



The further economic consequences of Brexit: energy

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Michael G. Pollitt

Abstract The UK left the European single market in energy on 31 December 2020, having been a leading light in its promotion. It entered into a new energy relationship with the EU-27 as outlined in the EU-UK Trade and Cooperation Agreement (TCA) on 1 January 2021. This paper discusses what has happened to the UK energy sector since the Brexit referendum of June 2016. Since our previous paper on this topic in 2017, there has been a significant clarification in the impact of Brexit on the energy sector in the UK. We outline what the TCA says about energy. We then discuss the current and potential future effects of Brexit on the UK electricity and gas systems in turn. We observe that the likely economic welfare impacts on electricity are larger than the impacts on gas, but the overall microeconomic impact appears likely to be modest (but negative). We offer a number of concluding observations.

Keywords Brexit, Trade and Cooperation Agreement, market coupling

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Contact m.pollitt@jbs.cam.ac.uk
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