

A 3D puzzle of the UK and EU flags. The puzzle pieces are in the colors of the UK flag (red, white, and blue) and the EU flag (blue and yellow). The puzzle is partially assembled, with some pieces missing, symbolizing the relationship between the UK and the EU. The background is a blurred image of the puzzle.

**UK IN A
CHANGING
EUROPE**

**UK-EU ALIGNMENT
AND DIVERGENCE:
THE ROAD AHEAD**

FOREWORD

Regulation was central to the vision that many Conservative Eurosceptics held of a Britain freed from the EU. Brexit, they argued, could lead to a ‘bonfire’ of needless, pettifogging EU rules that would enable the UK economy to flourish.

The post-Brexit reality has been markedly different. Even under the Conservatives, this bonfire was never lit. And under Keir Starmer, Britain has, in many areas, announced its desire to mirror what the EU is doing. In this timely report, a host of experts consider what has happened, why, and what the future might hold.

My thanks to Joël Reland who masterminded the project. It is not just we at UKICE who owe him a debt of thanks for his tireless work tracking alignment and divergence between the UK and EU.

I hope you find what follows interesting, informative and accessible. Do get in touch should you have any questions or comments.

24 February 2026

Professor Anand Menon
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INTRODUCTION

Five years, it turns out, is a long time in UK-EU relations. After finalising the Trade and Cooperation Agreement (TCA) on Christmas Eve 2020, Prime Minister Boris Johnson [celebrated](#) having “taken back control of every jot and tittle of our regulation”, promising to “set our own standards, to innovate in the way that we want”. Fast forward to early 2026, and Prime Minister Keir Starmer now [argues that](#) “if it’s in our national interest to have even closer alignment with the single market, then we should consider that.”

How to make sense of such a shift, from regulatory freedom to cleaving closer to the EU’s rulebook? This report seeks to answer that question by charting both the UK’s regulatory journey over the past five years, and the path ahead. The first half is comprised of thematic chapters which gauge the scale of divergence across a range of sectors and ask why, in many cases, it has fallen short of early promises. The second then considers the challenges the Labour government will face as it embarks on its agenda of closer regulatory alignment.

Two areas stand out as sectors where the UK has done things differently to the EU. UK financial services are large enough to compete with the EU, leading both Conservative and Labour governments to seek a competitive edge by loosening the regulatory requirements imposed upon firms. On AI, the UK has deliberately moved more slowly than the EU, whose 2024 AI Act has drawn criticism from industry for the heavy compliance burden it imposes and its inflexibility in the face of a fast-developing field. In contrast, the UK has provided regulators with a more flexible set of guiding principles to implement, and seemingly been rewarded with major international investment.

In most other areas, however, the UK has done little to diverge. On tech, early plans to radically reform data protection rules (GDPR) were dropped, while the UK has developed new rules on digital markets and online safety which greatly resemble EU acts introduced a couple of years earlier. On environmental, product and labour standards, EU-era legislation has barely been reformed, even though rules on habitats protections, vacuum power levels and working hours were major targets for Brexiters.

What explains this lack of divergence? Much is down to economics. Though the UK might be able to create ‘nimble’ regulation than the EU, this nevertheless imposes administrative costs on businesses which serve both Great Britain and the EU and/or Northern Ireland (which remains aligned to most EU goods law) -

as they will need to conform with different rulebooks depending on which market they are dealing with. On top of which, the TCA's 'level playing field' provisions mean UK regulatory backsliding on labour, social, climate or environmental standards could lead to trade retaliation.

Then there is the politics. Voters demonstrate little appetite for lower labour, social or environmental protections. The revealed preference of successive governments has been to strengthen regulation in those areas when given the chance - for instance banning single-use vapes, setting a 2030 phase-out date for petrol and diesel cars, and introducing stronger rights for trade unions and zero-hour contract workers. It has taken Brexit to show us how European our regulatory instincts are.

But while the UK has done little to diverge from the EU, the same is not true in reverse. The first von der Leyen Commission was a very active legislator - establishing swathes of new laws (in particular on climate, environmental and product standards) which were not replicated in Great Britain. The result of this 'passive divergence' is the gradual emergence of new technical barriers to GB-EU and GB-NI trade due to differences in their respective rulebooks.

This is the backdrop against which the government is seeking greater regulatory alignment with the EU. As the Chancellor [recently put it](#), "economic gravity is reality, and almost half of our trade is the EU", promising to look at "what sectors we could have alignment in", beyond the handful of agreements already in train (on 'SPS', electricity and carbon pricing). The second half of the report considers the challenges Labour will face in delivering on its ambitions.

A first set are institutional. One pillar of Labour's agenda is voluntary alignment (the unilateral replication of EU law, without EU oversight) with EU product regulations - to unpick some of the passive divergence which has emerged. Despite new powers to ensure this, ministers are yet to use them, and Whitehall seems to lack the capacity to replicate all but a miniscule proportion of relevant EU legislation in this way.

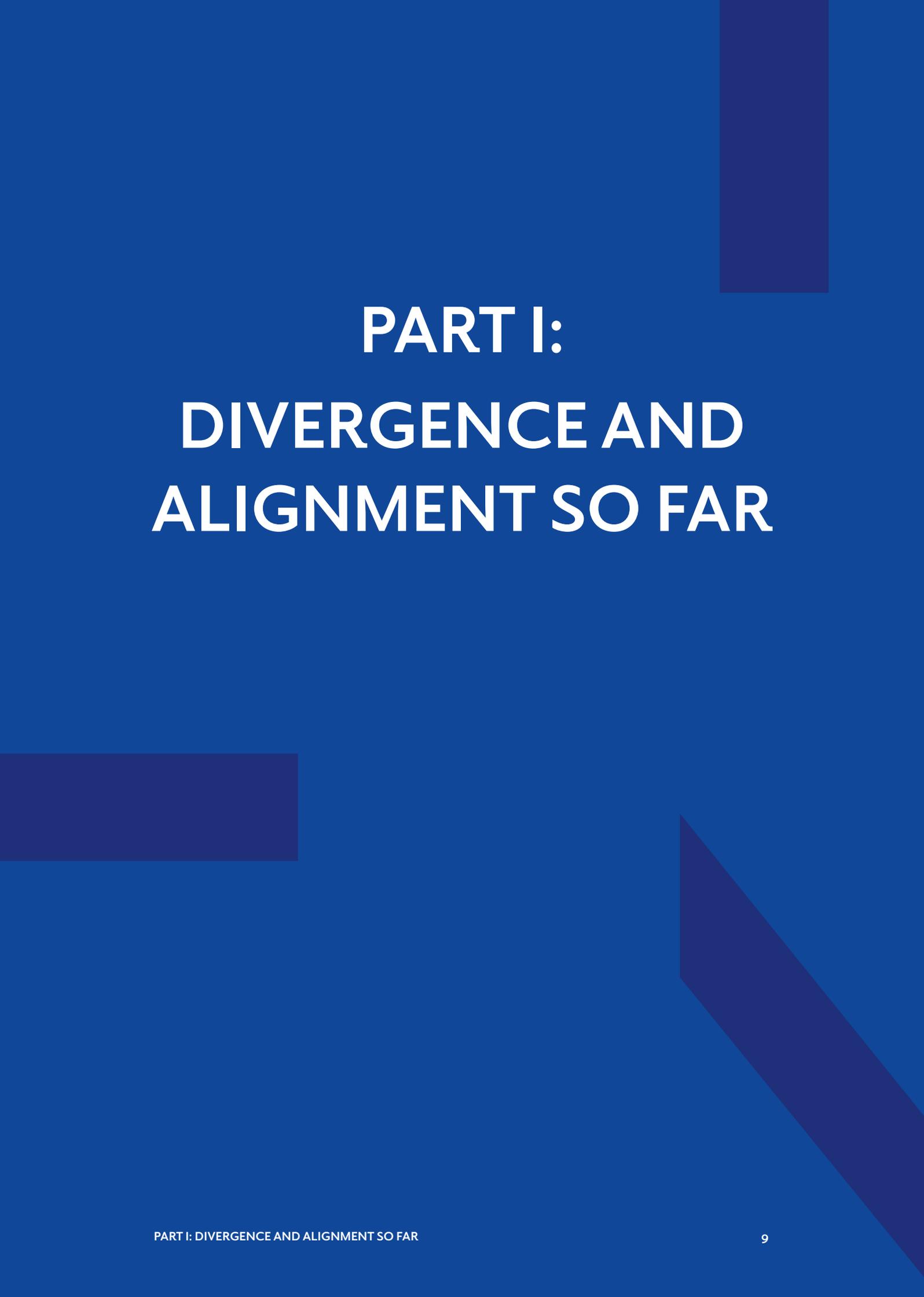
Meanwhile, dynamic alignment (negotiated agreements where the UK is formally subject to evolving EU law) requires the UK to regularly transpose EU law onto its statute book. We are yet to see how the government plans to manage that process as part of the SPS and electricity agreements (a bill is forthcoming shortly), but the experience of Norway shows that this can be both practically challenging and politically controversial.

Then there are democratic issues. It seems likely that government will try to implement as much alignment as possible via secondary legislation - to expedite processes and minimise parliamentary oversight. This means MPs will have very little power to scrutinise EU legislation being adopted, or to influence where the government chooses to align, especially as there is no longer a dedicated EU committee in the Commons. Post-Brexit control of lawmaking is being centralised not in Parliament, but in the hands of the executive.

The devolved governments, too, have little ability to shape Westminster's decisions on alignment, even though much of it falls into their areas of competence (such as environment and agriculture). For the time being, they have made little fuss about this, mainly because both the Scottish and Welsh governments are in favour of closer EU alignment, while most in Northern Ireland would also like to see GB-NI divergence softened. But this could change should the devolved governments feel ignored in decision-making, or if there is political capital to be made from pushing Westminster to go further and faster.

