



Brexit Impact in the North Sea Region

Version 1.3 – April 2018

SUMMARY

- There is a multitude of reports on possible impact of Brexit on countries, regions and sectors in the North Sea area.
- In general, there is little doubt that a hard Brexit – the UK leaving the single market and the customs union – will have negative effects on trade relations and economy in the North Sea Region.
- The UK is one of the most active participants in EU’s research programme, Horizon 2020. If it will leave the programme, impact could be massive on research cooperation in the North Sea Region.
- Brexit means Britain leaving the Common Fisheries Policy (CFP), which will allow the country to extend its exclusive economic zone to 200 miles from the coast, and introduce national legislation for the management of the waters. However, the UK today exports 80 percent of its catch, and the EU can answer with tariffs on British fish.
- The development of a cross-border European power system with connection to the offshore wind farms in the North Sea will probably not be directly affected by Brexit, but The UK will no longer be obliged to meet the EU climate and clean energy targets.
- The UK takes part in nine European territorial cooperation programmes under the Cohesion Policy, eight of which cover the North Sea Region entirely or partially. There is considerable uncertainty about funding and structure of the Cohesion policy after 2020, where Brexit is one of the factors.
- New versions of this report will follow, based on the flow of Brexit reports from member regions and other sources.

BACKGROUND:

The UK referendum in June 2016 resulted in a majority for leaving the EU. On 29 March 2017, the UK government formally notified the EU of its intention to withdraw in accordance with Article 50 of the EU treaty. The UK will leave the EU within two years from the notification, i.e. on the 29 March 2019. A draft withdrawal agreement must be ready by the autumn of 2018 to leave the necessary time for approval in the European Parliament and the UK Parliament.

In parallel, negotiations will begin on the future relationship.

The time from the 30 March 2019 until the 31 December 2020 will be a transition period, when the UK has left the EU but will still belong to the single market and the customs union.

From the 1 January 2021, the UK will – as it seems – effectively be out of the single market, the customs union, and the European Economic Area (EEA), and it will not be bound by ruling of the European Court of Justice. It will, after withdrawal, no longer enjoy the free movement of goods, capital, services, and labour. Hopefully, an agreement on trade and other aspects of the future relationship, will then enter into force.

1. The North Sea Region – part of EU's new external border

The North Sea Region includes large parts of Scotland and England in the UK, regions in EU27 (in France, Belgium, the Netherlands, Germany, Denmark, Sweden), as well as parts of non-EU country Norway.

The region has a long common history of close trade relations. With Germany, Netherlands, Belgium and France as original EU member states, UK and Denmark joining in 1973, Sweden in 1995 and Norway connected to the EU through the EEA agreement, these relations are stronger now than ever.

The North Sea is one of the busiest sea basins in the world. Its shipping lanes are a crucial part of Europe's logistics, and its ports handle 57 per cent of EU's external trade. Its maritime economy employs more than 850,000 people. It has some of Europe's best fishing waters. It delivers 80 per cent of EU's marine renewable energy. North Sea oil and gas continue to play a significant role in European and global energy production. The coastline is an important recreation area. The shallow waters and the coasts are vulnerable to oil spills, plastics and other pollution. Strong cooperation is needed in all areas.

From March 2019, the external border of EU and of the European Economic Area (EEA) will cut right through the region. The local/regional impact will depend on the business structure and trade relation of each territory, and will vary significantly between territories and sectors. Although still early in the process, there are several reports on possible impact of Brexit on countries, regions and sectors in the North Sea area.

2. General effects of Brexit in the North Sea Region

2.1. Trade and economy

In general, there is little doubt that a hard Brexit – the UK leaving the single market and the customs union – will have negative effects on trade relations and economy in the North Sea Region. The UK is a large economy, and one of the top 5 trade partners for each country in the region. Germany, France and the Netherlands rank as destination countries 2, 3 and 4 for UK export (2016).

