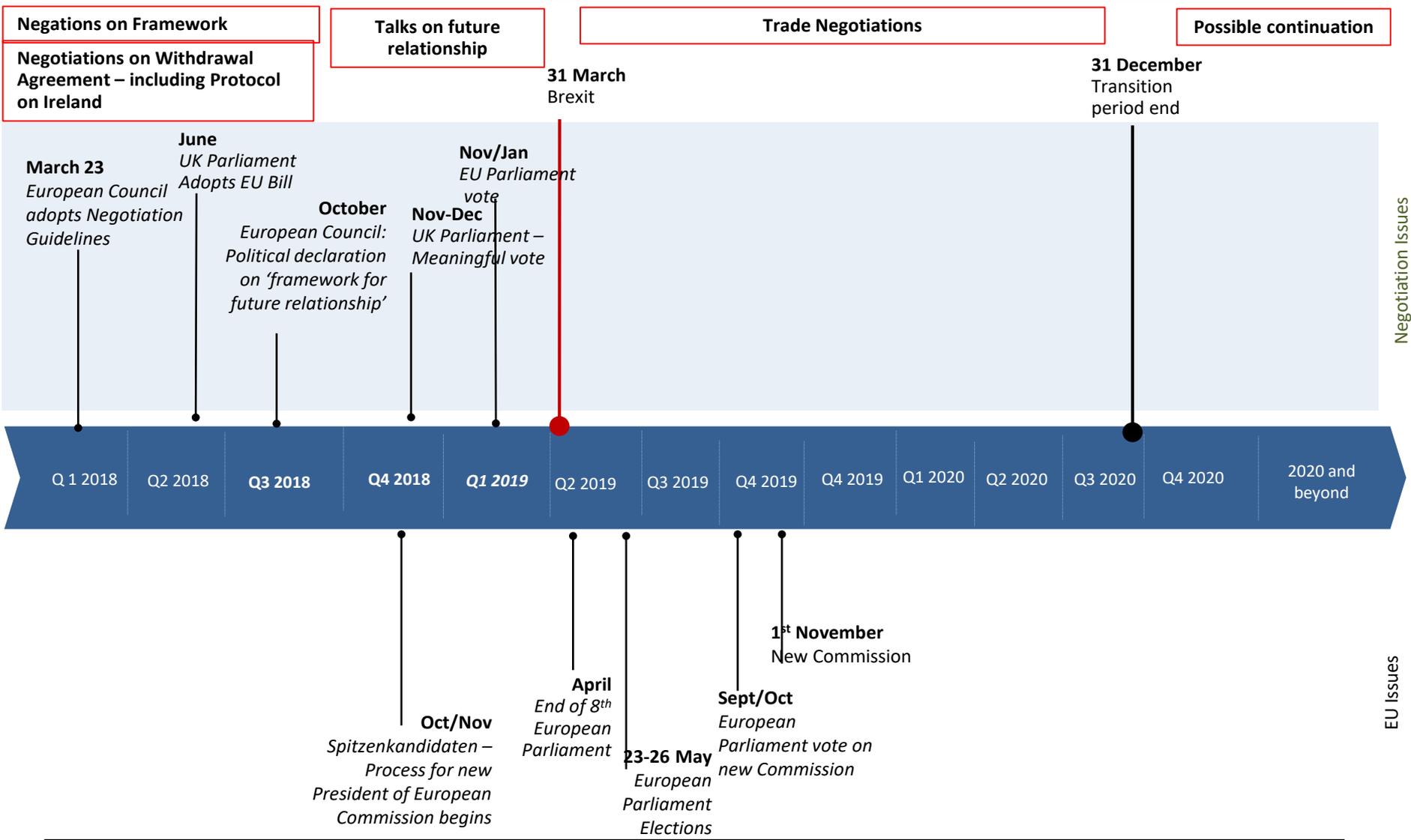


Brexit's Impact on Euratom

Energy Transition in Europe: Options for Reform

Copenhagen | 7 June 2018 | Antony Froggatt

Brexit Timetable 2018-20



Euratom Negotiations

- Brexatom: two stages
- Withdrawal – political agreement has been reached and will be concluded by October 2018 pending ratification by UK and EU Parliaments.
 - Euratom – all issues said to be agreed (relating to finance, staff etc.), except that of Special Fissile Material
- In March, the Commission published a ‘Notification to stakeholders’ on the implications of the UK leaving Euratom for:
 - Euratom Supply Agency
 - Export of nuclear materials
 - Nuclear safety standards
 - Movement of workers
- Future relationship is under discussion and will be concluded in the following months (or years). For Euratom, this will affect research and development.