Which brings us, finally, to the question of whether Labour will be successful in delivering further alignment with the EU, beyond the set of negotiations currently in train. The UK could seek a more 'Swiss-style' relationship, based on dynamic alignment with more parts of the single market, but the price is likely to be payments into the EU budget and freedom of movement. Agreement also rests on the willingness of the EU to engage in such negotiations - far from guaranteed unless it sees benefits for itself and is confident that the next UK government will not rip up whatever is signed. Geopolitics could also play a role - the unreliability of the United States could affect UK calculations about how far it is willing to re-enter the EU's orbit.

If one clear conclusion can be drawn, it is that the UK's relationship with the EU is far from settled - and nor is it likely to be any time soon. It took Switzerland half a century to reach the model of relationship which is today looked upon with such envy by many in the Labour Party. And, as Ulf Sverdrup and Nick Sitter write in their chapter on Norway's EU relationship, 'alignment with the EU is a continuous, demanding process of adaptation that requires constant political attention and administrative capacity'. Ironically, the UK has to spend a lot more time thinking about EU regulation after Brexit than it did when it was a member state.



PART I: DIVERGENCE AND ALIGNMENT SO FAR

TECH AND AI

Neil Ross

Following the implementation of the UK-EU Trade and Cooperation Agreement (TCA), the government promised to unravel existing EU ‘red tape’ and take a different path to future regulation in order to unleash innovation, especially in fast-moving sectors like tech and AI.

Freed from the EU’s precautionary approach, the government argued, the UK could become a nimble, pro-growth hub for businesses. Opportunities appeared especially ripe in tech and AI because of both its economic potential and a lack of existing EU regulation, meaning the UK could start with a (relatively) blank canvas.

There is some truth to this. The EU has long been seen as an early mover in tech regulation, often prioritising consumer protection over innovation. The General Data Protection Regulation (GDPR), introduced in 2018, became a global benchmark for privacy but also a [byword for compliance headaches](#). More recently, the EU’s AI Act has drawn criticism for imposing heavy obligations on developers, with some warning it could [damage Europe’s competitiveness compared to the US and China](#).

The UK’s tech sector is a national powerhouse – one of the largest contributors to the economy, [adding £150bn in GVA every year](#) – and with huge potential for future growth. Ministers – both Conservative and Labour – have argued that Brexit allows Britain to leverage this strength. So, six years on, how far has the UK diverged from the EU? Has it achieved its aim of using Brexit to enhance strategic sectors like tech and AI? The answer is yes, in part.

The clearest example is AI. While the EU pressed ahead with its risk-based AI Act – a horizontal law imposing fixed regulatory obligations on everything from chatbots to medical devices – the UK chose a lighter, principles-based approach. Instead of a single statute, it asked existing regulators to apply five guiding principles including safety and fairness.

The UK’s approach has been welcomed by industry, which sees it as more agile and innovation-friendly than the EU’s prescriptive model. A driving reason for the UK’s approach was concern within the industry, recognised by the UK government, about the ability to effectively legislate for a technology that was developing at lightning pace.

The UK’s approach won some early validation as the EU had to scramble to rewrite significant parts of draft the AI Act in 2023, having failed to foresee the

rise of generative AI. The UK's approach was then validated again as Brussels hurriedly brought forward measures in 2025 to reduce the compliance burden on firms.

While this was happening, the UK was advancing London's reputation as a global AI hub. In 2023 OpenAI, the makers of Chat GPT, [chose London as its first international office outside the US](#), and then expanded its presence in the British capital shortly after. Then, following the second Trump State Visit, major US tech firms announced plans to scale operations in Britain, with [£31bn of investments announced](#).

However, data protection shows where the limits of strategic divergence begin to kick in, constrained by practicalities and politics. The UK initially planned bold reform of the GDPR, loosening data protection rules and making it easier for businesses to process personal data. But in the end politicians pulled back, replacing the Data Protection and Digital Information Bill with the more modest Data Use and Access Bill that limited reforms to more incremental tweaks. Why? Because significant divergence would mean the loss of the EU's 'adequacy' decision which keeps data flowing freely with the UK.

On online content regulation, the UK and EU have taken different but broadly equivalent routes to achieve the same goal: safer digital spaces. The EU's Digital Services Act focuses on systemic risk and algorithmic transparency, requiring large platforms to audit their systems and publish risk assessments. The UK's Online Safety Act prioritises child protection and imposes a statutory requirement on platforms to shield minors from harmful content. Both have resulted in extra burdens for businesses and in some ways the UK regime is stricter than the EU's, particularly when it comes to protecting children online.

Similarly, the UK and EU have taken different, but equivalent routes to competition regulation. Both the EU Digital Markets Act and UK's Digital Markets Competition and Consumers Act grant regulators powers to force tech companies to change their products to allow for fairer competition. However, the EU has been far more willing to use its legislation against large, often American, platforms, whereas the UK's Competition and Markets Authority has made fewer interventions.

In many other areas, such as on product regulation and digital government, the potential benefits of regulatory independence simply have not been seized. Here the 'slow' and 'bureaucratic' EU has moved faster and more boldly. When it comes to public infrastructure, the EU's Digital Decade strategy is far more ambitious than anything in place in the UK, with targets for digital ID and e-government to be rolled out between 2025 and 2030, backed by billions in

support. The UK, by contrast, is trapped in a politically painful debate over digital ID, with British citizens on the whole experiencing less digital and less joined-up government services than many EU countries.

While Brussels may have overregulated on AI, it has certainly built in greater protections for its citizens. The UK government, on the other hand, has largely failed to build a social rationale for its tech policy beyond economic and political arguments that appeal primarily to businesses. The result is that UK politics on tech is deeply divided and unsettled. Attempts to navigate a pathway through AI and copyright are facing political pushback (the EU has largely settled this debate already), while demands from MPs on social media could see the UK take a position that is just as extreme, or even more restrictive, than in EU member states.

While EU membership certainly acted as a constraint on tech regulation, the UK has only truly realised post-Brexit advantages in one dimension of policy, AI. While this is significant, internal constraints, such as the UK's institutions and politics, mean that Britain certainly has not gone as far in practice as it could have on paper.

FINANCIAL SERVICES

Sarah Hall

Pre-Brexit, the dominance of London within the EU's financial services networks meant that the UK played a significant role in [shaping](#) EU regulation. In order to prevent market instability and provide continuity to businesses, the EU (Withdrawal) Act 2018 preserved EU rules for the UK financial services sector, but the UK-EU Trade and Cooperation Agreement (TCA) concluded in 2020 contained only minimal provisions on financial services. Rather than seeing this as a failure, Chancellor Rishi Sunak [argued that](#) Brexit offered the UK a “chance to do things differently”, and the financial sector was one of the key pillars of the [government's vision](#) for regulatory divergence.

The TCA meant the UK lost the ‘passporting’ rights from which it had benefitted as a member state. Passporting allowed international financial services firms to base their EU operations in London and service the single market from there. Instead, UK firms seeking to access the EU market are now reliant on ‘equivalence’ decisions, where the EU determines that the UK has broadly equivalent regulatory standards to itself and eases trading processes accordingly.

But equivalence is not a like-for-like replacement for passporting. The EU's equivalence regime only covers specific areas of financial services, and decisions are not a permanent form of market access, as they can be revoked. Crucially, the EU and UK also took markedly different [approaches](#). The UK adopted a liberal stance, granting the EU equivalence in many areas, with 21 decisions currently [in place](#) with the European Economic Area. In contrast, the EU was much more restrictive, granting the UK only two decisions - far fewer than competitor financial markets such as the US and Singapore which are far less aligned with the EU in regulatory terms. This reflects the EU's policy [objective](#) of delivering strategic autonomy in financial services, focusing on developing its own capacities in areas such as capital markets, rather than relying on a large financial centre like London, which, post-Brexit is outside its regulatory control.

However, despite this reduced market access, London has [remained](#) Europe's leading international financial centre. For example, the City [accounts](#) for 38% of global foreign exchange turnover and is the largest centre internationally for cross-border bank lending, although research [suggests](#) that this could have been higher still had the UK remained within the EU. Consequently, UK regulators have become increasingly confident in developing a distinctive UK regulatory framework that actively diverges from the EU.

The early stages of this regulatory divergence were set out in then-Chancellor Rishi Sunak's 2021 Mansion House [speech](#). Central to this was the Future Regulatory Framework [Review](#) which was established to consider how the UK's financial services regulatory framework should adapt outside of EU regulation. The review focused on how a bespoke UK system could be delivered through 'smarter' regulation in which regulators would be able to adapt more quickly to market changes. The framework was implemented through the Financial Services and Markets Act [2023](#) (FSMA 2023) which gave new powers and objectives for UK financial services regulators to deliver growth and enhance international competitiveness.

The development of a distinctive UK financial services regulatory regime that diverges from the EU has continued under the current government. In her first Mansion House [speech](#) in November 2024, Rachel Reeves announced that the government would develop a new Financial Services Growth and Competitiveness Strategy, which was published in April 2025. This placed financial services at the centre of the government's wider ambitions to encourage regulators to 'regulate for growth'.

Divergence has arisen with the EU as the UK has begun to act on those ambitions. This includes a consultation on [reducing the scope](#) of transaction reporting rules and changes aimed at energising the UK's investment [culture](#), whilst also reducing the administrative burden in preparing investment product information. The UK has chosen to move closer to US, rather than EU, regulation in some areas. For example, it [has](#), in line with the US, delayed by a year the implementation of new global banking reforms known as Basel 3.1. More recently, in October 2025, the Financial Conduct Authority [proposed](#) changes to the UK's rules on short selling (in which investors essentially bet on a company's share price going down), meaning the identity of firms holding major short positions is no longer publicly disclosed.