The UK government has set out its desire to establish a “deep and special partnership” with the EU after Brexit, importantly the UK government has indicated that this should be a bespoke arrangement which does not include membership of the European Economic Area (EEA) like Norway, nor a customs union agreement like Turkey. A deal more similar to the EU-Canada agreement (CETA) or the EU-Ukraine Association Agreement seems to be the most likely post-Brexit arrangement. Prime Minister May have stated several times that the British government would not like any of these existing models for economic partnership. If no trade deal and no transition arrangements are in place by the time the UK leaves the EU in March 2019, trade between the EU and UK would be governed according to the WTO’s most-favoured-nation principle.

But even if there is a deal, possible tariffs and customs procedures, the end of free movement, diverging technical/environmental standards, changed legal mechanisms and other factors will complicate trade. Larger companies, used to trading with non-EU partners, will be able to handle this, but will experience higher costs and more trade bureaucracy. It will be more challenging for the many small and medium-sized suppliers, who are only used to trade within the EU. It is important to note the effects on supply chains, especially with regard to time-sensitive just-in-time and just-in-sequence production processes¹.

The effects will differ much between the territories in the North Sea Region, depending on each territory’s dominant sectors, diversification, current trade relations and ability to cope with changes. Some regions may benefit from changing trade patterns.

Obviously, the territories in the UK are likely to be the most affected. The Committee of the Regions (CoR) has assessed the exposure to Brexit of regions in EU27, and found that regions in Germany, the Netherlands, Belgium and France are among the most exposed, and that sectors as automotive, agriculture, foodstuff, chemicals and industrials will see high impact. The CoR report also concludes that “regions with less dynamic economies, that are less diversified and are dependent on low added-value economic activities, could face greater adjustment costs than other, richer and more exposed regions”².

¹ Bremische Bürgerschaft Drucksache 19/1157

² Committee of Regions 2018

2.2. Labour/skills

EU free movement was one of the big issues in the referendum in 2016, and the UK is not likely to accept the free movement of labour which is part of the single market.

British employers fear that it will be difficult to find the skills and workforce needed, especially in some sectors like health and agriculture. For EU27 countries, British restrictions on migration could lead to better access to qualified workforce.

Companies with integrated production or research facilities both in the EU and the UK, who are moving talent back and forth, may suffer from restrictions to the free movement of labour. A couple of examples are Airbus (Bremen and South West England/Wales), AstraZeneca (Västra Götaland and East of England).

2.3. Research and innovation

The UK is second only to Germany in project participation in EU's research programme, Horizon 2020. The UK government has provided input to the consultation on the next generation of the framework programme, FP9. Prime Minister May has announced the ambition to have "a far-reaching science and innovation pact" with the EU, but the government has not yet explicitly expressed an intention to participate as an associated country in FP9.

The goal of the UK government is to continue "welcome the brightest and the best" researchers, but this questions is linked to the free movement of labour. EU nationals comprise 17% of researchers and academics in higher education in the UK, which together with uncertainties of future EU research funding, pose a direct risk to the sector³.

2.4. Fisheries

Leaving the EU's Common Fisheries Policy (CFP) will allow the UK to extend its exclusive economic zone to 200 miles from the coast, and introduce national legislation for the management of the waters. The Scottish fishing industry holds a very positive view of leaving the EU.

There will need to be a new allocation of fishing quotas between the EU, Norway and UK, to regulate access to waters, principles for annual agreements on fisheries management. International law will however still be in place to govern the relationship. The most relevant legal documents for fisheries will be the 1982 United Nations Convention on the Law of the SEA (UNCLOS) and the 1995 Fish Stocks Agreement. The UNCLOS gives the coastal state sovereignty in its own EEZ. Neighbouring states are however required to find solutions to manage shared stocks. Coastal states that cannot fish the entire total allowable catch (TAC) must give other States access to the surplus.