Energy and climate won't be a priority – but it matters

- Under no deal scenario, energy would continue to flow, **apart from nuclear fuel and materials**.
- Meanwhile, Greenhouse Gases will continue to be emitted and climate policies and politics will continue to evolve
 - The European Commission will present the EU Council a proposal for a Strategy for long-term EU greenhouse gas emissions reduction in accordance with the Paris Agreement by the first quarter of 2019.
 - This strategy will take into account national plans (See March 2018 European Council Conclusions)
- Energy, and climate in particular, offers opportunity for close co-operation. *Important issue for future relationship.*
- Necessary & desirable:
 - Maintaining reliable and affordable supply is essential for society and economy and environmental protection
 - Decarbonisation will change energy system
 - Electricity is difficult and expensive to store and only traded locally
 - Energy Supply dominated by wires and pipes – European networks

Electricity trade and market coupling

- **Interconnection capacity:** outside the EU, the UK no longer has to comply with EU requirement of 10% interconnection by 2020 and aspiration of 15% by 2030. Despite this, large scale expansion plans and supportive policy – Carbon Floor Price – Capacity payments (Nemo, Eleclink and IFA2 –2.2GW -contracts of £8.40/kW)
- **Market coupling:** Can GB post-Brexit remain part of current and future market coupling - unclear whether UK will change standards/practices necessary for greater renewable integration.
- **IEM:** remaining fully integrated would require compliance with EU environmental and competition (State Aid) rules.
- **Commission de Régulation de L'Énergie:** “In the context of Brexit, the question of the inclusion of the benefits for the United Kingdom in the calculation methodology could be reviewed in light of the ultimate status of the United Kingdom with regards to its participation to the internal energy market.
- In this context, following studies conducted by its services, CRE considers that it is not in a position to decide whether any new interconnector project between France and the United Kingdom is beneficial to the European community before the withdrawal conditions of the United Kingdom from the European Union are clarified.” – November 2017

Interconnector investment

Name	Connects GB to	Capacity (MW)	Contracted or actual date of operation	Estimated cost ^a	Connecting Europe Facility development funding ^b
Operating					
IFA	France	2,000	Since 1986		
Moyle	Northern Ireland	450 MW to NI (of which 295 MW to GB)	Since 2002		
BritNed	Netherlands	1,200	Since 2011		
EWIC	Republic of Ireland	505	Since 2012		
Total		4,155			
Contracted					
ElecLink	France	1,000	Contracted 2016	£590 million	€1.7 million, €0.5 million
Nemo	Belgium	1,000	Contracted 2018	€690 million	
NSN	Norway	1,400	Contracted 2019	€2,000 million	€31.3 million
IFA-2	France	1,000	Contracted 2019	€690 million	€5.9 million
FABLink	France	1,400	Contracted 2020	€750 million	€7.23 million
Aquind	France	2,000	Contracted 2020	£1,100 million ^c	
Viking Link	Denmark	1,000	Contracted 2022	€2,000 million	€14.8 million
NorthConnect	Norway	1,400	Contracted 2021	€1,300 million	€10.7 million
Total		10,200			
Projects of Common Interest or party of ENTSO-E* Ten-Year Network Development Plan					
Belgium-GB-2	Belgium	1,000			
Icelink	Iceland	1,000			
Greenwire	Republic of Ireland	3,000			
Codling Park	Republic of Ireland	500–1,000			
Energy Bridge	Republic of Ireland	5,000			
Irish-Scottish Isles	Northern Ireland	1,200			
Second Interconnector	Belgium	1,000			
		12,700–13,200			

- Brexit adds to uncertainty over economic viability over interconnectors, in part because of UK status in market coupling mechanism
 - FABLink - has put the project on hold - The start up of this project, originally planned for 2022, is therefore postponed to 2024 pending a clarification of the UK's exit conditions from the European Union on energy issues.
 - Aquind – reviewing methodology of community benefits
 - Viking Link - FID delayed due to lack of certainty over local planning

Why does Brexit lead to Brexatom

- *Legal:* Article 106a of the Euratom Treaty provides that the Article 50 procedure under TEU also applies to the Euratom Treaty.
 - “Within the framework of this Treaty, the references to the Union, to the ‘Treaty on European Union’, to the ‘Treaty on the Functioning of the European Union’ or to the ‘Treaties’ in the provisions referred to in paragraph 1 and those in the protocols annexed both to those Treaties and to this Treaty shall be taken, respectively, as references to the European Atomic Energy Community and to this Treaty”.
- *Regulatory:* Remaining the Euratom would not be compatible with ‘taking back control’ → UK would become a rule taker and remain under the jurisdiction of the ECJ; also a role for European Parliament and Council.
- *Political:* Being part of the Euratom but not part of the EU would set a precedent for those Member states that wanted to be part of the EU but not Euratom. Currently, Member states need to be members of both.

