Ireland Environment Link - Nature Matters NI Campaign

The Chairperson welcomed to the meeting Mr. S. Kelly, Northern Ireland Environment Link, Mr. J. Martin, RSPB NI, Mr. V. Magreehan, National Trust and Mr. R. Hunter, Ulster Wildlife.

Mr. Martin provided an overview of the Nature Matters NI Campaign, a coalition drawn from more than 70 members of NI Environment Link, working together to secure the best future for the environment.

He explained that the project board was made up of the following four workstreams:

- International Advocacy – to raise awareness of and build support for our key Brexit messages at a North/South, East/West level and beyond;
- Sustainable land-use – to develop a new sustainable land-use policy in coalition with others and to advocate this to government;
- Nature and Environmental Protection – to ensure that existing levels of protection for nature and the environment were maintained/enhanced; and
- Marine and Fisheries – to develop a new sustainable fisheries policy and designate an ecologically coherent and well managed network of protected areas at sea.

He highlighted the number of laws that would be affected by Brexit in relation to agriculture and environment, consumers and health protection policy areas.

Mr. Martin stated that Brexit would impact Directives – particularly Birds, Habitats and Water Framework which was the basis of nature conservation and environmental legislation and regulation. He raised concerns in relation to the potential lowering of environmental standards and ‘race to the bottom’.

He highlighted that the UK would no longer be subject to the European Court of Justice and the threat of heavy financial penalties through infraction. He suggested that the current systems would need a major overhaul and re-invigoration to safe-guard the key environmental priorities.

He summarised the Cross-Border and all-Island Environmental Issues such as the implications of the Land Use Policy and the guidance needed for use and protection of shared sites.

He raised concerns in relation to the UK’s future access to EU environmental funding such as LIFE+, INTERREG and partnership project funding.

Mr. Martin then provided an overview of the Non – EU International Environmental Agreements and stated that the UK was a signatory to other international Environmental agreements which would be ‘unaffected’ by Brexit. He advised that most of the 41 environment, agriculture and fisheries policy areas currently dealt with ‘under’ the EU would require 4 nation agreements in the future.

He highlighted that the Nature Matters NI was campaigning for:

- A sustainable agriculture and land use policy that was fair to farmers, good for nature and benefits society;
- Nature and environmental protection to ensure Northern Ireland’s most treasured species and habitats could thrive;
- A nature–friendly marine and fisheries policy to protect Northern Ireland’s seas and marine biodiversity;
- Funding for nature conservation to replace existing EU funding programmes such as LIFE+ and INTERREG; and

- The island of Ireland to be considered as a single biogeographic unit with effective mechanisms in place to resolve and manage cross border environmental issues and prevent unfair competition post-Brexit.

He advised that many MLA's had made a pledge to Nature Matters NI Charter to 'Protect and Restore Nature' and they wished to develop a similar Charter for Councillors across Northern Ireland.

During discussion, the representatives answered a range of questions in relation to the impact of Brexit on the environment such as air pollution, the spreading of ammonia, the importance of enforcement and restoration. Mr. Kelly highlighted that enforcement of breaches and a clear strategy was required to protect and manage the environment, together with an independent environmental watchdog to help mitigate some impacts of Brexit and hold the government to account.

The Chairperson thanked the representatives for attending and they retired from the meeting.

The Committee noted the information which had been provided.

Dr. Mary Dobbs, Queen's University Belfast

With the permission of the Committee, the Chairperson welcomed Dr. M. Dobbs to the meeting.

Dr. Dobbs provided an overview of the immediate implications of Brexit on the environment and agriculture sector leading to new relationships with new challenges and new opportunities. She explained the changes to some laws and the options for future governance mechanisms and explained the various approaches and obstacles. She advocated that there was an opportunity for the UK to develop its own objectives and principles

She explained her analysis of the EU Withdrawal agreement and advised that it would be used to patch some gaps in the environmental policies but there would also be some significant changes. She suggested that without the EU Commission to oversee protection of the environment, the UK should develop its own Common Framework for environmental protection with an independent body for oversight, as allowing DAERA to take on this role would be a conflict of interest. She advised that cross-border treaties and trade considerations would also be essential as the UK becomes a non-EU state.

She highlighted that there had been some Policy and Legal Developments and provided a risk analysis of new trade deal options and their potential impacts on environmental policies. She advised that with economic pressures, laws might shift giving rise to internal competition within the UK, leading to divergence within the UK and with Ireland.