However, the UK will remain part of CFP the during the transition period, something which has caused some controversy in Britain as it contradicts earlier statements from the government.

The UK today exports 80 percent of its catch, and the EU can answer with tariffs on British fish. Putting it simple, the UK sells the fish they catch and import the fish they eat. Continued access to free, or preferential, trade in fish and seafood will therefore be crucial for the seafood industry and UK consumers. Germany and Denmark are among the top five exporters of fish to the UK market.

³ Aberdeen City Council, 2017

In 2014, the fishing industry employed 11,845 fishers in the UK and contributed some £426 million to GDP. Although a rather small sector in economic terms, fisheries have a much broader cultural, social and historic value. Fisheries are also crucial to the prosperity of many coastal communities across the United Kingdom. Fisheries management is a devolved matter, and the Devolved Administrations manage vastly different industries: the Scottish fishing fleet has fewer but larger vessels and lands the most fish in terms of volume as well as value, whereas England, Wales and Northern Ireland have more fishers and vessels.

UK waters are furthermore highly important for fishermen from other European countries. More than half (58%) of the fish and shellfish landed from the United Kingdom's Exclusive Economic Zone (EEZ) by European Union fishing boats was caught by non-UK boats. Non-UK European fishing boats landed 650,000 tonnes of fish and shellfish from the United Kingdom's EEZ, worth £408 million, each year between 2012 and 2014. This included 99,000 tonnes (£179 million) of demersal fish, 424,000 tonnes (£183 million) of pelagic fish, 16,000 tonnes (£34 million) of shellfish, and 111,000 tonnes (£11 million) of industrial fish⁴.

Rules for safety, environment, preparedness, qualifications and working conditions at sea are governed by international regulations that apply irrespective of EU regulations and the EEA Agreement. Norway is collaborating with the United Kingdom on the exchange of maritime traffic data and an agreement has been reached between the EU/EEA countries in the northern part of the North Sea and furthest north of the Atlantic for the exchange of maritime traffic monitoring. Both the UK and Norway are parties. Through the EU's SafeSeaNet, information is exchanged about dangerous and polluting cargo aboard ships that depart from the port in one country and who will call on a port or transit through another country. Norway is included in SafeSeaNet, and it remains to be seen if the UK will be in the future⁵.

Representatives of fishing communities across Europe met in Santiago de Compostela on 23rd of October 2017, and adopted a declaration calling on European institutions to make fisheries a priority in the negotiations, and to safeguard the economic and social future of European fishing and coastal communities.⁶

2.5. Energy

Brexit will only have limited impact on the EU energy system, according to a study made by Bruegel for the European Parliament. The UK imports electricity and gas from the EU27 and the EEA. It also serves as a transit country for electricity and gas between Ireland and other EU countries, as well as a transit country for gas between Norway and the EU27. More than 80 percent of the value in EU27/UK electricity and gas trade in 2015 (some EUR 6 billion) was for natural gas. The UK imported natural gas worth an additional EUR 10 billion from Norway⁷.

The development of a cross-border European power system with connection to the offshore wind farms in the North Sea will probably not be directly affected by Brexit. The UK has a limited energy integration with the Continent. Cooperation in the North Sea is based on a political declaration signed by each of the states around the North Sea and Irish Sea.

⁴ NSC Marine Resources Group, September 2017

⁵ Regjeringen.no

⁶ European Fisheries Alliance (EUFA)

⁷ European Parliament

Energy export between the EU and the UK will probably continue free of tariffs⁸. The UK government wants to explore options for continued participation in the EU's internal energy market⁹.

But the offshore industry as such will face the same issues as all other sectors of industry.

As a result of the decision to leave the EU, the UK may have disassociated itself from the EU Renewable Energy Directive. The UK will no longer be obliged to meet the EU climate and clean energy targets and the absence of this is a threat to the renewables sector¹⁰.

