



CPMR and Brexit: Dealing with the (no) deal

CONTEXT:

The CPMR, thanks to the dedicated work of its Atlantic Arc Commissions (AAC), the Channel Alliance and North Sea Commission (NSC), has been mobilized to anticipate the impacts of Brexit on CPMR Member Regions since the triggering of Article 50 on 29 March 2017 launching negotiations for the exit of the UK from the EU.

Both the AAC and NSC Brexit Task Forces have been active in analyzing Brexit impacts on sectors of regional importance ([NSC evidence to the UK House of Commons 2016](#) and [impact report 2018](#), [AAC Technical Note on Brexit 2017](#) and Analysis of the Atlantic CESER). The Channel Alliance has looked at the impact of Brexit for future cooperation programmes and disruptions linked to the flow of goods and people.

The CPMR has been recognized as key interlocutor to the EU negotiators to voice regions' interests and worries ([Declaration on Brexit - Atlantic Arc Commission](#); [Declaration on Brexit – North Sea Commission](#); [Cardiff Declaration - CRPM](#)). The CPMR met twice with Michel Barnier, chief negotiator of the European Commission, and has kept a regular dialogue with his team.

The United Kingdom is due to leave the European Union 29 March 2019. On January 15, 2019, the British Parliament rejected by 432 votes to 202 the deal negotiated between the UK government and the EU27 mainly because of a disagreement on the terms of the Irish backstop. On February 7, 2019, Theresa May met with President Juncker to review the next steps of UK's withdrawal. The latter underlined that the EU27 will not reopen the Withdrawal Agreement but can consent to minor rewording. On 14 February, Theresa May suffered another blow to her Brexit plan after MPs voted against a motion endorsing the government's negotiating strategy.

At the time of writing, it is still not clear whether a deal will enter into force enabling an orderly Brexit on the 29th of March, if the negotiation period will be extended to reach a slightly modified deal, or if the UK will leave in March without a deal.

This paper aims to summarize the main challenges in case of deal and no-deal on issues of importance for CPMR regions.

Summary:

The technical note covers the impact of Brexit on issues of importance for CPMR Member Regions.

- The impact on the EU budget, cohesion policy and European territorial cooperation
- The impact on the management of maritime space
- The impact on the connectivity of CPMR regions
- The impact on other key issues such as trade, research and innovation

For each topic, the impacts are analysed in case of deal and no-deal. The note also underlines some contingency measures taken by the European Commission when relevant.

1. The impact of the EU budget, cohesion policy and European territorial cooperation

1.1. Impact on the EU budget

The UK exit from the EU will have a great impact on the post 2020 multi-annual financial framework, which brings real difficulties in the negotiation on the EU budget. It has been estimated that the net loss caused by the British withdrawal will amount to 7-10 billion euros per years¹, meaning around 5% to 7% of the total EU budget.

In the event of a negotiated Brexit deal, the EU negotiators and the UK government have secured that the UK will remain committed financially to the 2014-2020 multiannual financial framework (Articles 135, 137 and 138). They have agreed on a common methodology to calculate this commitment which may cover a longer time than the transition period, as audits are likely to run until 2025.

However, **in case of no-deal**, the UK would not be compelled anymore to follow this methodology. This would mean that the current EU budget could suffer a [loss estimated at EUR 42bn](#). Besides, it will endanger EU project partners financially as they have committed resources to their projects and are expecting reimbursement from the EU and co-financing.

On 30 January 2019, [contingency measures](#) have been decided by the European Commission in the event of a “no-deal” scenario, ensuring payments in 2019 to UK beneficiaries for a contract signed before 30 March 2019, on the condition that the UK honours its obligations and accepts the necessary audit, checks and controls. This would mean that the UK is not compelled to honour its financial commitments for 2020.

