

Department for Exiting the European Union

UK government's preparations for a 'no deal' scenario

Updated 24 August 2018

Purpose of this notice

As announced by the Prime Minister and Secretary of State for Exiting the European Union on 18 July 2018, the government will be publishing a series of technical notices during August and September. Today we are publishing the first 25 of these notices and will publish more during September.

These notices will set out information to allow businesses and citizens to understand what they would need to do in a 'no deal' scenario, so they can make informed plans and preparations.

A scenario in which the UK leaves the EU without agreement (a 'no deal' scenario) remains unlikely given the mutual interests of the UK and the EU in securing a negotiated outcome. Following the publication of the UK government's white paper for the future relationship on 12 July 2018, we are working with the EU's negotiating team at pace to agree the terms of our future relationship alongside the Withdrawal Agreement later this year. However, it is our duty as a responsible government to prepare for all eventualities, including 'no deal', until we can be certain of the outcome of those negotiations.

For two years, the government has been implementing a significant programme of work to ensure the UK will be ready from day 1 in all scenarios, including a potential 'no deal' outcome in March 2019.

It has always been the case that as we get nearer to March 2019, preparations for a 'no deal' scenario would have to be accelerated. Such an acceleration does not reflect an increased likelihood of a 'no deal' outcome. Rather it is about ensuring our plans are in place in the unlikely scenario that they need to be relied upon.

This is consistent with the statement published on 6 July 2018 following the Cabinet's away day at Chequers:

“It remains our firm view that it is in the best interests of both sides to reach agreement on a good and sustainable future relationship. But we also concluded that it was responsible to continue preparations for a range of potential outcomes, including the possibility of 'no deal'. Given the short period remaining before the necessary conclusion of negotiations this autumn, we agreed preparations should be stepped up.”

Context - progress in negotiations

The government has been clear from the outset of this process that the UK would prepare for all scenarios. The Prime Minister set out in her Lancaster House speech on 17 January 2017 that:

“It is right that the government should prepare for every eventuality – but to do so in the knowledge that a constructive and optimistic approach to the negotiations to come is in the best interests of Europe and the best interests of Britain.”

The government continues to believe that an orderly, negotiated exit is the best outcome for all parties.

The EU has also been clear that reaching a negotiated agreement with the UK continues to be its goal; the guidelines adopted by the European Council on 23 March 2018 set out “the Union’s determination to have as close as possible a partnership with the UK in the future.” and the Commission reiterated on 19 July 2018 that they are “devoting very significant resources and committing great efforts to achieve an agreement.”

Substantial progress has already been made, with agreement reached on the majority of the draft Withdrawal Agreement. A version of the text was published on 19 March 2018, which highlighted those areas in which agreement had been reached including citizens’ rights, the financial settlement and a time-limited implementation period.

The UK/EU joint statement on the Withdrawal Agreement of 19 June 2018 outlined subsequent progress in negotiations, with the majority of the text now agreed.

We are making good progress on the outstanding issues that need to be resolved before we have concluded the deal on the entirety of Withdrawal Agreement. We remain on track to reach agreement by the autumn and the EU acknowledged in their communication on 19 July 2018 that “it is currently planned that the Withdrawal Agreement would be agreed by the European Union and the United Kingdom in October 2018.”

More broadly, the UK published its white paper for the future relationship on 12 July 2018, setting out a detailed and comprehensive set of proposals. The UK has subsequently published a white paper on legislating for the Withdrawal Agreement on 24 July 2018. This sets out how we intend to implement our international commitments in UK law, and is part of our preparations for a smooth and orderly exit.

Once negotiations conclude on the Withdrawal Agreement and framework for the future relationship, the EU Withdrawal (Withdrawal) Act 2018 provides that Parliament will vote on the withdrawal agreement and future framework.

The government will provide Parliament with this vote on the final deal as soon as possible after the negotiations have concluded. If Parliament approves the Withdrawal Agreement and framework for the UK’s future relationship with the EU, the government will bring forward the EU (Withdrawal Agreement) Bill to give the Withdrawal Agreement domestic legal effect.