Furthermore, the UK may have limited access to funding from the EIB, EFSI, CEF, Horizon 2020 and the European Energy Programme for Recovery.

2.6. Transport

Brexit is not expected to have any significant impact on maritime transport or inland waterways, since these areas are mainly regulated by international conventions. However, changes in trade flows can impact on ports and logistics in the North Sea Region. In particular the ports of Flanders, are heavily dependent on UK trade.

Ports and airports will, in case of an end to free movement, have to invest in machinery, software and staff to cope with new customs regulations¹¹.

The UK is part of the North Sea-Mediterranean core network corridor in the TEN-T. Several ports on the UK North Sea coast are listed as core network ports: Dover/Folkestone, Edinburgh, Felixstowe, Grimsby/Immingham, Harwich, London, Teesport.

2.7. Transnational cooperation

There is considerable uncertainty about funding and structure of the Cohesion policy after 2020. The size of the total EU budget will change, and so may the share of the budget allocated to Cohesion Policy. It is also an open question if the UK will want to co-finance British partners' participation in territorial cooperation projects after leaving the EU (the Norway model), something which would be important for council areas in the UK.

The UK takes part in nine of the current European territorial cooperation programmes, eight of which cover the North Sea Region entirely or partially:

- 2 Seas programme, including the South East and East of England, parts of Hauts-de-France, provinces of West Flanders, East Flanders and Antwerp in Belgium, and Zeeland, parts of Zuid-Holland, Noord-Holland and Noord-Brabant in the Netherlands
- France (Channel) England programme, including South East and East of England and Hauts-de-France (with the programme secretariat located in the East of England)
- North West Europe programme, including the whole of the UK and Belgium, and most of Germany, Netherlands and Northern France
- North Sea Region programme, covering the entire North Sea area

⁸ European Parliament

⁹ Theresa May's Mansion House speech (March 2018)

¹⁰ Aberdeen City Council, 2017

¹¹ Committee of the Regions

- Interreg Europe
- INTERACT
- URBACT
- ESPON 2020

In the Interreg IVB North Sea Region programme (2007-13) there were UK partners in 68 out of 78 projects, and 187 UK beneficiaries in total. The current North Sea Region programme (2014-20) so far has UK participation in 19 out of 39 projects, 7 UK lead beneficiaries and 86 UK beneficiaries in total. DG REGIO and the European Commissioner are “open minded” on UK participation post 2020¹².

The UK has promised to fulfil its commitments in the 2014-20 period, but if negotiations fail, funding under the current period can be affected.

2.9. The European Union post-Brexit

Brexit means a net reduction in the overall EU budget by 10 billion euros per year (average annual revenues from the UK in 2013-2015 of appr € 17 billion minus the average annual EU spending in the UK of about € 7 billion)¹³. The EU budget will most probably be smaller post Brexit, which is likely to reduce Cohesion Policy and other EU funds available for the regional and local level. If, on the other hand, the EU will compensate for the loss of British contributions to the budget, that would most probably affect other net contributors as Germany, Sweden, Denmark and the Netherlands.

Some researchers argue that the effect on the budget will be small due to the potential contribution the UK would be obliged to make as a condition to obtain access to the internal market. If the UK will stand outside the internal market the tariff revenues would make up a considerable share of the net loss.¹⁴

It can be argued that the Northern European (or North Sea) perspective will be weakened in European policymaking. UK, the Netherlands and the Scandinavian countries are often considered as like-minded in the Council of the European Union. In nine cases out of ten, Sweden and the UK have been of the same opinion in votes in the Council¹⁵. Brexit can result in these countries losing position and network in the Council. The remaining Northern European members will lose an important partner and will need to seek or strengthen other coalitions¹⁶.

According to Sieps (Swedish Institute for European Policy Studies) the discussion on the future of EU can be affected when UK is not involved in negotiations, not at least when it comes to the balance between the EU27 and the Eurozone¹⁷.

