



SHEPHERD+ WEDDERBURN

Brexit and pipelines

Energy Law Group

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September 2017

# Facts. Britain needs gas

Import dependency in the EU: percentage of energy supply made up of net imports for the EU's five biggest energy consumers and the EU average, 1998 to 2014

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
UK	-16.4	-20.3	-16.9	-9.3	-12.3	-6.4	4.5	13.4	21.2	20.5	26.6	26.4	28.4	36.2	42.3	46.4	46.2
Germany	61	59.2	59.4	60.9	60.1	60.5	60.9	60.4	60.8	58.4	60.8	61	60.1	61.6	61.3	62.6	61.4
Spain	74.2	76.6	76.6	74.7	78.5	76.6	77.6	81.4	81.2	79.6	81.3	79.1	76.7	76.3	73.1	70.4	72.9
France	51.3	51.5	51.5	50.8	51.1	50.6	50.8	51.6	51.5	50.4	50.8	51	49.1	48.7	48.1	48	46.1
Italy	81.9	82.9	86.5	83.2	85.6	83	84.4	83.4	85.9	83	82.9	80.8	82.6	81.4	79.2	76.8	75.9
EU	46	45.1	46.7	47.4	47.5	48.8	50.2	52.2	53.6	52.8	54.5	53.5	52.6	54	53.3	53.1	53.4

Source:

Eurostat

- 1998, GB net exporter. 2014 Net importer, 46.2%. Longer term GB will import more.
- Imports:
  - Norway 60%.
  - Netherlands 7%.
  - Qatar 29%.

# Facts. Key import/ export infrastructure: EU/Norway central

## EU, direct/indirect 103 bcm/y

### Interconnectors. 46.4 bcm/y

- IUK Belgium. 26.9 billion cubic metres/year bi-directional.
- Balgzand to Bacton, (BBL). 19.5 bcm.

### Gas field pipelines. 56.6 bcm/y

- Vesterled. Norway to St Fergus. 14.2 bcm.
- Lanegeland. Norway to Easington. 26.3 bcm.
- Tampen, 9.8 and Gjoa 6.2
- Norway has options: EU or UK.

## NON/EU

### LNG. 49 bcm/y

- Capable of 50% demand.
  - Dragan 7.6 bcm/y.
  - Grain 20.4 bcm/y
  - South Hook 21 bcm/y.
- **Storage.** Rough closed: so lower ability to hedge.

### Exports to EU

- Moffat to Republic of Ireland.
- Republic – NI pipeline.
- NI/ROI/GB electricity interconnectors.

# Facts. Legal framework. EU law central.

## Gas: sector specific

- Sector specific regulation e.g. Internal Market in Gas Directive and network codes. Capacity reservation on new interconnectors.
- New legislation, e.g. Security of Gas Supply Regulation.
- Co-operation between regulators.

## General EU law

- Competition law, (mirrored in UK).
- State aid.
- REMIT etc.

## Practicalities.

- Consenting. Environmental law. (treaties).
- Four freedoms – core to construction and investment.

## EU electricity policy



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## Scotland.

- Planning and environment.
- Energy reserved to Westminster.
- Single market

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## What does Brexit mean? (i)

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- I do not know.

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## What might Brexit mean? (ii) Short term

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### A view from Whitehall

- BEIS, January 2017.  
*“BEIS hope that energy is a non-contentious trade matter... BEIS are making the case that gas and electricity trading should remain “as-is” post Brexit.....SH concluded by reminding Stakeholders that UK is “in until it’s out” and the UK wishes to remain a compliant member of the EU.”*
- BEIS comment June 2017.  
*“SH emphasised that there remained a lot of unknowns”.*

### Unwinding is difficult in the short term

- Significant investment in gas pipelines. Gas arrangements built up over many years. Political. Regulatory. Commercial. Investment decisions. Difficult to unwind.
- Limited progress on Brexit. Article 50 notice 29 March 2017. 2 year deadline. 28 March 2019.
- Practical issues. Government capacity?
- **Transition and no radical change?**

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## What might Brexit mean? (iii) Long term?

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- **Policy. Hiatus in GB energy policy.** “Wait and see”. Big decisions to be taken e.g. on decarbonisation.
- **Repatriation issue.** Does energy sit at Westminster or are powers devolved? Scotland. UK a very integrated single market. Scotland has no LNG terminals.
- **NBP an EU hub now.** Landing gas in GB no longer = landing in EU. Less liquidity and more volatile?
- **EU perspective.** Ensure GB complies with EU rules. GB a rule taker.
- **Republic of Ireland.** ROI 40%. Corrib gas field. 60% now, 30% 2025. No LNG.
- Political and economic incentives are not to disrupt.
- ROI and EU can create new options. *“It is important that we have direct connections into the EU and we are determined to make that sure that happens.”* Denis Naughten: Irish Energy Minister.
- Up to 2025 GB has more than enough physical import capacity. NGG say there are currently no plans for new pipelines.
  
- **Real consequence. We still need gas. Lack of influence.**



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