No-deal Brexit; Implications for the Industry

At midnight (CET) on 29th March next year, the UK will cease to be a member of the EU. At a stroke, unless there is an agreement beforehand, UK becomes a third party to the EU, and the whole legal basis of the relationship with UK will change. What will be the implications for the EO services industry?

On the table is a withdrawal agreement (WA) which if agreed will prolong the application of EU law to the UK until midnight on 31st December 2020. This gives 21 months to negotiate specific agreements. As is well signalled, the WA is stalled due to the failure to find a solution which will avoid a hard border between the Republic of Ireland and Northern Ireland. Without the WA, the UK will crash out with no deal. In this situation, no-deal means no-deal!

Since 2000, when a resolution was signed to co-operate between the EU and ESA, the EU has taken a stronger interest in space to the point where a new EU Space Programme is being proposed by the EC. The UK would clearly not be part of the programme without specific agreements which could be made. At present this would mean no participation to the 2 flagship programmes Galileo and Copernicus and no access to the R&D programme (currently H2020). Just to be clear, the UK would still be a member of ESA and able to fully participate to ESA programmes. This includes the technology development necessary for Galileo and Copernicus, but the UK participation would stop once EU funds were being used.

In the event of the no-deal scenario, many other issues will very rapidly become a real problem ie customs, goods transportation, aviation etc. It is no exaggeration to say that there will be chaos. Personally, I consider it completely irresponsible that the UK government is not setting out these implications which can easily be seen in the series of “Notices to Stakeholders” which have been published by the EC. The equivalent UK papers which started to be published last week are bland, lacking any advice and everywhere put responsibility on the EU to act. In these circumstances, participation to the EU space programme will be low on the list of negotiation priorities. At the outset of Brexit, I would have considered it highly unlikely that the UK would not participate fully to Galileo and Copernicus but the row which has exploded over access to Galileo and the announcement by UK that €92m will be invested to consider a UK GNSS shows that the outcome is less clear. It is also highly ironic given the UK opposition to the European GNSS programme back in 2000/2001 on the basis that the US GPS was adequate.

But, in the event of agreement for the WA everything changes and a comprehensive UK-EU deal becomes possible. UK companies get a good return out of H2020 being good partners to projects. One of the simplest points to negotiate should be UK participation to the European R&D programme. Indeed, it has already been announced that a shadow programme will be executed in the UK meaning that UK companies can be partners to H2020 projects - only that they will be paid directly in the UK (through a new agency I believe). Since there are many other third-party countries participating in H2020, it should not be complex to have the same or similar agreement with the UK. Longer term, UK will decide how much budget to allocate but in the next few years there should be no real change. Separate agreements are necessary for EASME and (I think) Erasmus+ programmes.

For our sector, Copernicus is the programme of most interest. Currently, as well as the EU28, Norway and Iceland have negotiated participation to the programme. In principle, after leaving, the UK can do the same if it wishes. In a favourable negotiating environment this should not be too complex.

In the recent UK government white paper, referred to as the Chequers proposal, the UK indicates its interest to continue partnerships in space and particularly in the Galileo and Copernicus programmes. The UK government has invested significantly in Copernicus since the start of the programme, both via ESA and via the EC. The UK industry has contributed strongly to the programme, in up-stream as well as downstream and both UK and EU can benefit if this were to continue.

Financially, it should be attractive also for the EU to maintain a UK contribution, whilst the UK would continue to benefit from the data and information streams which Copernicus and its Sentinels generate. The relationships with the agencies entrusted with the responsibility to deliver Copernicus Services would need to be negotiated on a case by case basis as their governance and legal base differ considerably.

In addition to supplying EU (and UK) decision makers with global, strategic, geospatial information, the Copernicus programme also has a goal to deliver economic benefits through the development of the downstream industry and commercialisation of services. The industry anticipates a renewed effort towards this goal as a result of the EU Space Programme proposal. In particular we look for:

- greater use of commercially supplied data coming from investments made by the industry,
- a shift towards the procurement of services rather than infrastructure,
- continued support to the establishment of the industry through accelerator and other programmes
- support (non-financial) to enter and develop export markets.

Much discussion will take place on this over the next 12 to 24 months in the lead up to the next financial period of the EU. If the UK is missing from these discussions both sides will be losers with the strong elements coming from the UK space activity missing from the considerations made in Brussels.

One further element will be the relationship with GEO; the Group on Earth Observations where both UK and the EU are members with the EC co-ordinating the European efforts. As this is an ad-hoc relationship it may be possible to continue but without H2020 or Copernicus agreements, the UK role will be seriously weakened.

EARSC membership is open to all European companies which will include the UK whatever is the final relationship. As such companies will be able to follow and to an extent influence the industry position. However, full participation of the UK in the programme through an Association agreement will be the only way in which the benefits can be maximised. I strongly hope that the current bluff and counter-bluff will soon end and the UK along with the EU negotiators will focus on the longer-term relationship.