



ROUND TABLE WITH RH GREG HANDS MP

EIC MEMBER BRIEFING PACK

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Background

On 16 January 2017, the EIC hosted a round table with the RH Greg Hands MP, Minister of State for Trade and Investment and other high level Department for International Trade (DIT) representatives.

The EIC was allowed to invite 12 senior level delegates from its member companies, which represented the full range of energy sectors and companies of all sizes. As the discussion took place under Chatham House Rules we cannot reveal the names of the participants or the companies they represent.

Purpose of round table

The EIC organised this round table to assist the Minister and the DIT in understanding the energy industry better, and in particular, the challenges and opportunities that British suppliers to local and global energy sectors are facing. The round table was also an important opportunity to feed into and influence the government's industrial energy strategy.

Summary of discussion

The discussion focused on four main areas:

- Export issues and the impact of Brexit
- UK supply chain capabilities
- Export finance
- Funding

Below, you will find a summary of the issues raised by the delegates followed by the Minister and DIT representatives' response.

1. Export issues and the impact of Brexit

Issues raised

Negative media coverage – the UK is receiving negative press following the referendum.

Companies with overseas presence – businesses with a significant overseas presence will need government support during and after the exit from the EU.

Brexit negotiations – these should focus on securing a good deal for UK exporters.

DIT response

The Minister noted that it was a challenge to influence media opinion ahead of Brexit, however, he would continue to promote around the world the strength of the UK economy, its appetite for trade and the fact that the UK's post-referendum economy is much stronger than anticipated.

EU countries remain positive about partnering with the UK and it is in every EU country's best interests not to create barriers to trade with the UK.

UK companies investing overseas are a key focus for the DIT now and in the future.

The Minister stated that there was a big opportunity to grow exports, as today the UK has the lowest percentage of exports of any EU country (only 27% compared to 44% for Germany), and accepted that government has a key role in improving this.

2. UK supply chain capabilities

Issues raised

Identifying capabilities - there is not much knowledge of the UK's energy supply chain capabilities, which makes it harder for the DIT and its partners to promote our export capabilities internationally.

Support for SMEs – to more proactively promote their capabilities and offerings in other markets. This is a big opportunity as today only 11% of UK SMEs export.

Competitiveness of UK companies –major energy infrastructure investments require more relationships and collaboration to be facilitated between EPCs.

DIT response

The difficulty in collating supply chain information, especially below Tier 1 was accepted, although the Minister stressed that government resources are limited so liaising with trade associations such as the EIC is important.

For those companies wishing to export, the Minister emphasised the importance of the great.gov.uk portal which provides support for those companies wishing to trade overseas. He also stressed the capability and reach of the government's global network of trade envoys.

While building consortiums is not the government's job developing the UK capability to be able to form consortiums is something they can support.

3. Export finance

Issue raised

Challenging markets - concerns were raised over travelling to Iran and Iraq.

Support due diligence – UK banks are creating barriers to receiving orders from Iran.

UKEF threshold - the stipulation that the export contract must have a minimum of 20% UK content makes it difficult for small SMEs that are competing with European companies.

DIT response

While ESTAs for US travel are lost by visiting Iran a visa is still possible, although it can take a few weeks to obtain. The DIT will look into this issue further.

UKEF is working on finding solutions for financial payments issues with Iran.

Regarding the UKEF threshold, the Minister stated that UKEF is regarded as very competitive vs French, German and Italian ECAs.



4. Funding

Issues raised

Inward investment and export balance – support is needed to boost export capability. Currently the DIT is more focused on inward investment.

TAP funding – funding for UK companies to attend trade shows around the world is very often too little too late.

In country support - the level of support depends on the quality of the representative at the post. Support levels are not uniform around the globe with charges being applied in some countries which do not take into account the size of the company.

DIT response

The Minister responded that consideration would be given to shifting the focus towards export more and slightly away from inward investment if that is what is needed to support supply chain companies to export.

With regard to trade shows, the Minister would like to do more research to measure how useful these are and whether they require further funding as the budget for this area is limited. The DIT will look into the possibility of providing TAP funding information further in advance.

The Minister stated that he felt that the government's global network of trade envoys is a great strength although their full range of services is underappreciated. More work will be done by DIT to promote what they do and how they can help open doors around the world.

Brexit networking discussion

Other general points made in a networking discussions focused on Brexit but not specifically covered in the round table were:

- The need to provide barrier-free relationships and access to the EU markets (our largest global trade partner across all sectors – 46% of trade is with the EU) with low or no tariffs, and minimal customs processes
- Clear regulatory plan is necessary to give continuity and facilitate ease of trade
- A migration system that enables business to retain access to EU workers and skills
- Renewed global trade focus
- Protect access to EU R&D and innovation funding
- Smooth transition after Article 50 is activated – to minimise period of uncertainty, risk of underinvestment
- The Government to consult widely with industry including large and small businesses
- The Government to ensure its various departments have a fully aligned and joined up process and outcome (DIT, BEIS, DExEU, Treasury, No 10)

Next steps

The round table discussion provided valuable information for the governments industrial energy strategy. It also produced many topics for further investigation by the DIT as it strives to boost UK export capability.

The EIC will follow up on the issues raised during the round table, assisting the DIT in its work to help UK supply companies to export their products and services to energy markets around the world.

We are now in the process of organising future round table events with the DIT, as well as a possible round table with the Department for Education to address the energy industries' skills shortage. We will update EIC member companies on any outcomes from this event as well as let them know how they can participate in any future round tables or other EIC-DIT projects.

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About the EIC

Established in 1943, the EIC is the leading trade association for UK-registered companies working in the global energy industries. Our member companies, who supply goods and services across the oil and gas, power, nuclear and renewable sectors, have the experience and expertise that operators and contractors require.

As a not-for-profit organisation with offices in key international locations, the EIC's role is to help members maximise commercial opportunities worldwide.

We do this in a variety of ways from providing detailed project information and regional market insight; to showcasing specialist skills and connecting suppliers with buyers; through to running tailored training courses and events that inform and engage the industry.

The services we offer play an important part in supporting over 600 member companies to do business in a competitive marketplace.

EICDataStream

Our projects database, EICDataStream, provides extensive information on almost 7,500 active and future projects in all energy sectors. By tracking the full project life-cycle from feasibility to construction and then completion, it helps members to identify opportunities and plan their business development strategies.

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