

Energy & Sustainability 2016

Brexit Briefing



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The UK's decision to leave the European Union has significant implications for UK environmental legislation and energy markets.

EU legislation has been an important part of the UK's regulatory landscape in recent years and has required owners and occupiers of real estate to conduct significant compliance programmes - the vote to leave means the future of these schemes in the UK is now uncertain.

While the impact on legislation could take a number of years to become clear, energy markets have seen an immediate price rise due to the fall in sterling. Short term increases are predicted to stabilise in the medium term but a period of volatility can be expected.

UK SUSTAINABILITY POLICY FRAMEWORK

Companies must continue to comply with all EU Directives transposed into UK law including the Energy Saving Opportunities Scheme (ESOS) and the European Union Emissions Trading Scheme (ETS) for the foreseeable future and these schemes remain subject to enforcement action in the UK.

It is expected to take at least two years for the UK to negotiate its terms of exit and new relationship with the European Union. Amendments to environmental legislation are not anticipated to be prioritised during this time and could indeed take longer.

SIMPLIFIED REPORTING

The UK government had announced its intention to introduce a streamlined carbon reporting framework, to reduce the administrative burden on businesses and incentivise energy efficiency and carbon reduction. It is likely the UK successor of EU schemes such as ESOS and EU ETS will be considered during a formal consultation process which is due to be launched in the summer of 2016.

SUMMARY OF CURRENT POLICIES

The following table provides a summary of key environmental policies. It outlines which legislation originates in the European Commission, which is passed into UK law, which are due to undergo consultation in the UK and which have compliance requirements.

Figure 1

| | European Commission Legislation? | Passed into UK law? | Due to undergo consultation? | Will you still have to comply? |
|--|----------------------------------|---------------------|------------------------------|--------------------------------|
| Carbon Reduction Commitment (CRC) | X | ✓ | ✓ | ✓ |
| Climate Change Agreements (CCAs) | X | ✓ | ✓ | ✓ |
| Energy Savings Opportunity Scheme (ESOS) | ✓ | ✓ | ✓ | ✓ |
| EU Emissions Trading Scheme (ETS) | ✓ | ✓ | X | ✓ |
| Minimum Energy Efficiency Standards (MEES) | X | ✓ | X | ✓ |
| Non-Financial Reporting Directive (NFRD) | ✓ | X | X | ? |

Source: CBRE Sustainability & Energy

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