

Don't be Uncertain. Be Assured!

If I were to say the word 'Brexit' and ask you what word comes to mind, I'm sure, after either *leave* or *remain*, that word would be uncertainty. For years, the British public was unsure they would get a referendum on leaving the EU. Once it was granted, there was dissent as to whether the vote would be adhered to by the people in power or if the outcome would appease their own political agenda.

The pollsters were completely uncertain in the lead-up to the referendum as to which way the axe would fall and with a final vote of 52% to Leave and 48% to Remain, it's hardly difficult to see why. A majority it may be, but by no means an overwhelming one. The topics of uncertainty have flip-flopped from immigration, trade, the effect on the Pound and most recently the seemingly, at time of writing, last sticking point; the Irish border. All have been debated by both sides of the chamber and on both sides of the argument, to no avail. The only thing that is certain is continued uncertainty.

We in the UK, be we a man or woman in the street, business owners and members of the community, cannot even take solace that this will be the end. When we leave the EU it won't even be the end. It's not even the beginning of the end (though some may disagree with that). No, it will only be the beginning of the beginning. We may, deal agreed, have bashed out some of the 'definitely will's and 'definitely will not's by the time we leave, but the fact is we will still have years of uncertainty about the smaller things. When I say smaller things I mean, of course, small compared to issues on the world stage, but of huge importance to small businesses. And small businesses form some of the backbone of the country.

It is indicative of our uncertainty that we concern ourselves about how we will stock the products we retail before we even consider the price implications. Further to this, we consider the economy and how we will pay ourselves and our staff before we even consider that new rules on immigration may drastically reduce staff.

I am sorry if I seem to be repeating the same often trotted out doom mongering we have all lived with for the past few years. I offer it as a parallel to one thing we can be certain of: that we, as business owners in the UK will always strive to provide the very best products and services, at the best price and with the best customer service, no matter where Brexit leads us. After all, Brexit may well be the future we want, the answer we need. Whichever side you stand for, there is still uncertainty. So let's look at ways you can forearm yourself against uncertainty in an industry where we at Assured Energy specialise. Yes, the clue is in the name; the energy industry.

Let me give you a background on how breaking away from Europe may affect gas and electricity supply to the UK.

The UK is currently part of the EU Internal Energy Market or IEM. The IEM was set up in order to harmonise and liberalise the EU's internal energy market, while measures have been adopted since 1996 to address market access, transparency and regulation, consumer protection, supporting interconnection and adequate levels of supply. This is all important to us as 40% of all our gas is pumped from Norway and other EU countries. Ah! I hear you say, but Norway isn't part of the EU. No, but it is part of the IEM. Further to our reliance on gas, 6% of our electricity comes from France, Netherlands and Ireland. 6% doesn't seem like much, but the recent blackouts have shown the extent to which a small reduction in supply can affect our infrastructure. Leaving the single market will mean we will no longer enjoy the frictionless trading with these countries' markets. We will no longer be part of the decision making process we currently enjoy as part of the IEM. In fact, it is widely believed, government included, that this could lead to loss of investment in our energy infrastructure which will in turn lead to us paying a premium on our energy as a result of increase in transportation costs. Those transportation costs will increase because the UK will become even more dependent on the subsea pipes the moment we leave the EU. Out of these pipelines, 4 are currently in use with another 8 becoming active in 2020.

National Grid told the Committee that UK consumers could face £500 million a year of costs by the early 2020s as a result of being outside the IEM.

We in the UK have been making big strides in renewable energy, but when there is no wind and little sun, coupled with extreme weather, our reliance on the pipelines is more keenly felt if one of them becomes damaged and put out of action, causing disruption to supplies. This is also a worry during cold snaps as EU countries may restrict supply to us in order to cater to their own citizens.

Currently, the UK is part of the EU Emission Trading System (EU ETS), a system which uses emission permits to put a price on carbon trading. If the UK leaves the EU ETS, we can't be certain which carbon pricing mechanism would replace it. This will make it difficult to price any thermal generation and cause deep uncertainty across the market.

Add on top of this the problems that could arise should the UK fail to find a replacement for Euratom, the EU nuclear cooperation treaty. There might be major consequences for the UK's nuclear industry, for which the government is throwing its weight and money behind, allowing Brexit to lead to a major energy crisis on all fronts.

A glimmer of hope in this regard is that the Government has consistently said it wants a "close association" with Euratom and the November 2018 political declaration noted the parties' intention to cooperate on some areas such as research. The Government has already legislated to replicate Euratom's nuclear safeguards' regime and negotiated agreements for nuclear trade with certain countries.

It has seemed for quite some time now that the UK would crash out without a deal; however, recent events surrounding talks with the Irish PM have provided a chance that a deal could be possible. This would mean that unlike an immediate de-coupling with the IEM that No-Deal would bring, leaving with a deal would mean we continue to deal with the IEM for the foreseeable future. This in turn means we will have an opportunity to negotiate tariffs and not fall under the very possible higher tariffs that the WTO may impose.

In essence, when it comes to the uncertainty that Brexit is casting over the energy industry, and in turn the effect on energy prices for small businesses, the only way to be sure of your energy spend over the next few years is to find the best energy deal you can right now and get it locked in for as many years as possible. This way you can be sure of your business energy spend, regardless of the effect Brexit has on the market.

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All information contained herein is correct at the time of writing. Assured Energy accepts no responsibility for advice given in this blog.

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