Updates to EU regulation have also led to divergence. In contrast to the UK's focus on delivering competitiveness through regulatory flexibility, the EU has focused on regulatory harmonisation, thereby reducing intra-EU cross-border trading costs. For example, changes to its listings regime, aimed at making its capital markets more competitive, depart from the UK approach, with the influential [Draghi Report](#) on competitiveness identifying greater powers for the European Securities and Markets Authority as a 'key pillar' in growing capital markets by reducing different reporting requirements between member states.

However, there are other policy areas where initial divergence may be followed by convergence. For example, in [crypto assets](#), the EU moved more quickly than the UK with its Markets in Cryptoasset Regulation, while the UK's regulation

of crypto assets under the Financial Services and Markets Act 2000 is expected to come into effect in October 2027. However, both the UK and EU are focused on how they respond to US dollar stablecoins, meaning it could be an area for dialogue in the future.

This suggests that whilst post-Brexit financial services policy is best characterised by active divergence, cooperation and dialogue are not impossible. The Joint EU-UK Financial Regulatory Forum, established through a memorandum of understanding which accompanied the TCA, provides a regular opportunity for both parties to explore areas of mutual interest, particularly in newer regulatory areas such as cryptocurrencies. The Forum has [met](#) on four occasions to date and focuses on the sharing of information regarding a wide range of financial services regulatory issues, from the implementation of global banking reform to sustainable finance. However, it is not set up to explicitly explore questions of mutual market access or make concrete policy announcements.

Overall, financial services is a rare area where both Conservative and Labour governments, as well as the sector itself, have been happy to position the UK as a competitor to the EU rather than seeking to build closer alignment.

EMPLOYMENT LAW

Catherine Barnard

Employment law has always been a key test case for Brexit. The Working Time Regulations – which, among other things, set a maximum legal limit on employees’ weekly working hours – long [provoked the ire](#) of Eurosceptics and were the target for much Vote Leave rhetoric. Taking back control offered an opportunity to repeal those rules (and other employment laws too). Yet much less has changed than advocates of reform would have wanted.

The EU (Withdrawal) Act 2018 essentially ensured all UK law which originated in EU law would be ‘retained’ after Brexit. This was important for maintaining the workability of employment law, given how much derived from EU law (e.g. much of the Equality Act 2010, rights for part-time and fixed-term workers, health and safety legislation).

After Brexit, early plans for a [Brexit Freedoms Bill](#) would have seen all retained EU law terminate automatically on 31 December 2023, unless actively retained or reformed. This would have had a radical [effect](#) on UK employment law, removing many of the rights workers enjoyed. But Rishi Sunak’s government had a change of heart. The default position, in what became the [Retained EU Law \(Revocation and Reform\) Act 2023](#), was that all retained EU law would stay unless included in a schedule. In respect of employment law, this meant that all retained EU employment law would stay. The schedule removed some dead wood but did not make any significant changes. In launching its change of approach, the government announced a [consultation](#) on minor reforms to the working time legislation and legislation on transfer of undertakings (i.e. where parts of a business get transferred to another owner).

Of more significance for employment law was the decision in the 2023 Act to repeal the legacy of supremacy of retained EU law (so it would no longer take precedence over conflicting national law) and the removal of general principles (such as the need for an effective remedy) which have guided the interpretation of retained EU law. A process was undertaken to ensure that key aspects of retained EU law, especially EU case law, were not lost as a result of the repeal of supremacy of EU law, leading to further [legislation](#) to plug the gap, such as protecting some rights on equal pay.

The Conservative government also passed a number of pieces of employment legislation which improved, to a limited extent, the rights of workers, including the [Workers \(Predictable Terms and Conditions\) Act 2023](#) and the [Paternity Leave \(Bereavement\) Act 2024](#). The Labour government went much further with

the passage of its compendious [Employment Rights Act \(ERA\) 2025](#). This covers a wide range of issues, including improving the position of those on zero-hours contracts and doing shift work, greater rights for trade unions and their members, and the establishment of a new Fair Work Agency to improve enforcement.

For all the rhetoric about a regulatory bonfire under the Brexit Freedoms Bill, the government's hands were severely tied. The 'level playing field' (LPF) provisions in the UK-EU Trade and Cooperation Agreement give the EU the power to impose tariffs on the UK if the UK were to renege on existing levels of employment protections, as [Jacob Rees-Mogg](#) had advocated.

Those same provisions also allow the EU to take action against the UK if the government does not keep pace with new EU rules. Here the picture is more complicated. Under the previous von der Leyen Commission, the EU regulated quite extensively in the field of employment law. However, UK law already covers many of these areas. For example, the EU's [directive on transparent and predictable working conditions](#) is similar to the [Workers \(Predictable Terms and Conditions\) Act 2023](#). The [Adequate Minimum Wage Directive](#) requires states to set up a framework for establishing the adequacy of statutory minimum wage, which the UK already has in the [National Minimum Wage Act 1998](#). The Directive also requires states to establish a framework for 'promoting collective bargaining on wage-setting'; UK legislation does not do this although the ERA 2025 does provide a detailed framework for collective bargaining in respect of school support staff and social care workers.

UK law also covers much of the content of the [EU's whistleblowing directive](#), which protects those reporting on breaches of EU law. Its application in the UK would have had some [implications](#), including requiring organisations with 50 or more employees to establish internal reporting channels and respond to reported concerns within set timescales.

The most obvious lacuna is in respect of the EU's innovative [Platform Work Directive](#). It contains a presumption that those working on platforms, such as Uber drivers, are 'workers' and thus entitled to all EU employment rights. It also contains detailed provisions on algorithmic management, including the need to have a human in the decision-making process. While a UK Supreme Court decision on [Uber](#) covers some of the same ground as the first element of the directive, there is currently no UK legislation on the second. The EU is currently exploring the possibility of extending the algorithmic management provisions to those who do not work on platforms. If that legislation is adopted, the UK will be lagging further behind. This potentially raises issues under the LPF provisions.

Those leading on the ERA 2025 did not seem to have any principled opposition to regulatory alignment with the EU; rather they seem not to have deemed it relevant. There are still large areas of employment law, notably unfair dismissal and industrial action, which fall outside the scope of EU law, and it is these that form the core of the ERA 2025. Since a lot of EU social legislation sets only minimum standards, states have always been free to go beyond them. The UK has effectively done this in respect of the powers in the ERA 2025 on improving the rules on collective redundancies.

If the UK wishes to align further, there will be calls from business, already faced with a tsunami of consultations (currently 26) on the ERA 2025 and new obligations coming into force over the next [two years](#), to pause and allow the new laws time to settle. But, in the meantime, workers subject to ever greater algorithmic management may be left without specific protection other than that provided by general UK labour law.

The watering down of EU employment law is the Brexit dog that hasn't barked. Yet, as EU legislation has become more full-throated in recent years, the UK has started to increasingly diverge by default.

CLIMATE AND ENVIRONMENT

Michael Nicholson

Leaving the European Union provided the opportunity for the UK to move away or ‘diverge’ from environmental rules largely set by the EU. For some, this opened the door to a ‘[Singapore-on-Thames](#)’ style business environment with much less red (or green) tape. Michael Gove, on the other hand, argued that there would be a ‘[Green Brexit](#)’. For better or worse, however, large-scale regulatory change driven by the UK in the area of environment and climate policy has not materialised.

Rather, it is the EU that has taken the common rulebook the two sides shared up to 2020 and built on it. It has amended and revised it by tightening and strengthening existing environmental laws and created tougher new ones too. Though there are nuances to the picture, in short, the UK has chosen, in large part, not to keep pace with the EU.

It was of course coincidental that Brexit coincided with the European Green Deal (EGD), the flagship policy that drove Commission President von der Leyen’s first term in office. The EGD has been extraordinary in its breadth and depth, and few other five-year Commission mandates have seen as many environment and climate measures passed in a single term. A current ‘simplification’ drive may reflect dampened enthusiasm for more ambitious change, but the EGD is the backdrop against which EU-led divergence is framed.

There are few areas where the EU has not strengthened its environment and climate laws, many of which [open a comparative gap](#) in the level of standards and regulatory protection. This is most evident in the EU’s willingness to restrict the use of harmful chemicals and pesticides. Efforts to promote and build a ‘circular economy’, tighten air quality standards, tackle microplastics and more effectively deal with sewage are notable too.

It cannot be said that the UK has not used its post-Brexit ‘freedoms’ to diverge away from EU policy and raise environmental standards – an innovative biodiversity net gain policy (in England), protecting ‘soundscapes’ (in Wales), banning single use vapes and protecting sand eels in some UK waters are all good examples – but they are relatively few in number and are outweighed, so far at least, by the EU’s desire to go further and faster.

The recent UK-EU ‘reset’ embarked upon by Prime Minister Starmer’s government includes negotiations around a sanitary and phytosanitary standards (SPS) deal, the linkage of emission trading systems (ETS), and participation

in the EU internal electricity market, all of which have clear implications for environment and climate policy, particularly in the case of stronger pesticide restrictions as part of an SPS deal.

Yet it should be recognised that the ‘reset’ negotiations have been designed to reduce barriers to trade and grow the economy, not to tighten or strengthen environment or climate policy per se. ETS linkage is designed to avoid charges that UK exporters are exposed to under the EU’s Carbon Border Adjustment Mechanism. A deal around aligning food safety and SPS standards would mean fewer checks and delays at borders for the criss-crossing of products being sold between the EU and UK. And cooperation on electricity would likely lower costs for industries and economies on both sides of the channel. Similarly, the [rationale](#) for the recent Product Regulation and Metrology Act, which also grants powers to raise the environmental standards of products being used or sold in the UK, is designed principally to smooth cross-border trade.

Indeed, no overarching strategy has been published by the UK government setting out the pros and cons of either alignment with or divergence from EU environmental laws. In Scotland, clearer statements have been made regarding the Scottish government’s wish to align with EU rules, but this stance is arguably based on political considerations and the desire to keep the door open for potential Scottish accession, rather on a specific desire to raise environmental standards.

