Brexit & the future EU-UK energy relationship

February 2018
Executive Summary

Energy UK was pleased to see the negotiations on the UK’s departure from the European Union move on to the next phase on transitional arrangements and the future relationship at the end of 2017. This paper sets out the energy industry’s position on the priorities for the future framework agreement. Energy UK believes that any future arrangement between the UK and the EU should include a dedicated energy and climate chapter to ensure the smooth functioning of energy markets, the continued free flow of energy, and cooperation on the joint ambition to combat climate change in as cost-effective way as possible for customers and businesses.

An EU-UK future relationship

An energy chapter

The UK government together with a number of European bodies, including Eurelectric, have recognised the energy sector as a priority in the negotiations with the European Union (EU). Whatever form the future agreement between the UK and the EU takes, it is crucial that it includes a full and comprehensive energy and climate chapter to preserve the close cooperation and collaboration across the sector and to carry on delivering value for EU and UK customers, as well as the European climate change and UK decarbonisation agendas.

Such an energy and climate chapter should allow: for the continuation of trade of electricity and gas as efficiently as possible; for the UK to remain in the EU Emissions Trading Scheme (EU ETS) to the end of 2020, and beyond depending on future governance and, to support the functioning of the Irish Single Energy Market (SEM). Energy UK calls for continuity and sufficient regulatory alignment with the EU to support efficient cross-border energy trading.

The UK must maintain participation in the Internal Energy Market for the benefit of UK and EU customers. The future relationship between the UK and the EU should contain an ‘energy and climate chapter’ to ensure continued close cooperation on energy.

Continued close collaboration

The Internal Energy Market (IEM) is a collaborative project with a long term vision. It offers all its participants clear benefits in terms of efficient trading of both gas and electricity, enhanced security of supply, access to a wide market for competition and innovation while helping to keep energy costs down for consumers and businesses. The UK energy industry has been one of the strongest allies of the EU when it comes to developing the IEM and working towards the EU’s ambitions on climate change. The UK is a strong advocate of the EU Emissions Trading Scheme (EU ETS) and has fought hard to ensure it delivers decarbonisation at the lowest cost. Ongoing participation in the IEM and the EU ETS will, depending on future governance, help keep the UK and EU on track to deliver their long term vision on energy and climate change.

The industry believes that continued close cooperation and participation in the Internal Energy Market is in the benefit of UK customers. However, upon exiting the European Union, it may
be reasonable for the UK Government to assess frameworks and future energy policy to ensure that trading of power operates freely across borders on a level playing field that delivers affordability for consumers, security of supply, and carbon reduction.

*There are mutual benefits to continued close cooperation as the UK and EU pursue similar objectives. The UK energy industry believes that the UK should maintain close regulatory alignment with the IEM.*

**Close relationship on future governance**

For regulatory alignment to have the greatest potential to deliver for both the UK and the EU, the energy industry believes that the UK should retain the ability to input into future policy and rules development. Where the UK aims to mirror EU energy legislation, it is reasonable that there should be ongoing cooperation in developing future policy and rules and that the UK is provided with an agreed way to input. Energy UK believes that this could be achieved by continued UK participation in key EU bodies such as ACER, ENTSO-E, ENTSOG and ENSREG.

*The UK should continue to have the opportunity to input into European policy and regulation to maintain close alignment.*

**Island of Ireland**

The EU and the UK agree on the importance of protecting the North-South cooperation on the Island of Ireland and on the continued development of an all-island energy market. The energy sector already functions as one in Ireland and preserving this unity is essential. The future agreement will need to ensure that the Integrated Single Energy Market (I-SEM) can function efficiently, including continued cooperation on interconnection development and operation and a consistent approach on the EU ETS and carbon pricing. Any divergence of GB from IEM rules would have to consider the impact on Northern Ireland customers and industry.

*Protecting the Single Energy Market is of upmost importance, emphasising further the need for the UK to remaining closely aligned with the Internal Energy Market.*

**Climate change**

With the deployment of low carbon generation, the energy sector across Europe is going through a transition to support the EU’s commitments on climate change. The UK actions to meet its own climate change targets contribute positively to the EU’s overall performance. Energy UK believes the UK must continue to play a leadership role both at European and global levels and remain a privileged partner to the EU.

