

Where on earth does Brexit go now?

With May's deal arguably finished, and indicative votes failing to give a decisive verdict, we look at the possible options with a little over two weeks to go until the 12 April deadline



Source: Shutterstock

Our latest rough-and-ready estimates of the Brexit probabilities

What will happen over the next two weeks is highly uncertain, but we think a softer form of Brexit is still narrowly the most likely option, closely followed by a second referendum. However, the odds of 'no deal' and a general election appear to have climbed.

But let's take a quick look at how each scenario could happen - although the reality is many scenarios could easily materialise, as we edge closer to the 12 April deadline.

May's deal passes before 12 April	10%	Different deal (e.g customs union)	25%
General election	15%	Second referendum	20%
No deal on 12 April*	25%	MPs revoke Article 50	5%

*There have been reports the EU could postpone a 'no deal' for a few weeks to prevent it being quite such a sudden shock
Source: ING

? PM May's deal

In a move that had been rumoured for several days, prime minister Theresa May laid her final card on the table on Wednesday in a last-ditch push to get her deal through parliament. If the deal can command a majority, she will step down ahead of the next stage of talks with the European Union.

In the immediate aftermath of the announcement, there was a brief moment where it felt like momentum was building behind her deal. A raft of Conservative Brexiteers - including former foreign secretary Boris Johnson - reportedly swung behind Mrs May's agreement, on the basis that her resignation would mean they could install their own leader for the second stage of EU negotiations.

Wednesday's developments might just have been the final nail in the coffin for the PM's Brexit deal

But as soon as it had come, the momentum began to fade. The Northern Irish Democratic Unionist Party (DUP) quickly confirmed they would continue to vote the deal down, on the basis that the Irish backstop remains. Talks will continue between the government and the DUP - the idea of a 'Stormont Lock', where the UK would commit to adopting new EU laws if the Irish backstop were invoked, is reportedly still being pushed to reduce concerns about the regulatory divergence between Northern Ireland and the British mainland. Though, listening to the DUP leader Arlene Foster yesterday makes it still seems the bar is quite high to win over its 10 MPs.

Ironically PM May's offer to resign may also reduce the chances of convincing some Labour MPs to swing behind her deal. These lawmakers are wary of a second referendum or significantly softer

Brexit, but equally a vote for the deal may now be perceived as a vote for a more eurosceptic Conservative prime minister.

There is still talk that the PM could attempt a third meaningful vote on her deal on Friday, assuming, of course, the government manages to navigate House of Commons speaker John Bercow's requirement for a 'significant change' to the agreement before being allowed to retable it.

But even if she can stage a third attempt, it's hard to escape the conclusion that Wednesday's developments might just have been the final nail in the coffin for the PM's Brexit deal.

? Indicative votes and a softer Brexit/second referendum

On Wednesday evening, MPs had the opportunity to vote on alternative Brexit paths in so-called 'indicative votes.' Perhaps unsurprisingly, the process ended with not a single option being backed by a majority of MPs.

That said, it did confirm that out of the alternative forms of Brexit, a permanent customs union does indeed command the most support. Interestingly, there was also a strong turnout in favour of a second referendum. It was also reassuring to see, no so-called 'unicorn' options - that won't be acceptable to the EU - gained majority support.

The process will now continue on Monday, where it is expected that the most popular options will be put to a run-off vote to whittle it down to one favoured option. In other words, the second referendum option is likely to be pitted against a customs union.

It's hard to say which would win over the other (although we suspect the latter), but the bigger question is whether either option can command a stable majority. Don't forget that if the prime minister returns to Brussels and renegotiates her deal, there will need to be a reliable majority of MPs who will be prepared to formally back the revised agreement (or more accurately, a reworked political declaration). There is also a raft of legislation that will need to be passed before the UK can actually leave the EU with a deal.

As things stand, it's not clear that any option can command a stable majority - both the customs union and second referendum motions fell well short of the roughly 315-320 votes they would need for a majority to be classed as stable.

[Find out more about the options Parliament is facing](#)

? No deal

If PM May can't secure a majority for her deal and no alternative option prevails from the 'indicative votes' process, what happens then? Formally the EU has said that a decent reason would be needed to unlock a longer extension to the Article 50 period beyond 12 April - and of course, the UK would also need to participate in European elections.