Is Brexit only one of many examples of a paradigm shift towards less of free trade and globalisation and more of national protectionism? This would be negative for many of the small and trade dependent economies in the North Sea Region.

¹² Presentation by the Interreg North Sea Programme at NSC Brexit Task Force meeting, September 2017

¹³ Begg, September 2017

¹⁴ Núñez Ferrer & Rinaldi, 2016

¹⁵ Swedish Institute for European Policy Studies, February 2017

¹⁶ Advisory Council on International Affairs, March 2017

¹⁷ Swedish Institute for European Policy Studies, February 2017

3. Territorial impact of Brexit

3.1. Denmark

In Denmark, 25,500 employees work in 290 British-owned companies. 88,300 employees work in Danish-owned companies in the UK. The Danish export to the UK is 77 billion DKK (fourth biggest market) and the import from the UK is 66 billion DKK¹⁸.

A study from Statistics Denmark¹⁹ forecasts that Brexit will cause a decrease in GDP for Denmark of between 0.2 and 1.2 percent until 2030, depending on what the future trade deal will look like. In the case of no deal, much of the fall in GDP will depend on extra costs for Danish exporters due to differences in technical standards. Other impacts depend on new barriers for services and on new customs arrangements. The total Danish export is expected to decrease by between 1 and 4 percent (6-26 billion DKK), mainly from food products. The Danish food industry may, in case of a hard Brexit, lose 4,600 jobs²⁰.

There has been some focus in Denmark on the fisheries sector, where a lot of the catch landed in the country comes from British waters. Aalborg University presented a report in January 2018 on Brexit consequences for four larger fishing ports in *North Denmark* and their communities²¹ (Skagen, Hirtshals, Hanstholm and Thyborøn). If the ports will lose all catches from the UK zone and cannot compensate that with landings from other waters, five large processors of herring, mackerel and fishmeal will be affected, and more than 800 jobs may be lost (fishermen, processing industry and maintenance). This concerns small coastal communities with a very limited extent of alternative employment opportunities.

3.2. Germany

In 2015 Britain was Germany's third largest export destination after the United States and France. Germans make up less than 5 percent of the EU citizens permanently residing in the U.K. And most of the 135,000 German expats in Britain are highly skilled and will remain in demand after Brexit. Moreover, even if they were forced or chose to return home, Germany's labour market would be able to accommodate them. Over 100,000 British citizens are living in Germany. A significant number may want to take up German citizenship, but even if they did not their position in the German labour market would be no weaker than that of US citizens.²²

The Committee of Regions conclude that German regions are highly exposed to Brexit effects, in particular in the manufacturing sector, where Hamburg, Schleswig-Holstein and Bremen rank among the most exposed²³.

¹⁸ Danmarks statistik

¹⁹ Copenhagen Economics for the MFA of Denmark, Spring 2017

²⁰ Landbrug & Fødevarer, March 2017

²¹ Aalborg university, January 2018

²² European Council on Foreign Relations

²³ Committee of Regions 2018

The *State of Bremen* has analyzed Brexit effects from several aspects – citizenship, trade, science, cohesion policy, climate policy, offshore market, transport, etc. For Bremen, the UK is the third biggest trade partner with 8.4% of the trade, with automotive as the major export sector and aircraft components as the major import. A dip in automotive sales would also impact the ports of Bremen. A hard Brexit would be a major challenge for the Airbus company with its tight cooperation between facilities in Bremen and the UK²⁴.

For *Schleswig-Holstein* UK is among the fourth most important export markets in Europe. Schleswig-Holstein has quite a few projects in the area of marine sciences with partners from the UK. The state is also concerned with the impact on offshore wind parks, on cooperation with British schools and universities through Erasmus+, and on regulations for the protection of marine life²⁵.

A large part of German fisheries take part in the British zone. If UK waters will be closed to EU fishermen, this would concern 50% of the total German catches and 30% of total sales, certain species up to 100%²⁶.