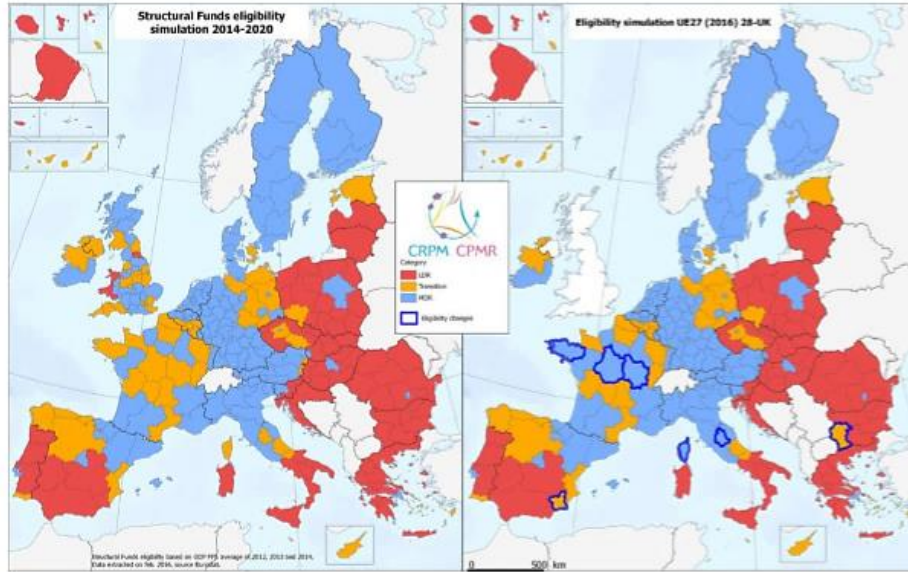
Besides, two MEPs from the European Parliament Regional Development Committee, Marc Joulaud and Lambert Van Nistelrooij, have highlighted the role of mitigation that Cohesion policy could play. They proposed an amendment to the Common Provisions Regulation. It calls for the creation of a

¹ See the Center for European Policy Studies (CEPS) and the Jacques Delors Institute' papers

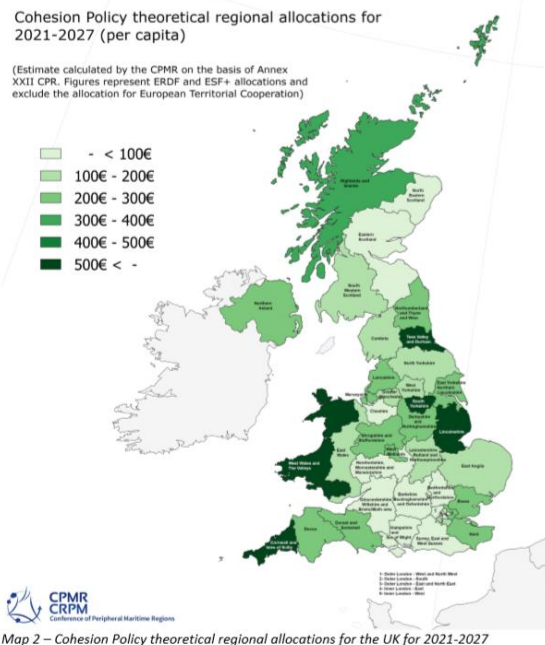
specific support fund of 120 million euros for EU regions affected by the United Kingdom's withdrawal from the Union. A similar fund existed in 2001, when Michel Barnier was the Commissioner for Regional Policy, to support EU regions sharing a border with the future new Member states.

1.2. Impact on Cohesion policy

The withdrawal of the UK from the EU has an immediate impact on the average EU regional gross product – which the eligibility of regions under Cohesion Policy is based on. The CPMR General Secretariat did a projection of the [impact of the withdrawal of the UK on regional eligibility for Cohesion Policy](#) in June 2017 which reveals a notable impact for several CPMR Member Regions.



