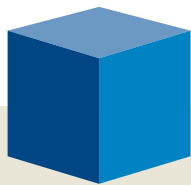




## CONSEQUENCES OF A CLIFF-EDGE BREXIT COMPANY EXAMPLES





## Who are we?

BusinessEurope is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for all-sized enterprises in 34 European countries whose national business federations are our direct members.



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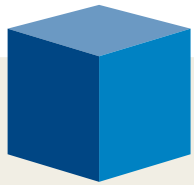
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## Purpose of this publication

The Single Market has enabled European and British companies to set up complex supply chains and close-knit partnerships that benefit competitiveness, growth and employment in both economies. With so much at stake, businesses are naturally concerned about the final outcome of the negotiations between the EU27 and the UK.

The worst possible outcome for business would be a no-deal “cliff edge” Brexit. Business wants to avoid this. And companies need certainty and time to prepare and adjust to the post-Brexit situation. However, with time pressure rising, this possibility, although undesirable, is not entirely implausible.

A cliff-edge scenario would mean that as of the 29th of March 2019, the UK would not only cease to be a member of the European Union, but would also leave its Single Market and its Customs Union. In this case, the UK and the EU would have to trade on WTO terms.

What would this cliff-edge scenario mean for European businesses? This publication seeks to answer this question from the concrete perspective of individual companies.

The cases in this brochure all stem from input by small and large companies that currently operate both in the EU27 and in the UK, spanning both manufacturing and services sectors. Though the examples are anonymised, they all illustrate real-life, non-fictional company cases.

The examples showcase how EU legislation facilitates concrete business operations between the EU27 and the UK today. They also indicate the potential impact of a cliff-edge scenario where all of these provisions cease to apply to the UK on the 29th of March 2019.



Cross-cutting areas of concern highlighted by multiple companies include sudden imposition of costly and time-consuming customs checks at the UK-EU border, decreased mobility of employees, duplication of certification procedures, and disruption of the level playing field through regulatory divergence.



Emma Marcegaglia  
President



Markus J. Beyrer  
Director General





## FOOD

This food company is based in an EU27 Member State and it produces a large range of canned fish (sardines, tuna, mackerels, codfish, and others, in different sauces). It is an export-intensive SME that sells its product both across the EU market and in third countries.

### IMPACT OF CURRENT EU LEGISLATION ON COMPANY ACTIVITY

This company is influenced by three main clusters of EU legislation.

First, the free movement of goods within the EU Single Market allows the company to sell its canned fish products across Europe without the cost and administrative burdens associated with import duties and customs procedures.

Second, the EU's harmonised rules for food safety, food quality control, as well as requirements for sustainability and eco-friendly procedures facilitate a level playing field across the Single Market, which means increased business opportunities for companies like this one, as well as lower prices and more varied choice for consumers.

The company also complies with a range of international standards and certifications.

### OPERATIONS BETWEEN THE UK AND EU27

The company has been exporting to the British market for decades, and the UK is one of the most important markets for the company's canned fish products. In total, sales to the UK make up between 20 and 30 per cent of the enterprise's total exports.

Customers in the UK include the country's main supermarket chains and distributors, and the company's products are sold either under its own brand or under those of its clients. As such, the company has a very well-established market presence in the UK.



### POTENTIAL IMPLICATIONS OF A BREXIT CLIFF-EDGE SCENARIO

A cliff-edge scenario in which the UK leaves the European Single Market without a trade deal would be a big cause for concern for this company.

Such an outcome would result in possible application of customs duties for EU27 exports of seafood products to the UK. A sudden change from duty-free trade to trading on WTO terms could have significant consequences for the final price of this company's products. For instance, for importers from developed countries with which the EU has no free trade agreement, the EU applies a tariff of 24 per cent on a range of prepared tuna products. To take another example, the U.S. applies a tariff of between 6 to 35 per cent on similar products when trading on WTO terms. Were the UK to impose similar Most Favoured Nation tariffs, the final price of this company's products would increase, squeezing profit margins, harming competitiveness, and leaving consumers with higher prices and decreased product variety.

