

The British exit of the EU - Post referendum: the challenges for chemical industry

24 February 2017

- UK has never been a 'comfortable' member (even Prime Ministers who were fans would never say so or explain why)
- EU has been a constant target/blame source (jokingly and serious) in the media and politics
- United Kingdom Independence Party (largest UK number of MEPs) increasingly taking votes from the Conservative Party
- Conservatives pressured their leadership
- Inevitable there would be a referendum
- Prime Minister (confident having won Scotland Independence referendum and would go on to win General Election) pledged it in the run up to 2015 General Election – hoping to get the nagging problem dealt with once and for all

- Uncomfortable feeling of membership developed in to unrealistic arguments on both sides
- Remain – membership is worth £3,000 per week to every household
- Leave – an extra £350 million per week for our hospitals
- Party of Government (Conservatives) divided
- Main Party of Opposition (Labour) divided to a lesser extent
- Scottish National Party, Liberal Democrats and others united to stay
- UKIP the one party that achieved it's aim.....so far

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- Like other sectors, Chemical Industries Association surveyed member companies
- Only industrial sector where not one business said it would have been better to leave
- Aerospace, Automotive, Defence all had at least some business leaders who felt it would have been better to leave. Not the chemical industry.
- Like other sectors we said ‘a matter for the people’ and tried to put factual points
- Some companies briefed workforces on their connection to Europe through customers and suppliers
- Vast majority (70%) of UK chemical companies foreign headquartered
- Some chose to say nothing

- 23 June 2016
- From 382 local areas:
 - Remain: 16,141,241 (48.1%)
 - Leave: 17,410,742 (51.9%)
 - Total Electorate: 46,500,001
 - Turnout: 72.2%
 - Rejected Ballots: 25,359
- Cardiff, Leeds, Liverpool, London, Manchester, Newcastle, Northern Ireland, Scotland all voted to remain but not Birmingham.

- Steve Elliott, Chief Executive of the Chemical Industries Association which represents chemical and pharmaceutical businesses across the UK, said “This is democracy in action – both in terms of the result and the level of participation. It is not the decision that our sector wanted, but we fully respect the wish of the people for change. Whilst business craves certainty, it is also used to operating in challenging and changing circumstances; this is what companies and their representative bodies do wherever they operate. We now have to look to the future and I am confident that an important and resilient industry such as ours can prosper in this new situation.”
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- “This morning I am calling on the Government to work hard on securing the best exit plan for the UK and then establishing the new trading arrangements. Whilst we need to progress both these negotiations as soon as we can to limit uncertainty, we also need an immediate period of calm reflection to minimise instability. As an Association we will do everything we can to help our members through any period of uncertainty and to be influential in the Government’s negotiations, both here in the UK and with our partners in Brussels. Our sector looks forward to playing its part in helping to carve out a new role for our country, maximising UK chemical and pharmaceutical competitiveness and jobs in the global economy.”

- Prime Minister resigned. CIA writes to all candidates.
- Opposition Leader challenged for re-election over his role in campaign
- Had a period where political focus was lost as Government and Opposition went into internal campaign mode
- Prime Minister position resolved within a month as candidates one by one withdrew
- Opposition – key role in challenging Government lost early opportunity to influence
- New Government took shape with a Brexit focus but said nothing of intentions other than:
 - Article 50 (official confirmation of withdrawal/implementation of ballot) would happen by end of March 2017
 - Existing EU based laws would not be repealed at the point of Brexit

- On 17 November we hosted our Conference - Brexit - What Does it Mean for the Chemical Industry? We had top level input from speeches by Robin Walker MP, Minister at the Department for Exiting the European Union; Jim Ratcliffe Chairman of Ineos; Angus Armstrong of the National Institute of Economic and Social Research, Tony Bastock Chairman of Contract Chemicals, Board member of CIA and Vice President of Cefic, Heinz Haller, Executive Vice-President of Dow Chemical and Chair of Cefic Industrial Policy Programme Council. We also had a panel discussion featuring George Parker Political Editor of the Financial Times, Ros Kellaway Partner Eversheds, Alasdair Nisbet, Chief Executive of Natrium Capital and Ian Waddell of Unite the Union.

Brexit conference: Electronic voting

Following the election of Donald Trump are you:

1	More optimistic about a UK/US trade deal	64%
2	Less optimistic	36%

What effect will Brexit have on your business over next 5 years?

1	Overall negative effect	50%
2	Little difference	29%
3	Overall positive effect	21%

Brexit conference: Electronic voting

Policy area with greatest potential for UK Government to adopt more business-friendly approach after exiting EU

1	Energy and Climate Change	63%
2	Chemicals management	18%
3	Environment	12%
=4	Health and safety	3%
=4	Labour relations	3%

- Initial months gather data and talking to stakeholders
- Preference to say very little and to adopt “the people have decided, we are implementing their wish” strategy
- Pressure built and Prime Minister set out negotiating objectives in a London speech to Ambassadors on 17th January
 - UK will come out of the single market and customs union and has an “open mind” on what future customs deal would look like
 - Government wants a “phased process of implementation”, but not “unlimited transitional status”.
 - Promises to put final deal to vote in both Houses of Parliament
 - UK will leave EU without an exit deal, if no good deal on offer.
 - May warns other EU member states that any attempt at a “punitive deal” for Britain would be “calamitous” for the rest of Europe.
 - Post-Brexit, the UK will reintroduce immigration controls on EU citizens; no unilateral guarantee to EU nationals resident in the UK
 - Common travel area between UK and Ireland will remain.
 - Promises to continue to cooperate with EU on defence and use UK’s “unique intelligence capabilities” in fight against terrorism
 - She says the vote to leave was not aimed at damaging the E U

- **KEY MANUFACTURING EXPORTER URGES BUSINESS TO SUPPORT THE GOVERNMENT**
- Chemical Industries Association – the trade body for one of the UK’s largest manufacturing exporters - has urged businesses across the country to continue playing their part in informing the Government’s plans for exiting the EU.
“The country has been asking the Prime Minister and her Government to provide more detail on Brexit and she has started to do that today. It is now up to all of us to inform the objectives she has laid out today with our questions, our evidence, our analysis and anything else to support the Government's negotiations for the best possible outcome for our country. Only by doing that can we be sure that the Government will get the best deal for the UK”.

