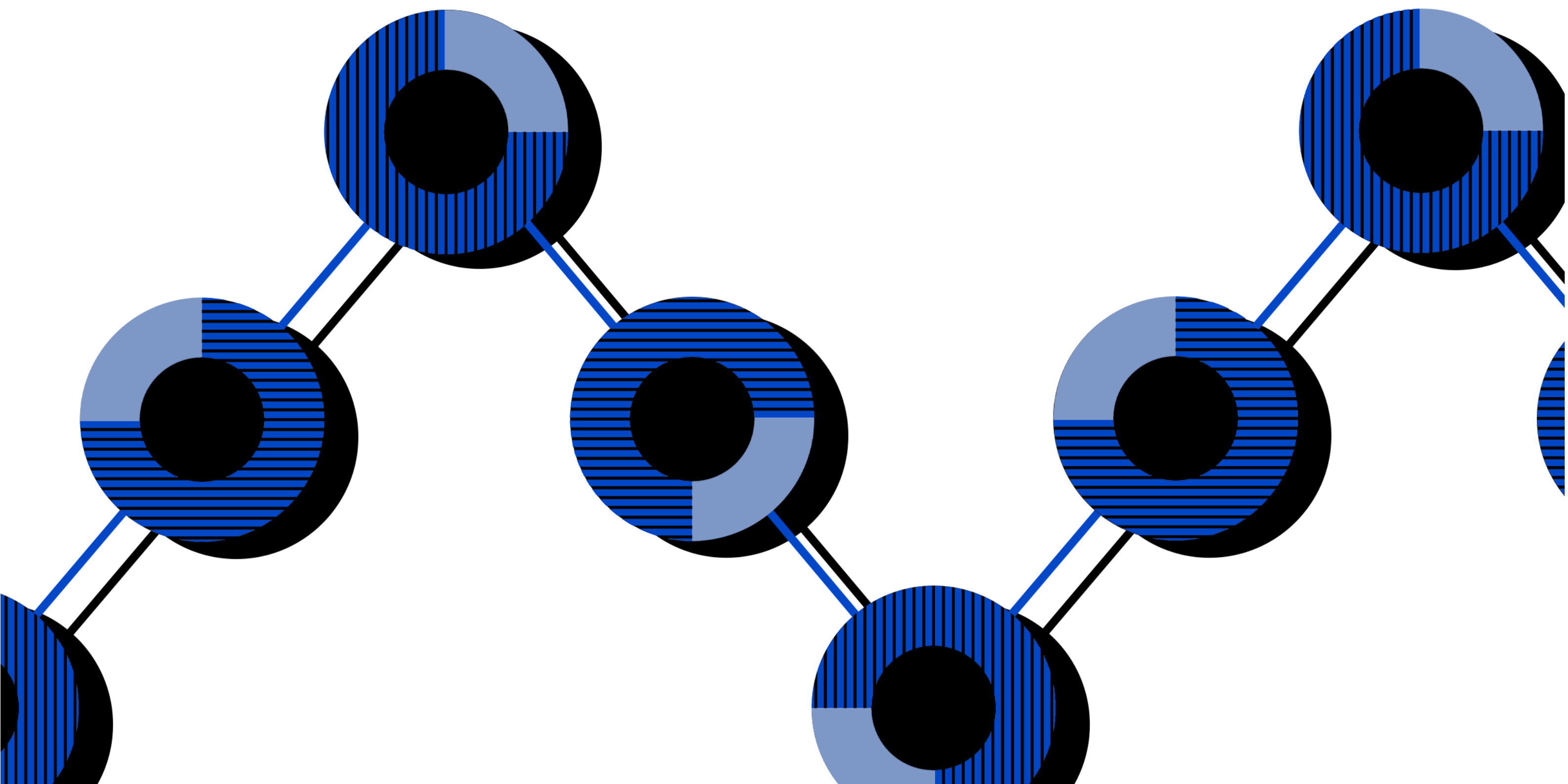
UK IN A CHANGING EUROPE

UK–EU REGULATORY DIVERGENCE TRACKER

Q1 2026



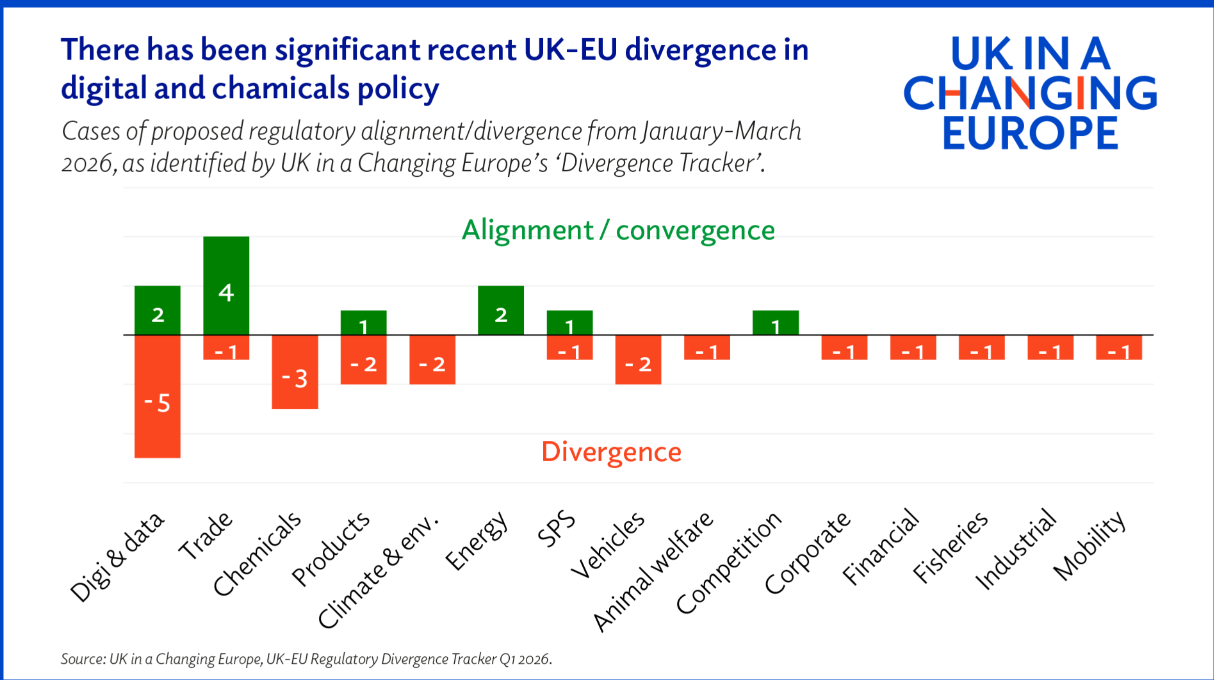
JOËL RELAND

CONTENTS

OVERVIEW

This is the sixteenth edition of UK in a Changing Europe's regulatory divergence tracker, outlining how UK and EU rules and regulations have aligned and diverged in the period January-March 2026. This tracker identifies five cases of alignment (where the UK and EU align their rules or processes) and six cases of convergence (where UK and EU rules or processes move closer to one another, without formal alignment). There are nine cases of 'active' divergence (where the UK changes its rules in ways which the EU does not mirror) and 11 cases of 'passive' divergence (where the EU changes its rules in ways which the UK does not mirror).

Since the turn of the year, the government has put increasing stock into its plans for closer EU relations. The Prime Minister recently stated that the UK's "long-term national interest requires… closer economic co-operation" with the EU, while the Chancellor says she wants to see further regulatory alignment - both "unilateral" (i.e. voluntarily mirroring EU rules) and "negotiated" (i.e. agreements which formally bind the UK to EU rules). The findings of this tracker show, however, that this agenda is progressing only slowly, while in other areas of potential future alignment (in particular digital, chemicals and products) there is much continuing divergence.



One notable development has been the UK government publishing a list of 76 EU laws it intends to align with as part of the UK-EU SPS deal. This shows a broad acceptance of the need to 'dynamically' align with the majority of EU SPS rules under the deal, though the UK continues to push to be allowed to deviate in a few areas (animal welfare, novel foods), meaning negotiations could have a while to run still. The UK has started work on a suite of measures to increase animal welfare protections, underlining its keenness to chart its own course in that area, while the EU is close to finalising new rules on the naming of non-meat products, which the UK might well have to adopt under the SPS deal. Legislation to give the government the powers it needs to align with existing and future EU law is expected to be announced in the King's Speech on 13 May.

An agreement has been reached on the future of Gibraltar, under which it will form a customs union with the EU, follow Schengen rules and align with some aspects of EU law, in order to maintain an open border with Spain. A new 'Hamburg Declaration' sees the UK and a number of EU states commit to the joint development of 100 GW worth of new offshore wind projects in the North Sea. Effective delivery rests on the UK's participation in the EU internal electricity market, and member states have just authorised the Commission to open negotiations on that issue – stipulating that the UK should pay into EU 'cohesion funds' as part of the deal (which may prove a sticking point). The EU is also reforming its emissions trading system (ETS) to bring down the 'carbon price', which could impact ongoing UK-EU negotiations on linking their ETSs.

