IFRI
MEMOS

Center for Energy and Climate

NOVEMBER
20,
2026



EU-UK Summit : The Need for a Reset

Arthur DAEMERS

Key Takeaways

- Brexit has been harmful to UK and EU businesses, as well as the energy transition and European industrial resilience. Negotiations aim to forge new sectoral ties to mitigate the damage, while uncertainty remains over the future of the partnership.
- The 20 November 2026 EU-UK Summit is a new opportunity to advance negotiations on the urgent need to link the UK and EU carbon markets.
- Leaders also need to accelerate work on the linking of electricity markets to unleash the potential of offshore wind and cross-border electricity trading.
- The UK needs to choose a path for the future of its broader partnership with the EU. This is the only way to advance negotiations in good faith and align all stakeholders along a long-term vision.

Introduction

Since Brexit officially entered into force in 2020, the United Kingdom (UK) has worked to forge a new partnership with the European Union (EU). Serving its interests has meant getting closer to the EU in several economic sectors, without ever officially working towards EU reaccession.

On November 20, after months of political instability in the UK, Prime Minister Andy Burnham and European Commission (EC) President Ursula von der Leyen will meet to discuss the way forward for this partnership. Ahead of the official talks, amid long and technical negotiations on various deals regarding youth mobility, food safety and carbon markets, Mr. Burnham floated the idea of a potential reaccession to the EU: "So, I will take the opportunity around the summit to lay out to you, to lay out to the country, what I believe the different options are for Britain's long-term relationship with our European partners."

Since 2020, the UK and the EU have worked on numerous deals, from the Withdrawal Agreement to the Windsor Framework, through to the UK-EU Competition Cooperation Agreement, in an attempt to take advantage of opportunities for cooperation in specific sectors while laying political conditions for progress in each area.

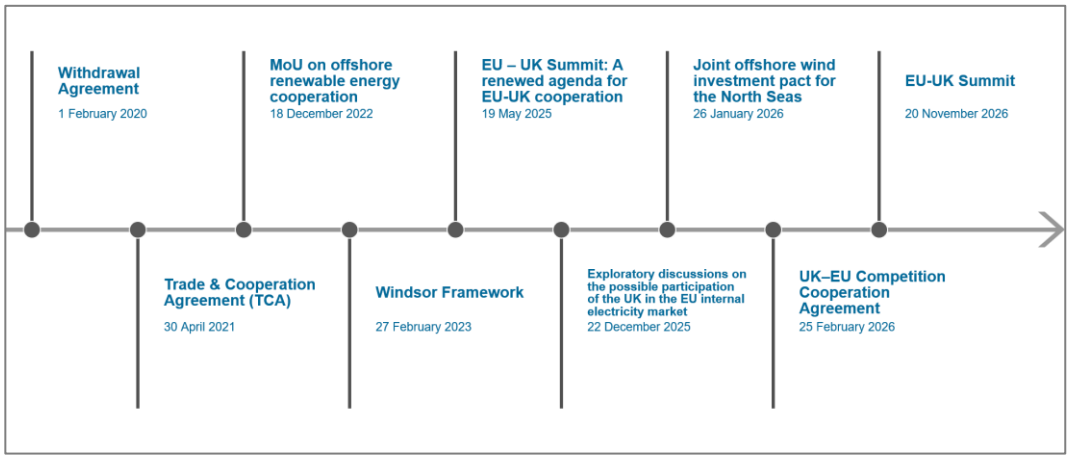
The UK now has much to gain in accelerating the transition to a closer relationship with the block as a geopolitical, economic and political entity. From both sides of the Channel, businesses are pushing for a closer partnership and a path towards integrated markets, especially energy, after six years of damage to trade.

Negotiations still need to overcome key hurdles, especially regarding industrial, energy and competition policy, to reach deals on carbon and energy markets. Long term, full reaccession would require a stronger political commitment from London that the UK is ready to reintegrate the block entirely, including on migration, cohesion, agriculture, energy, competition, trade and possibly monetary policy. More than technical negotiations, this requires a more structured and coherent high-level push.

What have negotiations achieved so far?

