Brexit: A Practical Roadmap

Part of the Navigating the Negotiations Webinar Series

1 June 2017
Introduction and agenda

1. Latest developments
2. How the Brexit process could unfold
   – potential scenarios
   – potential practical impact
   – process possibilities
3. How could those possibilities work in London and Brussels?
4. Practical implications for business
   – external
   – action planning
5. How 'special' are particular industries?
Latest developments

29 March 2017
• UK Government triggers Article 50 TEU

18 April 2017
• UK Prime Minister calls for snap General Election

29 April 2017
• European Council adopts Article 50 negotiating guidelines

8 June 2017
• UK General Election

19 June 2017
• Formal negotiations expected to begin

22-23 June 2017
• European Council summit (expected to focus on Brexit)
## How the Brexit process could unfold: Potential scenarios

<table>
<thead>
<tr>
<th>Glide Path</th>
<th>Cliff Hanger</th>
<th>Cliff Edge</th>
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| • Withdrawal agreement agreed, in principle in <9 months and approved (by QMV) in <18 months  
  • Continues status quo in most areas but with framework for change and future trade deal  
  • Long term deal negotiated over longer period but using current position as base | • Early confidence of very high degree of continuity in short to medium term  
  • Ability to input into considered process of longer term change | • Minimal withdrawal agreement agreed at the end of the 2 year period  
  • No new trade deal agreed – UK falls back on "WTO rules" |
| • Withdrawal agreement limited to liability and process excluding any continuing substance  
  • New trade deal builds new arrangements largely based on current position  
  • New trade deal only agreed at very end of 2 year period | • High degree of uncertainty throughout negotiating period  
  • Considerable continuity but a need to address technical changes in short order | • Uncertainty throughout pre-Brexit period  
  • Considerable continuity in UK domestic regime through Great Repeal Act  
  • Significant change and uncertainty at UK/EU interface |
Potential practical impact


Glide Path
- Certainty
- Alignment

Cliff Hanger
- Certainty
- Alignment

Cliff Edge
- Certainty
- Alignment

Flexibility a premium in sales
Analyse and build flexibility
Internal preparation
External implementation
Is WA Agreed?  
- Yes: Can LTA be agreed with WA?  
  - Yes: Is LTA agreed with WA?  
    - Yes: LTA + WA same time effective?  
      - Yes: Can LTA and WA be same thing?  
    - No: Is LTA agreed with WA?  
      - Yes: Can LTA be sector specific?  
      - No: Could ECJ have role in LTAI?  
  - No: Can WA govern interim?  
    - Yes: What is process for LTA?  
    - No: Could ECJ have role in interim?  
- No: Can LTA be agreed with WA?  
  - Yes: Can LTA and WA be same thing?  
  - No: What is process for LTA?  

Cliff Edge?  
- Total Cliff Edge 29.03.19 – What does it look like?  
- At least Interim Cliff Edge 29.03.19 – What does it look like?
How could those possibilities work in London and Brussels?

1. Could an end state relationship be negotiated and finalised during the course of the Article 50 negotiation process?

2. If the end state relationship did not take effect at the same time as the Withdrawal Agreement, how would the gap be covered?
## Practical implications for business: External factors

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<th>Glide</th>
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<td><strong>Contracts</strong></td>
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<td>Superseded provisions</td>
<td>Territorial and other references which no longer operates as intended</td>
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<td>Change triggers</td>
<td>Provisions which Brexit triggers termination rights or contract change</td>
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<td><strong>Customers</strong></td>
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<td>Uncertainty</td>
<td>Customers’ uncertainty as to their own business and operational models</td>
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<td>Concern about UK entity</td>
<td>Customers concerned about contracting with a UK entity</td>
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<td><strong>Regulators</strong></td>
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<td>Divergence</td>
<td>UK and EU regulations diverge</td>
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<td>Critical attitude</td>
<td>EU/Members State regulators become unsympathetic to a UK contracting party</td>
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<td><strong>Excise</strong></td>
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<td>Potential costs</td>
<td>UK outside EU customers/VAT likely increase in administration and risk increase in real tax cost</td>
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- **Unlikely to be a downside**
- **Unlikely to be an opportunity**
- **Likely to be some downside**
- **Likely to be some opportunity**
- **Likely to be material downside**
- **Likely to be material opportunity**
Practical implications for business: Action planning

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<tr>
<th>When</th>
<th>What</th>
<th>Who</th>
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<td>Issue Identification</td>
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<td>Internal Flexibility</td>
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<td>Sales Messages</td>
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<td>Detailed Analysis</td>
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<td>Internal Implementation</td>
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<td>External Implementation</td>
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How 'special' are particular industries?

- Aviation
- Nuclear energy
- Financial services
- Pharmaceuticals
How Hogan Lovells can help
Our Brexit resources

For more resources on readying your business for Brexit:

• Visit our Brexit Hub at: www.hoganlovells.com/brexit
• Sign up for our Brexit Bulletin
• Sign up for our upcoming webinars:
  – The UK Legislative Track on 22 June – 11am BST / 12pm CEST / 6am EDT
  – Understanding the Negotiations on 10 July – 4pm BST / 5pm CEST / 11 am EDT
• Contact us with any questions about Brexit at:
  – Brexit@hoganlovells.com or
  – via our Brexit Taskforce www.hoganlovellsbrexit.com/contacts

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