

Brexit: What's next

Energy

The UK and Ireland energy markets are tightly interdependent

Ireland and the UK are part of an increasingly integrated European market for electricity and gas. The move towards a single market for energy and the Energy Union brings benefits for all members such as increased security of supply at reduced cost. Current arrangements are unlikely to undergo changes in the short term as this would require significant change to UK legislation and policy.

A significant portion of Ireland's primary energy products are imported

from the UK and therefore the imposition of tariffs would have a significant impact on the Irish economy. The likelihood of this taking place is however low. Norway, Switzerland and Russia are examples of non EU member states that are integral to the EU's energy markets and do not face the imposition of tariffs. Funding of interconnectors with Great Britain or Northern Ireland will be a challenge and there will be a greater focus on interconnection with countries such as France.

The risk to the Irish economy arises from the delayed or abandoned harmonisation of energy market arrangements. Ireland and Northern Ireland currently operate a single wholesale electricity market and voluntarily harmonised retail arrangements. Regulators are in the process of reforming the wholesale electricity market to fully conform to the EU Target Model. The reforms will facilitate more efficient trading with EU member states, allowing decarbonisation of the electricity system at reduced cost while maintaining security of supply. Near term, energy companies should review their hedging strategies in light of a probable continued volatility of Sterling.

Issue		Importance		Impact
Market Efficiency	▶	Ireland is a net importer of electricity from Britain while Northern Ireland is a net importer of electricity from Ireland	▶	The UK market's independence of the EU market would reduce the efficiency of the Irish market and leave it vulnerable to issues faced solely by the UK market.
Security of Supply	▶	Ireland relies on EU regulatory measures to deal with a possible crisis situation in the case of a gas or oil shortage which the UK would no longer be subject to	▶	Difficulty in accessing sufficient supply of gas and the Irish oil supply stored in the UK during times of emergency e.g. access to 90 day emergency reserve.
Regulation	▶	The island of Ireland has a common electricity market overseen by a joint regulatory committee that implement EU regulation.	▶	The UK and NI regulators would no longer be subject to European regulation complicating Ireland's ability to enact required regulation and putting the plan for a revised electricity market at risk.
Climate Change Policy	▶	The UK would no longer be subject to EU rules on climate change policy and renewables.	▶	The UK could adopt a wholly different approach to mitigating climate change, creating additional distortions between the two energy markets.



If you would like to talk further, please contact...

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