Six years of negotiations have focused on establishing a basic trading agreement between the EU and the UK to safeguard some economic benefits. They have also enabled the establishment of sequenced talks with the aim of allowing key projects to get off the ground, especially offshore wind in the North Sea, and easing trade, notably in the energy sector. But political instability and an unclear sense of direction have stalled political agreements. This has placed this new summit under a sense of urgency to establish practical arrangements for cooperation and a long-term vision for the future partnership.

Figure 1 – Timeline of EU-UK negotiations since Brexit (focus on energy & climate)



Source: © Ifri, 2026.

- **Withdrawal agreement.** Agreed on October 17, 2019 and entered into force on February 1st, 2020, it establishes the terms of the UK's orderly withdrawal from the EU, in accordance with Article 50 of the Treaty on European Union (TEU).
- **Trade & Cooperation Agreement (TCA).** Agreed on April 30, 2021, it aims to facilitate trade and investment in energy and raw materials, and support security of supply and sustainability. For the first time, it establishes shared principles for the functioning of energy markets, the efficient use of energy systems, the integration of renewables, cooperation on security of supply and creating a forum for cooperation on offshore energy. It also establishes the Partnership Council, a joint body responsible for the governance, achievement and amendments of the TCA. The energy chapter of the TCA applied until June 30, 2026, but the Partnership Council extended its application until March 31, 2027, in the hope of reaching a more detailed electricity deal soon to take over.
- **Memorandum of Understanding (MoU) on offshore renewable energy cooperation between the participants of the North Seas Energy Cooperation (NSEC), on the one side, and the UK of Great Britain and Northern Ireland, on the other side.** Signed on December 18, 2022, this MoU officializes the EU's objective to deploy at least 60 gigawatts (GW) of offshore wind by 2030 and 300 GW by 2050, along with the UK's ambition to reach 50 GW by 2030, including 5 GW of floating wind. The cooperation covers hybrid and joint projects, maritime spatial planning, support framework and finance, best practices and information sharing on new technologies and regulations.
- **Windsor Framework.** Signed on February 27, 2023, this allows Northern Ireland to trade with the EU internal market while keeping a smooth trade flow with the UK. Since then, UK food safety laws apply to retail goods moved into Northern Ireland, while Northern Ireland pharmaceutical firms can access the EU market.

- **A renewed agenda for EU-UK cooperation: Common Understanding.** This deal follows the last high-level summit, which took place on May 19, 2025. For the first time, the EU and the UK agreed to explore a path towards the UK's participation in the EU internal electricity market, and to work towards linking their carbon markets.
- **Outcome of the exploratory discussions on the possible participation of the UK in the EU's internal electricity market.** After more than six months of negotiations after the summit, the EU and the UK reached a common understanding on the conditions for the UK to participate in the EU internal electricity market. It will require dynamic alignment of the UK with EU regulation (electricity market rules, an indicative target for renewables and environmental protection) as well as the use of an independent competition policy for screening energy-related state aid, participation in the Agency for the Cooperation of Energy Regulators (ACER) without a right to veto, and a financial contribution from the UK to support costs in electricity policy.
- **Joint Offshore Wind Investment Pact for the North Seas.** On January 26, 2026, after ten years of negotiations, the governments of Belgium, Denmark, France, Germany, Ireland, Luxembourg, the Netherlands, Norway and the UK, the wind industry, and Transmission System Operators (TSOs) of the electricity and hydrogen networks came together in Hamburg to commit to achieving the North Seas targets mentioned in the 2022 MoU, as well as 100 GW of offshore cooperation projects. Governments committed to developing an Offshore Financing Framework (OFF), aligning regulations (including resilience criteria for aid), and working on offshore wind tenders for 15 GW per year during the 2030s, financed via two-sided Contracts-for-Difference (CfDs), Power Purchase Agreements (PPAs), and cross-border PPAs. Industry committed to lowering the Levelized Cost of Electricity (LCOE) by 30% by 2040 for offshore wind, mobilizing €1 trillion, hiring 91,000 new people by 2031, investing €9.5 billion in supply chain capacity by 2030 and working on targeted harmonization of manufacturing standards. Offshore TSOs committed to identifying flagship projects for up to 20 GW of offshore cross-border generation capacity and developing joint principles for cost-sharing and regional grid planning.
- **Agreement between the UK of Great Britain and Northern Ireland and the EU regarding Cooperation on the Application of their Respective Competition Laws.** Signed on January 25, 2026, this agreement formalizes common principles for the application of competition law and sharing of information between competition authorities. The EU considers this a prerequisite for further agreements on market integration, including energy.
- **Council greenlights talks on electricity and cohesion deals, as well as the UK's participation in Erasmus+ for 2027.** On March 30, 2026, the Council of the EU authorized the EC to open negotiations with the UK on its participation in the EU internal electricity market, its financial contribution to the EU's cohesion policy, and its participation in the Erasmus+ program for 2027.

