

The EU referendum: should the oil and gas sector have a Plan A or Plan B(rexit)?

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These are interesting times...

The EU referendum takes place in a very unpredictable period for international politics and economics...

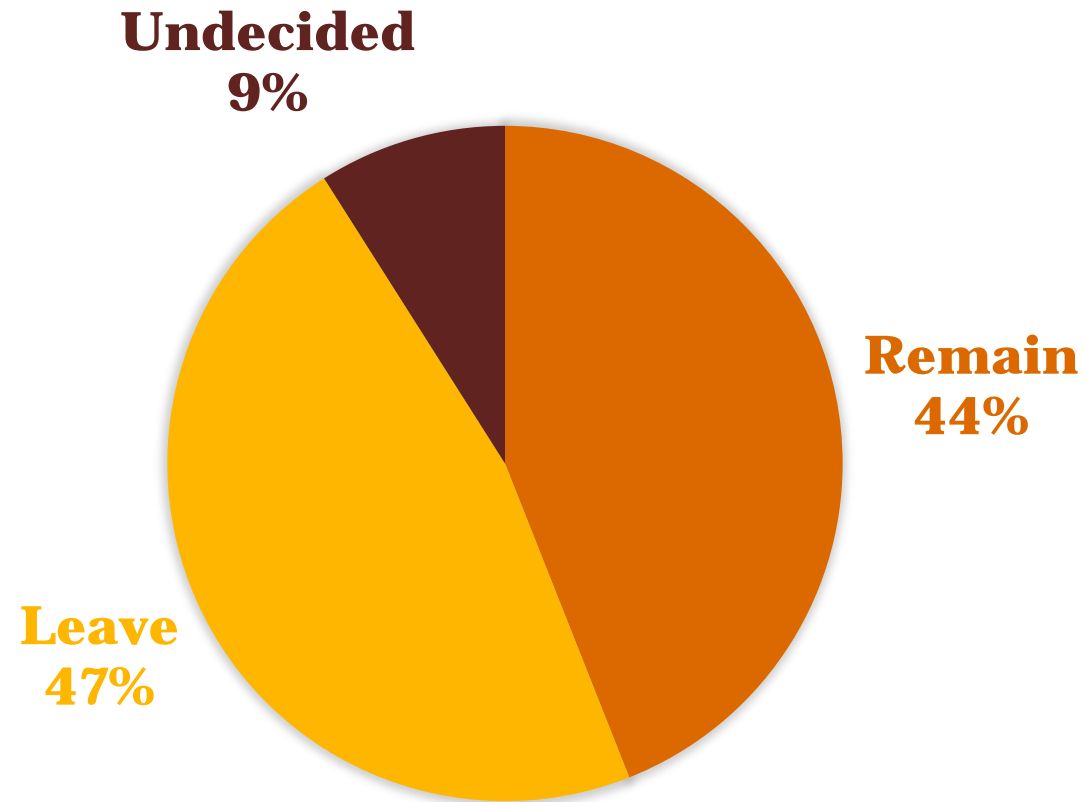
Regardless of the UK voting to remain or leave the EU, oil and gas businesses need to consider the relevant economic issues...

...and at a moment when domestic United Kingdom politics is in greater flux than most people can remember.

... so as business leaders you need to make a choice – should you follow *Plan A* or consider a *Plan B(rexit)*?

... reflected in the latest EU referendum voting intentions:

(Source: FT poll of polls, 15th June 2016)



In response, 'Plan A' has proved popular with businesses...

This can wait
– there's
time to fix
things later...

Nobody
cares what
we do about
this...

It's up to the
politicians—
it's not our
business...

Anyway, there's
no time left...

...but 'doing nothing' is not necessarily appropriate:

This can wait—
there's time to fix
things later ...

Nobody cares
what we do
about this...

It's up to the
politicians – it's
not our
business...

Anyway, there's no
time left...

People are beginning to ask questions, with the vote a few days away – **shareholders** and **board members** want to be confident that senior **executives** have addressed all matters that are relevant and manageable

Perhaps they are waiting, too, but the day after the vote the **media** and **politicians** will be very interested in your plans – they will want to know what the vote means for your profitability and your employment levels

Politics is indeed for the politicians – but **staff**, **customers** and **suppliers** will be in the queue of people wanting reassurance that managements and boards have asked “what does this mean for us?”

Even with limited time before the vote, a **review of referendum risks** and **opportunities** to inform a **communications plan** need not be onerous, but will be time well spent regardless of the outcome

Uncertainty after a vote to leave the EU could be challenging...

A formal **2 year negotiating period** is set out in the treaty. It need not be immediate: it is triggered by a **formal UK notification**, not the referendum vote itself.

There is no legal requirement on the EU to conclude a deal.
There is no legal requirement to extend the negotiating period after 2 years.
There might be no signed deal.

PwC has prepared reports on the economic impact of a vote to leave the EU, estimating GDP reductions by 2020 of **-3.1%** to **-5.5%** and by 2030 of **-1.2%** to **-3.5%**, across the range of possible trade agreement scenarios.

The key themes underpinning the estimated impacts are:

- 1. uncertainty** (especially to 2020, affecting issues such as *currency, export earnings, credit ratings and investment*);
- 2. trade,**
- 3. migration,**
- 4. regulatory environment and**
- 5. the UK's fiscal position.**

...so it makes sense to consider the business risks or opportunities...