A new UK-EU Competition Cooperation Agreement allows for enhanced cooperation on competition matters – for instance by coordinating investigations and sharing information. There is evidence of this attitude in the UK Competition and Markets Authority (CMA) demanding that Google take a range of steps to redress features of its search engine which suppress third party competition. This mirrors concerns raised by the EU in its own investigations – which are still in process – with the Commission likely to impose similar measures in due course. The UK and EU have also both launched investigations into the social media platform X's 'Grok' AI chatbot, over potential violations of their respective online safety rulebooks.

There has, however, been some divergence in digital markets – with the CMA opting to take a more hands-off approach to market abuses by Apple and Google in relation to their app stores. The Commission has imposed a €500m fine on Apple and demanded behavioural changes (the Google case is yet to be completed) whereas the CMA has accepted looser 'commitments' from Apple and Google that they will address key concerns. The Commission has also issued a preliminary ruling that the addictive design of TikTok's app violates obligations to protect the physical and mental wellbeing of users – which if confirmed could lead to a fine and the imposition of behavioural remedies – while the UK has not taken parallel action.

It is striking that one of the key areas of recent 'active' divergence by the UK has been over chemicals – despite it previously being suggested by the Chancellor as an area of potential future alignment. The UK has ended the automatic requirement for the Health and Safety Executive (HSE) to consider all new hazard opinions published by the EU – potentially exacerbating the existing trend where the EU issues new substance restrictions and Great Britain does not follow. The HSE will instead introduce a new 'fast-track' process which it says will enable 'faster alignment with the corresponding EU system', but there are no binding obligations upon it to implement alignment. Moreover, the government has not opted for alignment with the EU under its new 'PFAS plan', which promises a consultation on only one potential restriction of a 'PFAS' substance (in firefighting foam), whereas the EU has already implemented multiple such bans.

The EU has also bolstered rules on toy safety (including their chemical composition). This was an area where the UK government indicated it would use the Product Regulation and Metrology Act (PRMA) to align with EU rule changes – but it has not so far done so. This tracker does, however, identify the first two instances of the PRMA being used: to mirror EU rules on noise emissions testing for outdoor equipment (avoiding passive divergence which could have disrupted GB-NI and GB-EU trade) and to allow Indian bodies to certify products for the GB market. In a similar vein to the UK-India deal on certifications, the EU is set to open negotiations with Korea on a 'mutual recognition agreement' (MRA) for conformity assessments – even though it has previously rebuffed proposals for a UK-EU MRA in that area.

There have been some notable regulatory advances on the EU side over the past quarter, with a particular focus on diversifying supply chains in the face of global economic uncertainty. A new Industrial Accelerator Act introduces 'made in EU' content requirements for procurement contracts in energy-intensive sectors (and notably UK-made content will count towards those thresholds), while a revised cybersecurity package effectively seeks to keep Chinese technology suppliers out of critical infrastructure. A new Digital Networks Act and 'EU Inc.' proposal both seek to harmonise corporate registration rules – superseding fragmented member state regimes – to make it easier for companies to establish themselves in and expand across the EU (though neither comes close to fully harmonising processes). The EU has also followed in the footsteps of the UK by finalising trade deals with India and Australia (subject to member state approval), while maintaining much stricter controls on Australian meat and dairy imports than the UK did. The UK, meanwhile, has followed the EU by tightening steel import quotas and doubling non-tariff quota rates to 50% .

Finally, there are some aspects of intra-UK divergence. A new requirement for all cars sold in Great Britain to have a 'GB type approval' – which is different in some technical respects to the EU equivalent – could negatively impact the Northern Irish car market (where EU type approvals are required). Northern Ireland has adopted new EU rules on testing 'non-mobile machinery' (like bulldozers), which is not expected to cause much trade disruption but led the UK government to say it will consider equivalent measures. And Wales has been allowed to diverge from the UK government's deposit return scheme by including glass bottles under its own regime – even though Scotland was previously prevented from doing so in 2023.

1. Cross-cutting

UK-EU Agreement on Gibraltar.

ISSUE	IMPACT
In February 2026, the UK and EU published a draft agreement on Gibraltar. Gibraltar is not covered by the TCA, and since 2021 it has been subject to a range of temporary arrangements which have enabled the continued movement of people and goods between the territory and Spain. The treaty is subject to final legal review and translation, with the UK and EU saying they want it 'brought into effect as soon as possible' (expected to be April). It establishes 'a new system for the movement of persons, designed to remove all routine immigration checks and physical barriers at the land border'. Gibraltar's land border will be subject to Schengen rules - meaning no immigration checks on people moving between Gibraltar and Spain/the wider Schengen area. Instead, all border checks will take place at Gibraltar's airport and port, with international arrivals first subject to checks by Gibraltar's authorities, and then by Spain's (similar to the dual UK/France border controls which occur at the St Pancras Eurostar terminal - albeit those checks happen before departure rather than after arrival). Up to now, there has been no Spanish police presence at Gibraltar's airport or port. Non-EU travellers (including British nationals) will have to provide biometric data to Spanish officials as part of the EU Entry/Exit System. There will be a customs union between Gibraltar and the EU to enable a free flow of goods: with no tariffs, duties or quotas on goods moving between Gibraltar and the EU;	Negotiations over Gibraltar have been ongoing for years - reflecting the high sensitivity of Gibraltar's status as a British Overseas Territory while sharing a land border with an EU member state. The agreement seeks to provide a 'practical and lasting solution', by facilitating the free movement of goods and people between Gibraltar and the EU while protecting British sovereignty over Gibraltar. Gibraltar's Chief Minister, Fabian Picardo, says the treaty protects the "British way of life", while "unlocking new opportunities for growth". A barbed wire fence which has stood between Gibraltar and Spain for over a century could be dismantled following the agreement, potentially increasing the flow of goods and people between the territories. Article 2 of the treaty 'makes clear that nothing in the Agreement or any supplementing arrangements shall affect sovereignty', though the UK and Gibraltar have compromised on the presence of Spanish border guards at Gibraltar's airport. This is a sensitive issue, with some in Gibraltar seeing Spanish 'boots on the ground' as undermining their territorial sovereignty. Gibraltar will also integrate more formally into certain EU regimes - for example becoming subject to Schengen rules, forming a customs union with the EU, and aligning with some aspects of EU law and VAT rules. The UK government emphasises that there will be no 'direct application' of EU law to

and most goods heading for Gibraltar will be cleared by EU customs officials in Spain. Gibraltar will introduce a transaction tax (as it does not apply VAT), starting at 15% and rising to 17% by 2028 (in line with the EU's minimum VAT rate).

Gibraltar will 'incorporate EU law where alignment is required' in order to maintain a free flow of goods and services, for example on data protection rules. The agreement includes provisions for Gibraltar to maintain 'high standards' on labour, taxation and sustainability, environmental protection, climate and state aid control (requiring Gibraltar to introduce a state aid regime). An aviation chapter will enable flights between Gibraltar and the EU (these have been largely suspended for decades), with Gibraltar incorporating some EU civil aviation rules.

New governance structures (a Cooperation Council supported by three Specialised Committees) will be set up to 'manage and oversee cooperation', and there will be a dispute resolution mechanism overseen by an independent arbitration tribunal, including the possibility of 'proportionate remedies' (e.g. trade retaliation) to cases of non-compliance.

Gibraltar (as happens in Northern Ireland), with Gibraltar instead incorporating EU law where necessary through its own legal system. Alignment with EU can be practically challenging, and there are questions as to whether Gibraltar has the institutional capacity and experience to implement the necessary EU law and maintain alignment in a timely manner.

2. SPS

UK-EU SPS agreement: legislation in scope.