Take for instance changes to the EU’s urban wastewater treatment directive. The EU has tightened the requirements on member states when it comes to dealing with sewage, i.e. wastewater. It also requires member states to recover costs from pharmaceutical and cosmetics companies whose products contain micropollutants damaging to human health and the environment. The UK’s nations have a choice: do they follow suit or not? There is no obvious trade benefit to aligning with EU rules in this area and so any changes would likely be made as a result of domestic pressure over the poor state of the UK’s waterways, rather than out of a desire to align with EU rules. The same is true for a number of initiatives where the EU has raised its standards or increased its level of ambition since Brexit; such as new laws aimed at improving energy efficiency, reducing methane emissions, reducing microplastic pollution and cutting food and textile waste.

There are, however, several areas of environmental policy that have implications for trade, where aligning with the EU could help to reduce frictions or distortions to economic competition. For example, differing timelines and rival approaches to preventing the import of products linked to deforestation adds uncertainty and complexity for companies in Europe operating across jurisdictions. Similar cases

could be made for other environment-related policy areas, such as ‘eco-design’ standards for products and chemical standards.

Whilst there has been no seeming desire in the UK to slash ‘green tape’ to gain a competitive advantage over its EU neighbours, neither has there been an objective of alignment to match or exceed environmental standards set by its more ambitious neighbour(s). Where there has been a desire to align, it has principally been done with the purpose of reducing barriers to trade and promoting economic growth.

Though it may seem unlikely now, neglecting provisions in the Trade and Cooperation Agreement, which require parties not to diverge in a manner that ‘materially’ affects trade and investment and which includes one party raising standards without the other following suit - the so-called ‘re-balancing’ clause ([Article 411](#)) - would seem to be particularly pertinent. This could allow the EU to take trade retaliation in response to UK regulatory passivity.

It is a salutary lesson to UK audiences who wish to see higher environmental standards, and who see higher levels of ambition being set by the EU for the benefit of their citizens. Aligning for alignment’s sake or simply so that the UK can benefit from higher environmental standards is unlikely to be persuasive enough to merit the government’s attention.

PRODUCT REGULATIONS

Joël Reland

Product regulations have long been cited by Eurosceptics as evidence of the excesses of EU red tape. As the Telegraph's Brussels correspondent in the 1990s, Boris Johnson [wrote that](#) "Brussels bureaucrats have shown their legendary attention to detail by rejecting new specifications for condom dimensions", and on the campaign trail in 2016 he [asserted](#) that it was "absolutely crazy that the EU is telling us how powerful our vacuum cleaners have got to be".

Since the UK's departure, however, product regulations - which set safety standards for everything from domestic appliances and heavy machinery to toys and cosmetics - have not offered many "Brexit opportunities". First, because there is little public appetite for watering down existing levels of consumer protections. Second, because divergence significantly complicates trade with the EU. Yet, despite this, Brexit has still led to some significant regulatory complications.

The most immediate, and significant, was that UK notified bodies could no longer administer the 'CE' mark, which denotes a product's conformity with EU regulatory requirements. Instead, they have had to start administering a '[UKCA](#)' mark - denoting conformity with GB rules (in effect equivalent to the EU's at the time of Brexit). In Northern Ireland, which remains aligned to most EU rules for goods, products still require a CE mark.

Initially, the CE mark was set to be accepted for new products placed on the GB market until January 2022, after which the UKCA mark would become mandatory. It soon became apparent, however, that this was a recipe for chaos. The scale of demand for UKCA approvals far exceeded the capacity of UK bodies to administer them. There was, for instance, [only one body able](#) to administer approvals for heat emitters (compared to eight in the EU), which needed to clear 64 years' worth of approvals in seven months. That risked many goods being cut off from the GB market, as they would not have been able to obtain a UKCA mark before the mandatory deadline. A further risk was that, given the difficulties in getting products certified, many foreign manufacturers may not have bothered to obtain a UKCA mark at all - leaving potentially major gaps in British supply chains which remain highly integrated with the EU.

Consequently, the government repeatedly delayed the deadline for making the UKCA mark mandatory before ultimately deciding, in [July 2023](#), to continue accepting CE-marked goods for most sectors indefinitely. This decision was later extended to construction products and medical devices, which are covered

by different regulations. This has provided stability for British manufacturers, but leaves them at a structural disadvantage compared to their EU competitors. Because the EU does not recognise the UKCA mark, any GB firm wanting to sell into the EU must obtain a CE mark from an EU-based body, whereas EU firms need not do the same in reverse. Ahead of last year's UK-EU summit, the EU [rejected](#) a UK proposal for an agreement on mutual recognition of conformity assessments - which would allow UK bodies to administer CE marks and vice-versa. The Commission may see little benefit in an agreement which makes it easier for UK manufacturers to compete on the EU market.

The other major post-Brexit impact stems from 'passive divergence' - which occurs when changes to EU regulations are not replicated in UK law. The Commission has in recent years passed major new regulatory packages on the circular economy, climate and environment which have significant implications for products. There are, for example, new restrictions on the presence of harmful substances (such as PFAS) [in toys](#) and other products; higher standards around the energy efficiency and reparability of products; a requirement for all electrical items to use the same USB C-type charger; stricter rules on the labelling and reusability of packaging; and obligations for goods to carry a 'Digital Product Passport' providing information on their materials, environmental impact and disposal recommendations.

The UK has not adopted equivalent measures, [seemingly due](#) to a lack of inclination rather than an active desire to diverge from the EU. This leaves consumers subject to comparatively weaker protections, and a risk that goods no longer deemed safe enough for the EU/NI end up getting 'dumped' in Great Britain. It also leads to trade friction, as GB companies must invest time and money in undertaking separate production or approval processes for EU/NI-destined goods. Take the updated EU General Product Safety Regulation, which came into force in 2024 and requires all companies selling products into the EU (and Northern Ireland) to have an EU-based 'point of contact', at a cost of €150 per year per product. This has made exporting to the EU and Northern Ireland prohibitively expensive for many smaller firms. Compliance with upcoming rule changes on deforestation-free good and packaging could have similar effects.

Conservative governments did not seek to stem this tide of passive divergence, but things have changed under Labour. Last year, the government passed the Product Regulation and Metrology Act, which gives ministers powers to replicate new and updated EU product safety rules in UK law. The draft bill's [explanatory notes](#) identified a range of EU new laws which could be in scope - including those on toy safety, lithium-ion batteries for e-bikes, and oversight of goods sold via online marketplaces - with its stated purpose being to "keep pace" on

consumer protections and avoid new trade frictions. But the government is yet to use its powers under the act, and it seems highly unlikely it has the capacity to systematically monitor and replicate all relevant EU rule changes - meaning the scale of passive divergence will continue to grow.

The way to stem the tide would be formal alignment of goods regulations, as part of a wider agreement on mutual recognition of conformity assessments (so the UKCA mark is accepted in the EU and vice-versa). This is something Switzerland has as part of its set of agreements with the EU. The UK could request a similar deal, but the EU would likely see this as 'cherry picking' unless the UK accepted the same wider conditions as Switzerland, i.e. free movement and payments into the EU budget. Given free movement remains a clear red line for the government, the slow drift in product regulations is likely to continue.

MEDICINES

Mark Dayan and Tamara Hervey

For nearly fifty years, UK medicines regulation was part of the EU framework. Following Brexit, some were [optimistic](#) about opportunities to improve patient access to medicines, reduce NHS costs and encourage the medicines industry to innovate. Others [feared its potential impact](#) on densely integrated supply chains leading to disruption of supply and consequent impacts on patient care. Overall, [no clear pattern](#) for medicines regulation has emerged. The UK has deliberately diverged in some areas; maintained parallel regulation in others; and there has also been ‘drift’ as EU regulations have changed while the UK has taken no parallel action.

An immediate challenge post-Brexit was ensuring the continued supply of medicines between the UK and EU. Annex 12 of the [Trade and Cooperation Agreement](#) (TCA) establishes a system for the UK and EU to continue to mutually recognise good practice inspections: the [system](#) where a distributor shows they meet quality and integrity standards for medicines throughout the supply chain. But the more everyday regulatory process of testing individual batches of medicines for compliance by a ‘qualified person’ is not included, even though the EU recognises tests conducted in other countries such as the USA and Australia, and the UK has [continued to recognise](#) tests conducted in the EU.

The lack of mutual recognition of batch testing has been a [prominent concern](#) for industry and other stakeholders, because it adds a dual regulatory burden and associated costs for British suppliers, and is one of the principal trade barriers separating the medicines markets in Great Britain and the EEA. The Nuffield Trust noted elevated and troubling levels of UK medicine [shortages in several reports](#). Though insecurity of medicines supply is not simply down to Brexit, but also to a reduction in imports into Europe, the UK has the [lowest import growth in medicines of any G7 country](#).

Supply threats have been especially acute in Northern Ireland, which remains subject to most EU goods regulations. Initially, Northern Ireland was not going to be permitted to recognise batch testing or novel approvals from Great Britain – leading to [major concerns](#) about supply shortages given it relies on Great Britain for 80% of its medicines imports – before the situation was changed by Windsor Framework so it now adheres to the GB regimes. Perhaps NI can enjoy ‘the best of both worlds’, but [at the cost of significant legal complexity](#).

One of the few areas where the UK consciously sought to diverge from the EU was on the authorisation of novel medicines, with the aim of simplifying and

speeding up approval processes. [New initiatives](#) take advantage of the free-standing UK regulator, MHRA, being able to work with national NHS bodies, and the UK has introduced [new policies](#) to approve medicines once other countries with sophisticated regulators have done so. However, the sudden growth in responsibilities caused a marked [slowdown in approvals](#) as the MHRA struggled to cope with increased demand.

