



Inline Policy - EU Referendum Result

24 June 2016

UNITED KINGDOM VOTES TO LEAVE EUROPEAN UNION



- **People in the United Kingdom have voted to LEAVE the European Union by 52% to 48%.**
- Electorate a record of 46.5m for a UK-wide poll—turnout was 72%, higher than the 1975 Referendum's 64%.
- England voted LEAVE by 53%-47%, Scotland voted REMAIN by 62%-38%, Wales voted LEAVE by 53%-47%, NI voted REMAIN by 56%-44%.
- **London the only English region to vote for REMAIN.**
- Young voters support REMAIN, older voters support LEAVE. Big gaps in social class and qualifications in support for Brexit.

Reaction

- **Prime Minister David Cameron accepts responsibility for referendum defeat, announces resignation for October.** Says Conservative Party will elect new leader and Prime Minister to lead EU departure negotiations in place by Party Conference.
- **Leader of the Opposition** Jeremy Corbyn calls on the Article 50 process to be invoked immediately.
- **Governor of the Bank of England**—take some time to establish new relationships in the world, extensive contingency planning in place to deal with market adjustments and strengthen capital and liquidity of major banks—£250bn in additional capital finance & liquidity will be made available.
- **German Foreign Minister** Frank-Walter Steinmeier calls it a sad day for Great Britain and for Europe.
- **President of the European Council** Donald Tusk says the 27 continuing EU member states will move forward in unity.

Markets Update at 1015 BST

- FTSE 100 index down 4.25% on market trading this morning, housebuilders, banks and high street stocks hardest hit.
- Currency – Sterling v Dollar, \$1.39 down 6.43% on day's trading.
- UK Government Bond yields fall to 1.36%.



Implications for UK's relationship with the EU

- European Council meeting on 28-29 June—on the agenda: the response to the UK referendum, migration, jobs, growth and investment including the digital single market, and EU-NATO co-operation.
- Article 50 departure negotiation procedure not to be invoked until new UK Prime Minister in place in October.
- Strategic choices need to be made over whether UK seeks Norway option on EEA membership & protects access to the Single Market, or seeks a Canada-style trade agreement with the EU post-departure, and what the EU-27 are prepared to offer.
- If new trade relationship can be negotiated, ratification process will involve approval of European and member state Parliaments.

Implications for the UK

- With Scotland and Northern Ireland voting to Remain, but England and Wales to Leave, it means 2nd Scottish independence referendum is back on the table, and may be further calls to devolve further powers to Wales/London. Likely to be greater intra-UK tensions over legislation on human rights, EU law, and any powers repatriated by leaving the EU.
- Will voter disaffection over political and other institutions, the economy, public services, housing and immigration, continue to rise, or be mitigated by EU departure?
- PM David Cameron to step down in October, but with change in Conservative leadership and new position on EU exit, probability of pre-2020 General Election is now much higher.
- With many Labour-voting areas supporting Leave, there could be an electoral realignment as occurred in Scotland after the Independence Referendum in 2014.



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Implications for the EU

- The imminent UK departure, with growing support for Euro-sceptic and populist movements throughout Europe, likely to spark calls for reform—Germany, Belgium, France among those likely to push for changes with 60th anniversary of Treaty of Rome in 2017. Now heightened prospect of similar exit referendum in the Netherlands next year.

Implications for the Energy & Environment Sector

- **Brexit model** - The sort of trading arrangement the UK would seek with the EU will be very important, ie access to the single market in a Norway-type arrangement or something different. Capacity and resources within Whitehall and Brussels - once the two-year Article 50 timetable has been invoked - both simultaneously to withdraw from the EU and to strike some possible new trading relationship, will also be a massive challenge. Future arrangements will inter alia determine the UK's involvement in the EU Energy Union and the applicability of State Aid rules. European leadership on climate change will be weakened by the UK's departure.
- **Regulatory gaps** - Specifically on UK energy and environment law, the big question would be how UK legislation would fill the gap left behind when EU regulations no longer directly apply. Compared to the rest of the EU, UK energy law does not tend to be heavily modelled on the structure of EU Directives; rather, it has led the thought leadership on the development of the rules of the internal energy market. While the UK's departure from the EU will mean it is no longer bound by EU decarbonisation targets, the UK Climate Change Act (unless otherwise repealed) will continue to set domestic targets.
- **Investment** - There is evidence that UK government policy has over the last 12 months deterred investment in the low-carbon sector. The uncertainty engendered by Brexit is likely to have a further chilling impact on investment. The loss of potential EU funding may inhibit the deployment of capital-intensive low-carbon infrastructure (e.g. offshore wind). The UK will lose an important source of energy infrastructure funding, as the European Investment Bank provided over €3 billion in energy projects in 2014.