



The Centre for
Cross Border Studies

MEDIA WATCH

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NO-DEAL BREXIT WOULD THREATEN POWER SUPPLIES IN NORTHERN IRELAND

Northern Ireland faces the threat of electricity blackouts if the UK crashes out of the European Union without a deal.

Laws which underpin the trade of electricity with the Republic of Ireland would disappear, according to documents released by the Brexit department.

Negotiators are trying to secure an agreement with Brussels that the current single electricity market would remain intact even if exit talks collapse.

But the Government warned that, if the pledge was not secured, customers on both sides of the border could be hit.

Hannah Essex, co-executive director at the British Chambers of Commerce, said: "There will be major concerns that, without a deal, the market for electricity will be disrupted.

"Businesses will welcome the Government's commitment to maintaining continuity in any Brexit outcome.

"However, it will be on the minds of firms until a formal solution is agreed - particularly in Northern Ireland, given the single electricity market on the island of Ireland."

The single electricity market involves "significant" flows of power between the Republic of Ireland and Northern Ireland.

The latest batch of technical papers released by the Government to help residents and businesses prepare for the possibility of no deal said there was a "risk" that the single electricity market "may not be able to continue".

If that happens, the Northern Ireland Utility Regulator, an energy watchdog, will "take action to seek to ensure continued security of supply and market stability", according to the papers.

Liberal Democrat MP Layla Moran, who backs the Best For Britain anti-Brexit campaign, said: "The truth, albeit hidden by Civil Service anodyne language, is clear - a no-deal Brexit could spark blackouts in Northern Ireland and higher bills for everyone else.

"We get so much from our power from Europe and this could be put at risk because of the Government's mishandling.

"What should equally send shivers down the spine are that cross-border arrangements for energy for Northern Ireland could continue without any legal basis. This is a potential legal minefield."

Source: The Press Association

19 October 2018

Brexit Deal or no deal the dilemma for Irish businesses

Another inconclusive EU summit. Irish businesses have faced the uncertainty of Brexit since the vote in the summer of 2016 but, more than two years on, the date of the UK's departure is getting increasing close. And there is still no clarity on what is going to happen.

To make planning even more difficult, the range of possible outcomes is wide. The clarifying issue is the transition period. If a withdrawal agreement is finalised, the transition period - a standstill on current trading arrangements between the EU and UK- will commence once the UK leaves next March.

The current terms of the withdrawal agreement see this extending to the end of December 2020, though there are now suggestions that this could be extended.

In turn, this could point to a future trade deal between the EU and the UK in the long term. Even if the likely terms of this remain uncertain, it removes some of the threats for Irish companies. This is as close to a sunny scenario as Irish business can get.

Nightmare scenario

But the nightmare scenario is also possible. If the two sides fail to conclude a withdrawal agreement, then the UK will crash out next March and, crucially, there will be no transition period. New trading arrangements and regulations affecting every sector will come into force overnight. No matter what preparations are made for this, it threatens to be chaotic.

Irish business leaders continue to believe that an agreement will be done. " We are confident that we will see a deal - it is in no-one's interest to have a no-deal exit," said Fergal O'Brien, head of policy at Ibec, the business representative group. " The most important thing for businesses is to finally get the risk of a no deal off the table."

Even after the lack of progress at the latest summit, "it is still inconceivable a deal won't be done", said Ian Talbot, chief executive of Chambers Ireland, the umbrella body for chambers across the country. "The November council meeting not being confirmed doesn't mean it won't happen. But it could still be delayed until December, too. Or even next year."

And businesses in the North, loath to jump into the political maelstrom for so long, are also speaking out. In a move seen as highly significant by official sources in Dublin, a letter was sent to the UK prime minister this week by Trevor Lockhart, the chairman of the Confederation of British Industry in Northern Ireland and signed by 21 business groups representing all the main sectors.

It pointed out that last December the EU and UK had committed to ensuring that any deal would not disadvantage the North's economic interests.

"That was a commitment," according to the letter. "However, there is now grave concern within the business community that in a 'no-deal' situation, the UK Government would not be bound by these special undertakings, and Northern Ireland would suffer as a result."

The North's businesses are now clearly getting engaged in the political process. The key question is what impact this will have on the political process and particularly on the DUP, the largest party in the region.

Businesses North and South will now be closely watching the smoke signals over the next few weeks. Sources suggest that the EU and UK are likely to keep pushing for a compromise solution on the crunch issue of the Border backstop, the legal guarantee that there would be no hard border on the island no matter what the outcome of future trade talks.