3.3. Netherlands

The Netherlands is an important trading partner of the UK, with export to the UK constituting 10% of total Dutch export. Consequently, a ‘hard’ Brexit will harm the Dutch economy and lead to GDP losses of between 3.5% and 4.25% in the long run²⁷.

The food export to the UK is significant from the Netherlands, and several Dutch regions expect an impact on the agricultural sector. All Dutch regions contribute to the export to the UK, which is good for 3.7 % of GDP and nearly 300 000 jobs. Another effect of Brexit will probably be a reduction of the CAP budget with consequences for agriculture in all countries.

Cities in the Netherlands, in particular Amsterdam and Rotterdam, may benefit from the relocation of international headquarters from the UK. In November 2017, it was decided that Amsterdam will be the new site of European Medicines Agency (EMA) with 900 high quality jobs and 36,000 visitors per year, when it relocates from London.

For *Flevoland* with its large fishing fleet, denied access to British waters may cause significant problems. The municipality of Urk is dependent on fisheries and fish processing. In total 60% of fish sold in Great Britain is processed in Urk. For Urk, Brexit is further important in connection with possible reduced access to British North Sea fishing grounds. Urker fishermen catch their fish in the North Sea²⁸.

Noord-Holland is the largest exporter to the UK with a share of more than 25 % of the Dutch export to the UK. One cluster that especially will be effected by Brexit is the ornamental horticulture. The north of Noord-Hollande is the world’s largest continuous area for the production of flowers. This production is one of the most important regional export products. Many international trade companies are located in the region and the port of Amsterdam has many connection lines with the UK. The food industry in Noord-Hollande delivers much to UK supermarket chains.

²⁴ Bremische Bürgerschaft Drucksache 19/1157

²⁵ E-mail from Schleswig-Holstein to the NSC Secretariat, October 2017

²⁶ Bremische Bürgerschaft Drucksache 19/1157

²⁷ Rabobank, October 2017

²⁸ Contribution of the Dutch delegation to the Committee of Regions Brexit survey

Zuid-Holland is the second largest exporter in the Netherlands to the UK. The province is less sensitive to Brexit impacts than the average in the Netherlands because of the diversity and the volume of export. But some regions in the province can still face impacts due to Brexit, like the port of Rotterdam and the horticulture in the Westland. In the Rotterdam port region, many companies have British customers. With 35 %, exporters in agro-food account for the most part of the export. The Westland has many exporters of flowers, vegetables and fruit and related service providers with interests in the UK.

The export sectors are of great importance for the economy in the province of *Zeeland*. Almost 8 % of exports of goods produced in Zeeland are destined for the UK. Nutrition, like onions and potatoes, and chemistry are dominant within the export package and represent 80% of the total. British chemistry is strongly targeted at the EU and Brexit, in this point of view, can be in favor of the Zeeland chemical cluster position. There is also an impact on the competitive position of the offshore activities of the Zeeland and British ports. This concerns the opportunities on both sides for the construction of wind farms and the decommissioning of dated oil and gas installations.

Only 3.5 % of *Groningen* export goes the UK. This makes Groningen less sensitive to Brexit than other provinces in the Netherlands. Gas is the most important pillar in the trade relations between Groningen and the UK. 60 % of exports to the UK was gas from own soil in 2015. The UK demand for gas is expected to remain even after Brexit.

Less than 6 % of the export from *Friesland* goes to UK. More than half of this export package consist of agro-food products e.g. dairy and potatoes. The risk of import taxes, additional customs controls and additional rules for inspections in production chains makes Brexit a factor to take into account.