The UK is leaving Euratom

- **European Union (Notification of Withdrawal) Bill**
 - 17 - Clause 1(1): Prime Minister can notify the European Council of the United Kingdom's intention to withdraw from the European Union.
 - 18 - The power that is provided by clause 1(1) applies to withdrawal from the EU. This includes the European Atomic Energy Community ('Euratom'), as the European Union (Amendment) Act 2008 sets out that the term "EU" includes (as the context permits or requires) Euratom (section 3(2)).
- **Article 50 letter**
 - In addition, in accordance with the same Article 50(2) as applied by Article 106a of the Treaty Establishing the European Atomic Energy Community, I hereby notify the European Council of the United Kingdom's intention to withdraw from the European Atomic Energy Community. References in this letter to the European Union should therefore be taken to include a reference to the European Atomic Energy Community.

Special, special characteristics of Euratom and nuclear power

- The 1957 Euratom Treaty
 - **Article 1:** *It shall be the task of the Community to contribute to the raising of the standard of living in the Member States and to the development of relations with the other countries by creating the conditions necessary for the speedy establishment and growth of nuclear industries.*
 - **Article 2:** The treaty shall
 - Promote research and development
 - Facilitate investment
 - Establish uniform safety standards
 - Ensure regular supply of ore and nuclear fuel
 - Ensure by ‘appropriate supervision’ that nuclear material is not diverted
 - Create common market for materials, equipment and people
 - Develop international agreements

Brexatom Considerations



Nuclear material safeguards

- Outside of Euratom, inspections would be carried out by the ONR in line with a new agreement with the IAEA. However, the Office of Nuclear Regulator has not built up own safeguards experience or staff.
- In March 2018, the UK Government informed the IAEA that it was seeking a Voluntary Offer Agreement along with an Additional Protocol which was agreed in early June 2018. The agreement would only enter into force once the UK has left Euratom – after the transition period (end of December 2020).
- The UK Government would pursue a safeguards regime similar to that of Euratom. However, it accepted that this may not be initially possible: ‘the speed at which the ONR is able to move the domestic regime from meeting international commitments to a level that is equivalent to Euratom is dependent on a wide variety of factors including the progress of on-going technical discussions between the ONR and Euratom’.
- It is also dependent on the number of staff. As of March 2018, about half of the necessary inspectors had been recruited.
 - 20-25 new staff will be needed (of which 9 would be safeguards inspectors).

Nuclear material safeguards continued..

- In a register of risk around Brexatom five areas were identified a ‘red’:
 - A new IT system to track nuclear material is behind schedule
 - Slow progress to recruit safeguards inspectors
 - A lack of training for inspectors
 - Concerns about long-term funding for the ONR
 - Failure to arrange the handover of equipment from Euratom to the UK

International agreements

- UK post-Brexit will need to replace all Euratom international agreements for supply of nuclear material/equipment
 - Most significant: probably EU, along with Australia, Canada, Japan and US. The Government says that they are ‘on track’
 - These will be presented to the UK Parliament in the 2nd half of 2018 (prior to approval by Government).
- But approval also needed in partner countries (different domestic legislative processes – can take time).
- Without international agreements, it will become impossible for the UK’s civil nuclear business to operate or develop in the longer term.
 - Unlike other aspects of trade, there is no WTO agreement to fall back on: “trade has to stop – trade in materials, in intellectual property and in people, as in intellectual property.”
- UK could seek an Associate Status of Euratom (would require a unique degree of association, not the same as agreements with Switzerland or Ukraine) or a co-operation Agreement.