Whether a summit is called for mid-November will be a key indicator of progress, or the lack of it.

Political timetable

A key issue for businesses is that the talks are moving on a political timetable that would surely mean they will run to the last minute. Also, the sequencing of the talks is that the withdrawal agreement is first to be signed off.

This will be accompanied by a political declaration on what the future relationship between the EU and UK might look like. But the details of this will be negotiated only after the UK leaves.

So even if the no-deal prospect is taken off the table by the conclusion of the withdrawal agreement, businesses will still not know exactly what rules will apply in the long term. And most fear that the transition period will not be long enough to work all of this out.

Right now, a lot of cash is being spent preparing for the worst - or at least preparing for a future in which customs barriers and other varying regulations between Ireland and the UK apply.

"In the last six months, decisions have had to be taken and business are making investments to prepare," said Ibec's O'Brien. "It is costing business and ultimately it will cost consumers."

Companies are examining their supply chains, for example, in cases where inputs go to the UK or they are supplying on goods for further processing there. Were the UK to crash out suddenly, this

could lead to huge complications as potentially different regulatory regimes would apply to inputs coming from the UK.

Others are buying warehouses in the UK to try to deal with any temporary hold-ups post-Brexit in getting goods to that market - and, as everyone has the same idea, the price of doing this is shooting up.

"Every month that goes by, more companies feel they have to jump to some probably sub-optimal restructuring - for example, opening a new subsidiary in the UK, which is costing money to effectively stand still," according to Talbot, of Chambers Ireland.

Roadshows

A series of roadshows being run by the Government are booked out, as SMEs as well as the bigger players start to focus on Brexit. Dublin and Rosslare ports are preparing for the wider checks that may be needed on trucks arriving and leaving, either from next March or, if the transition period kicks in, at a later date.

The Government plans to roll out more detailed support and advice via Local Enterprise Offices, while Enterprise Ireland is working with companies on diversifying export markets.

Sources also say there will be a push to get firms to take up the financial supports available from the Government. Ireland is trying to get ready - but preparing for no deal can only go so far.

On Thursday, the British-Irish Chamber of Commerce warned of the "alarming risks" to businesses and trade from a no-deal scenario. The chamber's director general John McGrane said the impasse in negotiations was "deeply disconcerting" and had left companies in "an impossible place" to invest and plan "because they still don't know what will happen" and that they may have to prepare for a hard Brexit.

No-deal is so complex because it would involve the UK leaving the EU customs union and single market overnight. This would mean two things. The customs union is the arrangement that guarantees free movement of goods without tariffs within the union - and applying the same tariffs to goods coming from outside.

If the UK leaves without a deal, the expectation is that tariffs set down by the World Trade Organisation would apply, meaning special import taxes on goods entering Ireland from the UK and visa versa.

Under WTO tariff schedules - or lists - these taxes are highest on traditional bulky products, particularly in the beef and dairy sector. Beef exports to the UK would be particularly exposed, while the ESRI has calculated that higher import prices could push up the cost of living here by 2 to 3 per cent.

However, the challenges of a no-deal go beyond tariffs. Single-market regulations allow the free flow of people, goods, services and capital. While the continued common travel area would allow free movement of people to live and work from Ireland to the UK, and visa versa, goods in particular would face different regulations and this would lead to new checks, particularly in areas like food safety.

Supply chains would be seriously disrupted and both in the UK and Ireland stockpiling of vital medicines is likely, as it could take time to put in place new rules allowing mutual recognition. Big companies who manage supply chains across the EU/UK border in areas such as medical devices could face mind-bending complexities.

State forestry group Coillte recently secured two new warehouses in the UK as a contingency measure to stockpile its product in the event of no deal being agreed, and there being weeks or months of delays through ports. The UK accounts for roughly 70 per cent of Coillte's exports.

Grounding flights

In aviation, the movement of the UK out of the EU regulatory regime could ground flights for a period while new arrangements are put in place. Ryanair chief executive Michael O'Leary warned on Wednesday of a possible three-week delay.

Some of these no-deal risks could be mitigated by advance talks between the two sides. Though if the talks end in acrimony this may or may not be possible.

Of course, even if there is a withdrawal agreement, many of these issues may still have to be dealt with by businesses, depending on the shape of any future EU/UK trade deal.

However, dealing with the worst-case scenario all at once next March would make it much more difficult and costly, and lead to inevitable chaos and delays as new systems come into play overnight. This is why the transition period is so important and why Irish businesses North and South desperately need a deal to be done.

Source: The Irish Times