In December 2025, the UK [announced](#) a medicines agreement with the USA. This secures zero tariffs on UK pharmaceutical exports: in return, the UK has agreed that the NHS will pay more for new branded medicines. The mechanisms include lower cost-effectiveness standards and reportedly – the agreement has yet to be published – a [doubling of the proportion of GDP](#) spent on patented medicines over ten years. The costs are likely to lead to [losses of efficiency for the NHS](#). The EU does not appear to have interest in a similar agreement, instead securing a tariff cap of 15% on medicines as part of its [wider trade settlement](#), without affecting the purchasing responsibilities of its member states.

Changes to the EU rulebook have also impacted the UK. Before Brexit, the UK led many European cross-border clinical trials. Now, researchers [report](#) that duplicative processes and associated red tape, flowing from different regulatory processes in the EU ([new 2022 rules](#)) and UK, mean that there can be delays in offering patients a clinical trial place. This is exacerbated by difficulties in importing medicines and attracting global talent. The UK's [new clinical trials regulations](#), which differ from the EU's in some respects, such as '[combined review](#)' of regulatory and ethical aspects in one process, come into force in April 2026. They aim to be a '[lighter touch](#)' than the EU's.

In December 2025, the EU reached [political agreement](#) on a long-awaited medicines regulation reform package. Its key aims are to incentivise a stronger EU-based pharmaceutical industry, while at the same time tackling slow medicines supply to patients and critical medicines shortages, giving the Commission [ever greater regulatory involvement](#) in medicines equity (particularly the cost of medicines to national healthcare systems). If the EU is successful, it will strengthen its relationship with the global medicines industry, attracting inward investment and further isolating the UK as a much smaller medicines market.

The TCA provides for cooperation on public health and [dialogue is taking place](#), with a TCA working group [exchanging information](#). The UK has also [expressed interest](#) in strategic partnership with the EU over critical medicines, with [both sides](#) developing new laws to bolster security of supplies. But, unlike other issues, medicines do not appear to be a live theme in ongoing UK-EU negotiations which could actually change the degree of divergence. One option for greater cooperation

would be to bring medicines supply within a 'health security' frame, rather than a 'trade' frame, to allow for mutual recognition of more elements of the regulatory environment without the UK accepting single market rules. However, it is very unlikely that the Commission will allow the UK to enjoy the privileges of single market access without formal alignment to its rulebook.

Ongoing divergence - whether deliberate or through 'drift' - leaves UK suppliers and users of medicine facing [significant friction - often, without any particular advantages](#). Changing this would require serious negotiation with health as a priority, which would mean the UK making concessions, such as accepting the disciplines of EU internal market regulation.



PART II: CHALLENGES AHEAD

DYNAMIC ALIGNMENT

Holger Hestermeyer

Labour secured victory in the July 2024 general election on a [manifesto](#) promise to reset the relationship with the EU and dismantle unnecessary barriers to trade. Economically, the case for this is clear: the EU remains the UK's largest trading partner. Between October 2024 and September 2025, [42% of all UK exports](#) went to the EU, while 49% of UK imports originated from there. Simplifying trade with a market of 450 million consumers and a diverse industrial base promises improved opportunities for British exporters and more choice for UK shoppers. Under the UK-EU [Trade and Cooperation Agreement](#), goods already move between the two partners without tariffs or quotas. Yet the agreement fell short on addressing regulatory barriers to trade.

Regulation, while essential for protecting health, safety and the environment, can create formidable trade frictions. A country might ban a pesticide used in other countries, forcing foreign producers to undergo costly testing, to ensure there is no relevant residue, or face [outright](#) import bans. Technical standards present another challenge: products must often meet specific legal requirements and show their compliance by attaching a product marking (in the EU the so-called [CE marking](#)) to enter the market. Compliance means additional costs and delays for exporters.

When the UK left the EU, [some believed](#) that regulatory barriers posed little threat to trade or that an agreement could be negotiated that would automatically admit UK products to foreign markets and vice-versa. But those hopes were short-lived. With the end of the [transition period](#), compliance with UK law no longer constituted compliance with EU law. British goods suddenly faced border checks, delays, and bureaucracy - not as a punitive measure, but simply because they were now treated like any other non-EU imports.

Over time, UK and EU [regulations gradually diverged](#). New rules and administrative decisions on both sides widened the gap, to the point that the UK's [food sector now claims to need a transition period](#) should the country re-align its standards with the EU. The economic toll of regulatory barriers has been especially steep in agriculture, where regulatory requirements are strict and tolerance of divergence is limited. A [National Farmer Union analysis](#) of HMRC data shows UK farm exports to the EU have dropped by 37.4% in the five years since 2019.

Key to reducing the regulatory trade barriers with the EU and allowing for closer cooperation is ‘dynamic alignment’ of UK laws with those of the EU. At the May 2025 UK-EU summit, the UK and EU agreed to negotiate agreements involving dynamic alignment in three sectors: electricity (allowing the UK to join the EU’s internal electricity market); agrifoods (so-called ‘sanitary and phytosanitary’, or ‘SPS’, rules); and emissions trading systems, [avoiding the risk](#) of EU or UK border taxes under their respective Carbon Border Adjustment Mechanisms. The Council of the EU has [formally authorised](#) negotiations on an SPS agreement and on alignment of emission trading systems. A decision to authorise similar negotiations for the UK’s participation in the internal EU electricity market [has been drafted](#).

The concept of [dynamic alignment](#) means that a country ensures that its rules remain the same as those of another jurisdiction. In the UK-EU context, that means the UK must apply the full body of EU law relevant for the purposes of the agreement. A UK-EU agreement would operationalise this by listing the relevant EU law, for instance in an annex. Whenever the EU adopts new rules in the relevant area, the annex listing the relevant rules would be amended to incorporate these and the UK would have to adopt the changes as well.

Dynamic alignment raises three distinct issues on the UK side, acknowledged in the May 2025 agreement: the scope of such alignment needs to be precisely defined; the UK needs to be able to contribute to EU decision-making; and UK constitutional and parliamentary procedures need to be respected. From the EU side, the role of the Court of Justice of the EU (CJEU) needs to be respected.

Determining exactly what EU law should be in scope is a key part of all three negotiations. The agreements should allow for relevant exceptions, where the UK does not have to dynamically align with specific pieces of EU law due to particular domestic circumstances. The need for exceptions in the area of SPS rules has been emphasised by the House of Commons Environment, Food and Rural Affairs Committee, which, amongst others, pointed out UK leadership in on-farm animal welfare and food labelling, and the risk of UK producers being undercut by imports produced to lower standards.

Recognising the problems of democratic legitimacy that a ‘rule-taker’ position resulting from dynamic alignment would entail, the EU and the UK have already agreed that the status should be mitigated by the UK obtaining a ‘decision-shaping’ role. That role would not involve obtaining voting rights like member states, but could resemble the arrangements in place for EEA countries, providing for UK input at [various stages](#) of the EU legislative processes.

UK constitutional and parliamentary procedures do not exclude dynamic alignment as such. The UK, of course, continuously applied EU law for decades as a member state and even today it automatically aligns, for instance, with some developing rules of the [International Maritime Organization by way of an ‘ambulatory reference’](#) in UK law. However, UK constitutional requirements would mitigate against automatically implementing EU law without parliamentary scrutiny - as is the case in Northern Ireland under the Windsor Framework - meaning the government will require new powers to transpose EU directives and implement further legislation over time. A bill to that effect is set to be brought forward shortly. Here, [the long history of EU membership provides guidance](#) how the UK Parliament can and should play a role under dynamic alignment, ensuring the UK scrutinises relevant rules before they are implemented in the UK.

With regard to dispute resolution and the interpretation of rules the UK aligns with, EU law obliges the EU to respect the role of the CJEU as ‘the [ultimate authority for all questions of EU law](#)’ - meaning that even though dispute resolution for a UK-EU agreement will be provided by an independent arbitration tribunal, the CJEU serves as the final authority on interpretation of EU law.

Overall, the discussion about dynamic alignment signifies a return to traditional UK pragmatism: in some areas, regulatory autonomy creates barriers and economic harm not outweighed by any benefits. Considering dynamic alignment in such areas is common sense.

VOLUNTARY ALIGNMENT

Joël Reland

Since the UK-EU summit last May, there has been plenty of discussion about ‘dynamic alignment’ as a way of enhancing EU trade. This is where the UK formally submits itself to EU law in specific sectors, including as it evolves over time and without any real say over the design of the legislation, in exchange for lifting technical barriers to trade including paperwork and checks.

But there is another, less discussed, element of the government’s strategy to boost EU trade - voluntary alignment. This is, in effect, a policy of keeping pace with EU law as it evolves over time, but without any formal obligation to do so or oversight from the EU. This makes life easier for business, by avoiding new regulatory divergence which creates further trade complexity, but it does not unpick any of the original trade frictions which Brexit created. The other appeal of voluntary alignment is that it can be done unilaterally - making it quicker and simpler to enact (at least in theory) - and in many cases without MPs and the media noticing.

Voluntarily alignment can be with either the *spirit* of EU law (seeking similar outcomes in domestic legislation) or the *letter* (replicating EU legislation on the UK statute book). Conservative administrations occasionally adopted the former approach, even if it was never officially framed in this way. The UK Digital Markets, Competition and Consumers Act 2024 bears more than a passing resemblance to the EU’s Digital Markets Act 2022, which both seek to prohibit anti-competitive practices by big tech. The same goes for the UK Online Safety Act 2023 and the EU Digital Services Act 2022, which both impose obligations on platforms to keep users safe online.

A similar dynamic can be seen in competition policy, where the Sunak administration delivered a ‘[strategic steer](#)’ to the Competition and Markets Authority (CMA) to minimise regulatory interventions. The CMA initially diverged from the EU in taking a more active stance in [blocking mergers](#), before the government was spooked by [accusations](#) from affected firms of the UK being ‘closed for business’ - leading it to effectively instruct the CMA to tack closer to the EU’s more hands-off approach.

