

# The harder the Brexit the hotter it gets?

Exploring impacts for climate policy

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## Exploring impacts for climate policy

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Brexit poses multiple challenges for UK and EU climate leadership, and could further destabilise global decarbonisation momentum in the wake of the US withdrawal from the Paris Agreement.

The full implications are challenging to predict given the uncertainty that pervades. We therefore look at the climate policy implications of four Brexit scenarios (Table 1).

Table 1. Four Brexit Scenarios

Remain	Soft Brexit	Hard Brexit	Ultra-Hard Brexit
The Brexit decision is reversed and the UK remains in the EU.	The UK opts to remain in the Single Market and Customs Union, thereby accepting the continued jurisdiction of the European Court of Justice, free movement of EU citizens to and from the UK, and continued contributions to the EU budget. Participation in EU institutions (European Commission, Council and Parliament) discontinues.	The UK leaves the Single Market and Customs Union, and eventually negotiates a free trade agreement with the EU. The majority of EU social protections, health, safety, and environmental regulations are transposed into UK law.	Like Hard Brexit, but the UK seeks to gain competitive advantage through the roll-back of social protections, health, safety, and environmental regulations.

While the middle two scenarios are more often discussed as possible outcomes for the UK, the Remain and Ultra Hard Brexit outcomes cannot be entirely discounted. In the case of Remain, negative economic news could drive civil society opposition to Brexit as the full economic, political and regulatory implications become clearer. This pressure could eventually be reflected in a political U-turn. It is notable that the UK economy is among the [slowest](#) growing in Europe, and imported inflation is already eroding living standards. Several European leaders have made it clear that the UK can [reverse](#) its position at any time, and polling suggests that a narrow [majority of the British electorate](#) favour remaining in the EU.

In the case of the Ultra-Hard scenario, a key perceived opportunity from Brexit is associated with cutting EU [“red tape”](#), with a view to

gaining competitive advantage for the UK economy. This perspective is articulated by a vocal cohort within the Conservative Party, as well as elements of the [UK press](#), and reflected in the establishment of groups such as the [Red Table Initiative](#). The inherent logic of a Hard Brexit is that it allows the UK to compete on the basis of its own domestic regulatory standards; and a possible post-Brexit ‘bonfire of regulations’ cannot therefore be discounted as a possibility.

## Background: UK Climate Ambition Within the EU

The implications for climate policy in these scenarios must be considered within the context of the leadership role the UK has traditionally played within the EU’s climate policy. This ambition has been reflected in a number of ways.

The UK has consistently taken on very ambitious targets. As can be seen from Table 2, the UK’s emissions reduction commitments have consistently outstripped those of the EU average. In the [first Kyoto commitment period](#), between 2008-2018, the UK’s ambition was more than 50% above the EU 15 average. Under the subsequent [2008 Effort Sharing Decision](#), the UK took on the most ambitious target among large Member States (and the 5th most ambitious overall).

Perhaps most importantly, under the [effort sharing proposal](#) currently under negotiation, the UK is pencilled in for a 37% reduction in non-Emissions Trading Scheme (non-ETS) by 2030. This target applies to emissions from transport, buildings and agriculture. This, again, was among the most ambitious targets in the EU, and considerably more demanding than the EU average.

Table 2. UK Emissions Reduction Commitments

Period	UK	EU
2008-2012	-12.5% (on 1990)	-8% (on 1990, EU 15)
2012-2020	-16% (on 2005, non-ETS)	-10% (on 2005, non-ETS)
2020-2030	-37% (on 2005, non-ETS)	-30% (on 2005, non-ETS)

Source: European Commission (2008, 2012, 2017)

Within the EU, the UK has traditionally aligned itself with the clean, green, wealthy grouping, including Germany, the Nordics, Austria, Holland and France, to call for greater EU collective ambition. For example, under the EU’s 2008 Climate and Energy package, the Union pledged to reduce its emissions by 20% by 2020. The agreement stated that a move to 30% was possible, contingent on similar commitments by other major economies.

Even though no similar commitments were forthcoming (the Copenhagen Climate Conference in 2009 failed to deliver), the UK collaborated with France and Germany to encourage the EU to take on the more ambitious target. Chris Huhne, then the UK’s Secretary of State for Energy and Climate Change, [said](#): “...we will push for the EU to demonstrate leadership by supporting an increase in the EU emissions reduction target to 30 per cent by 2020.” Momentum for more climate ambition has often been opposed by the so-called Visegrád Group of Eastern European countries, and Poland in particular.

The UK’s ambition is also reflected in its perspective on EU Emissions Trading Scheme (ETS) reform. The UK has acknowledged that the EU ETS is not working effectively, and its reform proposals have gone beyond what other Member States and the European Commission have been willing to consider. For example, in a 2014 [White Paper](#), the UK called for cancelling of some credits in order to reduce over-supply, going well beyond the Commission’s [backloading](#) and the [Market Stability Reserve](#) proposals. Finally, the UK has traditionally devoted a lot of resources to its climate diplomacy with third countries and is a leading provider of international [climate finance](#).