Economy: changing customer confidence and demand, currency and interest rate volatility

Shareholders: the attitude of non-UK investors to ongoing ownership or investment plans

People: movement of non-UK citizens (eg management; specialist skills; call/ processing centres)

Media and politicians: close interest in the oil and gas sector will bring lots of attention and questions

Trading partners and supply chain: willingness to trade; ability to maintain out-sourced core services

... while remembering that staying in the EU will bring change, too:

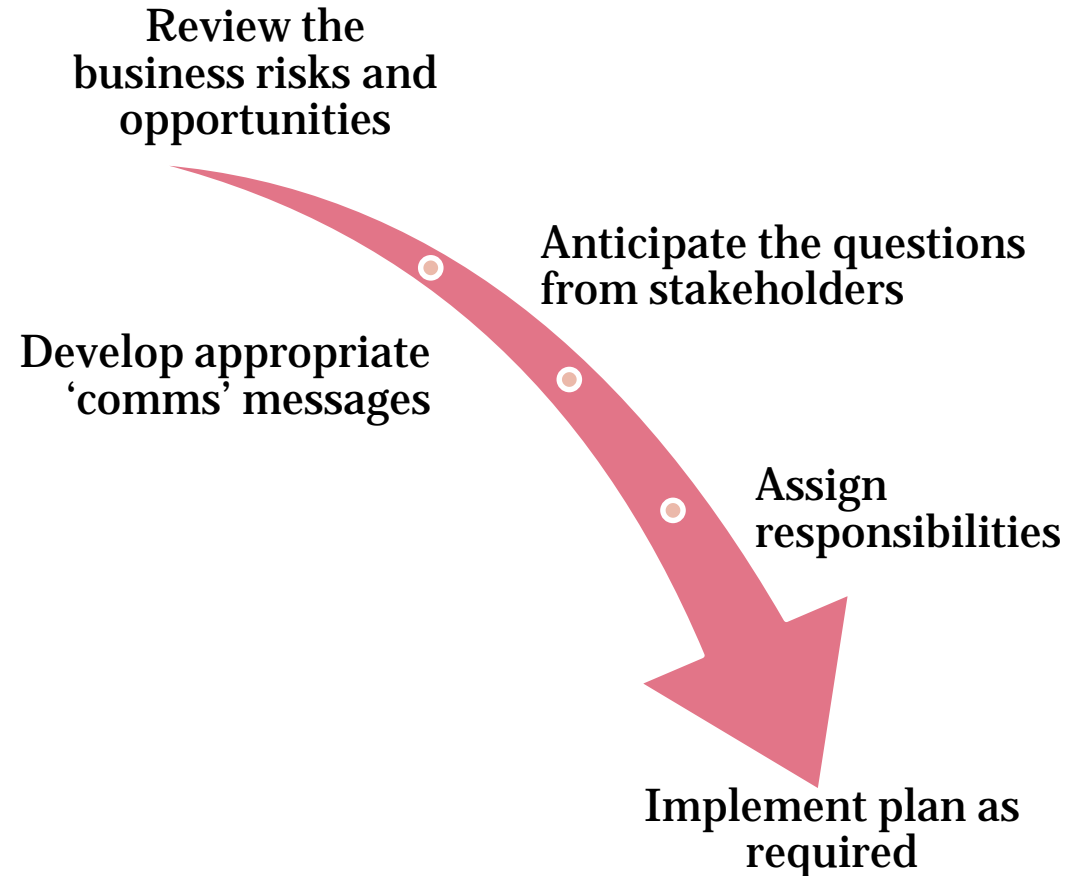
**The Prime Minister's
reform package**

- **Competitiveness: trade deals and regulation**
- **Currency: protections for non-Euro countries**
- **Sovereignty: no 'ever closer union' for the UK**
- **Labour mobility: benefits 'emergency brake'**
- **Opt-outs: re-confirmation of UK's position**

**The European Commission's
2016 priorities**

- **Internal market: Digital Single Market Strategy**
- **Trade: TTIP negotiations**
- **Energy: Energy Union Package**
- **Banking: completion of the Banking Union**
- **Budget: mid-term review**

After reviewing the issues, consider a comms ‘Plan B(rexit)’:



Finally, irrespective of your own views about the vote, remember:



People will ask questions



You need good answers



There's still time...

PwC's team of EU referendum experts:

Report author: Michael Moore

Michael Moore joined PwC in January 2016 as a senior adviser, working on the implementation of devolution across the UK and advising clients on the European referendum.

He was previously a Member of Parliament and served as a cabinet minister in the Coalition Government, negotiating the framework for the independence referendum.

In Parliament he spent many years focussed on the European agenda. And from 2013 to 2015 Michael was European Business Adviser to the Deputy Prime Minister, in which role he published a report on UK business competitiveness in Europe.

Michael's role as Secretary of State for Scotland from 2010 to 2013, saw him pilot the Scotland Act 2012 through Westminster, transferring income tax and borrowing powers to the Scottish Parliament.

Prior to his 18 years as an MP, Michael qualified as a CA with Coopers & Lybrand, one of PwC's predecessor firms, before specialising in corporate finance and other advisory work.



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