



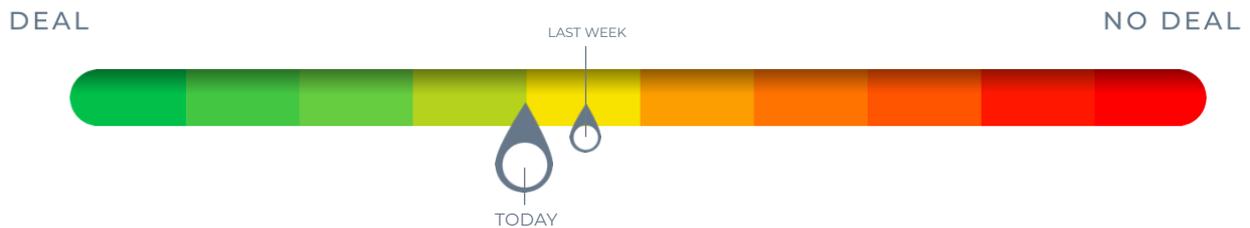
CHARLOTTE STREET
PARTNERS

UK-EU DEAL UPDATE

25 September 2020

Charlotte Street Partners is issuing a weekly update of the key developments and analysis about the prospects for a deal on the future relationship between the United Kingdom and the European Union, as the UK exits the single market and customs union on terms (or no terms) as yet to be determined.

We still believe a deal is the most likely outcome, because it remains in the interests of both sides. This is arguably even more true than a week ago, given the winter we now know lies ahead. The difficulties faced around the potential handling of freight in Kent and noises of quiet despair from Ireland nudge us ever so slightly in the 'right' direction.



WEEKLY RECAP

- o The controversial UK Internal Market Bill passed its latest stage in the House of Commons on Tuesday. The Bill will have its Third Reading next week, before it then goes to the House of Lords, which is expected to try and amend it significantly.
- o Simon Coveney, the Irish foreign minister, appeared to offer a conciliatory path to a deal by saying that the gap between the House of Commons and then the House of Lords considering the Bill would be an ideal time to “address the issues” and try to find a way to “make progress”.
- o Michael Gove confirmed, in a letter to logistics groups and then later in the House of Commons, that drivers of lorries weighing more than 7.5 tonnes will need permits to transport goods to and from Europe. The Kent Access Permit System will be enforced by police and Gove warned that, in a worst-case scenario, there could be queues involving up to 7,000 trucks.



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- A survey by the British Chamber of Commerce found that only 52% of UK firms with international trade had carried out a risk assessment ahead of the end of the Brexit transition period.
- A meeting of EU leaders due to begin this week has been postponed until 1 October, after the European Council president, Charles Michel, was forced to quarantine.

OUR TAKE

Last week, our note highlighted the significance of the fact that the Internal Market Bill will not be law by the time of the next round of talks between the UK government and the EU. Simon Coveney's remarks in Brussels this week zeroed in on this, highlighting again that the Bill is partly a negotiating tool for the UK government. Whatever the dubious nature of its contents, at the moment it is having some effect.

An agreement is still far from guaranteed, and we would argue that it hangs in the balance. However, while the focus of the UK government - and of the devolved administrations - were diverted by the announcement of tighter Covid restrictions, the groundwork continues to be laid for productive, formal UK/EU talks in October, where both sides are trying to reach a positive outcome.

Informal talks between the two sides concluded yesterday, and the purpose of these is to make headway before the "real" talks begin again next week. We can legitimately wonder: if neither the UK nor the EU wants a deal, why are they both working furiously to make one happen?