Research and Development and Skills

- **Research and Development:**

- UK fusion research fully linked with Euratom, in JET operation or in ITER
- Government confirmed funding of JET through to 2020
- The Government is likely to seek remaining part of the EU's research programmes, including Euratom (as is Switzerland and Ukraine)

- **Skills:**

- Without freedom of movement there is real concern that there won't be sufficiently skilled staff for building new nuclear facilities – which will raise the price of construction

Safeguards Bill

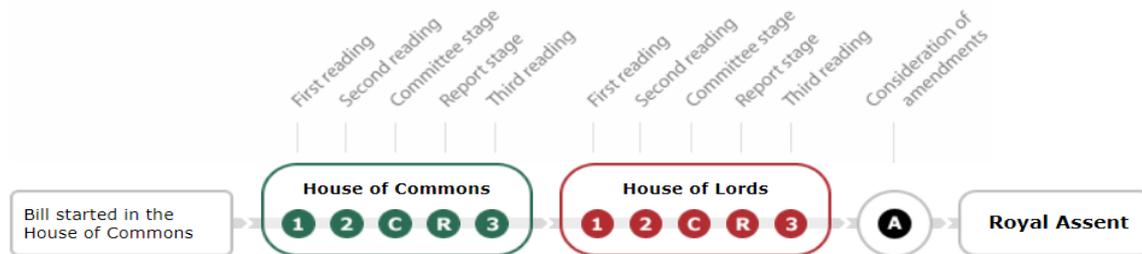
- Bills & Legislation
- Bills before Parliament 2017-19
- Public Bills
- ↓ Nuclear Safeguards Bill 2017-19**
- Bill stages
- Bill documents
- Commons Public Bill Committee 2017-19

Nuclear Safeguards Bill 2017-19

Type of Bill: Government Bill

Sponsors: Greg Clark
Business, Energy & Industrial Strategy
Lord Henley
Business, Energy & Industrial Strategy

Progress of the Bill



Last events

● [Ping Pong: House of Commons 8 May, 2018](#) | 08.05.2018
Programme motion: House of Commons | 08.05.2018

Next event

● [Ping Pong](#) | 06.06.2018

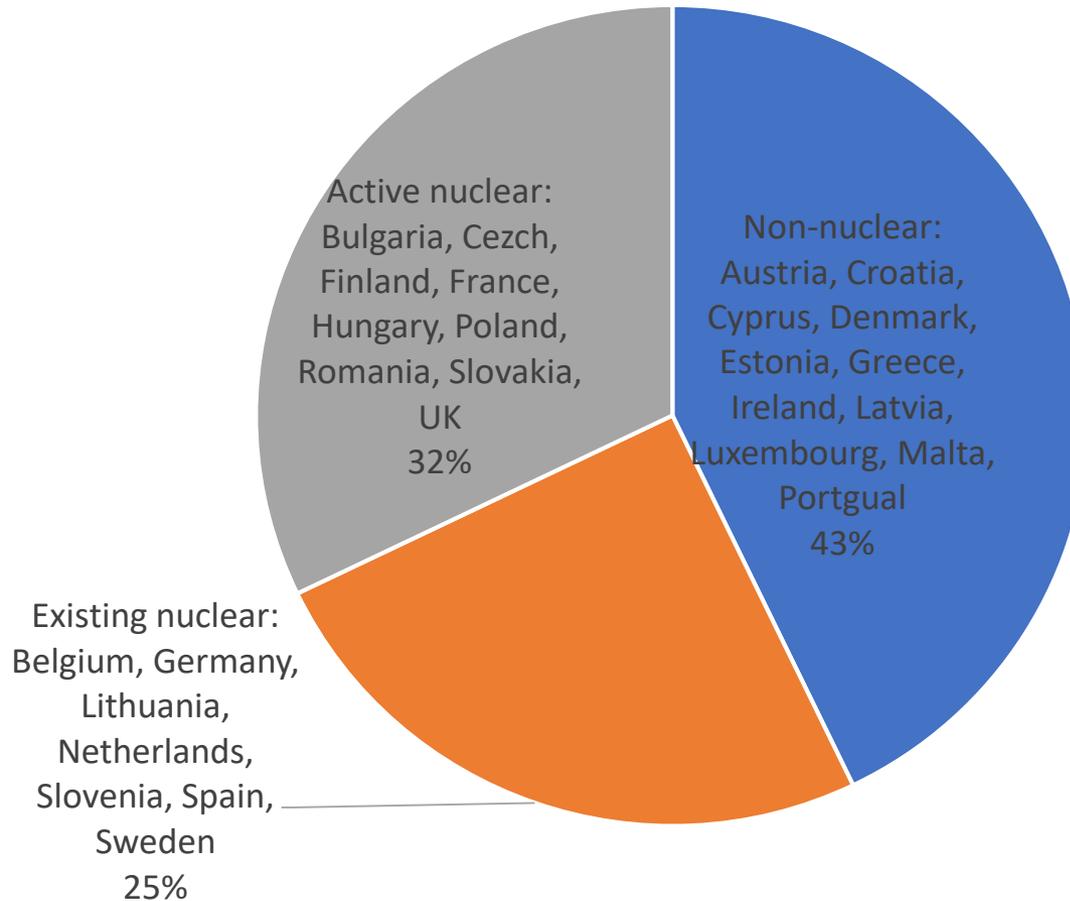
“In the event that any of the agreements listed in subsection (3) are not in place on 1 March 2019, a Minister of the Crown must, as part of the negotiations regarding the United Kingdom’s withdrawal from the European Atomic Energy Community Treaty, request to suspend the United Kingdom’s withdrawal” – House of Lords amendment