She suggested that potential next steps included:

- Maintain existing standards and improve existing standards;
- Strengthen internal governance mechanisms where possible, such as extending current Bills;
- Collaborate (cross interests/fields/borders) and avail of grass roots and external bodies;
- The Assembly to reconvene to progress legal developments and advancements;
- Equivalent of current funding; and
- Feed into environmental strategy and push for a common framework.

During discussion, Dr. Dobbs answered a range of questions from the Committee, in regards to the additional powers of DAERA, the Repeal Bill, potential impact on well-being and access to green and open spaces, waste removal and the processing and smuggling of waste.

The Chairperson thanked Dr. Dobbs for attending and she retired from the meeting.

The Committee noted the information which had been provided and agreed to invite representatives from the Department of Agriculture, Environment and Rural Affairs (DAERA) to a future meeting of the Committee.

Energy Report

The Commissioner for Resilience provided an overview of the following report:

“1.0 Purpose of Report or Summary of main issues

The purpose of this report is to provide a briefing for the committee on potential implications of UK Exit on energy prices. The briefing has been prepared by summarising the conclusions of a range of official sources and academic sources. It does not offer a technical appraisal or assessment, rather provides an opinion from officers, and should be treated as such.

2.0 Recommendations

Members are asked to note the update provided.

3.0 Main report

Key Issues

Members are reminded that at the October 2019 Council meeting the following Notice of Motion was agreed:

‘Council condemns plans to hike electricity and energy prices across Belfast, with, for example, Power NI planning to raise their prices by 6%, SSE Airtricity by almost 7% and Electric Ireland by 8%. Council notes that some of these companies have increased their prices for the past 3 years. Council believes that this is grossly unfair, particularly given the fact that prices on the wholesale gas market have fallen by 49% over the last 12 months. Council believes that every effort should be made to oppose these hikes and wishes to see an immediate energy cap put in place. Council calls on the Chief Executive to write to the utility regulator to argue for the above.

This Council agrees that a report be submitted to a future meeting of the Brexit Committee on the impact of Brexit, including a ‘No Deal’ Brexit, on the electricity and wider energy market.’

Members are advised that the Utility Regulator has been invited to attend this Committee but a suitable date has yet to be agreed.

It is impossible to provide a definitive view of how UK Exit might affect energy prices in Northern Ireland, and much of the opinion in this area is speculative. Furthermore, reports on the issue tend to focus on the GB context, which is not always instructive regarding NI. Major differences exist between GB and NI energy systems, in particular because of the existence of a single electricity market (SEM) in Ireland.

Electricity

A key determinant of supply and price is the operation of the Single Electricity Market. Giving evidence to the House of Lords EU Committee, the Utility Regulator explained, ‘If SEM cannot operate as a functional market post Brexit then this could have a range of repercussive social and economic aspects—including security of supply concerns and the potential for higher prices with consequential impacts on fuel poverty and manufacturing costs in NI.’

The EU Exit Single Electricity Market Team within the UK Government has provided information on its intentions regarding the SEM, stating that ‘it is the UK Government’s position that by far the best outcome for electricity in Northern Ireland is to maintain the Single Electricity Market (SEM). In the absence of a Northern Ireland Executive, the UK Government is determined to protect electricity supplies in Northern Ireland. We are therefore committed to seeking to maintain the SEM in any EU Exit scenario including in No Deal and will take all possible measures to do so.’

The team has also confirmed that in terms of ‘No Deal’ Preparation the UK government announced its intention to legislate, to enable the modification of electricity industry licences and codes for the purpose of maintaining or restoring the effective operation of the SEM. This legislation would be brought forward in circumstances where there is substantial risk that the SEM will cease to operate effectively, or if the SEM has ceased to operate effectively.

If government meets the intentions set out above, the operation of SEM would not be materially impacted by a planned UK Exit withdrawal arrangement. However, in the event of a ‘no deal’ or disorderly withdrawal the operation of the SEM would be dependent on the successful passage of legislation as set out above.

Prices are impacted beyond the operation of the SEM. Access to the EU’s internal energy market (IEM) is also a determinant of price, it gives efficient access to market, and as a net importer of energy, this is of critical importance to the city’s economy and to households. Leaving the EU will mean either leaving this market, or agreeing new terms of trade within the EU market. For Northern Ireland the terms of the relationship with the IEM is critical for the operation of the Single Energy Market. As pointed out above, decisions which impact on the operation of the SEM could lead to higher prices.