- He continued “Whilst the clarity around leaving the single market and not pursuing full membership of the Customs Union will concern many in the business community, it was also very reassuring to hear the Prime Minister explicitly reference chemicals and pharmaceuticals as key sectors of the economy where she believed it would be in the UK and broader EU’s best interests to minimise disruption to trade and investment as we move out of the single market and towards a new Free Trade Agreement”.

Elliott concluded “With that in mind let’s unite and make sure we play our part in delivering an outcome which gives businesses the confidence to invest and grow in our country. In a couple of months the real negotiations get underway and our sector – with our 500,000 quality jobs across the UK, including in the north of England and Scotland, our export surplus and our commitment to science and innovation - is ready to play its part in delivering a new future for the United Kingdom”.

Intervention of the law !

- November ruling that the Prime Minister did not have the authority to trigger Brexit without consulting Parliament.
- Government appealed and in January Supreme Court ruled "By a majority of eight to three, the Supreme Court today rules that the Government cannot trigger Article 50 without an Act of Parliament authorising it to do so."
- Government response:
- **1 Power to notify withdrawal from the EU**
- (1) The Prime Minister may notify, under Article 50(2) of the Treaty on European Union, the United Kingdom's intention to withdraw from the EU.
- (2) This section has effect despite any provision made by or under the European Communities Act 1972 or any other enactment.
- **2 Short title**
- This Act may be cited as the European Union (Notification of Withdrawal) Act 2017.
- Average Bill length to become law 1 year – this one 6 weeks (hoped for) !

Chemical Industry All-Party Parliamentary Group Meeting – 11 January

CIA Chemical
Industries
Association

Working for chemical and
pharmaceutical businesses

Conservative and Labour in attendance, SNP apologies

Presented on the survey

Questions on the views of European company Headquarters

Discussion on the leadership of political parties and likely reactions !

'you can't live without us'

www.cia.org.uk | [@see_chem_bus](https://twitter.com/see_chem_bus)



Responsible Care

- Shadow International Trade Minister, Barry Gardiner asked the Government **“What representations his Department has received from chemical companies based in the UK on their access to EU markets after the UK leaves the EU ?”**
- Replying for the Government, Mark Garnier (who spoke at the CIA Annual Dinner two months ago) said **“The Department for International Trade, and other departments including DExEU, BEIS, DEFRA and HSE, have had extensive discussions with representatives from both UK based chemicals companies and the Chemical Industries Association at both Ministerial and official level. The Department will continue to hold such discussions, as it does with many sector representatives”**.

- The Vice Chair of the Chemical Industry All-Party Parliamentary Group, Alex Cunningham MP asked the Chancellor “**What assessment he has made of the potential effect of losing access to the single market on the chemical industry and the wider economy ?**” Replying the Financial Secretary to the Treasury (Jane Ellison) said “**The Government absolutely recognises the significant contribution that the chemicals industry makes to the UK economy, and of course the complex supply chains between the UK and the EU. The hon. Gentleman will have heard the Chancellor's words just now about the importance we attach to getting the best possible market access, and the Prime Minister is talking about that this morning. We are looking at a comprehensive range of analysis to inform our position as we go into those negotiations but, as the Prime Minister is laying out, clarity and certainty are one of the industry's big asks**”.

- Alex Cunningham followed up with **“The Chemical Industries Association Brexit manifesto shows how the chemical industry could help to sustain and enhance the UK as a location for future investment in jobs while playing a leading part in addressing global environmental challenges. Has the Minister read the manifesto? What is she doing to reassure the chemical industry that its very specific needs are at the forefront of her mind as the Government develop their strategy?”** The Minister answered **“Rather than just reading the manifesto, Ministers have actually been meeting the chemical industry. The Under-Secretary of State for Exiting the European Union, my hon. Friend the Member for Worcester (Mr Walker), met the Chemical Industries Association on 17 November. All these issues were explored in some detail and a good, productive conversation was had”**.

- Parliamentary decision to allow (or not !) the Government to start Brexit
- Confirmation to the European Union by end of March (some say 9th)
- On-going provision of chemical industry data and views to Government but also to EU via companies
- Continue to work with Government, UK Parliament, European Commission and European Parliament

The challenges for chemical industry

- European and UK understanding that whatever the politics.....we are 'joined up' - UK trade to/from EU: 60% of exports, 75% of imports
- Securing agreement from both sides to. As far as possible, 'no change' for the sector
- The European Union does not reduce
- The UK is a strong continental and global player
- The most responsible, business investment-encouraging, regulatory consistency

What we want !

- JJUNE – DECEMBER 2016
- Tariff-free access to the single market
- The availability of skilled people
- The supply of competitive and secure energy *
- A science-friendly policy framework that encourages innovation and growth *
- JANUARY 2017
- *Tariff-free access to the single market/Prevention of non-tariff barriers to trade*
- *Regulatory consistency/continuity*
- *Access to appropriately skilled people*
- *Now part of our industrial strategy work
- ALL ISSUES WORKED WITH SOCIAL PARTNERS