Impact on the EU

- Foratom: “if the UK leaves Euratom, the nuclear industry will lose a crucial advocate in the Council and especially at the Atomic Question Group” – June 2016.

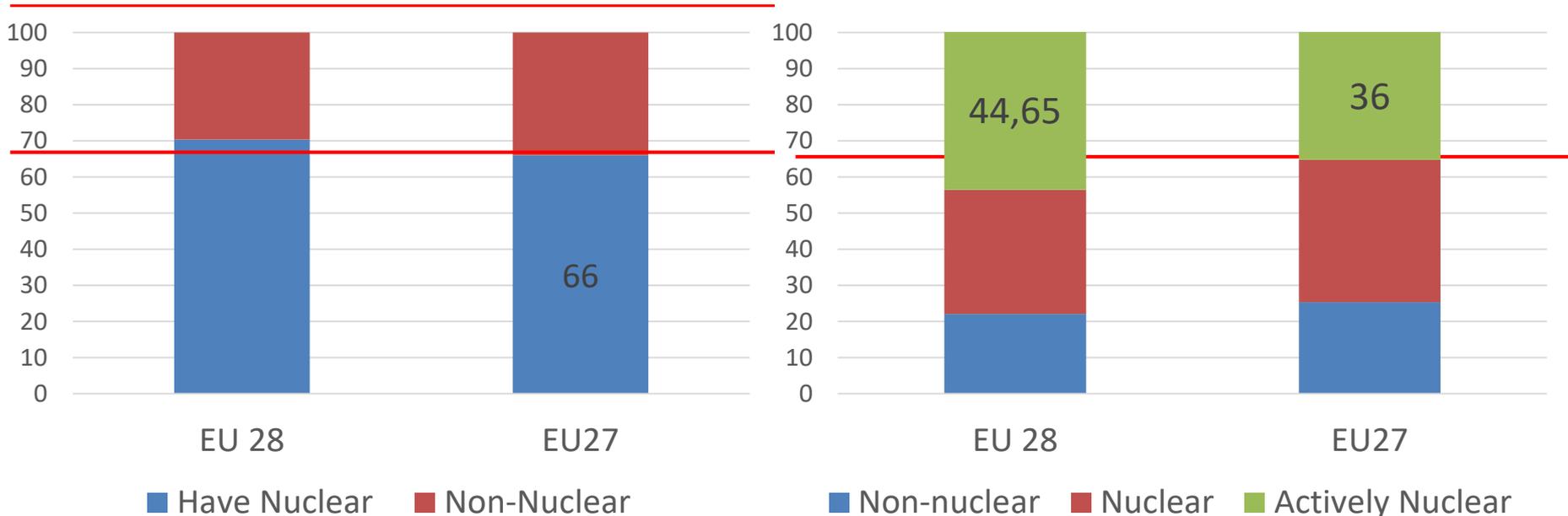


Nuclear construction remains in the minority



European Council Voting

- Simple majority: - Requires the support of 15 countries
- Qualified majority – 55% of countries and 65% of population
- Unanimity



Conclusions

- Time is running out: negotiations on Brexit terms and future UK-EU27 agreement will be complex and the UK Government is yet to decide on its favoured approach.
- The UK will have to continue to push hard to replace the important safeguards functions undertaken by Euratom. While international standards could be reached by March 2019, other EU standards are unlikely to be met.
- The other key issue for the UK: can it continue to engage in EU research programme and access skilled staff?
- However, one of the largest impacts of Brexatom will be on the EU27: loss of UK, one of the most ardent and powerful supporters of nuclear power.

Thank you

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