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- The UK Petroleum Industry Association and its members believe that a deal should remain the priority for Brexit in 2019.
- The wide-reaching nature of exiting the European Union means that the downstream fuel sector will be impacted regardless of the final deal.
- This paper sets out the preferred UK negotiating positions that we believe will best reduce uncertainty and negative impacts and ensure that there remains a thriving, resilient and reliable UK downstream fuels sector.

Overarching priorities for a new relationship with the EU

Access to goods and services:

Barrier-free movement of goods, people and capital is important for the downstream oil sector to maintain efficient and competitive supply, along with availability of resources and technology.

Collaboration:

A collaborative approach and ongoing strategic dialogue between government and industry will be critical to identify and mitigate against risks and to realise opportunities.

Stability:

Minimising the period of uncertainty is essential in order to maintain investor confidence, sustainability and resilience of the downstream oil infrastructure and supply.

Fuel Standards

Biofuels: Moves to amend biofuels obligations should ensure that they are broadly in line with EU Directives for Renewables, be feasible, and cost effective.

Fuel Quality: The UK should continue to follow the non-carbon FQD road fuel standards since the vehicles are much the same throughout the European continent. To this end, we should continue to participate at CEN.

The vapour pressure derogation due to conclude in December 2020 should be continued whether agreed by EU, UK or joint responsible authorities or risk cost to the consumer without environmental benefit.

Carbon elements of fuels quality should be discontinued after they end in 2020 as other renewable obligations achieve their objectives.

Sulphur limits: Continue to follow MARPOL as an international regulation. Heating fuel sulphur levels may follow the EU norms, as appropriate, under UK legislation.

Environment & Emissions Rules

Emissions Trading: Continued UK membership of the EU ETS (or close links to it) offers a high degree of future policy certainty and limited risk of market failure.

The creation of a new system would require a period of significant policy development, and the critical need to ensure full carbon leakage protection would need to be addressed by both UK and EU policy makers in relation to all approaches.

Water & Air Quality: The development of parallel domestic legislation for EU Directives whilst retaining BREF linkages and the capacity to input on standards setting bodies would balance between retaining a regulatory level playing field across the sector in Europe and allow the UK to simplify and improve the current regulatory framework.

Any proposed new (UK) body to oversee emissions abatement must not be able to override the balance of environmental, economic, social and other factors that only elected bodies can take.

Trade

UKPIA understands that continuation of EU-UK free trade in its current form is an unlikely outcome and therefore, in line with our principles wishes to see a relationships that minimises barriers to trade of goods.

Oil trade will continue between UK and EU given the amount of integration now and the ready-made understanding of third-country trade (trade already takes place), however, the following aspects of trade will impact on the UK downstream oil sector, and should be addressed in negotiations:

- Tariffs on petroleum products in WTO rules should be avoided (or reciprocated see point 3)
- Tariffs on engineering components, catalyst and other chemicals should be avoided as potentially high costs to producers
- All tariffs / duties should be equal and opposite between countries so as not to create an unlevel playing field between countries in a Trade Agreement.
- Planning / trading systems (ERP / SAP) will need to be updated – long lead-in times are needed.
- Design of border procedures should enable operations equivalent to those now which allow fast throughput and low ullage – i.e. high efficiency operations.
- Integrated, cross-border supply chains must be considered in terms of cross-border integration as well as logistical barriers.

It should be noted that the impacts of these issues not being addressed include potential for: loss of UK operator competitiveness, reduced supply resilience (lack of access / diversity); loss of expertise and, at worst, supply chain delays and shortages.

Chemicals Registration & Labelling

The UK should ensure continued regulation under REACH and CLP.

Alternatives will add cost, risk of administrative, logistical and regulatory burden so we welcome that HMG intends to seek to remain in ECHA and maintain the ability for UK entities to register chemical substances directly.

Any proposed new body to oversee emissions abatement must not be able to override the balance of environmental, economic, social and other factors that only elected bodies can take.

Health and Safety

Infrastructure: There is scope to develop parallel legislation to Seveso III, however, it is key that COMAH is maintained as best practice.

Product Handling: Continued adoption of international standards (Carriage of Dangerous Goods) on the transport of dangerous goods to maintain harmonisation.

Transportation: The UK should continue implementing existing UK regulation (Dangerous Substances and Explosive Atmospheres Regulation)

Compulsory Oil Stockholding

The UK should continue to meet IEA levels of obligation (but no-longer the EU level)

We should retain a flexible cross-border regime and seek international ticketing agreements with other states including the well-developed EU markets.

The UK Petroleum Industry Association has developed this paper in consultation with our membership, taking to account publicly available information about Brexit and the path it might take. This paper sets out our preferred negotiation outcomes, which we would like to see pursued. While the sector is experienced in non-EU trade conditions, we view that if these outcomes are not delivered in the final exit deal, this could lead to negative impacts on fuel supply chains .

For more detail on the assumptions and assessments that underpin these preferred outcomes please contact info@ukpia.com or call 0207 679 7600.