Why get closer?

The UK government has acknowledged the economic loss stemming from friction in trading goods and services, including electricity, notably because of the separation of EU and UK carbon and electricity markets.

Trade & investment

EU and UK businesses, as well as the UK government, all agree on the overall negative impacts of Brexit on cross-border trade and investment and the potential benefits of reinstating closer ties.

The EU is the UK's largest trading market. In 2024, 46% of its trade was with the EU,[1] valued at £830 billion. Almost 95,000 UK businesses exported goods to the EU while around 158,000 businesses imported goods. Nine of the UK's top 20 export destinations for goods and services are EU Member States, and 10 of the UK's top 20 import sources are in the EU.

Linking the UK and EU ETS would boost the UK GDP by 0.1%

According to the Office for Budget Responsibility (OBR),[2] the TCA-based relationship has reduced long-term productivity by 4% relative to the counterfactual scenario where the UK had stayed in the EU, mainly because of non-tariff barriers. Goods exports to the EU are about 16% lower than if the UK stayed in the EU; imports are 14% lower.[3] Services exports to the EU are 7% lower; services imports from the EU are 19% lower. Trade deals with third countries do not compensate for this loss, and savings related to avoided EU payments have been captured by UK government spending.

According to the British Chambers of Commerce,[4] additional costs come from paperwork, origin certificates, VAT, health certificates, chemicals rules and movement restrictions. Customs declarations alone have cost an extra £1.8 billion since 2022. 54% of UK exporters surveyed by the British Chambers of Commerce say the TCA is not helping them grow.

Energy & carbon markets

Since January 1st, 2021, the EU and UK power markets have been decoupled. The UK was removed from EUPHEMIA (Pan-European Hybrid Electricity Market Integration Algorithm), the algorithm used to couple all EU markets and allocate electricity cross-border based on generation capacity availability and demand. Electricity trading still takes

1. "The King's Speech 2026", Prime Minister's Office, May 2026, available at: https://assets.publishing.service.gov.uk.
2. "Brexit Analysis", Office for Budget Responsibility, March 2026, available at: https://obr.uk.
3. J. Springford and A. Spisak, "The Cost of Brexit, Ten Years on: The Impact of Leaving the Customs Union and Single Market on UK trade", Centre for European Reform, June 2026, available at: www.cer.eu.
4. "The Future of UK-EU Relations: Key Goals for the 2026 Leaders' Summit", British Chambers of Commerce, October 2026, available at: https://francobritishchamber.com.

place, but at a slower pace, as the UK now calculates its day-ahead auction results independently and electricity exchanges are no longer done automatically based on system needs.

Additionally, the UK and EU have developed their own carbon markets (UK ETS and EU ETS). Prices for a ton of CO_2 have evolved independently in each market, up to a point where the EU market has showcased a ~£10/tCO2 margin over the UK ETS in the last five years. Since the EU Carbon Border Adjustment Mechanism (CBAM) entered into force on January 1st, 2026, all UK imports into the EU must pay this difference, creating additional costs for UK businesses accessing the EU market. This is especially harmful in electricity trading since the EU CBAM uses average electricity carbon content for imports. This means that although most electricity imported from the UK is excess wind, it is treated as featuring the average UK electricity carbon content (its mix being up to 40% gas).

Across all sectors, costs related to the ETS price differential, added administrative barriers and instability have cost £700 million in 2022 alone,[5] the majority of which (£480 million) was in power generation. In addition, during the period 2021-25, the electricity market split alone has added an estimated £500 million in additional cost.[6] If the ETS price differential stays on this trajectory, UK businesses will be forced to pay up to £800 million to the EU budget between 2026 and 2030.[7] Now the risk is also in the opposite direction for electricity trading, as the UK CBAM will enter into force on January 1st, 2027.