A cliff-edge scenario has other costly implications related to customs procedures and duplicated food safety inspections that would increase both the cost and time associated with exporting the company's products to the UK.

Finally, the economic uncertainty of a cliff-edge scenario could lead to currency fluctuations that could potentially further increase the price of exporting to the UK.

**In a cliff-edge Brexit, import tariffs for canned tuna products traded between the UK and the EU27 could rise from 0% today to 24% post-Brexit**





## PASSENGER AIR TRANSPORT

This private European airline company provides regular flights to the UK and connects passengers in the EU27 with the UK and vice versa.

### IMPACT OF CURRENT EU LEGISLATION ON COMPANY ACTIVITY

The EU handles much legislation regarding aviation. The Single Aviation Market liberalised the intra-European air traffic. The Single European Sky (SES) initiative has increased connectivity throughout the Union. Aside from these important frameworks, there are also EU regulations regarding environmental impact (EU ETS Aviation), passenger rights, safety and security standards (EASA) and rights for employees. As such, EU legislation ensures that at present, UK companies are subject to the same liberties and limitations as EU27 companies, thus creating a level playing field.

### OPERATIONS BETWEEN THE UK AND EU27

The company provides 457 flights to the UK each week and flies to 17 different destinations in the UK. In 2016, the company provided 6.3 million passengers with a safe and easy way to travel to the UK. The UK thus forms an important market for the company. Furthermore, some sections of the company are located in the UK today.

The flights offered do not only create value for the airline company itself, but also for other businesses trading with the UK. For them, it is often necessary to travel to the UK and the company offers them the opportunity to do so. As such, it serves as an enabler for trade flows between the UK and the EU.



### POTENTIAL IMPLICATIONS OF A BREXIT CLIFF-EDGE SCENARIO

In a cliff-edge scenario the airline company in question can fall back on existing bilateral relations regarding aviation between the UK and the EU country it is mainly based in. These bilateral agreements are relatively liberal, enabling the company to keep flying from the EU country in question to the UK and vice versa. However, clear, precise and efficient custom agreements are necessary to ensure passengers are willing and able to travel to Britain without delay.

As mentioned, the airline company is an enabler of business and mobility for enterprises and individuals on both sides of the English Channel. As such, just as other businesses are dependent on reliable and efficient air transport solutions, so is the company in question dependent on the growth and activities of these other businesses in both the UK and the EU.



**Airlines schedule flights months in advance. Uncertainty over a cliff-edge Brexit could have negative effects already in 2018**

Therefore, a decrease of British economic activity and a decrease of the value of the pound sterling as a result of a cliff-edge Brexit could have negative effects on this airline company.

The uncertainty and unpredictability of a potential cliff-edge scenario are also disruptive features on their own. Airlines, such as this one, usually schedule their flights months in advance, and therefore, if in 2018 there is no clear picture on how the legal framework will evolve, airlines may decide to reduce the risk of their operation between the EU27 and the UK, resulting in missed business opportunities with potential knock-on effects on growth, profits and employment.





## AIRPORT SERVICES

This company manages numerous airports in Europe. It provides services to passengers and airlines, such as information, security, handling, cleaning, assistance to people with reduced mobility and customs in addition to various commercial services.

### IMPACT OF CURRENT EU LEGISLATION ON COMPANY ACTIVITY

EU legislation plays an important role in the airport management sector. The flow of goods and passengers that require such services is naturally first and foremost influenced by liberalising initiatives for intra-EU aviation such as Single European Sky as well as so-called open skies agreements with third countries. Of related importance are the rules that govern free movement of people and goods within the Union.

Another significant cluster of EU legislation is related to Security and Customs matters. For instance, relevant EU regulations make it possible for passengers to make connecting flights in an EU airport without needing to pass through security checks.

### OPERATIONS BETWEEN THE UK AND EU27

Air transportation of passengers and goods from the UK to the EU27 – and vice versa – is of great importance for this particular company. It operates airports on both sides of the English Channel, including an important UK hub. According to a recent report commissioned by Airports Council International Europe, titled Economic Impact of European Airports, air traffic between the UK and the home country of this company generates around 35,000 direct employments. When indirect and induced jobs are taken into account, 100,000 jobs in total are estimated to be at stake on both sides of the Channel.