Drenthe is the province with the lowest export to the UK, in absolute terms. The biochemistry and the synthetic fibers industry are important sectors. Chemical and industrial products are exported to the UK. Together, these products make up half of the goods exports. British chemistry and industry are strongly targeted at the EU for their sales. This can lead to opportunities for Drenthe in the EU.²⁹

3.4. Norway

Norway has a special relation as a non-member of EU, but a member of the European Economic Area (EEA). Norway and the UK will thus have to negotiate their future relationship separate from the EU-UK negotiations.

Export to the UK amounts to almost 20 percent of Norwegian export of goods and services. UK is Norway's no. 1 market for goods, no. 3 if oil and gas are excluded. It is the most important market for Norwegian service export, and the most important market for Norwegian shipping. Norway exported oil and gas to the UK for 135 billion NOK in 2015³⁰.

There are about 20 000 Norwegian citizens living in the UK, and about 14 500 UK citizens living in Norway.

Norwegian students already pay higher fees than EU students for studies in the UK.

So far, we are not aware of any analysis of Brexit impact on regional/local level in Norway.

²⁹ ING Economisch Bureau, May 2017

³⁰ Regjeringen.no

3.5. Sweden

The UK is one of Sweden's most important trading partners. In 2016, Sweden exported services to the UK for a value of SEK 51 billion, while the exports of goods amounted to SEK 72 billion. The UK is thereby the third largest recipient of Swedish services and the sixth largest recipient of goods. In regard to imports too, the UK is an important trading partner for Sweden. The Swedish import of services and goods in 2016 both amounted to SEK 62 billion each and the UK thereby ranks first and fifth respectively on the list of the most important countries of provenance for Sweden imports³¹.

For Sweden, UK is the second cooperation partner in Horizon 2020 after Germany. Sweden and the UK have been most like-minded, e.g. regarding the role of excellence as a criterion in Horizon 2020. The main areas of cooperation are medical/healthcare, aviation, transport, ICT and industry, with co-publications mainly in clinical medicine, biomedicine and molecular bioscience. An analysis from Region *Västra Götaland* shows that there are UK participants in 191 out of 240 collaborative H2020 projects (80 percent) where a partner from Västra Götaland is involved. 32 of the projects are coordinated from the UK, and there are UK partners in 10 of 15 projects coordinated from Västra Götaland.

3.6. United Kingdom

There are different views of which areas in the UK will suffer most from Brexit – those areas most globally integrated or those with a manufacturing base. In a recent report from a British thinktank one researcher claims that Aberdeen is the city that will be most affected, regardless if Brexit is 'hard' or 'soft'³².

The *East of England European partnership* has identified a number of areas, where Brexit could have an impact on councils in the UK³³:

- *Public procurement*: UK Public Contracts legislation stems from EU law
- *Regulatory services/trading standards/licensing*: Significant areas covered by EU law, to be incorporated in UK law via Repeal Bill
- *Environment*: Environmental legislation mostly stems from EU law. Future of fines (for waste, air quality etc.)?
- *Employment*: Free movement and labour supply; minimum rights
- *Planning*: minimum requirements for environmental impact assessments; protecting biodiversity and wildlife; Council charges for environmental information
- *Data and data protection*
- *Finance and funding*: VAT rules; rules on investment for financial products used by councils; access to economic development funding – ERDF, Interreg, CEF Transport etc.

The East of England has set as its priorities: devolution, EU growth funding, environment, employment and skills, research and innovation.

The Scottish government claims that Scotland's GDP could be as much as 8.5% lower by 2030 compared to continued EU membership, and advocates that the UK stays in the European Single Market through membership of the European Economic Area, and also remains part of the Customs

³¹ Swedish National Board of Trade, March 2017

³² The UK in a Changing Europe

³³ Presentation by East of England European Partnership at meeting of the NSC Brexit Task Force, September 2017

Union. The government also warns that the risks to Scotland's research and development capability are significant³⁴.