Collaboration has made progress in specific projects, more than in high-level political talks

According to UK government data, linking the UK and EU ETS would boost UK GDP by 0.1% (£2.7 billion at 2023 prices) by allowing £7 billion of UK exports to avoid exposure to CBAM.[8]

This also requires work on interconnections. The UK National Energy System Operator (NESO) considers the optimal UK interconnection capacity to be 29.25 GW (up from today's 10 GW). As the UK is expected to become a net electricity exporter in the 2030s thanks to its wind energy buildout, such interconnections will be key to materializing this added value for the UK.

The offshore wind industry is particularly affected by EU-UK negotiations. While the UK industry has benefited from a clear government vision,[9] notably via the allocation of 8.4 GW through AR7 in January 2026, European nations have stalled. Germany, for example, canceled the 2026 auction round for 2.6 GW and the Netherlands received no offer for its October 2025 tender, both hinting at issues with tender design. This has led

5. "UK-EU Energy and Climate Cooperation: Why Heightened Engagement is Imperative for Net Zero", Energy UK, May 2023, available at: www.energy-uk.org.uk.
6. A. Chaudhry, T. Brufatto and O. Nicholls, "UK-EU Energy Cooperation: Emissions Trading Systems and the Electricity Market", UK Trade & Business Commission, July 2026, available at: https://bestforbritain.org.
7. "Linking UK and EU Carbon Markets", Frontier Economics, August 2024, available at: www.frontier-economics.com.
8. "The King's Speech 2026", Prime Minister's Office, May 2026, available at: https://assets.publishing.service.gov.uk.
9. R. Carbonnier, "Energy Developments in the United Kingdom", *Ifri Memos*, Ifri, May 2025, available at: www.ifri.org.

the industry to pause some supply chain investments, and experts to alert of a 40-45% increase in turbine prices.[10]

Nevertheless, EU-UK collaboration has made progress in specific projects, more than in high-level political talks. The Hamburg Declaration, cited above, is a case in point. As the result of ten years of talks, industry has committed to deploy 100 GW worth of cross-border wind projects, starting with hybrid wind parks (connected to several energy markets). LionLink, promoted by NationalGrid and TenneT, highlights historical cooperation between EU and UK TSOs, as it connects Dutch offshore wind to both the Dutch electricity grid and the UK grid via a Dutch HVDC offshore converter platform. It is estimated that each 100 GW of North Sea wind could reduce European gas demand by 60 bcm,[11] the equivalent of around 15% of the combined UK and EU gas demand in 2025. An estimated €44 billion could be saved by 2040 via a 20% reduction in wholesale electricity prices in markets around the North Sea, thanks to offshore wind.[12]

But the realization of those projects requires more high-level commitments for full interoperability. Questions have emerged as to grid planning procedures, permitting rules, grid financing, electricity trading and competition, industrial policy for procurement, cybersecurity processes and preparation for climate and other physical risks. The latter requires common risk assessment, but also military cooperation with the energy sector to secure the North Sea basin and its energy potential.