The procedures for approval and implementation of the Withdrawal Agreement and framework for our future relationship are set out in the white paper on legislating for the Withdrawal Agreement. In parallel a ratification process will need to take place in the EU.

What we mean by a ‘no deal’ scenario

While progress has been significant and we remain confident that a positive deal can be achieved, until both the UK government and the European Union sign a Withdrawal Agreement and it is ratified by the UK Parliament and the European Parliament, there remains a possibility that we may leave the EU without a deal in March 2019.

The UK triggered Article 50 of the Treaty of the European Union on 29 March 2017. As set out under that treaty, the UK has two years to negotiate a Withdrawal Agreement and framework for a

future relationship with the EU before the point of the UK's exit from the EU at 11pm GMT on 29 March 2019.

A 'no deal' scenario is one where the UK leaves the EU and becomes a third country at 11pm GMT on 29 March 2019 without a Withdrawal Agreement and framework for a future relationship in place between the UK and the EU.

In a 'no deal' scenario there would therefore be no agreement to apply any of the elements of the Withdrawal Agreement described above.

The UK is therefore preparing for a scenario where there is no UK-EU agreement in place on exit day.

Plans already in place

For two years government has been implementing a significant programme of work to prepare for all scenarios, including a potential 'no deal' scenario in March 2019.

The government has taken its responsibilities to prepare the UK for all scenarios very seriously. At the 2017 Autumn Budget, HM Treasury made £3 billion of funding available (£1.5 billion in 17/18 and £1.5 billion in 18/19) so that departments and the devolved administrations could prepare effectively for Brexit. This was in addition to £700 million previously made available for preparations over the course of the last two years.

Legislation

We have already brought forward legislation that takes account of different scenarios. The European Union (Withdrawal) Act 2018 is a historic piece of legislation, ensuring we will have a functioning statute book whatever the outcome of negotiations.

The Nuclear Safeguards Act 2018 establishes a UK nuclear safeguards regime as we leave Euratom, while the Sanctions and Anti-Money Laundering Act 2018 ensures we can continue to impose, update, and lift sanctions and Anti-Money Laundering (AML) regimes.

The Haulage Permits and Trailer Registration Act 2018, which recently received Royal Assent (19 July 2018), also marks a significant step in the government's preparations for exiting the EU. It gives the UK the powers it needs to support British hauliers to continue operating internationally after exiting the EU.

While the government's overall aim in its negotiations with the EU is to retain reciprocal access for road hauliers, this legislation provides us with the flexibility to have systems in place if a permit system is required, and provides reassurance for hauliers to continue planning for a smooth EU exit.

In addition, Parliament is already scrutinising the Taxation (Cross-border Trade) Bill and the Trade Bill, which will ensure we have functioning customs and trade regimes regardless of the outcomes of the negotiations.

The government has also started laying statutory instruments to prepare the statute book for exit.

Staffing, infrastructure and policy

There has also been significant progress in putting in place the staffing, infrastructure and policy we would need in a 'no deal' scenario.

As examples, we have:

ensured there are over 7000 civil servants currently working on exit, and Treasury has approved funding for around 9000 more - including nearly 6500 operational staff, allowing us to accelerate our preparations as necessary. Some departments, such as Defra, are responsible for a sizeable proportion of government's exit work and have rapidly increased their capacity to meet the challenge, recruiting 1300 members of staff in 2017 to 18 to work on exit. Border Force is recruiting 300 frontline officers to provide resilience and readiness ahead of Brexit and is separately recruiting up to a further 1000 staff to ensure flexibility for all scenarios and sufficient resources for existing operations

confirmed that existing organisations will grow and take on new responsibilities. For instance, the Competition and Markets Authority will take on an additional role as the UK state aid regulator and the Information Commissioner's Office will support businesses on new data sharing arrangements procured or developed a number of new systems to build everything from a new market surveillance system to improving the capabilities of our Export Health Certificates system