Amid all the chaos in Westminster, there are an increasing number of stories about the attitude in Brussels hardening towards what might be called a 'blind extension' - a further delay with no real justification. According to the Eurasia Group, there is a growing sense among EU officials that a lengthy extension, which risks resulting in no further progress on Brexit, could be more costly than

a 'no deal' outcome.

It isn't clear where the tolerance threshold lies in Brussels when it comes to approving a long extension

A long extension would prolong the uncertainty for EU firms, some of which reportedly think they are as prepared as they are going to be for a 'no deal' outcome and would prefer some clarity. A delay beyond 22 May would also require the UK to elect MEPs, who could disturb the process of approving the new senior figures in the various EU institutions that have roles opening up this year.

It's also possible that a long extension would mean the new EU budget (or as it's formally known the Multiannual Financial Framework) would have to be approved by the UK House of Commons, which would undoubtedly be awkward.

One counter-argument to all of this is that the EU does not want to be blamed for a 'no deal' scenario. President of the EU Council Donald Tusk said on Wednesday that the "voices saying a [long extension] would be harmful" are "unacceptable".

The upshot is that it isn't clear where the tolerance threshold is in Brussels when it comes to approving a long extension with little or no justification from the UK side, although the risk of 'no deal' is clearly growing.

? A general election

Having said all of that about a 'no deal' Brexit, there is a clear majority in the UK parliament against this outcome. That will keep the pressure up to back either PM May's deal or an alternative path, but if neither happens, what are the odds of a general election?

Talks of an election are certainly growing, particularly now that PM May has hinted she would be prepared to resign. The question is: how do we get there?

Under the Fixed-Term Parliament Act, there are two ways for an election to take place. The first is if a majority of MPs say they have no confidence in the government, and the current administration has already survived one such vote back in January.

We aren't convinced an election is the most likely scenario

In theory, if PM May is pushed towards a 'softer' Brexit by parliament, or forced to trigger a second referendum, then many eurosceptic Conservatives may decide 'enough is enough' and vote against the government in a no-confidence poll. However, it's not clear what this would solve for them.

In principle, a general election could see a swing away from the Conservative party, which in turn

could turn the parliamentary arithmetic more in favour of a softer Brexit stance. There may also be limited incentive for the DUP to vote down the government, given that an election could see them fall out of a confidence-and-supply/coalition arrangement and effectively lose their seat at the table.

The other way an election could come about is if Theresa May calls one herself. That might sound a bit weird, but some have suggested that if parliament forces her to trigger a second referendum, she might decide a general election is a more palatable way of seeking the public's opinion. In this scenario, two-thirds of lawmakers would need to agree in a vote in the House of Commons.

To us, neither of those paths sounds straightforward, so we aren't convinced an election is the most likely scenario, although again the probability has undoubtedly risen somewhat over recent days.

? Revoke Article 50

This is undoubtedly the 'nuclear option' when it comes to Brexit, but many are questioning if push comes to shove, whether parliament would revoke the Article 50 notification altogether if the only alternative is 'no deal'. A European Court of Justice ruling last year suggested the UK could unilaterally decide to remain in the EU by revoking Article 50 and stay on the same terms that it has now.

On the face of it, we find it very hard to believe that MPs would prefer this option to the other ones on the table - be it PM May's deal, customs union or a second referendum. The perception that MP's are 'cancelling Brexit' could see a serious public backlash.

We wouldn't rule this 'nuclear option' out as a possibility if things go to the wire

Then again, this option might not be as remote as it sounds. While a 'revoke to remain' logic is unlikely to gain traction, there are growing calls that revoking Article 50 could stop the clock and allow the UK time to figure out what it really wants with Brexit. In theory, the UK would then re-trigger Article 50 and could put forward its proposed changes (although of course, the EU is unlikely to reopen the current withdrawal agreement) - and some have said the period needn't last two years and could be much shorter.

Interestingly, an option to revoke Article 50 if no agreement is in place by 10 April gained 184 votes on Wednesday. On that basis, we wouldn't rule this out as a possibility if things really went down to the wire.

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