Besides, the withdrawal of the UK regions from EU cohesion policy will have an obvious impact in terms of EU investment from 2020 onwards. In January 2019, the CPMR made an analysis on how 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 among the major beneficiaries amongst UK regions and nations (see map below).



1.3. Impact on European Territorial Cooperation

European territorial cooperation is an essential facilitator for partnerships at cross-border or transnational levels, as displayed in the CPMR note [“The Future of INTERREG : ten messages from the CPMR”](#) (June 2018). The withdrawal of the UK from this policy will affect regions which have established long-standing cooperation in the different programmes. The UK participates currently in 15 programmes, mostly in the Atlantic, Channel, Celtic sea and North Sea. **The Atlantic Area Programme**, which is dear to CPMR’s Atlantic Arc regions, has involved 192 UK partners from 2014 to 2020. This represents around 20% of the ERDF of the programme.

In case of a deal, the European Commission’s proposal for post-2020 ETC regulation provides that UK may participate in some ETC components as a third country, i.e. UK will have to finance its partners from its own funds. The UK is included in all the components except the new component 5 on interregional innovation investments, although this may change depending on negotiations between the European Parliament and the Council on that point.

At this stage and based on recent exchanges at informal level, it does not seem likely that the UK government will commit resources to future INTERREG programmes after 2020. This would threaten the existence of programmes highly dependent on UK participation such as the France (Channel) England programme, Ireland-Wales or Ireland-Scotland programmes. The UK government has only committed to maintaining the PEACE programme in the Brexit deal. Local governments in the UK are trying to convince the UK government of the merits of continued ETC participation (see [“European Territorial Cooperation - 10 Reasons why the UK should participate”](#)).

In case of no-deal, the EU has only committed to guarantee EU funding on the PEACE programme. Two other threats are to be expected:

- Stakeholders which are part of EU projects together with UK partners may suffer from unfulfilled financial commitments
- The France (Channel) England programme which has its managing authority in Norfolk may not be able to close the 2014-2020 programming period, which would be damaging to project leaders.

However, [contingency measures](#) agreed on 30 January 2019, states that the UK contribution to INTERREG programmes will cover 2019 and not 2020.

2. Impact of Brexit on regional maritime economies

2.1. Fisheries

Some CPMR member regions are particularly concerned about the withdrawal of the UK from the EU and the impact of Brexit on the Common Fisheries Policy (CFP):

- this may mean the end of access to UK waters for EU 27 fishing communities highly dependent on UK waters (see table below). Deep-sea ships from some **Atlantic and North Sea Regions** can perform up to 90% of their activities in the United Kingdom's Exclusive Economic Zone (EEZ).

Dépendance aux eaux britanniques des Etats membres concernés (UE-8)

	VOLUME (Atlantique Nord-Est)			VALEUR (Atlantique Nord-Est)		
	Total	Dont ZEE R-U	Dépendance R-U	Total	Dont ZEE R-U	Dépendance R-U
France	407 kt	98 kt	24 %	902 M€	171 M€	19 %
Danemark	696 kt	272 kt	39 %	401 M€	121 M€	30 %
Pays-Bas	351 kt	140 kt	40 %	360 M€	100 M€	28 %
Irlande	239 kt	87 kt	37 %	246 M€	86 M€	35 %
Belgique	24 kt	11 kt	45 %	78 M€	39 M€	50 %
Allemagne	218 kt	65 kt	30 %	204 M€	38 M€	19 %
Suède	171 kt	29 kt	17 %	118 M€	14 M€	12 %
Espagne	897 kt	6 kt	1 %	1938 M€	18 M€	1 %

Données JRC 2011 - 2015

- it can trigger a distortion of competition between UK and EU fishermen which may not be subjected to the same rules anymore. However, there are reassurances in the White paper proposed by the UK Ministry of Environment (Defra) which states that the UK will respect some parts of the Common Fisheries Policy such as the landing obligation.
- The end of the access to EU market for UK fishing businesses. The EU negotiators have conditioned this access to the access for EU 27 fleet to the UK waters. This may cause significant impact for activities around British ports, which have been developed to process and export fish brought by EU27 fishing gears.