In a report from *Aberdeen City Council* it is projected that a soft Brexit scenario will reduce the Scottish GDP with 2%-3%. A 1%-2% reduction in total employment is projected over a ten year period, representing 30,000 jobs. Scottish exports are expected to decrease by 12% in goods and 8% in services within the next ten years. A hard Brexit scenario can result in 80,000 fewer jobs in Scotland as a result of leaving the EU. Scottish exports of goods could be reduced by between 12% and 25% and the exports of services by between 18% and 25% over a ten year period.³⁵

Leaving the EU could have a negative impact on the large number of skilled foreign labour in the UK. UK's exit from the EU could worsen the difficulty employers in sectors such as fish processing, the National Health Service and social care face in filling vacancies. EU nationals represent "an important and enabling part of the *Shetland* workforce, not least in the economically significant fish sector"³⁶.

Leaving the EU provides an opportunity for the Scottish fleet to have a right to harvest much greater quotas bringing prosperity to both fish sectors and the wider supply chain³⁷. On the other hand UK will lose the largest fish and seafood market in the world.

Aberdeenshire Council adopted a position paper on Brexit in February 2017³⁸, which concluded that it is important that areas such as Aberdeenshire can continue to attract workers from EU Member States, and that maintaining access to the Single Market is of fundamental importance to our economic sectors. The position paper called on the UK government to :

1. Maintain a relationship with the remainder of the EU which facilitates free movement of people
2. Guarantee the right to reside for EU citizens at the earliest opportunity and secure reciprocal rights for UK citizens living in other EU countries
3. Ensure that agricultural and fisheries policies are developed in a way which is decentralised and involves key stakeholders in their design, management and implementation
4. Recognise the disproportionate importance of agriculture, fisheries and tourism for rural and coastal communities compared with the UK as a whole
5. Provide a replacement support regime for the agricultural sector, recognising the added value of the sector in terms of food security, animal welfare and environmental management
6. Provide sufficient funding for fisheries research, enforcement and infrastructure to ensure a long term viable stock management regime
7. Maintain equivalent social, welfare and environmental standards when revising legislation, aiding access to the Single Market
8. Maintain visa-free travel from EU countries to the UK to support the tourism sector
9. Ensure that future trading agreements entered into take account of the needs and maximise opportunities for the energy, agriculture, fisheries, food and drink and tourism sectors.
10. Recognise the value of and maintains existing EU environmental, climate change and social legislation
11. Recognise that market access barriers could be introduced if the UK lowers standards and commits to maintaining equivalence of environmental, climate change and social legislation

³⁴ Scottish Government

³⁵ Aberdeen City Council, 2017

³⁶ Shetland News, August 2017

³⁷ Aberdeen City Council, 2017

³⁸ Aberdeenshire Council, February 2017

12. Maintain existing EU legislation and trading arrangements for a transition period after the UK leaves the EU
13. Ensure that new policies replacing those of exclusive EU competence are developed and implemented in a decentralised way with the active involvement of stakeholders
14. Provide further clarification on the terms of its guarantee for European funding commitments
15. Ensure that replacement domestic funding of an equivalent level is made available after the UK leaves the EU
16. Maintain participation in Horizon 2020 and INTERREG programmes after the UK leaves the EU
17. Maintain funding for public services at its present level, recognising increasing demands and expectations on public services and the increased need for public investment in economic growth

As described by *Fife Council*, there are several roles for a Council through the Brexit process: to understand and respond to the economic consequences, to assist those businesses affected, to engage with EU nationals resident and working in the area, to act as a point of reference for those businesses, individuals and families affected, to respond to consultations that arise from negotiations, to monitor local economic and social impact, to promote its views and positions in different ways, and to ensure continued support for activities under European funding³⁹.

The UK Local Government Association has called for a government commitment to replace vital EU regeneration funding. Local areas across the UK had been set to receive a total of €10.5 billion between 2014 and 2020⁴⁰.

4. Sources

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³⁹ Fife Council, 28 March 2017

⁴⁰ Local Government Association, UK, July 2017

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