The UK should continue to remain closely aligned with EU positions on energy that support its domestic targets on climate change and decarbonisation and should aim to remain involved in European projects which both support the climate change agenda.

*The UK contributes significantly to the European climate change targets. The UK and the EU should seek to continue working collaboratively on tackling climate change.*
EU ETS
The energy industry is clear that the EU Emissions Trading System (EU ETS) provides a key role in supporting action on climate change, and would support the UK remaining within the scheme. Without the UK at the table, pressure to strengthen the price of CO₂ allowances might reduce to the detriment of global action on climate change. The EU ETS is also fundamental to the functioning of the Single Energy Market in the Island of Ireland.

Energy UK’s preferred option is for the UK to continue to participate in the EU ETS, either directly as it currently does or indirectly through linking a new domestic ETS to the EU one. We recognise however that the latter option would require time to implement and is therefore inappropriate for phase 3 (to the end of 2020) and represents a challenge to put in place in time for phase 4 (2021-2030).

The UK should remain in the EU ETS to the end of 2020, and beyond depending on future governance.

Nuclear energy
Nuclear energy plays an essential part of the energy mix in the UK and the EU and is another area where cooperation and collaboration has delivered mutual benefit. The new nuclear agreement and future relationship should therefore be more ambitious than existing EU negotiated nuclear cooperation agreements with third countries and cover areas such as continued cooperation and engagement on nuclear policy, safety & security, removal of trade and non-trade barriers (e.g. no additional customs requirements, maintaining existing intra-EU export control licence regime and fuel supply arrangements, movement of workers skilled in the field of nuclear energy or the construction of nuclear installations etc.).

We must pursue an ambitious nuclear agreement with the EU and third countries.

Mutual benefits
The future energy and climate agreement will need to ensure that the integrated nature of the energy market between the UK and the EU is recognised to preserve its benefits. These benefits, through the trading of electricity and gas across borders, reflect the EU and UK’s common agenda to deliver affordable energy, promote competition in a wide and liquid market, and reduce carbon emissions.

The mutual interests - security of supply, diversification and decarbonisation of supply, are best delivered through close collaboration. The UK’s participation in, or close links to, the IEM and the EU ETS will help both the EU and the UK stay on track to deliver their long term vision on energy and climate. This will be best achieved through the UK remaining a significant partner in shaping the future European regulatory framework. The UK energy industry sees delivering the UK government’s ambitions on decarbonisation at the lowest cost to consumers through its current domestic policies and industrial strategy and working closely with the EU as compatible, sustainable and beneficial to all.
The UK and EU should remain in close regulatory alignment to deliver best outcomes for UK and EU customers. This means the UK actively participating in the Internal Energy Market, with the UK contributing to EU objectives and policy development.

**Transitional arrangements**

It is in the interest of both the EU and the UK to avoid a cliff-edge situation in March 2019 and we therefore welcome the joint report from December 2017 that enshrines the principle of transitional arrangements. Until a full agreement is ratified on the EU-UK future relationship, there needs to be political agreement that the EU and its Member States will continue to apply Internal Energy Market rules to energy interconnection and trade with the UK after exit day and keep the current terms that allow for UK participation in the EU ETS.

The UK should also remain a member of key energy sector EU agencies and associations such as ACER (Agency for the Cooperation of Energy Regulators), ENTSO-E (European Network of Transmission System Operators for electricity), ENTSOG (European Network of Transmission System Operators for gas) and ENSREG (European Nuclear Safety Regulators Group) to ensure that any future developments of the IEM with which the UK will align, will continue to benefit from the input of the UK during any transitional arrangements.

*To avoid a cliff-edge situation we should agree to Internal Energy Market rules to energy interconnection and trade after exit day during the transition period and keep the current terms that allow for the UK participation in the EU ETS.*
About Energy UK

Energy UK is the trade association for the energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. We represent the diverse nature of the UK’s energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 730,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests £12bn annually, delivers £88bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

Introduction

The UK government has recognised the energy sector as a priority in the negotiations with the EU on the future relationship between the UK and the EU. As such, it is crucial to ensure that whatever form the future agreement between the UK and the EU takes, it includes a full and comprehensive energy and climate chapter to maintain the strong foundations for the industry to carry on delivering for its customers and successfully growing both at home and outside the UK borders. The UK has been a leading actor in designing the European energy market and in developing climate policy. The industry believes that any future agreement should ensure that the UK and the EU continue to be allies in delivering a competitive energy market that tackles climate change to the benefit of both UK and EU citizens.