ISSUE	IMPACT
In March 2026, the UK government published a list of EU legislation with which it intends to align as part of the deal on 'SPS' (sanitary and phytosanitary) standards currently under negotiation. It indicates that the UK has agreed to align with the vast majority of relevant EU SPS rules (covering 76 laws in total). The published list covers a wide range of legislation, ranging from animal health, welfare and hygiene rules to additive and pesticide restrictions and rules on marketing and genetic modification. The government notes that negotiations are ongoing over selected areas 'where the UK will retain its own rules' - specifically citing animal welfare and 'new and innovative technologies' (i.e. genetic editing) as areas of focus. As has been noted in previous trackers, the UK has diverged from the EU by banning the export of live animals for fattening and slaughter and liberalising its rules on the use of genetic editing techniques in plants and animals (though the EU is now also planning similar reforms on the latter). It has also been reported that the UK wants to retain a higher limit on the presence of cannabis-based ingredients in drinks and food supplements. Where alignment does occur, the government states that the EU legislation will replace UK rules, rather than 'add to' them, and that it 'will of course necessitate varying levels of change across sectors'. It states that, in many cases, the existing level of divergence is 'minor or minimal' but that it will consider 'targeted transitional arrangements' (e.g. an adaptation	The publication shows how keen the UK government is to get the SPS deal done. It has committed to align with the vast majority of relevant EU law with little apparent quibbling, and the statement is clearly designed to get firms started on the process of adaptation - by giving them advance sight of law changes and guidance on what they need to do to prepare. The SPS deal is the only bit of business emanating from last year's UK-EU summit for which the government has set a clear target date (2027) for implementation. Whether that target can be met is another question. While the statement shows that the UK and EU are agreed on the need for UK alignment with the majority of EU SPS legislation, it also says explicitly that negotiations are ongoing over potential UK exemptions in specific areas, meaning it is not guaranteed that negotiations will be completed in time for this summer's annual UK-EU summit (as the UK government would like). Once the agreement is finalised, the UK will still need to go through the process of adopting all the relevant EU legislation which, given its scale, could take some time (especially if any of it requires primary legislation - subjecting it to multiple rounds of scrutiny and votes from MPs). The practical process for implementation should become clearer following the King's Speech on 13 May, when the government is expected to bring forward a bill giving it powers to align with relevant EU law now and as it evolves.

period before the rules take full effect) for sectors which are most affected.	One key question is whether the bill will empower ministers to align only with SPS-related legislation, or whether it will cover broader/all areas of EU law - opening the door to dynamic alignment in further areas in future. Another question is whether it will specify when ministers will be required to use acts of Parliament - rather than secondary legislation - to implement alignment. Industry groups continue to press for a transition period to help them adapt to legal changes, such as having to stop using certain pesticides which are banned under EU law. The government notes that 'transitional arrangements' may be necessary for certain sectors, which could in turn delay the full implementation of the agreement.

3. Energy

Council authorises internal electricity market negotiations.

ISSUE	IMPACT
In March 2026, EU member states authorised the European Commission to open negotiations with the UK on its participation in the EU internal electricity market. Discussions on this topic remain remain at a more preliminary stage than other commitments made in the UK-EU 'Common Understanding' agreed last May. The two sides committed to 'exploring' the possibility of an electricity deal, whereas they more concretely committed to 'work towards' an SPS agreement, youth experience scheme, linking emissions trading schemes (ETS) and UK participation in Erasmus+. The Council statement makes clear that an electricity agreement would see the UK participate in both the wholesale and retail parts of the EU internal electricity market, with the UK dynamically aligning to relevant EU law. They also foresee 'an appropriate financial contribution of the UK towards reducing economic, social and territorial disparities between the regions of the EU' - i.e. payments into central EU 'cohesion' funds designed to strengthen economic integration between member states. This contrasts with the SPS and ETS deals, where the UK is only required to provide financial contributions to support 'relevant costs' linked to managing the policy areas in question. The Council also approved the UK's participation in the Erasmus+ programme for 2027/28.	The UK left the internal electricity market after Brexit, leading to inefficiencies in electricity trading stemming from not being part of integrated EU auction processes. This, in turn, increases the cost of electricity trade and makes it more difficult to develop joint renewable energy assets which connect to both the UK and EU member states' grids. Both sides see greater integration of their electricity markets as a key way to improve their energy security, especially as other supplies have become less reliable. The Council decision is especially notable for the demand that the UK to contribute to EU cohesion funds as part of not only the electricity agreement, but also 'any further agreement affording the UK access to the Union's internal market'. With the UK government keen to align with further parts of the single market, this sends a clear signal that it will have to 'pay to play'. The Council states that the 'financial contribution of the UK should appropriately reflect the relative size of the UK's economy and the proportion of the internal market in which the UK aims to participate in line with consistent EU policy'. This is likely to be a key part of the negotiations, and a major potential sticking point. Talks over UK participation in the EU's 'SAFE' scheme for defence investment (another area where there is clear mututal interest in closer cooperation) collapsed over the question of UK's financial contribution.

4. Energy

Hamburg Declaration.

ISSUE	IMPACT
In January 2026 the UK and eight EU states signed the Hamburg Declaration, which commits to the joint development of 100 GW worth of new offshore wind projects in the North Sea. The declaration was made at the North Sea Summit meeting of the members of the North Sea Energy Cooperation (NSEC) group (Belgium, Denmark, France, Germany, Ireland, Luxembourg, the Netherlands, Norway) and the UK. At the previous Summit in Ostend in 2023, the member committed to develop 300 GW of offshore wind capacity by 2050. At the 2026 summit, the EU member states within the group, plus the UK, committed to develop 100 GW of that capacity through 'cross-border cooperation projects'. This includes 'hybrid' projects such as cross-border wind farms and infrastructure which enables wind farms to connect to multiple countries. The group will work to establish an Offshore Financing Framework to secure private capital investment for the projects - which is expected to cooperate with the European Commission and European Investment Bank.	The UK left NSEC as a result of Brexit but signed a Memorandum of Understanding with it in 2022 to re-engage in cooperation. The latest announcement is evidence of UK's continued re-engagement, committing to joint projects which connect up UK and EU energy grids and may involve financing from central EU sources. It also highlights the UK and EU's shared interests around energy security. Both need to significantly increase their renewable energy supplies in order to reduce reliance on imported fossil fuels. They have a shared interest in jointly planning and developing new infrastructure in common resources such as the North Sea, as it increases the efficiency and capacity of projects. The fact that cooperation with NSEC was promoted by both the Truss and Sunak administrations shows how politically uncontroversial a topic it has been. The latest commitment to jointly develop hybrid assets (like interconnectors which connect to multiple countries) relies on the UK and EU having interoperable energy markets. At present, this is undermined by trading inefficiencies stemming from the UK's exit from the EU internal electricity market. The UK and EU committed to explore the possibility of the UK re-joining the EU internal electricity market at last year's UK-EU summit but formal negotiations are yet to begin. In March 2026 EU member states authorised the Commission to open negotiations with the UK.

5. Product standards

Noise Emission in the Environment by Equipment for Use Outdoors Regulations 2025.

ISSUE	IMPACT
In April 2026, the Noise Emission in the Environment by Equipment for Use Outdoors (Amendment and Transitional) Regulations 2025 became law. This is the first piece of legislation to be passed using the powers in the Product Regulation and Metrology Act (PRMA), which allows ministers to replicate EU product rules in UK law. The regulation is a statutory instrument (SI) which amends the rules on noise emissions from outdoor machinery (chainsaws, cranes, lawnmowers etc.) in England, Wales and Scotland. It serves to replicate recent changes which have been made to EU law (and adopted in Northern Ireland). In October 2023, the EU updated its rules on methods for testing in-scope products to allow for more modern testing methods. In October 2024, it then removed the requirement for manufacturers of in-scope products to provide the European Commission (and relevant member state authority) with a copy of a declaration of conformity (though a declaration must still be obtained by the manufacturer). Those changes were adopted by Northern Ireland in 2025. The new SI aligns Great Britain with those rule changes. It means that there will be harmonised standards across the UK, and that any in-scope goods carrying a 'CE' marking (denoting conformity with the updated EU regulatory standards) will be valid for sale in GB.	The government provides two core reasons for aligning with EU law in this area. First, from a consumer protection perspective, it ensures that UK legislation 'keeps pace with technological advances' and 'users are equally protected from airborne noise emissions across the UK'. Second, from an economic perspective, it avoids 'unnecessary divergence' which 'could negatively impact on growth'. Had GB maintained different regulatory requirements to the EU, there was a risk that some manufacturers would not bother to obtain separate regulatory approval solely for the GB market - reducing the availability of goods. It could also lead to increased costs for GB manufacturers (who would need separate approvals for the GB and EU/NI markets) which could be passed onto consumers in terms of higher prices. The SI is also significant as the first time that the PRMA has been used to implement alignment with EU law. Given that the government explicitly notes the consumer and economic benefits of avoiding divergence in this area of product regulation, it is curious that it has not used the PRMA to replicate any of the many other recent changes to EU product rules - which could have a similar impacts on consumers and trade.

6. Competition

UK-EU Competition Cooperation Agreement.

ISSUE	IMPACT
In February 2026, the UK and EU signed the UK-EU Competition Cooperation Agreement. This sets a 'new and clear framework for cooperation on competition matters' between the UK Competition and Markets Authority (CMA) and the European Commission and member state competition authorities. Its principal focus is ensuring that UK and EU authorities notify each other of significant antitrust and merger investigations which they are undertaking, allowing for coordination of efforts on similar or parallel cases. This could include information-sharing when investigating cases with cross-border implications. It also establishes a duty for the authorities to protect the confidentiality of information being shared, and allows for greater cooperation on enforcement of competition law.	Such an agreement was foreshadowed in the TCA, which says that the two sides 'may enter into a separate agreement on cooperation and coordination' on competition, 'which may include conditions for the exchange and use of confidential information'. The UK government notes that this is the first supplementary agreement which has been added to the TCA since it came into force. The agreement has the potential to lead to a more harmonised approach to competition rules and enforcement. UK competition law remains largely derived from EU law but, post-Brexit, the CMA initially adopted a more interventionist approach to mergers than the Commission, before the government actively instructed it to ensure 'parallel regulatory action' to other jurisdictions like the EU. The government hopes that more coordinated action with the EU will lead to a more predicable business environment, and greater information-sharing should help deliver on that aim. The CMA is also separately consulting on ways to improve the speed and predictability of its decision-making. The Commission has similarly presented the agreement as a way of "facilitating sound, consistent approaches, allowing greater predictability and legal certainty to the companies… that want to keep on building better relations at the two sides of the channel".