The Labour government has continued this trend of ‘[alignment by stealth](#)’, including in the areas of employment and climate protection. But it has gone a step further than the Conservatives by also seeking voluntary alignment with the letter of EU law. The centrepiece of this agenda is the Product Regulation and Metrology (PRM) Act, which gives UK ministers powers to replicate in UK

law pieces of new or updated EU legislation related to the environmental impacts of products. This opens the door to the UK mirroring a wide range of legislation which has emerged since 2020 under the EU ‘Green Deal’. Examples include rules on the reusability of packaging, the reparability of goods, deforestation-free products, oversight of online marketplaces and supply chain due diligence.

Just because the UK voluntarily follows EU rules on products (or any other area for that matter) does not mean the EU will suddenly drop requirements for UK goods exporters to submit paperwork and undergo inspections. The removal of such Brexit-induced bureaucracy requires dynamic alignment with the relevant EU legislation – as per the ‘SPS’ agreement under negotiation.

The benefit of voluntary alignment is that it limits the emergence of new ‘passive divergence’ – i.e. changes to EU law not mirrored in the UK – which would otherwise add further trade barriers over time. As other chapters in this report show, passive divergence adds cost and complexity to GB-EU and GB-NI trade (as Northern Ireland remains aligned to most EU goods regulations) because businesses must meet different requirements depending on which market they are exporting to.

In the case of Northern Ireland, there is also a potential political benefit to assuaging unionist concerns about growing divergence. In recent cases where members of the Northern Irish Assembly (MLAs) have requested that the UK government seek a suspension of the application of new or updated EU law in Northern Ireland (for instance on [craft products](#) and [substance labelling](#)) due to concerns about the trade impacts, the government has responded not by suspending the application of that law but instead promising to look into aligning UK law with the EU’s – so as to close the GB-NI regulatory gap.

However, for all those promises, the UK government is yet to voluntarily align with the EU rules in question. Nor has it used its powers under the PRM Act to replicate any other EU legislative developments. Last July, [it said](#) it ‘intends to introduce requirements for online marketplaces at the earliest opportunity to update their responsibilities’, but there is yet to be any sign of this. There is a similar story around [emissions testing for vehicles](#), while as far back as October 2024 [a consultation](#) was initiated on mirroring EU rules mandating a universal charger type for electronic goods – but the government is yet to issue its response, let alone bring forward legislation.

This illustrates the difficulties Whitehall faces in delivering voluntary alignment in practice. There might in principle be lots of areas where the government would like to keep pace with EU rules. However, this requires significant resource within the civil service to keep track of relevant developments, decide where alignment

is necessary and then draft and implement the necessary legislation. This is made more complicated by the fact that potential areas of alignment cut across different departmental competencies - Defra, DBT, HM Treasury, Northern Ireland Office - with no central minister or team leading the alignment agenda. At best, the state might have the capacity to deliver a few pieces of voluntary alignment (a good while after the EU legislation has been introduced) but it seems almost impossible to do it in anything approaching a systematic way.

In sum, then, voluntary alignment is a high-effort, low-reward strategy - putting a considerable resource demand on the state for very little macroeconomic gain. The fact that the PRM Act is yet to be utilised may speak to the fact that the government increasingly realises this, and is instead prioritised delivering agreements on dynamic alignment, which do more to offset the costs of divergence.

PARLIAMENTARY SCRUTINY

Jill Rutter

With the 2024 election, the House of Commons washed its hands of Brexit. The last vestige of dedicated Commons capacity to oversee UK-EU relations was abolished when the incoming Labour government decided not to re-establish the European Scrutiny Committee (ESC). The role of the ESC was document scrutiny – examining EU legislative proposals and their implications – and the government argued that, with Brexit, that was no longer needed. Once the UK formally left the EU in 2020, the ESC [morphed into a talking shop](#) for champions of an even harder Brexit, pushing Conservative ministers to take tougher lines on ridding the UK of remaining EU legislation. Opposition MPs barely showed up. But it did, in theory, provide a place where the UK-EU relationship could be scrutinised. That has now gone.

In abolishing the ESC, the Labour government was following the precedent set by its Conservative predecessor. The [final report](#) of the Committee on the Future Relationship with the European Union (set up post-referendum in October 2016), in January 2021, recommended that relations needed continued scrutiny and that the government should come forward, in consultation with a number of relevant parliamentary committees including the Liaison Committee, with proposals on how that scrutiny should be conducted. The government never followed up.

The effect of these two changes has been that, in the Commons, scrutiny falls to multiple committees. Since the 2024 election, Minister for EU relations, Nick Thomas-Symonds, has appeared before four different committees (Business and Trade, Public Administration and Constitutional Affairs, Foreign Affairs and Northern Ireland Affairs).

This contrasts with the House of Lords, where Thomas-Symonds (along with FCDO Minister Stephen Doughty) has already appeared twice in front of the European Affairs Committee, as well as at the Northern Ireland Scrutiny Committee. These committees now do what remaining document scrutiny is needed, and the only parliamentary report on the reset was published in November by the European Affairs Committee. The lack of Commons capacity has prompted [cross-party calls](#) for the re-establishment of a cross-cutting committee in the Commons, but the government has resisted.

It is not clear that this vacuum can hold as the UK-EU reset progresses. Ministers have already, through the [Product Regulation and Metrology Act](#), taken powers to initiate voluntary alignment with EU regulations on product safety (potentially quite widely-defined) through secondary legislation. They have indicated

potential areas where they may use those powers (such as digital labelling and combatting the sale of unsafe goods) and the principles they will seek to apply, but have yet to bring forward new regulations under the Act.

Things will change if the government manages to land the deals foreseen in the [Common Understanding](#). Nick Thomas-Symonds has indicated that the government hopes to reach agreement on a sanitary and phytosanitary deal early enough in 2026 to enable legislation to be brought forward later in the year. That legislation will have to make provision for future ‘dynamic alignment’ with EU regulation (i.e. updating UK law to match relevant EU law, including as it evolves), and a bill is reportedly being prepared to give ministers powers to bring UK law back into alignment with the EU as necessary. There will be similar requirements if and when the UK lands agreements on [ETS linkage](#) and electricity.

Another question is how much of a say Parliament will have over future alignment. The amendment or rejection of alignment legislation by Parliament would trigger an EU response, potentially including the withdrawal of market access. That means government will likely want to grant Parliament a minimal role in ex-post scrutiny of new regulations – which could mean passing as much legislation as possible via statutory instrument, so MPs do not get to vote on it.

That minimal role should, in turn, increase demands from Parliament for involvement at earlier stages in the EU legislative process. The Common Understanding foresees a role for the UK in what it terms ‘decision-shaping’ in advance of legislation going through internal EU processes and formal adoption. This may look like the sort of input that [Switzerland has just signed up to in its new agreement](#) or that the EEA countries have had as longstanding, non-decision-making participants in the single market.

But it also means that the UK government will need to get ahead of the EU legislative curve and potentially seek allies in the Council and the European Parliament to ensure that UK interests are reflected in EU legislation. In that case, Parliament ought to be interested in the future EU agenda, how it potentially affects UK consumers and businesses, and how the government is trying to influence it. At the moment, it is far from clear where that dialogue between ministers and the House of Commons would take place, or whether MPs would be willing to leave all detailed scrutiny to the Lords.

More generally, as the UK-EU reset progresses, MPs should want the opportunity to be able to understand the trade-offs the government is making through its EU policy and the impacts on domestic policy, and to potentially influence some of the choices ministers are making. They may also want to influence the issues

that are prioritised at future UK-EU summits. That can be done through ad-hoc general debates and to some extent through departmental select committees, but a single oversight committee would enable MPs to take a broader view, and provide more dedicated parliamentary research capacity to support efforts.

One of the notable developments post-Brexit has been the willingness of MPs to cede repatriated power to ministers to exercise with minimal scrutiny. This is true on wider trade issues as well as EU relations. The control that has been taken back has been handed to the executive. But as the UK develops a more complex relationship with the EU, affecting a wide range of interests and entailing repeated trade-offs, Parliament should want to be a player and we need to grow a new cadre of MPs who understand that evolving relationship and the implications for the UK economy, for devolution, for Northern Ireland and their own freedom to act. Parliament should not be prepared to be permanently sidelined. At some point MPs need to force government to reconsider.

DEVOLVED POWERS

Alex Walker

By leaving the EU, the UK regained control over several areas of domestic policy that were previously set at EU level. Several of these, notably those related to agricultural and environmental policy, returned not to the UK government but to Scotland, Wales and Northern Ireland. Consequently, Brexit created the potential for divergence between different parts of the UK.

Post-Brexit UK Conservative governments were keen to diverge from the EU to demonstrate the benefits of leaving. The devolved governments in Scotland and Wales, on the other hand, were in favour of continued alignment. The Scottish government wanted to stay close to the EU rulebook so that an independent Scotland would be in a good position to rejoin. It passed legislation in 2021 – the Continuity Act – enshrining this commitment and allowing Scottish ministers to make regulations that correspond to EU rules. The Scottish government has so far [hardly](#) used the powers in the Continuity Act, but it has passed pieces of primary legislation, such as the Circular Economy (Scotland) Act 2024, that [move Scotland](#) in a similar direction to the EU. The Welsh government has also been supportive of a close EU relationship, but [abandoned](#) similar legislation in favour of the common frameworks programme – a more coordinated, intergovernmental approach to managing policy areas that were previously governed by EU law. 32 [frameworks](#) were agreed setting out how the UK and devolved governments would work together in a range of areas such as public procurement, food safety and storing radioactive substances.

This picture changed when Labour came to office. The new government [abandoned](#) the pursuit of divergence for its own sake (which had been fairly [limited in practice](#)) and started efforts to avoid divergence by default as the EU rulebook evolved, with the [Product Regulation and Metrology Act](#) (PRMA) granting ministers powers to voluntarily align with EU product standards – an area of intensive recent European regulatory activity. Then, at the UK-EU summit in May 2025, the government committed to ‘dynamic alignment’ – the systematic adoption of evolving EU regulations in specified areas – on agrifood, electricity and (to a lesser extent) emissions trading.