The UK energy industry, a strong ally to the EU

The UK energy industry has been a key contributor in helping to develop the Internal Energy Market (IEM) and working towards the EU’s ambitions on tackling climate change. The UK is a strong advocate of the EU ETS and a strong carbon price, and has fought hard to ensure that each country supports the European and global efforts to mitigate the effects of climate change. The UK has considerable experience and expertise to offer that can help ensure the continued success of the scheme. At home, our carbon targets are ambitious and our Climate Change Act is in place to ensure we deliver them. As such, the UK is a strong contributor to the EU carbon targets and this is an area where there are mutual benefits to continuing close alignment.

Like other EU Member States, the UK also plays its part in balancing the system and enhancing security of supply throughout Europe. Each European member state benefits from access to a wider portfolio of energy sources through efficient trading of power and gas. In 2016 for instance the UK became a net exporter of electricity to France for several months due to reduce output from French nuclear fleet.

The UK has become a leader in offshore wind and our involvement in projects such as the North Sea Grid which aims to increase transmission interconnections between the countries of the North Sea region and the connection and integration of significant levels of offshore and onshore renewables is crucial to its success. Non-EU members such as Norway are involved.
Such projects highlight the mutual benefits of close cooperation both in terms of business opportunities for participants, increasing the trading opportunities for electricity and delivering on climate change ambitions.

The UK identifies with and supports the vision set by the European Energy Union of a secure, affordable and clean energy and while it will no longer be an EU Member State, the UK can remain a key ally in developing this framework and strategy and achieving its ambitions.

**The UK and EU should remain in close regulatory alignment to deliver the best outcomes for UK and EU customers. This means the UK actively participating in the Internal Energy Market, with the UK contributing to EU objectives and policy development.**

**Safeguarding the current relationship for energy**

The UK and EU future relationship should be built on the existing relationship. As the UK Prime Minister has said, we are not starting a new relationship but building on 40 years of close collaboration. The UK energy industry sees benefits in continuing the relationship from the existing suite of legislation. As such, Energy UK supports the objective of the EU Withdrawal Bill to implement existing EU regulations into UK law as the UK exits the EU to ensure a smooth transition. Some supplementary work will be needed in some areas to ensure full continuity of energy market rules. Energy UK is working alongside the UK government, the system operator and the regulator on energy related agreements that need to be preserved and those where more flexibility or even a rewrite would be beneficial.

Energy Minister Richard Harrington stated¹ on the post-Brexit energy relationship, that the government’s “priority is to seek a trading relationship with the EU that is as close as possible. […] So, our top priority is to be as near as possible to the current arrangements.” Energy UK supports this view and calls for sufficient regulatory alignment with the EU to support efficient cross-border energy trading.

From a UK perspective, continued participation in the EU energy market offers many advantages while remaining compatible with choosing how to deliver the outcomes in a way that is best suited to the UK. The existing UK-EU trade in energy is based on a set of rules the UK has a direct and important influence on. The UK is currently integrated and undoing this partnership would be counterproductive for both the EU and the UK. As such, it is crucial to ensure that whatever form the future agreement between the UK and the EU takes, it includes a full and comprehensive energy and climate chapter to maintain the strong foundations to deliver for UK and EU customers.

Continued UK participation in the IEM will ensure: access to diverse sources of power supply and capacity which is important to ensure adequate resources and help balance the system;

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access to a wider, more liquid market that enhances competition and keeps costs down for customers; and, support for carbon target ambitions for both the EU and the UK.

Upon exiting the European Union, it may be reasonable for the UK Government to assess frameworks and future energy policy to ensure that trading of power operates freely across borders on a level playing field that delivers affordability for consumers, security of supply, and carbon reduction.

The UK must maintain participation in the Internal Energy Market for the benefit of UK and EU customers. The future relationship between the UK and EU should contain an ‘energy chapter’ to ensure continued close cooperation on energy.

Transitional arrangements

Energy UK believes it is necessary to avoid a cliff-edge situation in March 2019 by agreeing a transition period sufficient to allow for the EU and the UK to develop a full new agreement on the future relationship. We therefore welcome the joint report from December 2017 that enshrines the principle of a transition/implementation period.