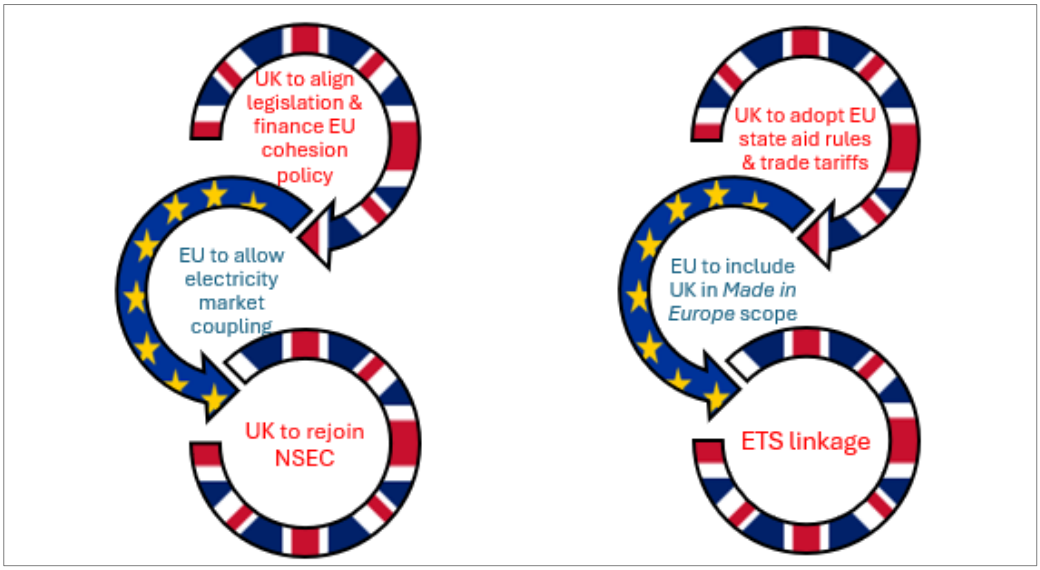
Hydrogen has also been included in this offshore cooperation, but because of delays and cancellations of projects, industry and governments have focused on establishing electric infrastructure[13] and onshore electrolysis (rather than offshore) in national TSO projections. Offshore hydrogen will most likely emerge as a solution for system complementarity where necessary and supported with public funding.

What can we expect now?

The 20 November Summit, postponed multiple times, arrives at a critical time for EU-UK negotiations. It comes one month before the entry into force of the UK CBAM; it needs to unleash the much-anticipated potential of strategic projects such as cross-border wind energy and interacts with the negotiations of key EU legislative texts such as the EU ETS reform and the Industrial Accelerator Act (IAA), which will define Made-in-EU measures. The EC has sequenced talks and conditioned advances on some agreements that would be key for the UK, especially regarding the linkage of the carbon and electricity markets, to the conclusion of other files.

10. S. Baksjøberget, A. Fløtre and K. Selvaraju, “Supply Squeeze: Europe’s Offshore Wind Sector Sees Turbine Prices Jump 40-45% as Manufacturer Options Shrink”, May 2026, available at: www.rystadenergy.com.
11. S. Skillings, R. Johnston, A. Patuleia, L. O’Callaghan-White and H. McKay, “Closing the North Seas Delivery Gap: Political Leadership to Deliver Affordability and Security from Offshore Wind”, November 2026, available at: www.e3g.org.
12. “Beyond Borders: Unlocking the Power of UK-EU Offshore Wind Coordination”, Baringa, December 2024, available at: www.baringa.com.
13. “The Technical-Economical Potential of Hydrogen Production in the North Seas and Its Regional Demand”, Artelys & Trinomics, May 2026, available at: https://op.europa.eu.

Figure 2 – Conditionality for 20 November 2026 EU-UK Summit negotiations



Source: © Ifri, 2026.

On the 20th, leaders are expected to reach formal agreements on the Youth Experience Scheme (YES), allowing young EU and UK citizens to travel for work, studies, au-pairing, volunteering or tourism.

They are also expected to conclude negotiations on the Common Sanitary and Phytosanitary Area (SPS Agreement), easing movement of animals, animal products and plant products, breaking down some trade barriers cited above.

Finally, leaders are also expected to sign a deal on linking the EU ETS and UK ETS (ETS agreement). However, since a formal linkage of the two markets will take months, the industry is hoping to see the EU and UK exempt goods immediately from CBAM payments until this happens.[14] It is still unclear what an official linkage would mean in legal terms.

The UK has conditioned the ETS agreement on the publication of a commitment from the EU side to include the UK in the *Made-in-Europe* scope of the IAA. Indeed, it is the UK government's understanding that for hydrogen, electric cars and nuclear technologies, UK industry would be excluded from the geographical scope of the local content measures for public procurement and subsidies. We can only expect non-binding language from the EC on this issue, as the IAA is currently undergoing negotiations within the European Parliament and the EU Council, where the EC has no formal influence. It cannot prejudge the results of the interinstitutional negotiations. It remains to be seen whether the UK government will consider aspirational language as satisfactory for negotiations.

14. "Closer Alignment between UK and EU on Energy Policy Will Cut Bills and Boost Energy Security", WindEurope, November 2026, available at: https://windeurope.org.