### POTENTIAL IMPLICATIONS OF A BREXIT CLIFF-EDGE SCENARIO

For this airport operator, the suspension of the open skies between the UK and the EU27 inherent in a cliff-edge scenario would seriously affect the number of flights and by extension airport activity. Such an “open skies crisis” would impede traffic growth and possibly cause a drop in the number of passengers serviced – especially in the company’s British facilities.

Further negative consequences abound. Airports would require extensive infrastructure modifications, necessitating short-term expenditures and long-term strain on airport capacity and infrastructure. Such modifications will be required in order to process the significant number of UK passengers who would have to be treated as 3rd country passengers after Brexit day. Concretely, UK passengers would have to (1) go through security for connecting flights (requirements for new security control infrastructure and impact on flow of passengers), (2) undergo more comprehensive passport control (UK passengers would no longer be able to use ABC system devices, and Europol data would no longer be accessible), and (3) pass through customs control (customs control for UK goods would add additional strain to airport capacity and result in slower flow of goods).

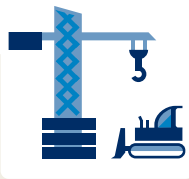
**100,000 direct and indirect jobs in airport services between the UK and the company’s home country are at stake**



These significant challenges would be only mildly mitigated by new economic opportunities for airport operators such as higher profit margins resulting from Duty Free Tax regimes being applicable to UK passengers. Overall, a cliff-edge Brexit is expected to negatively impact the demand for air transportation (and thus airport services) as well as result in more expensive and less efficient flow of passengers and goods through the airports in question.







## CONSTRUCTION

This company is based in the EU27 and manufactures a construction product that is an essential component in any building. Its supply chain covers several European countries, and the UK is a major market.

### IMPACT OF CURRENT EU LEGISLATION ON COMPANY ACTIVITY

The harmonising nature of the EU's Single Market legislation has gradually removed national regulations that traditionally had a fragmenting effect on the European market for construction products. This has led to considerably increased market access for construction components across Europe, though some obstacles and restrictive national regulations still remain - even within Europe.

European standards are imperative for this company's ability to sell its products across Europe. In the UK at present, the company experiences that customers refer to and require compliance with separate British standards even though European standards are already in place. No other Member State has requirements similar to the ones in Britain. It is a showcase of how market fragmentation increases the cost and administrative burden for businesses.

### OPERATIONS BETWEEN THE UK AND EU27

Products sold to the British market are assembled in the manufacturer's factory in Eastern Europe, providing work for around 2,500 people. The manufacturer does not have production facilities in the UK, but it employs a British sub-supplier, which has based its own assembly facilities close to the ones operated by the company in this case. This is a ground-level example of the intertwined nature of cross-national supply chain partnerships.

Each week, 30-40 trucks are sent from the manufacturer's assembly factories in Eastern Europe to the UK with products to be sold in Britain. The company in question considers the British market as its home market, and British consumers consider the product a British product. Overall, the manufacturer has a strong brand and trade mark in the UK, and it benefits from the growing demand for new buildings and homes in the UK.



### POTENTIAL IMPLICATIONS OF A BREXIT CLIFF-EDGE SCENARIO

The UK is an important market for this manufacturer and the country has a structural need for new homes and buildings. A cliff-edge Brexit would not change these facts.

However, a customs duty of 5-10 per cent would increase the price of this construction product in the UK. Such a price hike might lead to weaker demand in the UK.

New customs procedures that would arise in a cliff-edge scenario would also cost both money and time. It is difficult to assess the concrete cost thereof at this time and such figures are mere estimates. But based on trade with Norway, the company estimates that customs procedures would cost between 50 and 100 euros per truck. Furthermore, it is estimated that the handling of customs would take up to one day per truck.

The risk that non-tariff barriers will develop and hamper access to the British market post-Brexit is also a concern. Given that the product depends on European standards, the manufacturer is concerned whether European standards will continue to apply in the UK after Brexit. Based on the manufacturer's experience that UK customers refer to British standards today even when European standards are in place, the company is worried that British standards will be reintroduced and European standards and certifications questioned by customers post-Brexit.