Put simply, when energy trading becomes less efficient, prices tend to go up. The cost of electricity will therefore be determined by the manner of the UK’s exit, whether new trading arrangements with the EU internal market can be agreed, and how these terms of trade will specifically impact Northern Ireland, and the SEM.

New North-South Interconnector

Critical to the continuation and functioning of the electricity system in Ireland is the construction of the newest ‘North-South Interconnector’. The House of Lords EU Committee recognised its importance in the context of the UK’s decision to leave the EU, and concluded, ‘The construction of the North-South interconnector on the island of Ireland is vital for reducing consumer costs in both countries, and for maintaining energy security in Northern Ireland. The Government must satisfy itself that its construction is not at risk as a result of Brexit.’

Oil

Home heating oil is a globally traded commodity and is therefore subject to a range of factors that affect its cost, including trade-related or other shocks. Currency volatility will impact price in the future (see section below), as ever. Oil prices are unlikely to be fundamentally impacted by UK Exit, any more than any other commodity.

Gas

The UK already has mitigation against security of supply risks built into the system, so price rises due to security of supply issues are not expected. Price rises would have to have occurred due to export tariffs, but given supply capacity within the UK at present, any changes are not likely to be a result of UK Exit. It is understood that by and large, fundamental changes to gas trading as a result of UK Exit are currently unlikely. However, given the dependence, which NI has on connectivity with GB for gas supply, it is worth reiterating that interconnectors between Great Britain and the island of Ireland play a critical role in security and affordability for Belfast.

Currency Volatility

The 19% reduction in the value of UK sterling since the referendum has had material impacts on the cost of consumer goods, including energy. At this point, currency volatility is likely to continue to impact the cost of energy.

Cost pressures due to uncertainty

The operation of the energy market, which requires companies to set energy prices in advance, could result in higher prices being set, to mitigate for future price shocks. These shocks could emerge, for example, due to ongoing uncertainty around a future carbon-pricing regime for the UK post- Brexit. At present the UK is part of EU Emissions Trading System (EU ETS), and how or whether that will continue is unclear.

Long Term Investment

Transition to low-carbon energy sources is critical to the future of the Northern Ireland economy, and to Belfast. Risks to future investment in low-carbon initiatives remain while the manner of UK Exit remains uncertain. This could have a

longer term impact on the supply of renewables and how quickly we can increase the proportion of renewable energy supplied to households. In turn, it could negatively impact prices in the medium term.

Public Perceptions

Public views of energy prices since UK Exit are worth noting. The NI Consumer Council published a perceptions study in October, which had found that 40% of people felt UK Exit will have a negative impact on the cost of electricity, and a further 44% and 41% on oil and gas prices respectively.

Source:

https://www.consumercouncil.org.uk/sites/default/files/2019-10/EU_Exit_Survey_Consumer_Council.pdf

Conclusion

The decision of the UK to leave the European Union will require careful planning to ensure security of supply and price stability for residents in Belfast. This is particularly the case for the electricity market. While we do not expect short-term supply issues, it is critical that steps are taken to ensure that the market's competitiveness is not undermined, which might result in cost increases for consumers. These steps would include maintenance of effective energy trading arrangements between the UK and EU ensuring access to gas and electricity and preventing price shocks for consumers. It would also include maintaining the SEM and co-operation between regulators and standards boards that govern cross-border trading.

Financial & Resource Implications

There are no implications relating to this report.

Equality or Good Relations Implications/Rural Needs Assessment

There are no implications relating to this report.”

During discussion, the Strategic Director advised that electricity black-outs had been assessed and ruled out as part of the Day One Readiness Assessments.

The Committee noted the contents of the report.

Day 1 Readiness

The Strategic Director of City and Neighbourhood Services reiterated the existing Civil Contingency Arrangements which included the following:

- Due to the extension and the general election, reporting structures had now been stood down;
- Depending on the outcome of the general election, there could be a range of Brexit related outcomes so the Council needed to continue to be ready to stand up again if required; and
- A review of the Business Continuity Management process would be undertaken for the Council's critical services to prepare for the various scenarios.

During discussion, the Strategic Director advised that learning from the Emergency Planning Exercises included the importance of sharing information and escalating issues with the reporting structure and highlighted the critical role of the Council in the process.

The Committee noted it would be kept updated on the Contingency Arrangements process.

Chairperson