A deal is done, what happens now for CPMR Regions?

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Context

Since 2016, the CPMR Atlantic Arc and North Sea Commission have rallied together to voice the regions’ interest in the Brexit negotiation process. From the outset, they asked for a financial mechanism to be set up to offset the territorial impacts of Brexit on Regions. Both Commissions include EU and UK members, and have thus represented a balanced voice in the negotiation process.

Taking stock of the Policy Positions developed by the Atlantic Arc and North Sea Commission, the CPMR voted a similar Declaration in Cardiff in November 2017. Further to this Declaration, the CPMR together with its Atlantic and North Sea Commissions met twice with Michel Barnier, Chief Negotiator of the EU for the Preparation and Conduct of the Negotiations with the United Kingdom in January 2018 and December 2018. Regions highlighted the impact the Brexit deal (or the no-deal scenario) would have on their citizens, the importance of their maritime sectors (fisheries, transport, tourism, energy, etc.), and the existing cooperation (INTERREG particularly).

The CPMR has also continuously defended the development of a Brexit Reserve. In March 2019, the CPMR invited the French Minister of European and Foreign Affairs, Jean-Yves Le Drian, to its Political Bureau where he supported this proposal. In May and June 2020, the Atlantic Arc Commission reiterated its request for a Brexit Reserve to Commissioner Ferreira.

The UK-EU agreement was reached on 24 December 2020 despite major tensions and a political agenda dominated by the COVID-19 pandemic. Shortly after, the Commission’s proposal for a Brexit Adjustment Reserve was published on 26 December 2020. This technical note aims at decoding the Brexit Deal in light of the four-year work on Brexit led by the CPMR Atlantic and North Sea Commissions.
The CPMR welcomes the deal signed by the UK and EU on a Trade and Co-operation Agreement (TCA). Despite the short timeframe and important divergences, in addition to other political emergencies due to the COVID-19 pandemic, this deal provides some clarity on the shape of future relations between the EU and the UK. As an association of regions including UK regions, it was essential for the CPMR to have a stable framework for future cooperation, as a no-deal would have been very harmful for our member regions.

1. **Flows of goods and persons**

The UK and the EU agreed on a free trade agreement, meaning that no tariffs or quotas will apply on goods traded between the UK and the EU. However, import and exports will have to comply with new non-tariff barriers like customs formalities and checks which will be likely to affect transport, port infrastructures, prices of goods and value chains. The agreement is also less comprehensive with respect to trade in services.

In the case of Ireland, while the Protocol prevents re-establishing a border between Ireland and Northern Ireland, the TCA contains no measures to reduce paperwork, checks and controls on the Irish Sea border, although managing the border could become easier with further customs cooperation.

Besides, although safeguards have been set to ensure the level playing field via taxation on UK products or retention measures in case standards become too divergent (in terms of environmental, social or tax standards), we can expect very difficult discussions and different interpretations of the law, and notably on EU legislation affecting major economic sectors of the Atlantic and North Sea regions. Furthermore, regulatory cooperation will be on a more voluntary basis than before, as there are very limited provisions for mutual recognition and equivalence, which increases the likelihood of regulatory divergence between the UK and EU (as well as between GB and Northern Ireland).

Free movement of persons is no longer authorised, weakening the deep and historical links that exist between the UK and the EU citizens, particularly those in the Atlantic and North Sea basins, which share a common culture. EU citizens will need visas for travels exceeding six months in the UK. British citizens, on the other hand, will require a visa for a stay of more than three months in Europe. The UK will put in place a points-based migration system where several criteria need to be met. This decision will affect the passenger transport sector, already weakened by the COVID-19 pandemic.

2. **Maritime Affairs**

- **Fisheries**

The amount of the fish caught by the EU in UK waters will be cut (-25%) but phased in over a transition period lasting five-and-a-half years (2026). Once the transition period is over, the UK will fully control access to its waters, and could make much deeper cuts on an annual basis, with a three-month notice for closing access. While this system may reduce shocks in the short term, the agreement causes uncertainties at the end of the transition for both UK and EU fishermen in terms of fishing opportunities and value of products. In return, the EU could indeed respond with taxes on exports of British fish to the EU or by denying UK boats access to EU waters. Besides, while safeguards exist to prevent divergences in standards (environmental, social or tax), difficulties may occur in order to apply them, notably for other rules shaping the EU fisheries policy such as the landing obligation. As an example, in a paper from Defra (the UK Department for Environment, Food and Rural Affairs), the UK suggested it would continue to apply the landing obligation, but its implementation may not be the same as in the EU, leaving doubts as to the possible distortion of competition. Although the EU and the UK will have annual consultations on total allowable catch (TAC) for different species, the consequences of the new fisheries management on ecosystems will have to be carefully observed.
• Marine Renewable Energies

The UK will leave the single internal energy market. Positively, the agreement explicitly mentions the willingness of both parties to continue cooperation on Marine Renewable Energy, energy interconnectors (electricity and gas), security of supply and envisaged exchanges of good practices and joint projects. It mentions the creation of a forum based on the North Seas Energy Cooperation, which is an intergovernmental strategy to further develop offshore renewable energy in the North Sea and Irish Sea. It includes coordination mechanisms for coherent maritime spatial planning. Regrettably, the agreement does not mention similar coordination initiatives in other sea basins, particularly in the Atlantic, where the UK was formerly part of the Atlantic Strategy with the other 4 Atlantic Member States.