7. Digital & data

Investigations into X's 'Grok' AI tool.

ISSUE	IMPACT
The UK regulator Ofcom and the European Commission have both launched investigations into the social media platform X over its 'Grok' AI chatbot tool. The particular matter of concern is Grok 'being used to create and share undressed images of people'. Ofcom is investigating whether this amounts to a failure by X to meet its obligations under the Online Safety Act to prevent users from seeing illegal content; take down illegal content; protect users from privacy law breaches; assess the risks which their services pose to children; and use effective age verification mechanisms. Ofcom will now gather evidence and then issue a provisional decision if it deems compliance failures to have taken place. X will then be able to respond to the decision before a final ruling is made. If the initial decision is upheld, Ofcom can impose a fine of up to 10% of worldwide revenue and require X to take remedial action. The Commission is investigating whether X has breached its obligations under its Digital Services Act (DSA, broadly equivalent to the UK Online Safety Act) to assess and mitigate risks around the spread of illegal content; and to submit a risk assessment report on Grok prior to its deployment. The next steps, in terms of investigation and potential action, are very similar to Ofcom's. While X has taken some steps to the limit the creation of nude deepfakes by Grok (with limited effect) the European Parliament has brought forward an amendment to EU AI Act	While the EU has generally been more active than the UK in launching investigations into potential breaches of its Digital Services Act and Digital Markets Act (despite the UK having similar investigatory powers under two broadly equivalent pieces of legislation) this is a rare case of them both launching an investigation into the same issue at roughly the same time (while also taking similar steps to tighten legal oversight of all AI chatbots while the investigations are ongoing). The action reflects the highly sensitive - and public - nature of the case, with the UK technology secretary saying last December that "the UK will not tolerate the endless proliferation of disgusting and abusive material online. We must all come together to stamp it out." The Commission notes that the new investigation 'complements and extends' an existing one launched into X in December 2023 over a range of other possible DSA infringements, including a lack of mitigation measures against illegal content (such as terrorist material); risks stemming from its recommender systems; use of deceptive design; and lack of advertising transparency. This has already led to the issuing of a €120m fine against X for some infringements (covered in the previous divergence tracker).

which would ban '"nudifier" systems that use AI to create or manipulate images that are sexually explicit or intimate and resemble an identifiable real person without that person's consent' (though AI systems with 'effective safety measures' would be exempt.

In the UK, meanwhile, an amendment to under the Crime and Policing Bill has been agreed, which will bring AI chatbots within scope of the Online Safety Act. This will oblige providers of AI chatbots to ensure that they protect users from harm and make them liable for any offences under the Act.

8. Digital & Data

Proposed changes to Google search and advertising services in the UK.

ISSUE	IMPACT
In January 2026 the UK Competition and Markets Authority (CMA) announced a set of proposed changes to Google's search and advertising services. In October last year, using powers under the Digital Markets, Competition and Consumers Act (DMCCA) 2024, the CMA designated Google's search and advertising services with 'Strategic Market Status' (SMS) - denoting 'substantial and entrenched market power and a position of strategic significance in a digital activity'. The CMA notes that over 90% of search queries in the UK are made via Google Search, making it a 'key gateway' to the internet, with over 200,000 UK companies collectively spending over £10bn on advertising on Google Search last year. An SMS designation allows the CMA to impose 'conduct requirements' on the firm in question so as to better promote competition and protect consumers. This was what the CMA has now done, with four principal measures: • Forcing Google to allow online publishers to opt out of having their content used in 'AI Overviews' (where Google summarises key information from other sources at the top of the Search page, reducing the likelihood that users click through to other sites) or to train Google's AI models. • Ensuring Google's approach to ranking search results is 'fair and transparent' and includes an effective process for	The CMA announcement is notable for being the first time that it has used its powers under the DMCCA to propose conduct requirements for a company. It is also notable as a rare case in which the UK has moved faster than the EU in seeking to redress anti-competitive practices in digital markets. The European Commission has carried out significantly more investigations into digital market issues in recent years. The Commission initiated its own investigation into Google in November 2025 (covered in the previous divergence tracker) over concerns that its search service unfairly demotes some third party results. The investigation is expected to conclude within a year, after which the Commission will (if its concerns are confirmed) liekly impose requirements on Google to changes its practices. A month later (and also covered in the previous tracker), the Commission opened an investigation into Google for a potential breach of antitrust rules (which predate the DMA) by failing to adequately compensate publishers for using their data in AI Overviews and in training their AI tools. Again, it will have to complete its investigation before it proposes any potential behavioural remedies. The newly-established Competition Cooperation Agreement could in theory offer a platform for the UK and EU to coordinate their investigations on this matter. A couple of weeks after outlining the proposed conduct requirements for Google's search and advertising services, the CMA announced that

investigating concerns (to prevent it from giving preferential treatment to companies that it owns or has other contractual arrangements with).

- Introducing default choice screens on (Google-owned) Android phones and Chrome web browsers so users can more easily switch to other search engines.

- Making it easier for people and businesses to access and use Google search data.

The proposals were put out for consultation until 25 February, following which the CMA will decide on its final recommendations.

it would not introduce conduct requirements for Apple and Google in relation to their mobile app stores – thus deviating from the approach taken by the EU. This case is discussed in greater length in a subsequent entry in this tracker.

9. Trade

EU-India Free Trade Agreement.

ISSUE	IMPACT
In January 2026 the EU and India finalised negotiations on a free trade agreement (FTA). The FTA will see tariffs reduced or removed on 97% of EU goods exports to India. Over a ten-year phase-in period, tariffs will be removed on the majority of products in sectors including iron and steel, pharmaceuticals, chemicals, plastics, machinery and electrical equipment, aircraft and spacecraft. For motor vehicles, tariffs will drop from 110% to 10% (subject to an annual quota of 250,000 vehicles) and be removed for vehicle components after 5-10 years. For agricultural products, tariffs on wine will eventually drop to 20-30% (from a current maximum of 150%) and zero for olive oil and processed foods (down from 40% and up to 30% respectively). India has gained similar levels of reciprocal access, with tariffs liberalised on 97% of exports. This includes the immediate removal of tariffs on 70% of Indian exports (or 91% by value) including textiles, leather and footwear, tea, coffee, spices, sports goods, toys, gems and jewellery. An additional 20% of exports will have tariffs removed over 3-5 years, and another 6% (including poultry, preserved vegetables, and baked goods) will gain tariff reductions. The EU notes that tariffs on 'sensitive' products (such as beef, poultry, rice and sugar) remain in place. In terms of services trade, EU companies will get 'privileged' access to 102 subsectors of the EU services market including professional, business, telecommunications, maritime,	Commission President von der Leyen has called the agreement the "mother of all deals", claiming it is the most ambitious FTA that India has signed. The agreement is the conclusion of over two decades of sporadic negotiations, and the Commission claims it will 'double EU goods exports to India by 2032' and that 'tariff reductions will save around €4 billion per year in duties on European products'. The deal represents convergence with the UK, which agreed its own FTA with India last May. Both the UK and EU have made similar claims about their deals doubling trade with India. The EU appears to have gained a broader set of tariff liberalisations (97% compared to 92%) and some shorter phase-in periods in key sectors. On auto exports, both sides obtained an eventual tariff rate of 10% and roughly equivalent quotas (250,000 for the EU compared to 37,000 for the UK) based on the size of their economies. Alberto Rizzi, a Policy Fellow and the European Council on Foreign Relations, argues that the EU deal is more generous than the UK's, but that the economic benefits should not be overstated, given 'India barely makes into the top 10 of EU trade partners'. Instead, he argues that its real significance is 'geoeconomic', in terms of bolstering the multilateral trade system, diversifying EU supply chains, and strengthening EU ties with the BRICS member most resistant to China's 'attempts to turn the bloc into an anti-Western alliance'. On the other hand, the Financial Times' Alan Beattie

financial, and environmental services. The EU says that this exceeds the commitments made by India to any other trading partner, including the UK and Australia. India has gained 'broader and deeper commitments' on access to the EU services market across 144 subsectors, including IT, professional services, education, and other business services. The FTA includes a regime making it easier for Indian employees (and their immediate family) to move to the EU to carry out work across 37 sub-sectors including IT, business, and professional services.

There is also a chapter on trade and sustainable development which, among other things, 'enhances environmental protection and addresses climate change' while providing a 'platform for dialogue and cooperation on trade related environmental and climate issues'.

has questioned the geopolitical significance of such deals - pointing to the limited effect of the UK and Australia's respective deals with India.