**New customs procedures are estimated to cause delays of up to 1 extra day per truck and cost up to 100 additional euros per truck**





## ENGINEERING SERVICES

This business service company provides engineering and consultancy services within urban planning, buildings, transportation, environment, energy, water, oil and gas. Clients are industrial entities, utilities, municipalities, public authorities etc.

### IMPACT OF CURRENT EU LEGISLATION ON COMPANY ACTIVITY

Having subsidiaries throughout the EU, including in the UK, the company usually provides its services by allocating its highly trained and specialised employees to jobs and projects where and when their skills are needed. The EU Single Market's freedom of establishment, free movement of people and free movement of services are key enabling factors for this high degree of mobility within the company's corporate structure across Member State borders. The facilitation of this flexibility by EU legislation is vital for the competitiveness of a company whose primary resources are its employees' knowledge and skills.

The company recruits staff (engineers in particular) from around Europe to its local offices and companies across the EU. As such, the UK based subsidiary of the company employs staff that has been recruited elsewhere in Europe, meaning that the company benefits from EU citizens' right to look for a job and work in another EU Member State.

### OPERATIONS BETWEEN THE UK AND EU27

The UK is a major market for the company built up over many years and therefore involves a major long-term investment for the company. This is represented by the fact that 10 per cent of the company's total workforce is employed in the UK component of the corporate structure.

### POTENTIAL IMPLICATIONS OF A BREXIT CLIFF-EDGE SCENARIO

A cliff-edge Brexit scenario would seriously disrupt the ability of business service companies like this one to utilize its most important resources – its employees – as efficiently as possible.

First, an end to or any limits on free movement of labour will affect this company's access to sufficient and skilled labour. A cliff-edge scenario where EU citizens do not retain their EU rights in the UK after Brexit will likely impact EU citizens' decisions about whether to take a job in the UK. Such an outcome could potentially harm this company's investments in the UK, since the domestic supply of skilled engineers in the UK is currently insufficient to meet demand.

**A cliff-edge would reduce intra-corporate mobility across the EU-UK border, which is vital for competitiveness of business service providers**



Second, a cliff-edge scenario will put an immediate stop to intra corporate mobility across the EU-UK border. If the UK were to apply GATS Mode 4 rules or something similar to the present UK Intra-Corporate Transferees (ICT) system for third countries, it would be much more restrictive framework than present EU rules. This would create uncertainty for service providing companies like this one and reduce the vital intra-corporate mobility, which today takes place under free movement of labour rules.

Third, in a cliff edge scenario, the UK will become a third country, and the EU's ICT Directive will apply to UK companies, including British subsidiaries of EU-based business service companies. This means that UK companies will be able to transfer employees to the EU parts of their corporate structure, whereas EU based companies, in the absence of a reciprocal agreement, will not have a similar right to transfer staff to the UK part of their corporate structure.





## TEXTILES AND CLOTHING

This company, based in a EU27 Member State, designs, imports and distributes a range of licensed and non-licensed home textiles and accessories from around the globe. The company specialises in connecting brands with retailers and on delivering products to the marketplace. Its range of products includes bathroom towels, beach towels, bathrobes, kitchen textiles, reusable shopping bags and many other items.

### IMPACT OF CURRENT EU LEGISLATION ON COMPANY ACTIVITY

The company is influenced by two categories of EU legislation in particular.

The first is the EU's trade policy, namely regarding import duties. Coverage by EU free trade agreements and the Generalised System of Preferences (GSP) decreases the cost of importing textiles and fabrics from third countries outside the Single Market.

The second is the free movement of goods within the Single Market. It allows for more cost-efficient distribution systems, which is crucial for this company. For European textile businesses in general, the free movement of goods allows for better supply chains, enabling fabric to be sourced, manufactured, warehoused and shipped in whichever EU country the given stage is most efficient. This is key for a sector that depends heavily on quick-response and time-to-market factors.

### OPERATIONS BETWEEN THE UK AND EU27

The EU-UK trade flow is of crucial importance to the company in question. Approximately 90 per cent of its turnover is conducted with UK companies. Furthermore, the UK plays a significant role as both a final marketplace destination for its products as well as an import hub for products from outside the EU.



