Trading gas with the EU if there's no Brexit deal

Summary

How cross-border gas trading with the EU will be affected if the UK leaves the EU with no deal.

Detail

If the UK leaves the EU in March 2019 without a deal, find out how this would affect:

- cross-border gas trading with the EU
- gas network rules that are regulated by Ofgem and the Utility Regulator

A scenario in which the UK leaves the EU without agreement (a ‘no deal’ scenario) remains unlikely given the mutual interests of the UK and the EU in securing a negotiated outcome.

Negotiations are progressing well and both we and the EU continue to work hard to seek a positive deal. However, it's our duty as a responsible government to prepare for all eventualities, including ‘no deal’, until we can be certain of the outcome of those negotiations.

For two years, the government has been implementing a significant programme of work to ensure the UK will be ready from day 1 in all scenarios, including a potential ‘no deal’ outcome in March 2019.

It has always been the case that as we get nearer to March 2019, preparations for a no deal scenario would have to be accelerated. Such an acceleration does not reflect an increased likelihood of a ‘no deal’ outcome. Rather it is about ensuring our plans are in place in the unlikely scenario that they need to be relied upon.

This series of technical notices sets out information to allow businesses and citizens to understand what they would need to do in a ‘no deal’ scenario, so they can make informed plans and preparations.

This guidance is part of that series.

Also included is an [overarching framing notice](https://www.gov.uk/government/publications/uk-governments-preparations-for-a-no-deal-scenario) explaining the government's overarching approach to preparing the UK for this outcome in order to minimise disruption and ensure a smooth and orderly exit in all scenarios.

We are working with the devolved administrations on technical notices and we will continue to do so as plans develop.

Purpose

This notice provides gas market stakeholders with an explanation of how the trading of gas with European states will operate in the unlikely event that the UK leaves the EU in March 2019 with no agreement in place.

Before 29 March 2019

The UK has gas interconnectors (direct pipelines) with Ireland, the Netherlands, and Belgium.

After March 2019 if there's 'No Deal'

In a 'no deal' scenario, EU energy law will no longer apply to the UK, and the UK will no longer play a role in the EU organisations that support the implementation of these laws, such as the Agency for the Cooperation of Energy Regulators (ACER).

However, UK domestic law relating to energy, the licences and industry codes that are used to implement these laws, will remain in place. Some changes and clarifications to the licences and industry codes may be required to ensure they remain operable.

Implications

In a 'no deal' scenario, the mechanisms of cross-border trade are not expected to fundamentally change. National Grid (Great Britain's Transmission System Operator), Premier Transmission Limited (Northern Ireland's Transmission System Operator) and the UK's interconnector operators currently use the PRISMA gas capacity trading platform to allocate capacity at interconnection points. PRISMA is a privately-owned gas capacity trading platform that provides services for a range of EU and non-EU countries. National Grid and Premier Transmission Limited are both PRISMA shareholders and currently hold commercial contracts for PRISMA's services; their intention is to continue using the PRISMA platform.

There will be some implications for the way gas is traded with the 27 EU Member States. These are described below.

There will be changes to access rule approval and trading arrangements. Interconnector operators' access rules are approved by regulatory authorities both in the UK and in interconnected Member States (i.e. Ireland, the Netherlands, and Belgium). The trading of gas across EU borders under these rules is governed in part by the EU Network Code on Capacity Allocation Mechanisms, which establishes the rules for capacity allocation on interconnector pipes, and how adjacent transmission system operators should cooperate in order to facilitate capacity sales. The approval of regulatory authorities in interconnected Member States is needed in order to continue using Capacity Allocation Mechanisms Code processes.

In the UK, there are no planned changes to either trading arrangements or the approval processes or requirements for access rules. However, interconnector operators should engage with the relevant EU national regulators (in Ireland, the Netherlands, or Belgium) in good time ahead of the UK's exit from the EU to confirm whether those countries intend to continue using the Capacity Allocation Mechanisms Code as the basis for their trading with the UK and understand any requirements for the reassessment of their access rules. Ofgem and the Utility Regulator of Northern Ireland will support the interconnectors in this process.