One other notable feature is that the EU has not given India an exemption from its carbon border adjustment mechanism (CBAM), which imposes tariffs on imports of carbon-intensive goods like steel and cement. India has been one of the sharpest critics of the CBAM, which hampers its steel exports to the EU, but the EU has refused to offer any exemptions as part of the FTA, as it could lead to other countries asking for similar treatment. The 'platform for dialogue' under the trade and sustainable development chapter may offer a forum for discussing CBAM-related issues.

The agreement must still be ratified by both sides, which in the EU's case means gaining the approval of member states and the Parliament. Recent experience with the EU-Mercosur deal shows that this can be a significant obstacle, although the India deal appears less politically sensitive given its more limited impact on meat and dairy imports.

10. Trade

EU-Australia Security and Defence Partnership and Trade Agreement.

ISSUE	IMPACT
In March 2026 the EU and Australia announced the adoption of a new Security and Defence Partnership and Trade Agreement. The Trade Agreement will see tariffs removed on 99% of EU exports (almost everything except steel) to Australia, and 98% of Australian exports to the EU. The European Commission says that this should reduce duties by €1bn a year for EU exporters and increase EU exports by 33% over a decade. For 'sensitive agricultural sectors', the volume of Australian exports which will gain preferential access is limited by tariff rate quotas. These stand at 30,600 tonnes per year for beef (with 55% subject to zero tariffs and the rest subject to a 7.5% rate), with the rates phased in over ten years, and 25,000 tonnes for sheep and goat meat (subject to a zero-rate tariff, phased in over seven years). All beef and meat exported under the quotas must be 'grass-fed'. Other sectors subject to quotas include sugar, dairy and rice. Australia will recognise EU Geographical Indications (GIs) - which in effect ban Australian producers from using product names such as Comté cheese and Irish Whiskey - for 165 agricultural products and 231 spirit drinks. The agreement includes a section on critical raw materials (CRMs) which lowers tariffs on EU imports of Australian CRMs and bans CRM export monopolies and taxes (to make the market 'more predictable and stable' for European companies). Australia has agreed to increase the threshold for its 'luxury car tax' on	Negotiations on the agreement have been ongoing for a number of years, and broke down in 2023 due to differences over the size of quotas for Australian beef. Australian negotiators had been asking for a quota of over 40,000 tonnes per year but have now settled for just over 30,000. The two sides were pushed to reach a compromise by wider geopolitical disruption - in particular the economic impact of US tariffs and decreasing reliability of the US as a security actor. Both sides have emphasised the value of the agreement not only in reducing tariffs but in diversifying supply chains in critical sectors where they are at risk of over-dependence on China. This is the second instance in this tracker (after the EU-India deal) of the EU securing a free trade agreement with a country that has also recently agreed one with the UK - neutralising the apparent 'Brexit dividend' which the UK gained from signing its own independent trade deals. Moreover, the UK-Australia deal, signed in 2021, does far less to protect domestic farmers from Australian imports than the new EU deal. Under the EU deal, quotas of Australian beef and sheep meat imports are capped, respectively, at 30,600 and 25,000 metric tonnes after ten years. Under the UK deal, the quotas started at 35,000 and 25,000 metric tonnes (bearing in mind the UK's market is much smaller than the EU's), rising to 110,000 and 57,000 after ten years - before the quotas are removed entirely.

imported electric vehicles, so that that the 33% tax applies to electric vehicles worth over AUD 120,000, rather than AUD 80,000. This applies to all electric vehicle imports, not just EU ones.

The Security and Defence Partnership foresees the development of an institutional framework for cooperation on strategic priorities. These range widely from shared missions and operations to enhanced cooperation on maritime, cyber and emerging disruptive technologies. Australian companies will be eligible for up to 35% of the value of a defence contracts issued under the EU's 'SAFE' programme; and the two sides have agreed to launch formal negotiations on Australian accession to Horizon Europe.

The agreement still needs to be approved by EU member states, which, given the recent example of the EU-Mercosur deal, could slow things down considerably. That said, the main issue of concern under the Mercosur deal is the impact on EU farmers from increased South American meat imports; whereas the Australia deal is not so consequential in that respect.

The UK government was criticised by farming groups for rushing negotiations in order to secure a deal in time for the UK-hosted G7 summit in June 2021. George Eustice, who was Environment Secretary at the time, subsequently told Parliament that it was "not actually a very good deal for the UK" which "gave away far too much for far too little in return". The UK deal does not include provisions comparable to the EU's on security and defence and critical minerals cooperation.

11. Trade

UK steel strategy.

ISSUE	IMPACT
In March 2026, the UK government announced a new 'Steel Strategy', which reduces steel import quotas and increases the tariff rates for imports beyond those quotas. From 1 July 2026, quota levels will fall by 60%, and tariffs on non-quota imports will be doubled to 50%. The United States will exceptionally face a tariff of 25% to match the level it has imposed on UK steel imports. The government is considering transitional measures under which imports made between July and September 2026 will not be subject to the 50% tariff rate if the contract was signed before 14 March. The government says it has taken these steps to 'support national security by preserving vital steel production for critical national infrastructure and defence'. It has set a target for 50% of steel used in the UK to be UK-made, though it has not set a target date. The rate in 2024 was 30%, having hovered around 40% for most of the previous decade.	The UK's decision follows in the footsteps of the EU (as well as the US and Canada), which announced last October that it would cut steel import quotas by around half, while doubling non-quota tariffs from 25% to 50%. Those measures are set to come into effect from 1 July 2026 - the same day as the UK measures are scheduled for. The EU decision was itself a response to the United States doubling steel tariffs to 50% in June 2025. The UK has been exceptionally exempted from the US's 50% rate. Without the measure, UK steel producers would have been more exposed to competition from foreign imports than those in the US and EU. Tariffs alone, however, will not be sufficient to radically increase steel manufacturing in the UK and meet the new 50% target. The government has promised additional investment to help rebuild and decarbonise the sector's industrial base - though they now face an additional challenge from the recent surge in energy costs. The British Chambers of Commerce have warned that the tariffs could negatively impact UK manufacturers which are reliant on foreign steel imports.

12. Animal welfare

Proposed ban on caging hens.

ISSUE	IMPACT
In January 2026, the UK government launched a consultation on a proposal to ban the use of 'colony' cages for hens. These cages are larger than battery cages (which have been banned since 2012) and include nest boxes, litter and perches, but they prevent hens from accessing the ground and performing a range of actions including running, flapping their wings, dustbathing and foraging. Defra – also acting on behalf of the three devolved UK governments – has proposed a ban on the introduction of new colony cages from 2027 and a ban on the use of existing such cages from 2032. It further proposes, from 2027, ending the exemption from the battery cage ban for establishments with fewer than 350 birds. Those smaller establishments would also be subject to the 2032 ban on colony cages, and certain types of chicken (breeder layers and pullets) would be brought into the scope of the regulations. These measures would effectively lead to a cage-free system for laying hens. The consultation follows an Animal Welfare Strategy for England published in December 2025. In another step to tackle the 'intensive confinement' of farm animals, the strategy includes a plan to ban the use of farrowing crates, which are designed to restrict the movement of a sow so that it does not crush its piglets in the first few weeks after giving birth. The strategy also promises to introduce humane slaughter requirements for farmed fish and ban the use of carbon dioxide gas in	This represents divergence from the EU, with the UK introducing higher animal welfare standards. The ban on battery cages also applies in the EU – but the UK will go further in extending it to colony cages and smaller establishments. Animal welfare is a rare area in which the UK has consistently used its post-Brexit freedoms to impose higher regulatory standards than the EU – having also banned the export of live animals for fattening and slaughter and ended exemptions which allow the testing of cosmetic products on animals. Another question is whether any of the proposed measures come into conflict with the UK-EU SPS deal which is currently under negotiation. This will see the UK align with a range of EU rules, including those covering animal welfare and slaughter. In a statement released in March 2026, the UK government noted that animal welfare was one of the select areas where the two sides continue to negotiate on potential exemptions – meaning the UK could be allowed to continue diverging from the EU in order to set higher standards. However, it is not clear whether the animal welfare proposals discussed here would in fact come into conflict with the UK's obligations to align with EU law under the SPS deal, given it is effectively gold-plating EU legislation, by superseding the EU baseline. With or without an SPS deal, the UK will likely have to accept the import of animal products from the EU (and indeed other parts of the world) reared to lower welfare standards.

stunning pigs for slaughter because of the evidence it leads to ‘avoidable pain, distress or suffering’ and the availability of ‘higher welfare alternatives’ such as argon gas and electrical stunning. Both measures are subject to consultation. The government will ‘encourage’ industry to end the routine culling the male chicks of laying hens (approximately 40-45 million such chicks are killed in GB every year within 12-36 hours of hatching) in favour of technologies which allow the sex of the chick to be determined before hatching.