The anticipated consequences include a move of fishing activities in an area already exploited, causing a risk for the management of stocks, a reduction in catches, economic loss for fishermen, implying difficult maintenance activity for some vessels, job losses and reduction of exports.

In case of a deal, the UK will remain committed to the CFP during the transition, which is supposed to cover a period from March 2019 to December 2020. It will not participate in the EU institutions and governance structures but will be consulted in issues such as quotas. The negotiators are supposed to find an agreement on the future relationship between the UK and the EU on fisheries before July 2019, under the heading "Free Trade Agreement". Tariffs or quotas could be applicable to (some) UK fish exports to the EU.

In case of no-deal in 2019, this scenario will not apply and the consequences will be particularly hurtful for coastal communities. The UK may also not continue to apply the quotas division decided in the 2018 December council. There will need to be a new allocation of fishing quotas between the EU, Norway and UK, to regulate access to waters, principles for annual agreements on fisheries management. International law will however still be in place to govern the relationship. The most relevant legal documents for fisheries will be the 1982 United Nations Convention on the Law of the SEA (UNCLOS) and the 1995 Fish Stocks Agreement. The UNCLOS gives the coastal state sovereignty in its own Exclusive Economic Zone (EEZ).

On 23 January 2019, the European Commission adopted **two contingency proposals** to help mitigate impact of "no-deal" Brexit on EU fisheries which are subjected to co-decision procedure:

- The [first proposal](#) is to allow fishermen and operators from EU Members States to receive compensation under the **European Maritime and Fisheries Fund** for the temporary cessation of fishing activities.
- The [second proposal](#) amends the **Regulation on the Sustainable Management of the External Fleets**. The aim of this proposal is to ensure that the EU is in a position to grant UK vessels access to EU waters until the end of 2019, on the condition that EU vessels are also granted reciprocal access to UK waters. This proposal is based on the agreement in the Agriculture and Fisheries Council of 17 and 18 December 2018 on the fishing opportunities for 2019.

2.2. Marine environment and Maritime Spatial Planning

The United Kingdom's exit from the European Union will end the application on its territory of important regulations such Directives on:

- Marine Framework Strategy Directive (2008/56/EC) and Habitats (92/43/CEE, Natura 2000). These directives have very important consequences in the definition of protected areas in marine waters, and therefore on maritime spatial planning
- Marine Spatial Planning (2014/89/EC), which sets the obligation for EU Member States to adopt marine spatial plans and to implement common requirements in this

Brexit could potentially create a discontinuity in the implementation of the objectives of these directives and therefore on the implementation of requirements in the definition of the use of marine space in shared waters in the Atlantic, North Sea and English Channel.

In the framework of the EU Directive on Maritime Spatial Planning for instance, the UK would not have to implement common requirements to avoid conflict of use in shared waters. This could have indirect impact on the overall maritime activities, including Marine Renewables and fisheries.

3. Impact of Brexit on regional connectivity

The transport links between the UK regions and the EU27 are dense and multimodal (shipping, aviation, roads, railroads). New tariff and non-tariff barriers could cause congestion and incur additional costs related to the strengthening of border controls.

3.1. Impact on transport and regional connectivity

3.1.1. Impact of transports and ports

Changes in trade links will cause a redirection of flows between the UK and the EU regions and will require investments in ports to develop border controls. Ports around Europe have already put in place training for customs workers, and the UK is also planning for the expected significant traffic disruption on the road to Dover. By way of example, the Regional Council of Brittany has planned to invest EUR 1.8 Million in temporary infrastructures, and EUR 800,000 in Roscoff and EUR 1 million in St Malo is committed to welcome additional veterinaries and custom workers.

