



7th ETRC 2017 SUMMIT

ENERGY TRADING REGULATIONS & COMPLIANCE



Introduction to the panel: Brexit – Possible scenarios and their consequences on the energy markets

Paul Austin Hallas
Brexit Project Manager
Centrica

www.etrsummit.com

DAY 2: THURSDAY 9TH MARCH 2017

ETRC 2017 Summit

Brexit: possible scenarios and their consequences for energy markets

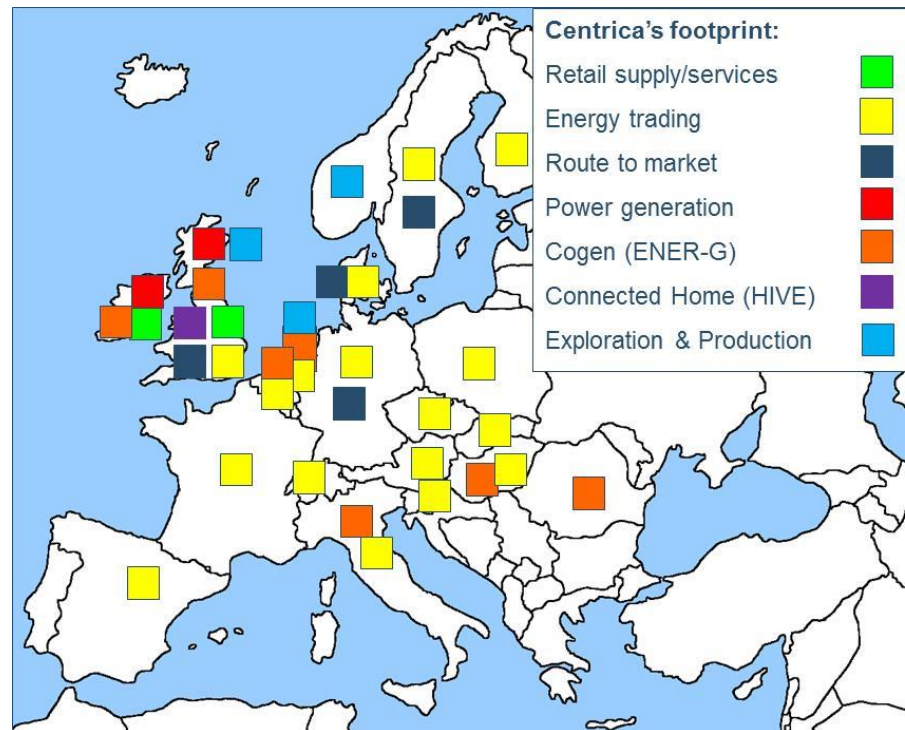
Paul Hallas, 9 March 2017



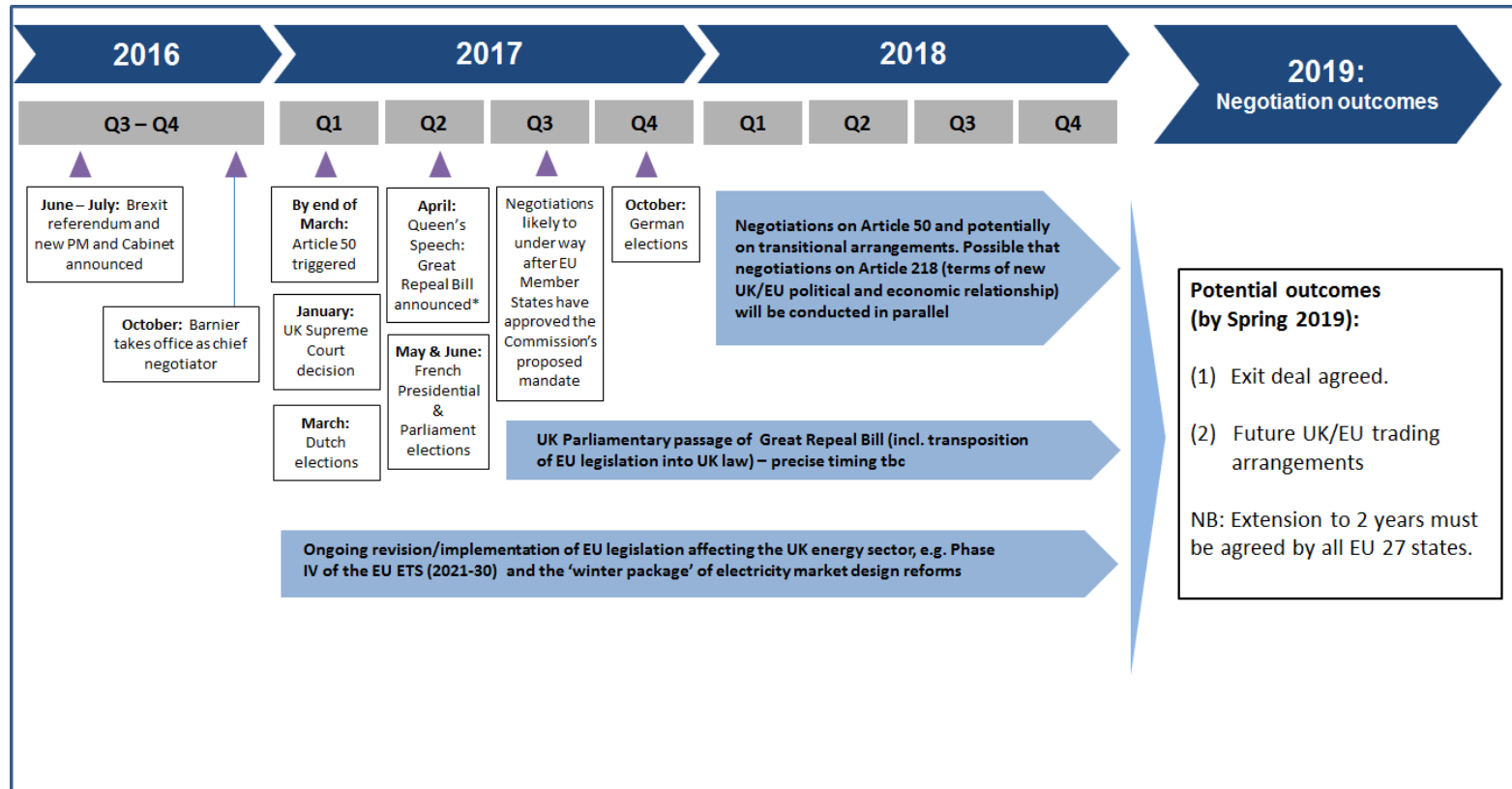
Agenda

1. Brexit background
2. Cross-border energy trading
3. Key Brexit issues

Like many companies here today, Centrica is active in several EU countries



Indicative Brexit timeline



The Brexit landscape

What we know

- UK voted to leave the EU on 23/6/2016
- “Art. 50” notice to be submitted by end March 2017
- Brexit in March 2019 unless otherwise agreed
- UK aspires to control of borders (EU migration), sovereignty (ending ECJ jurisdiction) and “the freest possible trade in goods and services between the UK and the EU”. ¹
- UK plans a ‘Great Repeal Bill’ in 2017/18
- EU likely to start from “four freedoms”
- Commission reported to be looking for ‘Brexit bill’ of €40-60 bn