These developments have had profound consequences for the devolved governments. The PRMA, which became law in July 2025, encompasses product regulations for environmental purposes, which are a [devolved responsibility](#). Most food, plant and animal regulations relevant to agrifood alignment are devolved. And the UK Emissions Trading Scheme (ETS) is [governed jointly](#) by the UK and devolved governments, who together constitute the UK ETS Authority.

Given these intersections, the practical effect of the UK's move towards greater alignment with the EU will be to limit devolved autonomy. But it also makes the lives of the Scottish and Welsh governments much easier. The UK as a whole is moving in the direction they have advocated and, in the Scottish case, tried to pursue independently. Both governments have [welcomed the commitments](#) in these areas.

However, while they are happy to give up certain freedoms in the name of EU alignment, the two devolved governments still want a say when these agreements are negotiated at UK level, and some influence over the UK's EU policy more generally. There have already been some disagreements on this front. Scottish ministers were unhappy about the agreement that was struck at the May 2025 UK-EU summit [on fisheries](#) - a major Scottish industry, the management of which is largely devolved - which saw reciprocal access extended under existing quota shares for a further 12 years. They reported being blindsided, and [pointed to the cancellation](#) of meetings of the Interministerial Group (IMG) on the Environment, Food and Rural Affairs in the run up to the summit, which they argued should have been used to discuss the issue.

There is an extensive network of [intergovernmental forums](#) intended to facilitate engagement and coordination between the UK and devolved governments across various policy areas. This includes an IMG on UK-EU relations, which appears to now be [finding its feet](#). After the May summit, the Scottish First Minister received [assurances](#) from Keir Starmer that the UK government would work more closely with the Scottish government on the detail of the agreed areas. The extent to which this promise is kept will be a major test for the devolved governments of whether Labour's 'reset' of intergovernmental relations - a [mixed picture](#) so far - has much substance.

It is not just the negotiations that the devolved governments will want a say over, but also the implementation of dynamic alignment and the UK's 'shaping' of relevant EU decisions. Primary legislation will be required to give the UK government the powers to implement dynamic alignment. Given the considerable devolved implications, the consent of the Scottish and Welsh legislatures will be required, and they will want to use this opportunity to make sure they are satisfied with how it is to be delivered.

The passage of the PRMA may indicate what is in store. As originally introduced, the legislation [centralised decision-making](#) with UK ministers. However, the legislation was later [changed](#) after negotiation so that the consent of devolved ministers is now required for the making of regulations that touch on devolved competences. It is likely that the Scottish and Welsh governments will seek similar safeguards in relation to dynamic alignment.

The UK will not have decision-making rights in relation to the EU regulations it will be dynamically aligning with. However, it is envisaged that there will be opportunities for ‘decision-shaping’. When the UK was in the EU, the Joint Ministerial Committee on Europe allowed for fairly meaningful devolved input ahead of European Council meetings. The Scottish and Welsh governments will be asking whether its replacement, the UK-EU IMG, will take on a similar role in relation to EU ‘decision-shaping’ impacting on devolved areas.

There is currently a degree of intergovernmental consensus on the need for greater EU alignment, but it is not guaranteed to hold. Devolved governments may start to protest if they are not given sufficient influence over future UK alignment decisions and legislation. And the Scottish government, which would like the UK to embrace a much closer EU relationship, might in future seek greater unilateral alignment with the EU - necessitating negotiations with Westminster on how to manage the potential effects of intra-UK divergence.

NORTHERN IRELAND AND THE WINDSOR FRAMEWORK

David Phinnemore

Regulatory alignment lies at the heart of the Windsor Framework. Under its provisions, despite the UK leaving the EU, more than 350 EU acts plus amendments and implementing measures continue to apply in Northern Ireland.

The EU and the UK agreed that these EU acts should apply so that they could deliver on a shared commitment to avoid a hard border on the island of Ireland after the UK had left the EU. The acts that apply mostly concern customs and regulatory arrangements for the free movement of goods. Others concern the supply of [wholesale electricity](#) and individual rights.

Under the original Protocol on Ireland/Northern Ireland - since 2023 referred to as the Windsor Framework - the EU and the UK also agreed that this regulatory alignment would be 'dynamic'. Future amendments to applicable EU acts therefore apply in Northern Ireland, as do acts that replace those applicable acts and, subject to the agreement of the UK, relevant new EU acts concerning the free movement of goods. Several new EU acts have [already been added](#).

While regulatory alignment under the Windsor Framework has avoided any physical hardening of the border on the island of Ireland, it has proven problematic in two important ways.

First, EU acts apply in Northern Ireland without any direct involvement of the UK in their initial adoption. While mechanisms do exist for the EU to consult with UK officials on proposed EU acts, and there are now opportunities for [stakeholders](#) in Northern Ireland to engage with the European Commission, the UK has no role in the EU legislative processes through which the acts are adopted.

Moreover, most regulatory alignment under the Windsor Framework is automatic. No joint UK-EU decision is required for amendments to or replacements for applicable EU acts to apply. Once they enter into force in the EU, they apply in Northern Ireland. In 2023, [more than 650 EU](#) acts were applied automatically in Northern Ireland (the majority being technical 'implementing acts').

There is therefore a 'democratic deficit' in the process. EU acts generally apply in Northern Ireland without the direct approval of the UK Parliament or the Northern Ireland Assembly. For its critics, legal and parliamentary sovereignty in the UK has been [usurped](#).

Mechanisms do exist to allow members of the NI Assembly (MLAs) a say on whether EU acts should apply. In 2024 a [‘Stormont Brake’](#) was introduced. It allows MLAs to make the case that certain amendments or replacements to EU acts applicable under the Windsor Framework would have ‘a significant impact specific to everyday life of communities in Northern Ireland in a way that is liable to persist’. If the UK government agrees, the application of the amendment/ replacement is suspended.

Also, where the EU deems it necessary for a new act to be added to the Windsor Framework, the UK government generally requires a cross-community majority of MLAs to approve an [‘applicability motion’](#) before it can agree to the addition. An important exception is where the act ‘would not create a new regulatory border between Great Britain and Northern Ireland’.

This brings us to the second problem arising from dynamic regulatory alignment under the Windsor Framework: the emergence of the so-called ‘Irish Sea border’ for goods moving from Great Britain to Northern Ireland. With the rest of the UK no longer committed to applying EU law - and in some instances actively [diverging](#) from it - a regulatory border has been established within the UK.

Measures introduced by the Windsor Framework in 2023 have reduced or removed some of the frictions that businesses have either been facing in moving goods from Great Britain to Northern Ireland, or would have faced with the full application of the original Protocol. Frictions remain, however, for example regarding the movement of foodstuffs (due to labelling requirements), veterinary medicines and customs procedures for business-to-business parcel movements.

Moreover, with Northern Ireland locked into dynamic regulatory alignment under the Windsor Framework, frictions were always likely to increase, and did so under the Johnson, Truss and Sunak governments. Under Labour, however, the potential for new frictions arising has reduced. This follows from the UK government’s openness to limiting regulatory divergence by voluntarily aligning - through ‘equivalent measures’ - with EU regulations applying in Northern Ireland.

That openness contributed to the government’s decision in 2025 to [bypass](#) the approval of MLAs for new EU acts to be added to the Windsor Framework. It also decided [not to apply](#) the Stormont Brake on a newly applicable act making changes to the packaging and labelling of chemicals. It deemed that the threshold for disapplying the legislation had not been met, but [committed](#) to address “sincere and genuine” unionist concerns about the impacts of divergence by looking into aligning GB rules with EU acts coming into force in Northern Ireland.

Of greater significance for reducing regulatory divergence is Labour’s willingness to [accept](#) formal regulatory alignment with the EU, to remove barriers to GB-EU

trade. The regulatory alignment envisaged to establish a common sanitary and phytosanitary (SPS) area - and the linking of emission trading systems - will not only ease GB-EU trade frictions, but will also reduce some formalities, checks and controls on the movement of goods between Great Britain and Northern Ireland. Requirements for export health certificates for live animals, animal products and plant goods are expected to be significantly reduced and 'not for EU' labelling should become unnecessary.

Understandably, there is support among much of the [business community](#) for the current reset negotiations. Even among voters in Northern Ireland opposed to the Windsor Framework, there is [some reluctant acceptance](#) that a closer UK-EU relationship involving regulatory alignment will soften the 'Irish Sea border'.

Current plans will not remove the 'Irish Sea border', however. For that to happen, the UK would need to align with all trade-related EU law applicable under the Windsor Framework. This would include EU single market legislation governing the free movement of goods beyond agrifood products, and alignment with the EU customs code. While the government appears open to additional areas of alignment with the single market, alignment with the EU customs code would require participation in a customs union, a move for which it shows little appetite.

NORWAY'S RELATIONSHIP WITH THE EU

Nick Sitter and Ulf Sverdrup

As the United Kingdom recalibrates its post-Brexit relationship with the European Union, Norway's experience offers a revealing case study with some important lessons. As a member of the European Economic Area (EEA), Norway (together with Iceland and Liechtenstein) occupies a very distinct position – a member of the single market but excluded from the EU's political decision-making processes.

For British observers, Norway's case provides a crucial insight: alignment without representation may be a politically stable arrangement, but one with mounting costs that are difficult to sustain in an era of geopolitical turbulence.

Since the narrow defeat of EU membership in a referendum in 1994, Norway has charted an unusual course in European affairs. Its strategy of maximum integration without formal membership has been a triumph of pragmatism over ideology and polarisation. Gro Harlem Brundtland, the Labour Prime Minister at the time, did not resign, but set about salvaging Norway's relationship with the EU. The EEA agreement between the EU and the EFTA states (minus Switzerland) that had entered into force the year before would prove a durable basis for a workable compromise.