• Other maritime issues

On maritime safety, the UK and the EU agree to coordinate efforts to exchange information and protect the environment, however we can suspect that the UK will work on a less regular basis with EU agencies.

On the marine environment, Parties agreed to put in place procedures for assessing the likely impact of a proposed activity on the environment and committed not to lower current levels of protection to the extent that any reductions may affect trade or investment. EU legislation has gone further than international law and the UK has a strong environmental legislation, but commitments are weaker than expected and would make it hard to prevent standards diverging over time.

3. Transport

In addition to changes in the transport value chains to and from the UK resulting from the new non-tariff barriers, the UK will no longer be part of the EU transport policy providing a coordination framework and subsidies for the improvement of transport network in EU countries.

On aviation, air carriers from both Parties are allowed to provide scheduled and non-scheduled air transport services between any points in the EU and the UK. However, they will not be able to offer air transport between two points located in the other’s territories.

Similarly, for road haulage, UK operators are now limited to undertaking one laden journey within an EU member state. An exception is made for Northern Ireland operators who are allowed to undertake two such journeys in Ireland. Cross-border passenger transport services on the island of Ireland are protected.

EU transport related regulations and directives will no longer be applicable in the UK. Though safeguards have been made in case of divergence of environmental, social and tax standards, it is likely to see a divergence in transport policy (e.g. FuelEU Maritime Initiative).

4. EU programmes

This divorce will deeply change relationships between the EU and the UK, as the UK has decided to participate in few EU programmes, namely Horizon Europe. Other EU programmes such as EU Structural Funds, INTERREG programmes, Erasmus and Creative Europe have been excluded from the deal, bringing about important changes for both regional investment in UK and the cooperation between UK and EU regions.
In January 2019, the CPMR made an analysis on the potential funding UK regions will lose after 2020 from Cohesion Policy, which amounts to 13 billion euros. According to this study, UK CPMR regions like Wales and Cornwall would have been major beneficiaries amongst UK regions and nations.

In 2014-2020 the UK, along with Gibraltar, participated in eleven cross-border/transnational INTERREG programmes. The decision to opt out of all of them, bar the PEACE programme, will have major repercussions. Four programmes are set to be discontinued (Interreg V-A - France-United Kingdom (Manche); Interreg Two Seas) while the rest will receive less funding.

The deal clarifies that Interreg programmes are excluded from the legal scope of the deal and will be addressed, if appropriate, with programme-specific financial agreements on a case-by-case basis. This in principle leaves the door open to the participation of the UK in future Interreg programmes, though this seems unlikely for the years to come.

On Horizon Europe, the deal sets out how the UK will top up its payments if it wins significantly more in research grants than it pays into the programme, but also what the trigger for a rethink would be if the UK’s success rate is very low.

5. Mitigation of Brexit effects at EU level: the Brexit Adjustment Reserve

In this context of changes, the CPMR warmly welcomes the presentation of a Brexit Adjustment Reserve. The CPMR has been campaigning for such an instrument since 2017 and adopted a declaration on the Brexit Adjustment Reserve in December 2020 with the Atlantic Arc Commission and North Sea Commission to support regional governments at the heart of the governance, for an allocation key based on regional data, for clear guarantees to avoid a territorially unbalanced distribution of funds and ensure they are focused on the most impacted areas, and a quick deployment of the funds.

The Brexit Adjustment Reserve proposed by the Commission on 26 December is examined in more details in a specific technical note developed by the CPMR General Secretariat.

Conclusions

The signing of the Trade and Cooperation Agreement is a positive outcome which means that the UK and EU can begin a new chapter of their relationship. The CPMR as a network of regional authorities located in and outside the EU, and notably in the UK, is particularly well-placed to provide a vision on the evolution of UK-EU relations from a regional perspective and give a useful comparison with other regional cooperation mechanisms with non-EU countries. Its Geographical Commissions will also be a useful instrument for EU and UK regions to maintain cooperation on issues covered by the Brexit Deal, i.e. research and innovation, marine renewable energy and protection of the marine environment. In parallel, the CPMR will continue to influence negotiations over the Brexit Adjustment Reserve to ensure a territorial dimension to the fund and adapted support to help regions facing the impacts of Brexit in the short, medium, and longer terms. The European Parliament has already requested the CPMR to share the first visible consequences of Brexit on its member regions in the following months. The CPMR will call on the Brexit task forces of the Atlantic Arc and North Sea Commissions to submit input.
The Conference of Peripheral Maritime Regions (CPMR) represents more than 150 regional authorities from 24 countries across Europe and beyond. Organised in Geographical Commissions, the CPMR works to ensure that a balanced territorial development is at the heart of the European Union and its policies.

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