## Implications of the four scenarios

### Remain

Should the UK reverse its decision to leave the EU, nothing would change, and the UK would maintain its leadership within the EU. The EU would, in turn, be well-placed to continue providing stability and momentum to the Paris Agreement, which has been destabilised by the withdrawal of the US.

### Soft Brexit

In a Soft Brexit scenario, the UK would remain in the EU's Single Market like Iceland, Liechtenstein and Norway. These countries are all Members of the EU's ETS, and this scenario would therefore almost certainly entail continued membership of the scheme. However, participation in the EU's climate policy would cease and UK influence would be vastly diminished. Because the UK would no longer be party to the collective EU approach to target setting and sharing, the UK's ambitious pledge (Table 2) would cease to contribute to the EU's overall level of ambition, and the EU's pledge to the Paris Accord (a 40% reduction on 1990-level emissions by 2030) would no longer be achievable based on the Commission's current proposal. The EU's Paris pledge could therefore require renegotiation, or the remaining Member States would have to take on an increased level of ambition.

Without the UK's voice at the table, it is conceivable that the EU's climate ambition would suffer. The balance of power could shift from the clean green Member States on the one hand, to the Visegrád Group, on the other.

In this scenario, the UK would be free to set its own national targets, but the potential for slippage is ameliorated by the UK Climate Change Act (2008). This legislation is arguably [more important](#) to the ambition of UK climate policy than EU membership. The law, for example, requires an 80% reduction in UK emissions by 2050, as well as compliance with shorter-term carbon budgets. The UK would therefore likely proceed to submit an ambitious national pledge to the Paris Agreement.

### Hard Brexit

In a Hard Brexit scenario, the UK would be more likely to leave the EU ETS as well as the EU's collective approach to target setting and sharing. This would further diminish the UK's influence in EU climate policy compared to Soft Brexit, by diminishing voices favourably disposed to strong ETS reform.

However, Hard Brexit, and withdrawal from the ETS, would be unlikely to radically alter the UK's domestic climate policy. This is because the effective carbon price for UK companies operating under the ETS has been set not by the market, but by the UK Government's [floor price](#) for carbon credits (set at £15.70 t/CO<sub>2</sub> in 2015 and increasing to £30 by 2020). This illustrates that the UK commitment to a carbon price for power producers and heavy manufacturing is not a function of EU membership, but domestic policy. Withdrawal from the EU ETS would likely result in the establishment of a parallel scheme in Hard Brexit, assuming domestic commitment to climate change is maintained.

Both Soft and Hard Brexit involve withdrawal from EU effort sharing approach to meeting Paris and other international obligations. These two scenarios would therefore have similar implications for the Paris Agreement: in both cases the Agreement could be somewhat destabilised if the EU is prompted to renegotiate its overall target. On the other hand, in Hard Brexit, where we assume domestic political commitment to climate change is unchanged, the UK would likely make an ambitious national Paris Pledge, somewhat offsetting the potentially destabilising impact.

### Ultra-Hard Brexit

The only Brexit scenario under which UK climate policy might be radically altered is Ultra-Hard, where the UK seeks to gain competitive advantage over its trading partners through the continued exploitation of "cheap fossil fuels". This is a version of Hard Brexit where the UK would eliminate regulations for the likes of building energy efficiency and vehicles, currently set by the EU. The UK Climate Change Act would be rescinded and no carbon-trading mechanism would be introduced to replace the EU ETS. This would inevitably lead the

UK to submit a weak pledge to the Paris Agreement, or indeed not to submit any pledge. This scenario would have profound implications for trade, carbon leakage and potentially competitiveness between the UK and its major EU trading partners, including Ireland. It would have highly destabilising repercussions for the Paris Agreement and likely result in a diminished commitment to climate finance. In this scenario, the future of the Paris Agreement could be threatened

Table 3. Brexit scenarios summary



## Conclusion

Climate change will be an interesting area to observe if the UK withdraws its influence from EU policy making. In most policy areas, Brexit will have a greater impact on the UK compared to the remaining members of the EU (with the possible exception of Ireland). This is simply a function of size.

In the climate policy sphere, however, Brexit could have profound implications for EU and global policy. Within the EU, the UK's ambition will be missed and there could be a balance of power shift to Member States who are less supportive of decarbonisation. There are also several avenues through which Brexit could also negatively impact the Paris Agreement. Depending on which scenario plays out, changes to the EU pledge could be required, climate finance flows could be affected and the UK role in climate leadership could be diminished. The Paris Climate Agreement itself could be threatened in an Ultra-Hard Brexit scenario.



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