### POTENTIAL IMPLICATIONS OF A BREXIT CLIFF-EDGE SCENARIO

In a cliff-edge scenario without a trade deal between the EU and the UK, import duties between the two economies will suddenly become a reality. In the textile sector, the average level of customs duties is generally higher than in most other sectors. For the EU, for instance, the import duties applied under WTO rules (that would by default apply to Britain in a cliff-edge scenario) are 4-5% for yarns, 8% for fabrics and 12% for clothing. The introduction of such duties would have serious negative consequences for companies like the present one that currently enjoy duty-free trade.

For the retail sector, currency volatility as a result of Brexit is also a big risk. A recent study in the company's home country shows that only 27% of exposed businesses have a currency hedging strategy in place. A cliff-edge scenario would also result in the establishment of new customs procedures between the EU and the UK. For this company, this eventuality would mean delays and extra burden to an already large administrative workload. This would result in extra costs, which would restrict growth and potentially lead to job cuts or rationalisation.

Finally, if the UK is outside the EU's customs union, the benefits of existing free trade agreements may diminish for EU27 textiles companies. For a product to enjoy preferential tariff treatment when exported to a third country, a sufficient part of its added value must originate from the EU's territory. When the UK is no longer part of that territory, value added to a product in the UK will no longer count in this regard and may cause the product in question to fall outside the remits of the trade agreement, leaving European exporters worse off than before.



**In a cliff-edge, trade in textiles between the UK and the EU27 could revert to import duties of 4-5% for yarns, 8% for fabrics, and 12% for clothing**





## MEDICINES AND VACCINES

This company supplies over 250 different medicines and vaccines within the EU, helping to prevent and treat conditions ranging from pneumonia to rheumatoid arthritis to cancer. The company has over 7,500 marketing authorisations for these medicines in the EU/EEA (European Economic Area) and of these, approximately 2,000 are currently held by UK legal entities in its group.

### IMPACT OF CURRENT EU LEGISLATION ON COMPANY ACTIVITY

Most new innovative medicines introduced in the EU since 1997 are licensed by the European Commission via a single, centralised procedure, administered by the European Medicines Agency (EMA). Other medicines may be authorised by other EU coordinated procedures (so-called decentralised or mutual recognition procedures) or national procedures.

Other aspects of the medicines lifecycle, from clinical trials to safety monitoring (pharmacovigilance) are also subject to EU legislation.

The manufacture and supply of medicines involves complex global supply chains, including between the UK and EU27. This manufacture and supply chain is also highly regulated to ensure product quality and patient safety. For this company, many product supplies for the EU/EEA are tested and/or released from the UK. Similarly, products manufactured and tested in the EU/EEA countries do not require re-testing for supply to the UK.

### OPERATIONS BETWEEN THE UK AND EU27

Every month, the company supplies millions of patients' packs of medicines that are supplied from the EU27 to the UK, and hundreds of thousands of packs that are supplied from the UK to the EU27.



### POTENTIAL IMPLICATIONS OF A BREXIT CLIFF-EDGE SCENARIO

In a cliff edge scenario, there is significant potential for disruption in supply chains that would mean shortages of medicines. This is, evidently, not acceptable for the patients who rely on them.

Due to the vital nature of their products, pharmaceutical companies like this one have to plan for a cliff edge scenario in advance to minimise the potential impact for patients. Without sufficient clarity on potential transitional and future arrangements, such contingency plans will soon need to be implemented, resulting in significant administrative costs – no matter the final Brexit outcome. Although this company will make every effort to ensure that no patient goes without the medicine they need, the unpredictability of the situation, the scale of the undertaking required in this scenario, and the strained capacity of EU regulators to support this work while moving the European Medicines Agency's physical location makes this impossible to guarantee.

**This company will make every effort to ensure that no patient goes without their medicine, but the unpredictability of the situation makes this impossible to guarantee**



Qualified Persons (QPs) administering the supply of products for clinical trials are currently based in the UK; these positions would need to be replicated and/or moved from the UK to the EU to ensure continued supply on both sides.