To make these transitional arrangements suitable for the energy industry to carry on functioning efficiently, Energy UK believes that:

- Sufficient time must be allowed for transition and implementation after the UK leaves the EU on 29 March 2019. Implementation of changes takes time;
- A transition period under current terms would allow for the UK to complete phase 3 of the EU ETS. This is of importance to the energy sector to avoid the UK exiting midway through the phase;
- The UK should remain a member of key EU energy agencies and bodies such as the ACER, ENTSO-E, ENTSOG and ENSREG for the duration of a transition period, and implementation period (if required) to ensure that any future developments of the IEM will continue to benefit from UK2;
- The continued availability of EU funding for UK projects must be addressed and clarified as the EU is a significant source of funding for the UK’s efforts to meet energy and climate change mitigation goals. In 2016 EIB investments in the UK totalled €6.9 billion, making the country the fifth-largest recipient of loans3.
- Should the terms of the future agreement between the EU and the UK not be sufficiently clear at the start of the transition period, an implementation period might be needed to understand what we are transitioning to and for changes to be implemented safely. In energy, long investment timelines mean that any change to expected outcomes, such as future investment in interconnection, would need to be signalled early to ensure supply is adequate.

Until a full agreement is ratified on the EU-UK future relationship, there is needs to be political agreement that the EU and its Member States will continue to apply IEM rules to energy

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2 The energy industry believes that with the adoption of the Clean Energy Package due to be completed prior to March 2019, the main legislative package would have been enshrined in UK law.
3 Energy UK’s written submission to the House of Lord’s Select Committee enquiry on Brexit and energy security.
interconnection and trade with the UK from Brexit day on 29 March 2019 and keep the current terms that allow for the UK participation in the EU ETS.

To avoid a cliff-edge situation we should agree to Internal Energy Market rules to energy interconnection and trade after exit day during the transition period and keep the current terms that allow for the UK participation in the EU ETS.

The future relationship
The UK has played an important role in helping to develop the European energy market as it is today, and the UK energy industry believes that the UK still has a role to play now and in the future. There are mutual benefits to continuing a close energy relationship, and to this end, energy must be a key feature of the future trade agreement between the EU and the UK.

Participation in the Internal Energy Market
Over the last twenty years the EU has developed the IEM through a number of legislative packages for electricity and gas market liberalisation, and a programme to strengthen cross-border infrastructure. The IEM is widely regarded as having led to greater efficiency in trading power and gas over interconnectors, with the result that it has enabled access to diverse sources of energy at reduced cost to customers and led to improvements in security of supply.

Whilst the UK’s long term energy security is not strongly dependent on the EU due to diverse sources of natural gas and a strong policy package to ensure adequate power supply, energy security on the Island of Ireland is strongly dependent on the UK. Continued participation in the IEM provides a solution that works for Ireland without divergence between Northern Ireland and Great Britain (more details follow).

The UK has had a key role in the development of the Internal Energy Market and as such is closely aligned with its objectives and current rules. To achieve a sensible outcome on energy, Energy UK supports an approach based on maintaining close collaboration and regulatory alignment where necessary between the UK and the EU to ensure a productive cooperation and the effective functioning of the IEM. It is worth recognising that there is not complete alignment across all existing European Union countries but a joint vision and intention; in a future relationship the UK will remain aligned with the EU but may seek alternative mechanisms to deliver specific policy objectives.

In these times of change, maintaining a stable regulatory and market framework capable of attracting the right level of investment in energy infrastructure is important. Projects of common interest such as the North Sea Grid and interconnectors, but also more UK focussed ones for power generation and gas storage benefit all parties: the UK exports some gas to the EU, as such sustainable gas storage is beneficial to all parties. The UK has a stated ambition to remove coal from the system by 2025 and increase its renewable generation contributing to the EU’s overall carbon targets. This is very much aligned with the EU’s vision and yet is a UK domestic policy. Stability in policy both at home and abroad is conducive to attracting the right investment at the right price.
There are mutual benefits to continued close cooperation as the UK and EU pursue similar objectives. The UK energy industry believes that the UK should maintain close regulatory alignment with the IEM.