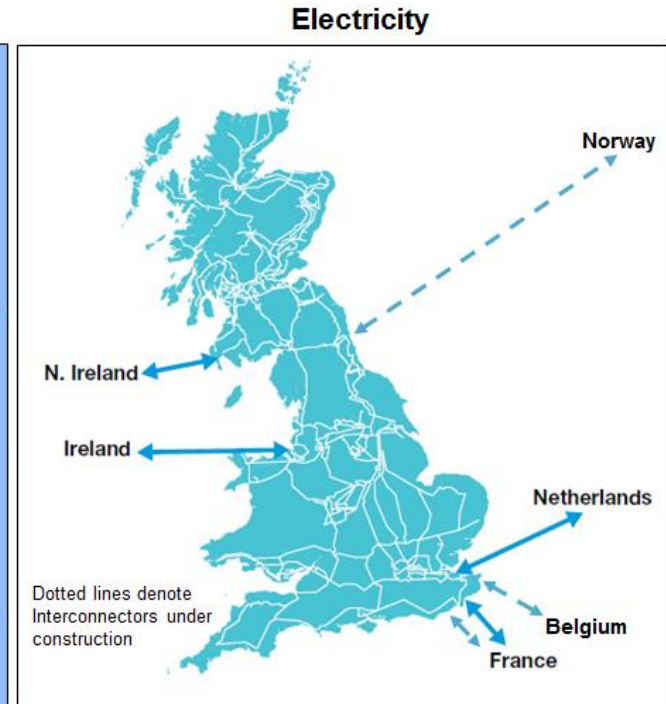
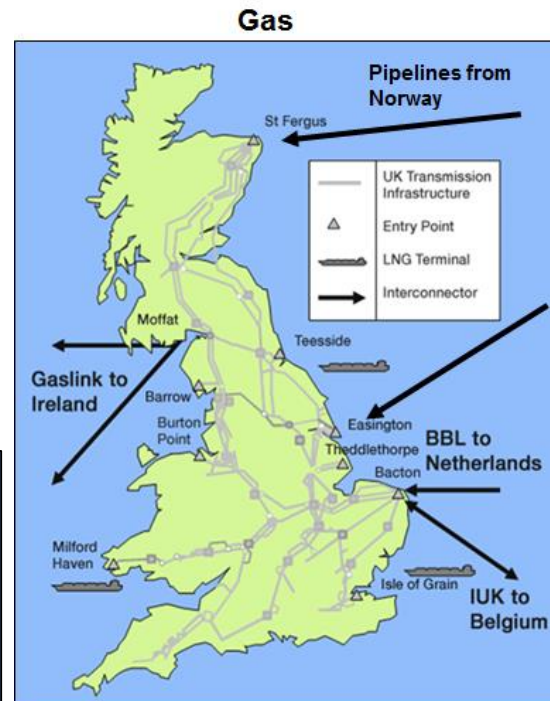
And what we don’t

- When negotiations will start in earnest and how they will progress
- What it means for energy; the UK is “considering all options for the UK’s future relationship with the EU on energy”. ¹
- Whether the UK will seek to remain within or leave the EU ETS
- The eventual scope of the Art. 50 Brexit agreement; will it cover only the ‘divorce’ or will it also extend to future UK-EU arrangements?
- The likely shape of post-Brexit ‘governance’

Many of us are engaged in cross-border energy trading

The UK's energy infrastructure is closely linked to the rest of the EU, with extensive gas trade and growing electricity interconnection

Efficient and effective cross-border energy trade is a real 'win-win'



Cross-border electricity trading framework

Efficient energy trading arrangements across Europe bring significant mutual benefit

<u>Cross-border arrangements</u>	<u>Status</u>	<u>EU benefits</u>	<u>UK benefits</u>
Day-Ahead Market Coupling	Applied to IFA and Britned since 2014	DAMC: c. €1 bn/a for EU as a whole (ACER, 2014)	£90m/a rising to £160m/a by the early 2020s (Vivid Economics) ¹
Intra-Day Coupling (XBID)	“In flight” under CACM (2018?)	Similar estimate reported by EPRG (2015): c. €1.1 bn including intra-day	
Cross-border balancing	“In flight” (Project Terre)	c. €1.3 bn (EPRG) ²	£80m/a by early 2020s (Vivid Economics)

Potential Brexit impact on energy trading

Brexit's energy impact of ought rationally to be limited/benign – but this is a political negotiation

- **Cross-border energy trading:** will the current arrangements be put at risk?
- **Carbon pricing:** UK withdrawal from ETS could have carbon pricing impacts in the UK and the remaining EU
- **New electricity interconnectors:** uncertainty does not help, but the basis remains wide and the fundamentals are supportive of robust projects
- **Level playing field issues:** GB generation vs. imports. Recently highlighted by Uniper UK.
- **Transaction reporting:** possible 'double reporting' and risk of 'double regulation'
- **Energy and climate policy:** potential impact on political dynamics post-Brexit

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Attendees

 **Risk Management**
Job Titles

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 **7-9 NOVEMBER 2017**

 **LONDON, UK**

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Attendees

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