Moreover, the EU has conditioned the inclusion of the UK in the local content rules on the UK aligning with EU state aid rules (including governance by an independent authority), trade tariffs and conditionality on Foreign Direct Investment (FDI). This is politically sensitive for the UK government, which has strived to create closer economic ties with China for the past five years. The UK faces a delicate balancing act in its trade/industrial policy: to what extent is it ready to give up good relations (and imports) from China for the benefit of closer ties with the EU? One recent event sheds some light on the evolution of the UK position here. In March 2026, the UK government blocked plans for a Ming Yang £1.5 billion wind manufacturing plant for security reasons,[15] although it could have potentially boosted its wind buildout at affordable costs.

In the summit conclusions, we also expect language on the continued negotiations over the UK's integration into the internal electricity market (IEM), but no deal yet. The EU has conditioned the signing of this deal on an agreement by the UK to contribute financially to the EU cohesion policy. It is key to keep in mind here that prior negotiations regarding the UK participation in the Security Action for Europe (SAFE) program have failed because of disagreements over the volume of a UK financial contribution.

Negotiations lack official timelines, milestones and a vision for the future partnership

The IEM agreement is also conditioned upon the UK entering dynamic alignment on electricity regulation. The UK government is ready to put forward legislation that covers the essentials of the energy EU acquis (Renewable Energy Directive, Energy Efficiency Directive, Electricity Market Design), but dynamic alignment poses a wider challenge. This requires the UK to commit to adopting upcoming legislation such as the European Grids Package (governing grid planning and financing), the Energy Security package (governing the security-by-design concept), the IAA (implementing *Made-in-Europe* measures), the Cybersecurity Act (introducing concepts of *trusted partners* for the import of key equipment). This places a burden on the UK that is heavier than what is required of Switzerland, which raises questions as to the willingness of the EC to forge closer ties with the UK again without any commitment of reaccession. Anyway, an agreement on the IEM would open the door to the UK rejoining NSEC and collaborating on onshore wind smoothly and maybe integrating the Multilateral International DONES Agreement (MIDA)[16] on nuclear energy.

The EC has also been floating the idea of a *Farage* or *Exit* clause which would commit the UK to compensating the EU for failed negotiations in the event of a Reform UK victory in future general elections.

15. S. McKenzie and I. Macinnes, "Chinese Firm's Highland Port Plans Blocked by UK Government", BBC, March 2026, available at: www.bbc.com.
16. "Multilateral International DONES Agreement Signed", Fusion for Energy, November 2025, available at: https://fusionforenergy.europa.eu.

Going forward, the UK Parliament has listed some requests for its government.[17] It claims that the negotiations lack official timelines, milestones and vision for the future partnership. It therefore calls upon the government to produce an *EU white paper* with a coherent vision for this relationship, and to hold a vote in Parliament to decide upon it.

Hence the formulation by Andy Burnham quoted at the top of this memo. While the UK has made progress on key negotiations with the EU on movement, trade and energy, pioneered by individual projects such as cross-border offshore wind projects, EU-UK negotiations risk hitting a wall unless the UK government establishes a clear way forward among those main options:

- **a continued TCA relationship, to which can be added some sectoral agreements;**
- **a Swiss-style single market relationship;**
- **an EEA-style relationship;**
- **full EU membership.**

Deeper ties, all the way to reaccession, will be conditioned upon a clear, long-term commitment from the UK government to go in this direction and negotiate for at least three years (Finland holds the record for fastest accession negotiations with 3.5 years). This could arguably only come through a new general election, once a government, which has run a campaign on EU reaccession, is voted into office.

Arthur Daemers *is a Research Fellow, Head of European energy and climate policies at Ifri. He specializes in energy system integration and clean technology supply chains in the context of energy transition.*

How to quote this publication:

Arthur Daemers, "EU-UK Summit: The Need for a Reset", *Ifri Memos*, Ifri, November 20, 2026.

ISBN: 979-10-373-1306-5

The opinions expressed in this text are the responsibility of the author alone.

© All rights reserved, Ifri, 2026

Cover: © Shutterstock.com

17. "From a Common Understanding to Common Ground: Building a UK-EU Strategic Partnership Fit for the Future", UK Parliament, March 2026, available at: www.publications.parliament.uk.



27 rue de la Procession
75740 Paris cedex 15 – France

Ifri.org