Batch release testing procedures of products released in the UK would need to be repeated in the EU in a cliff-edge scenario, increasing costs but more importantly potentially delaying the production and delivery of medicines to the patients that need them. Customs checks on products moving between the UK and EU27 would in all likelihood also delay the supply of medicines, increasing their cost in the process.





## STAFFING AND RECRUITMENT

The present company is the UK and Ireland arm of one of the largest staffing firms in world, which operates numerous recruitment brands in Europe. The company supports companies as well as job seekers across a wide spectrum of economic activity, ranging from agricultural labour to CEO-level talent scouting.

### IMPACT OF CURRENT EU LEGISLATION ON COMPANY ACTIVITY

As a service-based business working with human capital, by far the most relevant area of EU regulations for this particular company is in the field of directives on working conditions, employment law and migration of workers and their families. The enterprise relies on the UK and EU markets' ability to welcome skilled and semi-skilled workers from across the world, and intra-EU migration is a fundamental part of this. Crucially, the EU's provisions on employment and freedom of movement allow for a larger potential recruitment pool across the Single Market, which increases the opportunities for this particular company and benefits other European businesses and job-seeking citizens.

### OPERATIONS BETWEEN THE UK AND EU27

EU-UK trade flow is important for this company primarily because it is core to many of the businesses that procure its recruitment services. As a business, the company is not particularly reliant on UK-EU trade flows for its own purposes. However, many of the firms that use its services are reliant on the flow of goods and services between the UK and the continent, without which they would have a reduced use for this company's recruitment support.

In this regard, EU nationals are a big asset for the UK economy. According to a recent study by the Recruitment and Employment Confederation, EU nationals currently make up 7 per cent of the total UK workforce with significant variations across sectors and regions. In London, for instance, EU nationals make up 17 per cent of total employees, including 191,400 in the London financial and business services sectors and a third of all construction workers in the capital.



### POTENTIAL IMPLICATIONS OF A BREXIT CLIFF-EDGE SCENARIO

In a cliff-edge scenario, where the UK leaves the EU without a trade deal in place, the company's immediate business model will not be significantly affected. However, the broader economic issues that this would raise could result in a downturn in the need for its services – which could range from mild to severe, depending on many different macro-economic factors.

The British economy is integrated with the global economy, and it is worth noting that the UK has trade relationships with many third countries outside the EU that would continue. WTO rules will guarantee the UK a certain level of access to EU markets and vice-versa, though this would obviously be considerably less favourable than the trade terms the UK currently has.

Of particular risk to the company's business model is the effects of Brexit on the economy of the Republic of Ireland. As a small market within the EU and the Eurozone, with a significant amount of trade with the UK (and trade patterns, which take goods through the UK en route to other markets), a cliff-edge scenario without a trade deal between the EU27 and the UK would be of particular concern for the company's business operations in Ireland.



**EU27 nationals currently make up 7% of the total UK workforce, while in London, EU27 nationals make up 17% of the workforce**





## HOME APPLIANCES

This case is provided by an organisation that represents home appliance manufacturers across Europe. Its associated companies manufacture appliances such as, but not limited to, refrigerators, freezers, ovens, washing machines, dryers, vacuum cleaners, irons, air conditioners, heat pumps.

### IMPACT OF CURRENT EU LEGISLATION ON COMPANY ACTIVITY

While the UK is still a member of the EU, the legal technical requirements for products are the same across the Single Market and goods can circulate freely between the EU/UK without additional requirements or customs checks.

Manufacturers must ensure that products placed on the Single Market of the European Economic Area are safe. The CE marking is a key element, as by affixing it, the manufacturer signifies to market surveillance authorities that the product meets all the EU legislation applicable to that product. This is intimately linked to standards. Thanks to the harmonised standards which demonstrate that products comply with relevant EU legislation, manufacturers can benefit from presumption of conformity, making it easier to market the product across the Single Market.

The home appliances sector is influenced by a very large number of specific EU legislative acts, ranging from the Ecodesign Directive over REACH (chemicals regulation framework) to the General Data Protection Regulation, just to name a few.