13. Chemicals

The Chemicals (Health and Safety) (Amendment, Consequential and Transitional Provision) Regulations 2026.

ISSUE	IMPACT
In February 2026 the UK government published a draft statutory instrument (SI) entitled The Chemicals (Health and Safety) (Amendment, Consequential and Transitional Provision) Regulations 2026. The SI gives a effect to a set of changes to the chemicals regulatory framework which the Health and Safety Executive (HSE) recently consulted on. Its stated purpose is to 'reduce [regulatory] burdens whilst maintaining existing levels of health and environmental protection'. It proposes changes to three EU regulations which have been assimilated into UK law, using powers in the Retained EU Law (Reform and Revocation) Act 2023. A first set of measures cover the hazard classification and labelling of chemicals. HSE proposes breaking the 'automatic' link requiring it to consider all hazard opinions published by the European Chemicals Agency. Instead, it would adopt a 'new fast-track evaluation pathway' focused on adopting hazard classification proposals from territories working to harmonised UN standards and with a transparent classification process. HSE says in its consultation response that it will focus exclusively on decisions made by the EU, to enable 'faster alignment with the corresponding EU system' as it does not have to 'repeat the evaluation of EU classifications proposals' and can instead more quickly mirror decisions they have taken. Whether this is feasible is uncertain - and discussed in the next column.	There is a question as to whether this SI will facilitate greater alignment or divergence with the EU. HSE presents it as the former, arguing that the removal of the obligation to consider every new EU classification decision will get rid of the 'burden and complexity' of having look into decisions of no relevance to the GB market. It further presents the 'fast-track' pathway as a more efficient route to aligning with relevant EU decisions, and states that it will 'continue to align with [EU environmental] standards, with divergence occurring only in exceptional circumstances.' Yet that ambition to align is not set out explicitly in the SI. There are no formal obligations to maintain alignment with EU decisions, meaning the extent to which it occurs is largely at the discretion of HSE. Given that EU alignment is so central to the government's political and economic agenda, it is odd that so much of the power to deliver alignment on chemicals sits with a regulator rather than the executive, while Parliament has little ability to scrutinise policy changes. There are signs that the HSE may not be minded to implement alignment in all cases. The Director of the Chemicals Regulation Division at HSE recently indicated to the Environmental Audit Committee that the UK has "a slightly different philosophical approach" to the EU over restricting PFAS substances - where it wants to impose restrictions "more slowly or gradually" rather than seeking to "ban everything". Growing

A second set of proposals in the consultation covered the authorisation of biocidal substances and products. These will be taken forward through primary legislation (yet to be published) rather than the SI. Here, HSE wants to introduce a system which allows it to recognise approvals and authorisations made by foreign jurisdictions. It also proposes dropping fixed expiry dates for approvals (after which substances would need re-authorisation) in favour of 'calling in' substances for review using a 'risk-based' approach; and giving the Secretary of State powers to permit 'essential' unauthorised substances on the GB market in emergencies.

A final set of proposals covers the import and export of hazardous chemicals. This includes removing the requirement to obtain a 'Special Reference Identification Number' for 'small quantities of chemicals being exported for research or analysis'; and making it easier for exporters to obtain a waiver allowing them to export hazardous chemicals without the explicit consent of the importing country (if repeated requests for consent have already been made).

HSE supports making it easier to obtain waivers for the export of hazardous chemicals without the importing country's consent because it will 'remove barriers to trade' and make export processes 'more efficient'. This is despite half of consultation respondents disagreeing with the proposal - given the safety and environmental risks for the importing country - and only one in ten agreeing.

divergence in this area is covered in the next entry in this tracker.

In addition, the fact that there is longer a mandatory obligation for HSE to consider all new EU classifications could increase the likelihood of passive divergence over time. There has already been significant passive divergence, given GB has only adopted two new restrictions in the time that the EU has adopted 13. The new SI does not incorporate six new hazard classes which the EU introduced in 2023 (covering things like endocrine disruptors, on which an automatic ban in toys has recently been enacted) - potentially leading to many substances being classed as hazardous in the EU but not the UK.

Though the government has in the past committed to maintaining alignment with certain EU rule changes (e.g. on the classification and labelling of substances to address concerns within Northern Ireland about GB-NI divergence) it is yet to do so in practice, hinting at a lack of capacity or focus within Whitehall to deliver that alignment.

The upcoming proposal to drop fixed expiry dates for biocide authorisations is similar to an EU proposal (made last December and now subject to negotiation) to drop the requirement for all pesticides and biocides to be re-evaluated every ten years - in favour of 'targeted' renewal procedures.

14. Chemicals

PFAS plan.

ISSUE

In February 2026, the UK government announced its 'PFAS plan'. This seeks to address human and environmental health risks from exposure to per- and poly-fluoroalkyl substances ('PFAS'). PFAS are also known as 'forever chemicals' because of the extremely long time they take to decompose, are widely present in everyday items such as clothes, packaging and cookware, and have been linked to a range of potential health issues including decreased fertility, developmental delays and certain cancers.

The plan will implement a full assessment of the presence in England's estuaries and coastal waters to obtain a clearer sense of the threats which PFAS pose to natural habitats. New guidance will be developed for regulators and industries to deal with PFAS pollution, and there will be a consultation on a statutory limit on PFAS particles in public water supplies. Tests will be done on food packaging to gauge PFAS levels ahead of potential regulatory intervention, and the government says it will complete an ongoing piece of work which considers a potential restriction on the use of PFAS in firefighting foams.

IMPACT

PFAS has long been an area of significant passive divergence - with the EU adopting a range of decisions to ban the presence of PFAS in items including toys, food packaging, consumer textiles, cosmetics and some firefighting foams. The UK is yet to introduce any equivalent measures, with only a single consultation underway - on potential restrictions on the use of PFAS in firefighting foams. While the government presents its new agenda as the UK's 'first-ever' plan for PFAS, it does not commit to any new restrictions - meaning the regulatory gap with the EU is likely to grow. Environmental groups have described the plan as "incredibly weak".

The day after the plan was announced, the Director of the Chemicals Regulation Division at the Health and Safety Executive (HSE) told the Environmental Audit Committee that the UK has taken a "slightly different philosophical approach" to regulating PFAS. He stated that the UK and EU were seeking similar outcomes in terms of restrictions, but with a different view on "timescale and how best to get there". He characterised the EU approach as "we want to restrict everything", by developing a "single generic restriction" and then having to identify exemptions where PFAS usage will still be permitted; whereas the UK is seeking to "build up a bit more slowly or gradually in a prioritised way". In practice, however, the UK is yet to formally identify any priorities (beyond firefighting foams) or implement any restrictions.

15. Digital & Data

Apple and Google commitments to reform app stores.

ISSUE	IMPACT
In February 2026, the UK Competition and Markets Authority (CMA) announced that it has 'secured commitments' from Apple and Google to improve the 'certainty, transparency and fairness' with which their app stores operate. Last year, using powers under the Digital Markets, Competition and Consumers Act (DMCCA), the CMA designated Apple and Google with 'strategic market status' (SMS) over their mobile operating systems: reflecting their 'effective duopoly' of the market - and concerns that this enabled unfair treatment of app developers. Designating a company with SMS status allows the CMA to impose conduct requirements on those companies, in order to address any competitive distortions which have emerged. In this instance, the CMA has opted not to impose specific requirements, and instead secured 'commitments' from the two companies, including: • ensuring fair distribution of apps and that they will not discriminate against apps which compete with their own; • ensuring apps are ranked in a fair, objective and transparent way which does not give preferential treatment to their own apps; • ensuring they safeguard the app data gathered from developers in the course of app review;	In opting not to impose formal conduct requirements, the UK has diverged from the EU - which has already imposed behavioural remedies and fines on Apple, with an investigation ongoing for Google. The European Commission has made preliminary rulings that Apple and Google's app stores do not comply with the EU Digital Markets Act (from which the UK DMCCA is heavily derived). Similarly to the CMA, the Commission deems that Apple and Google's app stores provide their own services with preferential treatment; prevent app developers from 'steering' customers beyond the app store; and charge unjustified commission fees to developers for purchases of their apps within the app store. The Commission ruled definitively last April that Apple had breached the DMA by preventing app developers from steering customers to alternative app stores. It imposed a €500m fine and required Apple to make changes to its app store functionality. The ruling on Google, made last March, remains preliminary, while a full investigation is ongoing. The UK appears to have consciously opted for a more hands-off approach than the EU, avoiding any fines or formal requirements for behavioural change, with the CMA stating that it reflects the 'unique flexibility of the UK digital markets competition regime'. The CMA has also not sought any commitments from

- (for Apple only) making it easier for developers to gain access to its operating system's features and functionalities (such as its digital wallet).

The CMA will monitor the implementation of these commitments and, if not done effectively, it says it will 'move swiftly' to impose formal conduct requirements.

Apple or Google on the high commission fees charged to developers for using their app stores.