Aviation is also important in terms of trade and tourism. **In case of deal**, Aviation will be included under the second pillar of the agreement. **No deal** would have very harmful impacts as this would potentially mean no access to the Single European Sky. The European Commission has adopted **two [contingency measures](#)** to ensure air traffic and basic connectivity between the European Union and the United Kingdom. For more information read CPMR's note "[CPMR and Aviation: Ready for take-off](#)".

3.1.2. TEN-T maps

Brexit questions the participation of the UK in the TEN-T governance and the future of the North Sea-Mediterranean Corridor connecting Ireland and the UK to the continent through Calais (Hauts-de-France region, France).

In order keep Ireland connected to the continent in case of a no-deal scenario, the European Commission published a proposal on 1st August 2018 to re-align the North Sea / Mediterranean corridor by creating a new maritime section between three continental ports of this Corridor (Zeebrugge/Antwerp/Rotterdam) and Dublin and Cork (Ireland).

The European Parliament voted on 10 January 2019 on a **report by MEP Karima Delli**. In addition to the original proposal by DG MOVE, this report includes:

- Ports of **Le Havre, Calais, Dunkerque, Terneuzen and Ghent** in the new maritime section proposed by the Commission;
- 2 new sections connecting **Ireland with the Atlantic Corridor**:
 - o Dublin/Cork /Brest /Roscoff /Saint-Nazaire /Nantes /Tours. This proposal upgrades Brest-Roscoff from the Comprehensive to the Core network;
 - o Shannon Foynes/ Dublin/ Rosselare/ Waterford/ Cork/ Brest/ Roscoff/ Saint Malo/ Cherbourg/ Boulogne/ Caen/ Le Havre/ Rouen/ Paris. This proposal integrates the core network port of Shannon Foynes, upgrades the ports of Rosselare and Waterford (Ireland), and the ports of Brest, Roscoff, Saint Malo, Cherbourg, Caen and Boulogne (France) from the Comprehensive to the Core Network. It also creates a new connection with the North Sea / Mediterranean corridor in Le Havre.
- The creation of an emergency adjustment fund complementing the CEF to mitigate the impact of Brexit helping transport stakeholders and local authorities establish in advance **new maritime freight routes** and make it easier for goods and persons to **cross the border** between the Union and the United Kingdom.

On 30 January, the Coreper adopted a position to open negotiations with the co-legislator. The Council's mandate brings the following changes to the Commission's original proposal:

- It adds the ports of Le Havre, Amsterdam and Ghent-Terneuzen (the North Sea Port);
- It integrates 2 types of investments eligible for support in the current programming period (2014-2020) of the CEF: investments for border checks and security purposes. It adds the ports of **Le Havre, Amsterdam and Ghent-Terneuzen**;
- It establishes an **emergency adjustment fund** complementing the CEF for investments for border checks and security purposes after Brexit.

During trilogues held on 7 February, the EU institutions agreed to fund the emergency adjustment fund complementing the CEF. The ports of the comprehensive network would not be eligible but could nevertheless benefit from funds for security and border checks under the CEF in the event of **a no-deal Brexit**². These latter sums would nevertheless be subject to uncertainty. Trilogues on 7 March will discuss sections proposed by the European Parliament. The most probable outcome will be the addition of Le Havre, Ghent, Amsterdam, Calais and Dunkirk, as Brest, Roscoff, St Malo and Cherbourg are currently part of the comprehensive network. The General Secretariat will update the CPMR Member Regions based on developments, on a regular basis.

4. Other issues

4.1. Trade

The CPMR regions have significant economic links with the UK. In case of a deal, the negotiators have agreed to have a trading relationship on goods that is as close as possible. Recent research has studied the impact of a no-deal Brexit, such as "[The continental divide? Economic exposure to Brexit in regions and countries on both sides of The Channel](#)" (October 2017) which maps out the regions most affected by a no-deal Brexit (see below).