### OPERATIONS BETWEEN THE UK AND EU27

Based on aggregated results on internal data collection, each of the associated companies has, on average, 676 employees in the UK (of which 118 are sales personnel), compared to 15,000 employees in the EU27. Of the sales value, the UK revenue represents more than 1 billion EUR, on average.

Some of the companies produce a number of parts and materials in the UK that are used in the manufacturing processes of appliances in other EU countries. However, the major activity of the associated companies in the UK is the sales of appliances that are produced elsewhere in the EU.



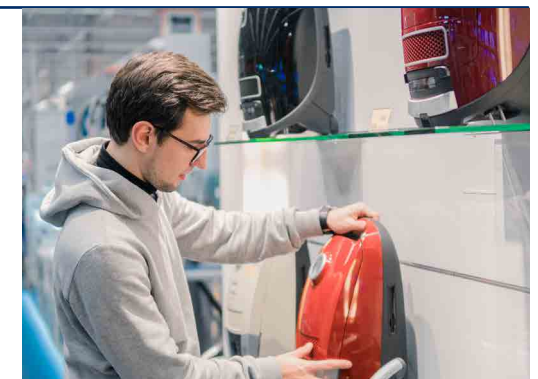
### POTENTIAL IMPLICATIONS OF A BREXIT CLIFF-EDGE SCENARIO

The organisation has surveyed its associated companies regarding their top priorities in the case of a cliff-edge Brexit. On average, the following issues were evaluated as being most worrying (in that order): sales, logistics, skills and labour market, and research and development. The UK data economy, manufacturing and supply chain are less of a concern (in relative terms) for this particular sector.

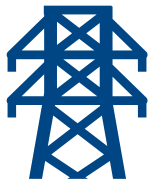
Regarding sales and logistics, a cliff-edge Brexit represents potential costs in terms of added customs-related checks, delays and expenses. However, there is also a potential risk of regulatory divergence between the EU and the UK. This would mean that products sold in the EU would no longer automatically be compliant to be sold in the UK, and vice versa. In combination, tariffs, customs and non-tariff barriers could lead to increased costs for manufacturers, leading to higher prices and reduced choice for consumers.

In relation to research and development, a major concern for the associated companies is related to freedom of labour. Companies in the sector currently rely on recruiting and employing experts from each side of EU/UK border. They deem it critical that companies have access to the best experts also in the future and that UK experts can be employed by EU companies and vice versa.

**After Brexit, there is a risk that the EU27 will have one set of regulations for home appliances, while the UK has a different one**







## ENERGY SUPPLY

This energy company is based in a EU27 country, and it has a British subsidiary, which is one of the UK's largest producers and suppliers of energy.

### IMPACT OF CURRENT EU LEGISLATION ON COMPANY ACTIVITY

The company is subject to numerous parts of EU legislation that enable it to compete on level footing with other energy companies across the EU. Relevant legislation includes Internal Energy Market Regulation, climate regulation (such as the EU's Emissions Trading System), financial regulation (in relation to energy trading), and the Euratom regulation.

The Euratom agreement is of particular importance for this company, which has a sizable nuclear power division. Euratom has been a mutually beneficial agreement for all of the EU Member States since it was established in 1957. Since its creation, Euratom has established a common market within the EU for nuclear goods, services and workers, promoted research and development, encouraged trade with key nuclear markets outside of the EU through a number of Nuclear Co-operation Agreements (NCAs), and created a European-wide safeguards regime. The nuclear industry across the EU has benefitted from these arrangements

### OPERATIONS BETWEEN THE UK AND EU27

The company supplies over a fifth of the UK's electricity and employs around 14,000 people across the country. Furthermore, it is expanding its operations in Britain, building new energy production facilities and creating tens of thousands of jobs in the process. Crucially, 30% of these jobs are projected to be held by non-British EU citizens.



### POTENTIAL IMPLICATIONS OF A BREXIT CLIFF-EDGE SCENARIO

A cliff-edge scenario would potentially imply the imposition of tariffs, regulatory divergence (and associated increase in non-tariff barriers between the EU and the UK) as well as more limited mobility of workers. All of these factors would be detrimental for this company, as it would impede the optimal allocation of resources (supply chain, materials, equipment, services and human resources) required by their operations. The company deems access to skilled labour – both in the nuclear sector and in general – as crucial for its operation in the UK. This is especially true for ongoing large-scale investments undertaken by the company in the UK energy market.