signed international safeguards agreements with the International Atomic Energy Agency, as well as bilateral Nuclear Co-operation Agreements with the US and Australia. We will continue to work with third countries and international partners to seek continuity of the effects of international agreements which the government participates in as a result of, or relevant to, its membership of the EU set out our approach to bringing EU financial services legislation into domestic law in time for a March 2019 exit guaranteed certain EU-funded projects in a 'no deal' scenario, including the full 2014-20 Multiannual Financial Framework allocation for structural and investment funds; the payment of awards where UK organisations successfully bid directly to the European Commission on a competitive basis until the end of 2020; any Rural Development Programme projects contracted before the end of 2020 for their full lifetime.

With seven months until the UK will leave the EU, and it remaining possible that this could be without a deal, it is right that government's preparations for a 'no deal' scenario now increase and in particular that we ensure individuals and businesses understand what they would need to do.

The publication of a set of technical notices today and through September is one element of this increased public preparation. The government is clear that such preparations are a contingency. We hope that businesses and citizens are however reassured that we are taking such preparations seriously, to ensure a smooth and orderly exit whatever the outcome of the negotiations.

The UK approach - prioritising stability

At the heart of government's approach to preparing for a 'no deal' scenario is a commitment to prioritise stability for citizens, consumers and business, to ensure the smooth operations of business, infrastructure and public services and to minimise any disruption to the economy. We have plans in place to do this.

In some technical notices being published today, we demonstrate where the government would act unilaterally to provide continuity for a temporary period in a 'no deal' scenario to protect and minimise disruption for UK citizens and businesses, irrespective of whether the EU reciprocates. The extent of such continuity will vary by area as detailed in specific technical notices with change happening in different areas over time. Crucially, however, such changes will be applied where and when it is best for the UK.

This approach underpins many of our 'no deal' plans that are already public. For instance, the EU Withdrawal Act 2018 ensures that in all scenarios the same rules and laws will apply the day before and after exit, with changes agreed over time by the UK Parliament.

We want businesses to be reassured that, even in a ‘no deal’ scenario in March 2019, the government will seek to do what it can to make the transition as smooth as possible and allow time to make significant changes.

That is why the technical notice on human medicines published today confirms that the government will continue to recognise batch testing, Qualified Person (QP) certification and release of human medicines that has been carried out in the EU until the government considers further change necessary, avoiding the need for these medicines to be re-tested in the UK. We will also continue to apply highly automated, risk based and intelligence targeted customs controls when the UK leaves the EU. As they do today, HMRC will work closely with industry to ensure its interventions are conducted in a way which minimises delays and additional burdens for legitimate trade, while robustly ensuring compliance.

The approach of continuity does not mean that everything will stay the same, but the priority is maximising stability at the point of departure through the government’s action.

For example, the financial services framework will need to be adjusted to reflect the fact that the UK will no longer be inside the EU’s framework for financial services. In order to ensure that we are prepared for a ‘no deal’ scenario, the UK government’s approach to financial services will, in general, be to treat EEA states largely as we currently treat other third countries, except where a different approach is necessary to manage the transition to a stand-alone UK regime. For example, the Temporary Permissions Regime will allow EU firms and funds passporting into the UK to continue providing services in the UK for a temporary period after exit.

There are areas where it would be necessary or beneficial to make further changes domestically to improve outcomes in a ‘no deal’ scenario. Two of the technical notices being released today give examples of this. In addition to the guarantees around funding that have already been made, the government can today announce that UK aid organisations will be able to continue bidding for funding from the core budget of the European Civil Protection and Humanitarian Aid Mechanism (ECHO) because the UK will provide financial assurance for any agreements signed before March 2019 in the event of ‘no deal’ in order for UK NGOs to meet eligibility criteria. We are also setting out the arrangements that will be put in place to ensure the UK meets its international nuclear safeguards and non-proliferation obligations once Euratom safeguards no longer apply, with the Office for Nuclear Regulation (ONR) delivering a domestic nuclear safeguards regime.