² [Agence Europe](#) 8 February 2019

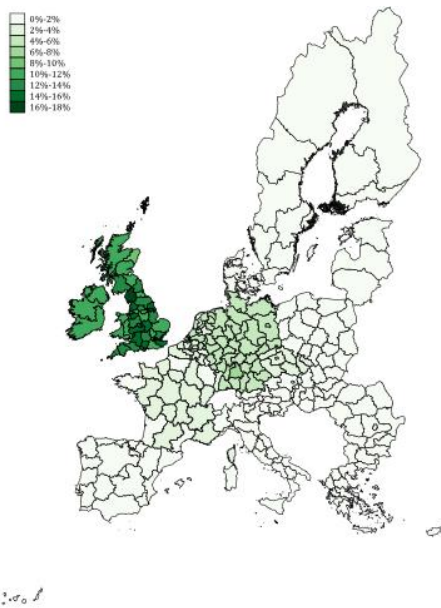


FIGURE 2 Regional shares of local GDP exposed to Brexit

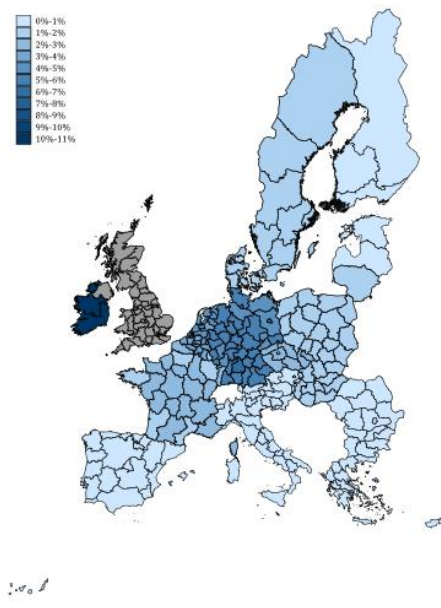


FIGURE 4 Regional shares of local GDP exposed to Brexit (excluding the UK)

In case of no-deal nobody knows if and how goods will cross the border to the UK. The World Trade Organisation rules for trade will apply. This will deeply affect many sectors depending on trade between the UK and EU/European Economic Area (EEA), in particular SME's with no experience of trading with non-EU countries and companies. Value chains in manufacturing will be changed, and business will relocate impacting people's jobs and life.

4.2. Research, Education and Innovation

EU funding for British universities is estimated at €1 billion (Erasmus+, H2020, INTERREG, etc.). These sources of financing help universities maintain partnerships, support human resources and also to invest in research and innovation. **In case of no-deal**, the UK will not benefit anymore from these programmes. The withdrawal of the UK from cooperation programmes on research and innovation would also detrimental for CPMR Member Regions with universities which have a history of fruitful cooperation with UK universities.

Contingency measures adopted by the European Commission on 30 January 2019, ensure that in a no-deal scenario, students and trainees from the EU and the UK participating in Erasmus+ at the time of the UK's withdrawal can complete their studies and continue to receive the relevant funding or grants.

5. Next steps

The CPMR, particularly via the dedicated Brexit Task Forces in the AAC and the NSC and the Channel Task Force, will continue to actively monitor developments regarding the departure of the UK from the European Union and the impact on policy areas of key importance to CPMR Members. CPMR has established a structured dialogue with Mr Barnier and its team which will be beneficial continue to voice its messages on the need for greater cooperation between regions and Member States, on contingency planning and on the need to maintain and develop existing cooperation between UK and EU regions.

It will pay particular attention to the impact of Brexit on future TEN-T corridors, fisheries, and European Territorial Cooperation Programmes involving the UK after 2020.



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The Conference of Peripheral Maritime Regions (CPMR) brings together some 160 Regions from 25 States from the European Union and beyond.

Representing about 200 million people, the CPMR campaigns in favour of a more balanced development of the European territory.

It operates both as a think tank and as a lobby group for Regions. It focuses mainly on social, economic and territorial cohesion, maritime policies and accessibility.

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