**In a cliff-edge scenario, there is a risk that existing contracts between UK and EU counterparts would no longer be valid**

Of particular concern for the company is that a cliff-edge Brexit would be highly disruptive for the nuclear industry in the UK in a number of ways:

A 'cliff-edge' Brexit implies that there would be no agreement on continued nuclear trade between the UK and the EU after the UK leaves the Euratom Treaty in 2019.

As the UK intends to leave the Euratom Treaty it needs to implement an International Atomic Energy Agency approved domestic safeguards regime before it can sign any new nuclear cooperation agreements. Any difficulties (e.g delays, sub-standard implementation) in achieving this before the exit date would lead to disruption in nuclear trade.

There is a risk that existing contracts between UK and EU counterparts approved by the European Commission and the Euratom Supply Agency under the Euratom Treaty are no longer valid in the case of a cliff-edge scenario.

In the absence of a new agreement, the UK would no longer participate in nuclear R&D programmes which would increase costs for other participants, limit the sharing of expertise and create uncertainty over their future.







## CHEMICALS

This chemical company has a broad portfolio ranging from petrochemicals, plastics, performance products, agricultural products and fine chemicals. The corporate headquarters as well as other major production sites are based in EU27 Member States; the company has subsidiaries including several industrial sites in the UK, as well as subsidiaries outside Europe. The company employs more than 1,000 people in the UK.

### IMPACT OF CURRENT EU LEGISLATION ON COMPANY ACTIVITY

The key EU legislative framework for the company in question is the European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

REACH applies to all legal entities manufacturing and importing chemical substances within the EU, which is why the company's UK entities have an obligation to abide by it. Currently, the UK company holds around 85 registrations, some pending the 2018 deadline. As REACH is a regulation, it has direct effect throughout the EU. Currently, only provisions for the UK enforcement of REACH by the UK's independent regulator, Health & Safety Executive, are part of domestic legislation, the rest has automatic effect in UK law by virtue of the European Communities Act 1972, until it is repealed.

The company supports and has adjusted to REACH believing that it will contribute to consumer confidence that chemicals are produced and used safely.

### OPERATIONS BETWEEN THE UK AND EU27

UK-based entities of the company are strongly dependent on trade with the EU. Over 90% of its UK turnover relies on imports from the EU27. Over 80% of the company's UK output is exported, around 60% to EU-27. UK-based entities of the company also trade with countries outside the EU-27.



### POTENTIAL IMPLICATIONS OF A BREXIT CLIFF-EDGE SCENARIO

A cliff-edge scenario will seriously disrupt the company's ability to trade across the EU-UK border. Especially in the context of REACH different legal requirements on registration, evaluation, restriction, authorisation classification, labelling and packaging of chemical products would lead to bureaucratic barriers to trade.

It is very unlikely that the UK will be able to apply its chemicals laws in time for a potential cliff-edge Brexit scenario in March 2019. A solution as foreseen in the so-called EU Withdrawal Bill via simple and quick amendments, even if adopted by the UK legislator, may turn out to be more complicated than expected, since the EU system of rules is complex and based on the cooperation, mutual obligations, recognitions and control regulations of EU Member States.

**A cliff-edge would mean additional costs, duplication of data sharing, additional complexity to shipments and authorisation**



Due to the great uncertainty regarding British chemicals laws, a cliff-edge scenario will substantially impact the company and its competitiveness in a number of ways: First, since the UK-based entities of the company would lose their status as registrant in the EU, this would create additional costs and administrative burdens due to the new registration requirements. Second, depending on the actual data requirements under a UK chemical law this may result in the company's suppliers to the UK market having to pay again for the same information to be used in the UK. Third, adding complexity to shipments due to differences in the required hazard classifications and accompanying documents, which are likely to diverge over time. Fourth, by adding complexity to authorisation.



# BUSINESSEUROPE



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