There will be changes to Transmission System Operator certification. The operators of UK interconnectors should engage with the Irish, Dutch or Belgian national regulators to understand whether their existing Irish, Dutch or Belgian Transmission System Operator certification – i.e. their EU law approval – will need to be reassessed and, if so, the process for this reassessment. Ofgem will seek to support interconnectors in this process.

Great Britain will retain existing Transmission System Operator certifications domestically and will minimise additional administrative requirements. The Government will make any changes or clarifications necessary to the Transmission System Operator certification process to make sure it continues to operate effectively.

There will be changes to other gas network codes. Many of the EU's gas network rules are implemented in the UK in the form of the Great Britain Unified Network Code and the Northern Ireland Network Gas Transmission Code and other industry documents. These are used by Ofgem (in Great Britain) and the Utility Regulator (in Northern Ireland) in their roles as gas market regulators. These rules will remain in place in a 'no deal' scenario. The government will work with regulators and industry to make any necessary amendments to industry codes.

The EU's Regulation on Energy Market Integrity and Transparency prohibits insider trading and energy market manipulation and makes provision for monitoring of the market by regulators. Market participants will need to register with an EU regulatory authority to avoid a disruption to cross-border trade and trade within EU wholesale markets. The majority of the existing Regulation on Energy Market Integrity and Transparency regime will be maintained domestically with minimal changes.

Actions for businesses and other stakeholders (gas market participants)

Interconnectors, code administrators and UK market participants will need to carry out contingency planning for a 'no deal' scenario. Although it will be a matter for individual businesses to work out what steps they might need to take, the government anticipates these are likely to include:

- Interconnector owners/operators: will need to engage with the relevant EU national regulators to confirm whether gas can continue to be traded on the basis of the rules in the Capacity Allocation Mechanisms Code, and to understand any requirements for re-approval of their access rules.

- Interconnector owners/operators: will need to engage with the relevant EU national regulators to understand their processes for the potential reassessment of their Transmission System Operator certifications. Ofgem, and where appropriate, the Utility Regulator, will seek to support the interconnectors in this process. Domestically, the government will retain existing Transmission System Operator certifications and will ensure that EU Exit will minimise any new domestic administrative requirements in this regard. The government will also make any small changes or clarifications necessary to the Transmission System Operator certification process to make sure it continues to function efficiently post-exit.

- The administrators of the various domestic industry codes: (the technical rules of the domestic gas market) will need to ensure that the codes are updated. Ofgem will lead the licence change process in Great Britain and has recently issued [a document to industry outlining the process it will follow](https://www.ofgem.gov.uk/publications-and-updates/follow-letter-preparing-eu-exit-licence-and-industry-code-modifications) and the Utility Regulator will take similar action in Northern Ireland.

- UK market participants: will need to register under the Regulation on Energy Market Integrity and Transparency (REMIT) with an EU regulatory authority for the purposes of market monitoring, to avoid a disruption to cross-border trade, trade within EU wholesale energy markets,

- Market participants: should engage with their Regulatory Authority where their preparations identify significant concerns. Market participants should also check the status of contracts, and licences which may be impacted by the UK's departure from the EU.

- UK regulatory authorities: will provide stakeholders with further information on the contingency requirements for domestic market monitoring later in the year.

Further information

Government and regulatory authorities will continue to work closely with businesses, trade associations and stakeholders on the implications of a 'no deal' and communicate information and updates online.

You may also like to read [Preparing for EU exit: licence and industry code modifications](https://www.ofgem.gov.uk/publications-and-updates/follow-letter-preparing-eu-exit-licence-and-industry-code-modifications), published by Ofgem.

This notice is meant for guidance only. You should consider whether you need separate professional advice before making specific preparations.

It is part of the government's ongoing programme of planning for all possible outcomes. We expect to negotiate a successful deal with the EU.

Norway, Iceland and Liechtenstein are party to the Agreement on the European Economic Area and participate in other EU arrangements. As such, in many areas, these countries adopt EU rules. Where this is the case, these technical notices may also apply to them, and EEA businesses and citizens should consider whether they need to take any steps to prepare for a 'no deal' scenario.