Participation in energy EU bodies

For regulatory alignment to have the greatest potential to deliver for both the UK and the EU, the UK should retain the ability to input into future rule development. Where the UK aims to mirror EU Energy legislation, it is reasonable that there should be ongoing cooperation in developing future policy and that the UK is provided with a way to input.

Energy UK believes that to avoid any potential breach of the IEM integrity and ensure an optimal collaboration with the EU, the UK should continue to engage closely in the development of EU rules through participation in EU bodies of relevance to the energy industry.

- UK TSOs should be allowed to participate in the work of ENTSO-E and ENTSOG;
- Ofgem should remain a member of ACER and CEER where a process to determine equivalence of requirements to apply future rules would need to be developed;
- The Office for Nuclear Regulation (ONR) should remain a member of ENSREG;
- The UK should engage with the new DSO body once it is established.

Preserving a degree of influence will make it easier for the UK to remain fully abreast with the EU's vision and work being developed, to support it while optimising outcomes for the UK.

The UK should continue to have the opportunity to input into European policy and regulation to maintain close alignment.

Participation in the EU ETS

The energy industry is clear that the EU Emissions Trading Scheme (EU ETS) provides a key role in delivering carbon reductions across the traded sectors and would support the UK remaining within the scheme. Without the UK at the table, pressure to strengthen the price of CO₂ allowances might reduce to the detriment of global action on climate change. The EU ETS is also fundamental to the functioning of the Single Energy Market on the Island of Ireland.

Energy UK’s preferred option is for the UK to carry on participating in the EU ETS, either directly as it currently does or indirectly through linking a new domestic ETS to the EU one. We recognise however that the latter option would require time to implement and is therefore inappropriate for phase 3 (to the end of 2020) and represents a challenge to put in place in time for phase 4 (2021-2030).

Energy UK understands the concerns over continued long-term participation in the EU ETS if the UK were to remain subject to EU rules over which it had less influence. However, it is important to note that the architecture for Phase 4 has now broadly been set out in the latest revision of the EU ETS Directive. Any future agreement should allow for the UK to participate in phase 4 under the agreed framework, depending on future governance arrangements.
The UK should remain in the EU ETS to the end of 2020, and beyond depending on future governance.

Continued collaboration on climate change

The energy sector plays a vital role in decarbonising the economy and reducing carbon emissions. UK actions on climate change contributes strongly to the EU’s performance overall and both the EU and the UK share ambitious targets on climate change.

To ensure the best outcome for all parties on climate change, Energy UK would like to see the following principles translated into the future agreement:

- The UK should continue to play a leading role both at European and global levels and as such should remain a privileged partner to the EU. The UK and the EU should develop a new partnership to bring a united voice to international agreements, such as the Paris Agreement.
- The UK should remain aligned with EU environmental positions on energy, bearing in mind the wider framework and the UK’s already strong commitments on climate change and decarbonisation.
- The UK should implement the Clean Energy Package with the flexibility to diverge where the desired outcomes can be achieved in a more appropriate way for the UK.
- The UK should carry on being involved in and supporting regional energy programmes, such as the Energy Union and the North Sea Grid initiative.

The UK is a significant player in helping the EU meet its 2030 climate targets, both from a financial and practical point of view. Close collaboration and mutual support to successfully achieve each other’s ambitions will help mitigate the potential effects of the UK’s departure from the EU on its 2030 targets. Interconnection and wider European projects, the deployment of renewables in the UK, as well as intensified decarbonisation and electrification of transport will support the EU's goals, while allowing the UK freedom to develop its own policies.

The UK contributes significantly to the European climate change targets. The UK and the EU should seek to continue working collaboratively on tackling climate change.

Island of Ireland

The EU and the UK agree on the importance of protecting North-South cooperation on the Island of Ireland and the Good Friday agreement, and on the continued development of an all-island energy market. The energy sector is one that already functions as one and preserving this unity is essential. In particular, an unconstrained I-SEM requires continued participation in the EU ETS or a linked EU ETS system.

- Ensure the I-SEM remains compatible with the EU IEM (and the joint report agreement);
- Ensure continued cooperation on interconnection development and operation;
- Ensure consistent approaches to the EU ETS and carbon pricing (Northern Ireland doesn’t currently pay the Carbon Price Support paid everywhere else in the UK and this divergence would need to remain).
Any divergence of GB from IEM rules would have to consider the impact on Northern Ireland customers and industry.