Three decades later Norway has become thoroughly Europeanised, incorporating the vast majority of EU rules and policies in EEA-relevant sectors (agriculture and fisheries are not fully covered; Norway never entered the customs union due to a desire to protect its agricultural sector and maintain independence in foreign economic policy), and fully integrated in terms of free movement of goods, services, capital and labour. Through a raft of additional agreements, Norway has adapted to the EU's new policy areas. In many cases, it has voluntarily aligned itself with EU standards even in areas where no formal agreements exist. In most sectors, policy developments have largely mirrored those in neighbouring EU members Sweden, Finland and Denmark.

This compromise of participation without representation allows Norway to maintain its formal sovereignty, and the political truce between its pro- and anti-EU blocs. The EEA model has proven a surprisingly durable political compromise, because it rests on stable patterns of Euroscepticism in both the party system and the electorate. The two main parties, the pro-EU Conservatives and somewhat more divided Labour, have both had to rely on Eurosceptic parties to form

government coalitions. The 1994 referendum mirrored both the result and voting patterns of the 1972 referendum, and even today opinion polls do not indicate much of a change.

But four other factors have helped sustain the EEA compromise. First, Norway's fossil fuel-funded prosperity has insulated it from the kind of economic crises that pushed many others along the path to EU membership. Likewise, its NATO membership has provided a security umbrella, and no need to seek EU membership for geopolitical protection.

Second, the EEA model has worked well, enabling economic integration while safeguarding sensitive sectors like fisheries and agriculture that are central to Norwegian identity and the country's centre-periphery political dynamics. The model has also held together reasonably well constitutionally and administratively.

Third, because the EEA model works well, many struggle to identify compelling additional benefits from full membership. Likewise, a high tolerance has developed for the costs of remaining outside.

Fourth, there is little ideological pressure to join since Europe hardly resonates as a political project in which Norway participates and holds a meaningful position. If anything, the continent has become even more peripheral to Norwegian identity than before.

The main lesson here is the importance that a compromise with a broad political base, anchored in both the political left and right, plays in sustaining an EU arrangement (a lesson lost on UK policymakers in the wake of the Brexit referendum). But it helps if the arrangement works well.

A defining feature of the EEA agreement is that it is a dynamic arrangement. Not only did Norway immediately adopt all relevant EU legislation; it also effectively agreed to adopt all new relevant EU legislation. (Although there is a procedure whereby an EEA state can reserve the right not to adopt a new policy, this is a potential deal-breaker and has consequently never been used.)

However, today Norway faces unprecedented challenges. First, the EU complains about Norway's backlog in terms of transposition of EU law. The primary irritant in EU relations stems from Norway's decision not to implement remaining portions of the Fourth Energy Package, because this is a clearly stated government policy rather than an ordinary capacity-induced backlog.

Second, the EU's changes to its budget may generate unintended problems. If resources shift from areas where Norway does not participate (such as agriculture or cohesion funds) to areas where Norway participates (or wishes to)

and contributes on a program-by-program basis, it could mean that the mode of association becomes more complicated and expensive.

Third, the strategy of patchwork expansion, whereby Norway buys into new arrangements as the EU expands beyond the core single market areas covered by the EEA, is increasingly difficult. This is particularly challenging in substantial new sectors such as health and crisis management, not to mention geopolitics, trade and economic security.

Nevertheless, despite cautious public opinion, Norway's technical path to full EU membership is very short. Because Norway is so closely aligned to the EU, it satisfies requirements for membership in most of the 35 negotiation chapters involved in accession. Even under the current rules, negotiations could be completed quickly. Moreover, the geopolitical realities brought about by Russia's war in Ukraine is [causing the EU to reconsider](#) its enlargement and accession procedures. Although this is at an early stage, it could lower the membership threshold and create new opportunities for exemptions and flexibility.

For the United Kingdom, the Norwegian experience offers multiple sobering lessons. Alignment is not a fixed state. It is a continuous, demanding process of adaptation that requires constant political attention and administrative capacity - and cross-party support for dynamic alignment. Norway has demonstrated that maintaining a deep, stable relationship with the EU from outside is possible, but costly. Moreover, as global volatility intensifies and the international order fragments, the Norwegian model increasingly looks like a strategic liability - expensive, constraining, and offering diminishing returns.

The path to Norwegian EU membership faces no insurmountable technical obstacles. The barriers are primarily political: a pragmatic calculation of when the costs of remaining outside finally exceed the benefits of the status quo. In the current security environment, with American guarantees uncertain and European integration accelerating in defence and security domains, that inflection point may be approaching more rapidly than anticipated. The question is no longer whether Norway can join the EU, but whether Norway can afford to remain outside.

GEOPOLITICS AND REGULATION

Anand Menon

For the government which took the UK out of the EU, the regulatory ‘opportunities’ of Brexit and ‘Global Britain’ agendas were intimately linked. As Boris Johnson himself [put it](#) in typically lyrical style, Brexit allowed Britain to ‘take off its Clark Kent spectacles and leap into the phone booth and emerge with its cloak flowing as the supercharged champion, of the right of the populations of the earth to buy and sell freely among each other’.

Through casting off the shackles of EU regulation at home, an independent Britain would be ideally placed to champion free trade abroad. And it would do this safe in the warm security embrace of the special relationship. Yes, trade barriers to the EU were going to go up, but these would be compensated for through dividends elsewhere - in particular North America and the Indo-Pacific.

And then the world changed. Globalisation went into reverse, a consequence of the pandemic, increasing distrust of China and a growing wave of populist protectionist sentiment not dissimilar to that which had driven Brexit. Soon after, another war broke out in Ukraine and our worst fears about the militant nationalism in the Kremlin were confirmed. And then came President Trump.

Trade deals with the rest of the world were never, in all likelihood, going to compensate for the impact of leaving the European Union, and particularly of leaving the European Union under a relatively thin trading deal such as the Trade and Cooperation Agreement. But Brexit now looks and feels very different to Brexit then. Achieving the vision of a buccaneering free trading Britain will be so much harder - if not impossible - in a world where tariffs and subsidies have become the norm. As continent-sized economies shield themselves from the outside world through the erection of trade barriers, so the UK has had to deal not only with tariffs imposed by its closest trading partners but also their increasing tendency to emphasise economic self-sufficiency over a presumption that global free trade is the best policy.

This clearly has implications for the UK-EU relationship. For one thing, the kind of thinking that led Johnson to eschew any kind of defence and foreign policy relationship with Brussels now seems ill-judged at best. Keir Starmer has sought to address this oversight with the Security and Defence Pact signed at the UK-EU summit last year.

Yet even security cooperation will be made more difficult as the EU places increased emphasis on its 'strategic autonomy.' As a consequence, the UK will have to fight harder to gain access to the kinds of joint military procurement initiatives Brussels is undertaking. The fate of attempts to secure UK participation in the EU's SAFE programme was a case in point. A desire to ensure that EU-based firms were the main beneficiaries led to Brussels placing a prohibitive price tag on UK participation which ultimately brought the negotiations to an end.

Yet the impact of the changing geostrategic context goes far beyond the areas of foreign and security policy. Eurosceptics have long fretted about what they claimed were the unnecessary regulatory burdens placed on the UK by the EU. For them, Brexit would allow more 'agile' regulation at home, which in turn would attract waves of investment and innovation - making the UK a hub for tech, artificial intelligence and financial services.

Keir Starmer has, to a striking extent, clung to parts of this vision. The self-styled '[British pragmatist](#)' has initiated a process of greater alignment with the EU in key goods sectors - like agrifoods and electricity - where we are deeply bound to the continent; while seeking to diverge in other areas, like tech and financial services, with [increasing pace](#). The UK has moved closer to the US position by delaying the introduction of new global banking rules and reducing regulatory oversight of short selling, alongside several other reforms to lighten reporting rules for firms. It has also done very little to investigate potential acts of market abuse by US big tech - whereas the EU's energetic approach has drawn accusations of discrimination and threats of trade retaliation from Washington.

The government seems to see regulatory divergence as integral to its efforts to keep the Trump White House onside. A year ago, the (now former) UK Ambassador to the United States was [making the case](#) that the UK needs to seize "any opportunities opening up as a result of Brexit" and earn a living as "not Europe", as it followed the US in [refusing to sign](#) a global agreement on AI safety brokered by Emmanuel Macron. The government continues to pursue a digital trade deal with the US and has already negotiated bilateral deals on tariffs and pharmaceuticals.

Building closer ties with the EU market in some areas while pursuing the fruits of divergence elsewhere was fine in a world where the western alliance remained just that. Now, however, things look more binary. Starmer's ability to pursue the trade deals so central to the UK's post-Brexit strategy is now deeply affected by the mercurial US President. Trump has criticised, for instance, the Prime Minister's recent trip to Beijing. Even the UK's bilateral deals with US are yet to be ratified, and the threat of new Trump tariffs never seems far away. On top

of which, European allies, increasingly talking in terms of reducing reliance on Washington, are keenly watching the choices made in London. Whether they see us as a good ally or a potential liability might come to hinge on how they perceive our positioning relative to them and the US.

And this applies in a practical sense to choices we make. On the one hand, the EU will need access to the deep capital pools in the City of London to make good on its ambitious pledges to rearm. But if wide regulatory divergences emerge, then what? Equally, defence and technology are intimately entwined. Much defence equipment is based on AI. Again, regulatory divergence has real geopolitical significance.

Keen though we may be to have our proverbial cake and eat it - to cleave to the US while 'resetting' links with the EU - growing transatlantic tensions make this approach less tenable than it once was. Even when it comes to the regulatory politics, hard geostrategic choices might impose themselves.

UK in a Changing Europe promotes rigorous, high-quality and independent research into the complex and ever changing relationship between the UK and the EU. It is based at King's College London.

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