Smaller tech companies have accused the UK of lagging "well behind" other jurisdictions when it comes to digital markets regulation – making it harder for them to compete against the biggest companies. A former CMA director and lawyer at Gerardin Partners said that "The CMA is releasing the new rules in batches. This first batch is so lightweight that it barely exists, and the promises made by Google and Apple are not legally binding in any case".

16. Digital & data

Enhanced regulation for video-on-demand services.

ISSUE	IMPACT
In February 2026 the UK government announced that it is bringing forward secondary legislation to bring large streaming platforms under enhanced regulation, fulfilling a commitment made in the Media Act 2024. Under that legislation, as of 1 April 2026, all 'video on demand' (VOD) services with over 500,000 users have been designated as 'Tier 1' services. This includes Netflix, Amazon Prime Video, Disney+, ITVX and Channel 4's streaming service. That designation means they will face new obligations similar to the Broadcasting Code imposed upon traditional TV broadcasters. Ofcom is now consulting on the full terms of the new code. It will include requirements to ensure that news is reported accurately and impartially, and that audiences are protected against harmful or offensive material. Ofcom will have the power to investigate and take action against any breaches (with maximum fines of £250,000 or 5% of qualifying revenue). There are also new accessibility requirements, with VOD services obliged to ensure that at least 80% of their total catalogue is subtitled, 10% audio described and 5% signed. Ofcom anticipates that the final code will be set out in the last quarter of 2026. Platforms will have four years to meet the requirements after they are legislated for, with interim targets to be met after two years.	The decision to impose stronger regulatory obligations on VOD services reflects the growing dominance they have of television markets. The government notes that 'Two thirds of households subscribe to at least one of Netflix, Amazon Prime Video or Disney+, with 85% of people using an on-demand service each month, compared to 67% who watch live TV', while many younger viewer bypass TV channels altogether. It says that it wants to 'create a more level regulatory playing field and ensure that UK audiences - particularly children and parents - can be confident that protections from harmful material are in place'. On-demand video services are covered under the EU-level Audiovisual Media Services Directive, which coordinates national rules on audiovisual media. However, the majority of regulation is done at the member state level, meaning the UK government could have pursued similar reforms as an EU member state.

17. Financial services

Removal of contactless payment limits.

ISSUE	IMPACT
In March 2026, the UK removed limits on the value of contactless payments, following a decision made the Financial Conduct Authority (FCA) last December. Previously, contactless payments were limited to £100 per transaction and £300 per day. Payment services providers (e.g. banks, credit card companies) are now free to set their own limits on contactless transactions - or to allow customers to set their own. PSPs still have an obligation to protect consumers and may only approve contactless transactions which they consider low-risk. How this is determined is up to the PSP. Consumer protection rules remain in place, meaning card users have a right to be reimbursed if someone else makes contactless transactions using their card after it is lost or stolen.	The FCA argues that the change gives greater flexibility to banks which 'could foster innovation and thereby support growth' - though how exactly seems unclear. The major UK banks have responded by keeping their old payment limits in place. In its consultation response, the FCA anticipated this would happen, noting that the payments industry told them that 'there was an increased risk of fragmentation, system complexity and confusion for both consumers and retailers if PSPs made unilateral changes to their contactless limits'. PSPs are also likely concerned about higher limits leading to more contactless fraud - and thus greater compensation payments to customers. But the FCA argues that PSPs' attitude may change in future, as the new policy 'encourages PSPs to innovate and improve their fraud detection and prevention systems' - so that they can introduce higher limits without a risk of a significant increase in contactless fraud. The British Retail Consortium has questioned whether the change is necessary given there are already no payment limits on digital wallets (contactless payments made with phones) as users are required to verify their identify each time via a biometric check. Contactless payment limits in the EU are regulated by the European Banking Authority and currently set at €50 per transaction.

18. Mobility

New passport requirements for British dual nationals.

ISSUE	IMPACT
In February 2026 the UK introduced changes to its border rules requiring dual British nationals to show a UK passport or certificate of entitlement (proving their right of abode) when entering the UK. Previously, they were able to enter using either a UK or foreign passport. The rules have been changed as part of the introduction of the new Electronic Travel Authorisation (ETA) system. All short stay visitors to the UK (up to six months) who do not require a visa must obtain an ETA (which costs £16 and is normally approved in minutes) prior to travel. Those with UK residence rights (e.g. UK and Irish citizens and EU citizens with settled status) do not require an ETA - and are not eligible to apply for one, according to the Home Office. The new requirement for dual nationals to enter on a UK passport or certificate of entitlement is designed to ensure they have proof of their right of abode in the UK. Otherwise, they may appear to be a foreign national trying to enter without an ETA. In March, the Home Office announced a change to the rules so that dual nationals who are also EU/EAA/Swiss citizens with settled status will continue to be able to enter on their non-UK passport. Without this change, any such individuals who have recently obtained British nationality - but do not yet have a British passport - risked being locked out of the country if they left, because they would be unable to show a British passport upon their return.	The rule changes have created sudden problems for many dual nationals who do not have a UK passport and thus risked being turned away at the border unless they obtain a passport or certificate of entitlement (which cost £94.50 and £589 respectively and can take weeks to arrive). The government can point to the fact that it announced the rule changes in November last year, giving travellers months to prepare, but campaign groups argue that it was not clearly communicated. In late February the Home Office issued temporary guidance advising transport carriers to accept expired British passports (issued in 1989 or later) if the data matches a current passport from a country whose citizens to not require a visa for UK entry. Though additional flexibilities have been introduced for those with settled status, any other dual UK nationals without a British passport or certificate of entitlement will have to obtain one before they are able to enter the UK - adding cost and complexity. The impact will fall most heavily on those who carry passports from countries with non-visa entry rights to the UK (e.g. EU states or Australia), as they will be used to freely entering the UK on their foreign passport. There is also a possibility that some individuals may be unaware that they are British citizens (if this was acquired automatically through a parent) and therefore risk being turned away if they arrive in the UK with only a foreign passport.

19. Product standards

The Treatment of Conformity Assessment Bodies Regulations 2026.

ISSUE	IMPACT
In January 2026, the UK government introduced a statutory instrument entitled Treatment of Conformity Assessment Bodies (Comprehensive Economic and Trade Agreement between the Government of Great Britain and Northern Ireland and the Government of the Republic of India) Regulations 2026. It is the second piece of legislation to be introduced using powers under the Product Regulation and Metrology Act (PRMA). The first case is covered here. The SI gives effect to a commitment in the UK-India trade agreement, signed last year, to give 'national treatment' to each other's conformity assessment bodies (CABs) - i.e. the bodies which test and certify that goods meet the required regulatory standards for circulation on their domestic market. It allows Indian CABs to apply for accreditation and approval to become an 'Approved Body' which can certify that a defined set of products (including toys, machinery and textiles) meet GB regulatory requirements. UK bodies would gain the same rights in reverse. The SI does not apply to Northern Ireland, which, under the Windsor Framework is subject to EU goods law and de facto part of the single market for goods. Because the EU does not have an agreement on 'national treatment' of CABs with India, Northern Ireland cannot be party to the UK-India agreement.	In this instance, the PRMA has not been used to replicate an element of EU law, but to implement new regulations following another bilateral trade agreement. However, it still has two notable divergence aspects. First, it highlights how the Windsor Framework limits Northern Ireland's participation in UK trade agreements. Goods circulating in Northern Ireland require the EU's 'CE' marking, meaning it cannot give 'national treatment' to Indian CABs as this is a domain in which the EU has legal competence. Second, it is an example of the UK effectively securing a mutual agreement on conformity assessments with a third country. It has something similar in place with Australia, Canada, Japan and New Zealand. The UK has previously sought an mutual recognition agreement on conformity assessments with the EU, but this was rejected by the Commission. The reasons why are discussed in a separate entry in this tracker, covering the opening of negotiations on a similar MRA between the EU and the Republic of Korea.

20. Vehicles

GB 'type approvals' become mandatory for motor vehicles.

ISSUE	IMPACT
Since February 2026, all cars sold in Great Britain have required a 'GB' type approval. A 'type approval' certifies that a vehicle meets the necessary standards to be sold in a given market. Following Brexit, GB authorities could no longer administer EU type approvals. To ensure manufacturers could continue to get vehicles approved for the GB market, the UK government introduced a transitional scheme which allowed manufacturers to obtain a 'provisional' approval based on their EU approval. This was followed in January 2023 by a new GB type approval scheme, requiring manufacturers to obtain a separate approval for the GB market. The scheme has since been phased in over time. New models have required a full GB type approval since February 2024, and all motor vehicles have required one since February 2026. Northern Ireland remains subject to the EU type approval regime under the terms of the Windsor Framework.	The impact of the new requirements is likely to be most acute in Northern Ireland, given that the majority of the vehicles sold there come from Great Britain. Part of the problem stems from the fact that there is not perfect alignment between the GB and EU approvals (the EU has introduced updated testing requirements which have not been adopted in GB). This creates delays for GB-based manufacturers in obtaining EU approvals - leaving Northern Ireland 'locked out' of the market for those vehicles in the meantime. Some Northern Irish car dealers have been unable to make advanced orders on major models for this reason. Some major GB-based manufacturers are also reportedly planning to only obtain GB type approvals for certain models (because they plan to sell a set quota in Great Britain), meaning customers in NI will not be able to access any of the cars which remain unsold - and which are often marketed under special offer to consumers. The upshot for Northern Irish consumers is a reduction in choice and potential increase in prices. A major NI car dealership reported in September 2025 that new car registrations were up 9% in the UK but down 15% in Northern Ireland. NI industry figures have called on the UK government to extend the existing derogation around GB type approvals. Longer-term, they argue that GB alignment with EU approval standards 'would solve 90% of the problem'. As covered in the previous divergence tracker - the

UK government is intent on alignment in this area (though it is yet to act). But the problem remains that there is typically a gap of months (at least) between the EU updating its rules and GB catching up – meaning new divergence will repeatedly arise each time the EU rulebook changes.