We are clear that in a ‘no deal’ scenario we must respect our unique relationship with Ireland, with whom we share a land border and who are co-signatories of the Belfast Agreement. The UK government has consistently placed upholding the Belfast Agreement and its successors at the heart of our approach. It enshrines the consent principle on which Northern Ireland’s constitutional status rests. We recognise the basis it has provided for the deep economic and social cooperation on the island of Ireland. This includes North-South cooperation between Northern Ireland and Ireland, which we are committed to protecting in line with the letter and spirit of Strand two of the Agreement.

The Irish government have indicated they would need to discuss arrangements in the event of ‘no deal’ with the European Commission and EU Member States. The UK stands ready in this scenario to engage constructively to meet our commitments and act in the best interests of the people of Northern Ireland, recognising the very significant challenges that the lack of a UK-EU legal agreement would pose in this unique and highly sensitive context.

It remains, though, the responsibility of the UK government, as the sovereign government in Northern Ireland, to continue preparations for the full range of potential outcomes, including ‘no deal’. As we do, and as decisions are made, we will take full account of the unique circumstances of Northern Ireland.

The EU approach

The UK government is committing to take unilateral steps to minimise disruption and prioritise stability in a ‘no deal’ scenario.

We welcome the Commission’s most recent publication on preparing for withdrawal, which states that preparations at all levels and for all scenarios should be stepped up.

In a ‘no deal’ scenario, they have indicated that they would intend to treat the UK as a third country for all purposes. The EU has suggested they would apply “regulation and tariffs at borders with the United Kingdom as a third country, including checks and controls for customs, sanitary and phytosanitary standards and verification of compliance with EU norms”.

So these technical notices set out for businesses how they would need to prepare for customs checks which would be applied if they currently only trade with the EU.

It is unclear at this time what mitigation measures the EU might choose to adopt. Clarity on what action the EU may consider taking to maintain stability for a temporary period would provide reassurance to EU and UK businesses and citizens alike.

In a ‘no deal’ scenario there will be a number of inter-dependencies between our respective contingency plans. The UK firmly believes that it is in the EU and UK’s mutual interest to continue to discuss these, including through regulators and institutions.

We are pleased to see that the EU is committing to step up preparations for all scenarios and the recognition in their recent communication that this will require bespoke preparations by member states, national and local authorities, varying in accordance to their vicinity and economic ties with the UK.

We are ready to intensify our engagement and cooperation with the Commission’s Brexit Preparedness Group, other EU institutions, and member states on preparations for our exit to minimise disruption to both UK and EU businesses and citizens. There are many areas where joint technical and operational discussions between UK and EU experts are necessary such as ensuring we can maintain uninterrupted air services across Europe, to enable the continued exportation of live animals and animal products, and also the continued flow of personal data between the UK and EU. There are already technical discussions happening in some areas, for instance between the European Central Bank and the Bank of England and we are keen to see these replicated in other priority areas.

Timetable and conclusion

Today sees the publication of the first batch of 25 technical notices (including this one). More technical notices will be published in September to set out further details of how this scenario will work and what businesses and citizens should do to prepare. These notices are meant for guidance only. Businesses and citizens should consider whether they need separate professional advice before making specific preparations.

Alongside the publication of technical notices, the public can therefore expect to see more communications and implementation of 'no deal' plans. This will run alongside government's continued work to secure a Withdrawal Agreement and future framework that is in the best interest of both the UK and the EU, which remains the primary aim.

It is only at the point that the UK Parliament has ratified the deal and the EU Council has obtained the European Parliament's consent and adopted the decision to conclude the agreement, that we can be certain that the UK will not enter a 'no deal' scenario in March 2019.

Preparations for a 'no deal' scenario must therefore continue. People and businesses should not be alarmed by 'no deal' planning and preparation, nor read into it any pessimism. Instead they should be reassured that we are taking a responsible approach, ensuring the UK's exit can be as smooth as possible in all scenarios.