*It is of upmost importance to protect the Single Energy Market in Ireland and adds further importance for the UK to remain closely aligned with the Internal Energy Market.*

**EURATOM**

The future civil nuclear relationship between the UK and the Euratom Community (EU) should acknowledge the past 40 plus years of close, constructive dialogue and collaboration. A more traditional Nuclear Cooperation Agreement (NCA) such as those the EU has struck with other third countries (e.g. USA, Canada) is therefore not appropriate for the future EU-UK relationship.

The new nuclear agreement and future relationship should be more ambitious, broader and deeper than a traditional NCA, covering areas such as continued cooperation and engagement on nuclear policy, safety & security, removal of trade and non-trade barriers (e.g. no additional customs requirements, maintaining the existing intra-EU export control licence regime and fuel supply arrangements, movement of workers skilled in the field of nuclear energy or the construction of nuclear installations etc.). Such an approach is endorsed by Foratom, the Brussels-based trade association for the nuclear energy industry in Europe.

The UK approach and ambition on Euratom was also signalled in the Written Ministerial Statement from the BEIS Secretary of State Greg Clark on 11 January 2018 and is supported by Energy UK. Greg Clark stated that “the Government’s strategy is twofold: through negotiations with the European Commission to seek a close association with Euratom … but at the same time, to put in place all the necessary measures to ensure that the UK could operate as an independent and responsible nuclear state from day one”. The latter comment reflects the UK Government’s commitment to have in place a domestic/UK Safeguards regime and NCAs with key markets (USA, Canada, Australia and Japan) before end March 2019 and ready to immediately replace key Euratom arrangements if required. There can be no gap in these arrangements. Existing nuclear power stations provide 20% of the electricity generation in the UK and the delivery of the planned nuclear new build programme is essential for future energy security and for delivering on climate change. The key priorities for the EU and the UK as we transition from the current to the new civil nuclear relationship and arrangements, are

- the continuing ability to be able to move nuclear fuel, equipment, components and information freely between the UK and EU (and non-EU countries), with no additional barriers; and
- to be able to access key services/skills/people (both skilled nuclear professionals and the construction workers needed to deliver Hinkley Point C and follow-on new nuclear projects).

*We must pursue an ambitious nuclear agreement with the EU and third countries.*
Other matters as part of the wider agreement

Considering the importance of EU funding to UK energy projects and those serving a common positive purpose throughout Europe, the future agreement will need to clarify how the UK could continue to access such funding mechanisms. If this is not feasible, the UK government will need to examine how to deliver an equivalent incentive for UK energy infrastructure development in the context of its Clean Growth Strategy and Industrial Strategy.

Energy companies trade a variety of financial contracts, e.g. futures, options and swaps, primarily for risk management purposes. Any future deal should ensure that there is a framework that ensures a consistent interface between financial and physical commodity markets. Energy UK believes that the EU and the UK must maintain a common regulatory approach so that uncertainty and regulatory arbitrage are avoided, and that a consistent dividing line between financial and physical markets is maintained. The “REMIT carve-out” applicable to physically-settled power and gas contracts should be preserved.

The UK and the EU should avoid WTO tariffs that could be detrimental to the energy industry’s complex supply chain and low carbon goods such as electric vehicles and aim for no tariff and non-tariff barriers.

It will continue to be important for the sector to be able to recruit the best personnel globally and to attract them to the UK. Our industry is competing with many others to recruit engineers and other STEM related workers. Many energy companies are European and used to be able to move some of their workforce between EU countries. Energy UK calls for a sensible and proportionate migration system that does not inhibit the competitiveness of the UK industry.

Conclusion

The future agreement will need to ensure that the integrated nature of the energy market between the UK and the EU is recognised to ensure that the benefits of such integration are maintained. These benefits, through the trading of electricity and gas across borders, reflect the EU and UK’s common agenda to deliver affordable energy, promote competition in a wide and liquid market, and reduce carbon emissions. The mutual interests that both parties share, security of supply, diversification and decarbonisation of supply, are best delivered through close collaboration. This will be best achieved through the UK remaining a significant partner in shaping the future European regulatory framework. The UK energy industry sees delivering the UK government’s ambitions on decarbonisation at the lowest cost to consumers through its current domestic policies and industrial strategy and working closely with the EU as compatible, sustainable and beneficial to all.