The problem could be eliminated altogether if vehicles could be registered in Northern Ireland under a GB type approval – but this would require the UK and EU to agree an exemption. The EU might see this is creating a risk that GB-type vehicles (which do not meet EU standards) end up being sold into the EU single market via the Irish Border.

21. Chemicals / Product standards

Toy Safety Regulation.

ISSUE	IMPACT
In January 2026, the EU's new Toy Safety Regulation came into force. Any substance which is identified as hazardous by the EU will now be automatically banned from toys. This covers potentially harmful 'PFAS' substances and bisphenols, as well as 'chemicals that disrupt hormones, harm the lungs, cause skin allergies, or damage specific organs'. Toy labels will be required to carry a link to a digital product passport – through which consumers can access comprehensive information about its composition and safety – and there are new minimum size, visibility, and legibility requirements for safety warnings. Toys will be prohibited from carrying small batteries that can be accessed without the use of a tool, and all toys using AI will have to be assessed for their mental health effects. Certain products have been added to the definition of toys, namely: paintball equipment, catapults and slings and reading and educational books. The Regulation also aligns rules on toy safety with the General Product Safety Regulation (GPSR) which took effect in 2024 and seeks to better combat the purchase of unsafe goods online. Online marketplaces will be obliged to 'set up their platforms in a way that allows sellers to display toys' CE markings, safety warnings and digital product passports'. Without this, they will be considered 'illegal content' under the Digital Services Act. Online marketplaces (e.g. Amazon, Temu) which allow third parties to sell goods to EU	This regulation increases existing divergence which has emerged between the EU and Great Britain. As outlined elsewhere in this tracker, the EU has introduced restrictions on a wide range of harmful substances (including PFAS) which have not been replicated in UK law. Nor does the UK have plans for a digital product passport equivalent to the EU's or rules governing online marketplaces equivalent to the EU GPSR. The new Toy Safety Regulation ensures those requirements are applied robustly to toys sold in the EU. This means consumers in Great Britain are at risk of being able to purchase toys which are considered unsafe on the EU market (and in Northern Ireland – which is subject to most EU law for goods); and there are comparatively weaker processes for forcing online marketplace to ensure the safety of toys sold via their platforms in GB. It also means that GB manufacturers will not be able to export toys to the EU and NI unless they meet the new regulatory requirements – including obtaining a comprehensive digital product passport for their goods. When it introduced the draft Product Regulation and Metrology Bill (now Act), which allows the UK to unilaterally replicate EU product safety rules, the government explicitly cited the updated EU Toys Regulation as a piece of legislation which it would be beneficial to mirror, as otherwise it 'could compromise safety and cause reputational risk for GB authorities should a product cause harm or

consumers are not responsible for ensuring their conformity with EU rules, leading to the purchase of many illegal toys from non-EU manufacturers. Toys were the second-most notified product type last year in the EU rapid alert system for dangerous consumer products (mostly related to chemical ingredients).

Member states and industry actors have four and a half years to implement the required measures.

injury due to only meeting an outdated EU regulation'. Yet the government has so far shown no sign of putting that ambition for alignment into practice.

The fact that there is a four and half year transition period for the implementation of the new EU rules does in theory give the UK some time to catch up if it wishes. That said, to have full equivalence with the EU regulation, the UK would have to implement the same restrictions on hazardous substances as the EU, and introduce an equivalent Digital Product Passport. On the former point, it has been shown elsewhere in this tracker that, not only has the UK not kept pace with EU restrictions on hazardous substances, it appears actively minded to take a different course of action - in particular in relation to PFAS.

22. Climate

Changes to the EU emissions trading system's market stability reserve.

ISSUE	IMPACT
In March 2026, the European Commission announced changes to its emissions trading system (ETS). Under the EU ETS, businesses in a range of industrial sectors must purchase, thorough an auction system, an 'allowance' for every unit of carbon they emit, incentivising them to bring their emissions down. The latest changes focus on the market stability reserve (MSR). This was introduced in 2015, capping the number of allowances in circulation at any one time so as to avoid an oversupply which keeps their price low (and thus limits the incentive for companies to reduce their emissions). Excess allowances are moved into the MSR and then reintroduced to the market if circulation falls below a certain level. The number of allowances which can be held in the MSR is capped at 400m, with any excess allowances 'invalidated' so as to reduce the 'structural surplus' which built up after the 2008 financial crisis. 3.2bn allowances had been invalidated up to the end of 2024. The Commission has now proposed stopping the invalidation mechanism, so the number of allowances held in the MSR is not capped. The aim is to give the Commission "more firepower" to reduce the price of allowances by increasing supply. It responds to calls by a number of member states to review the ETS price following the global spike in energy costs caused by the US-Israel war on Iran. The reform of the MSR may only a be a first step, with Commission promising a 'comprehensive review' of its ETS in July.	The proposal has been heavily criticised by climate organisations, describing it as a "knee-jerk" reaction which reduces pressure on industry to reduce emissions and creates uncertainty in the EU's carbon market. There are potential implications for the UK, which is in the process of negotiating with the EU to link their respective ETSs. This would create a harmonised carbon price and system for trading allowances. Attempts to reduce the EU carbon price thus have implications for the UK, which will ultimately be subject to a common price with the EU. Moreover, the UK was a chief architect of the EU ETS and has sought to be an international leader on net zero - meaning it may well sit with the rank of member states, including Spain and the Netherlands, opposed to attempts to drive down the carbon price. There are also questions to resolve over the extent of UK 'dynamic alignment' with EU ETS legislation. The UK might argue that it need only align with the parts of EU ETS law which are necessary to make linkage work (e.g. processes for monitoring, reporting and verifying emissions) while in other areas equivalence of standards could suffice. Price stability mechanisms are one such area where the UK may push for equivalence, given the two sides have similar but slightly differing approaches. Changes to the EU MSR (or indeed other parts of the EU ETS following the July review) could increase divergence between the UK and EU schemes, which in turn might make it harder for the UK to argue that it can rely on equivalence rather than dynamic alignment.

23. Corporate rules

EU Inc..

ISSUE	IMPACT
In March 2026 the European Commission published proposals for a new corporate legal framework known as 'EU Inc.'. At present, companies must comply with the legal systems and bureaucratic requirements of each EU member state they want to operate in. The EU is seeking to simplify this by creating a '28th regime' under which companies can instead adhere to a single set of harmonised rules allowing them to operate across the EU. The Commission presents EU Inc. as the 'cornerstone' of the 28th regime, serving as the central 'interface' for registration. Any new company setting up in the EU will have the option to use EU Inc., and will be able to choose the member state in which they incorporate. Registration processes will be fully digitised by default, with the aim of creating a simpler system under which a registration can be completed within 48 hours. Registration will cost under €100 and there will be no share capital requirements. The Commission will develop criteria and processes for winding-up procedures, and companies registered under EU Inc. will remain subject to all EU law, including on labour and taxation. The proposal is subject to negotiation with the European Parliament and Council, with the Commission aiming to reach agreement by the end of the year and start implementing it in 2027. In order to complete the 28th regime, the Commission is planning further digitisation of interactions between companies through a European Business Wallet, harmonised rules	The Commission argues that the lack of harmonised corporate law makes it harder for companies to expand across the EU and disincentivises investment in startups. Making it easier for companies to scale up was highlighted by the Draghi report as a key means of boosting the EU's economic competitiveness. The Financial Times' Martin Sandbu argues, however, that the effectiveness of the proposal is limited by the fact that member states 'remain in charge of interpreting the new common corporate rules', creating a risk 'that legal interpretation and dispute resolution will be unpredictable and inconsistent'. This, he asserts, will continue to limit the attractiveness of the EU as a location for investment, compared to the 'well-known corporate regimes' in the US. Member states may also push back against some aspects of the proposal. The law firm Pinsent Masons notes that having 'no minimum capital requirements would correspond to the current legal situation in the Anglo-American world' and could pose issues for member states such as Germany which have stronger creditor protections and rules on notarial oversight. Trade unions have also expressed concern that allowing companies to choose their country of incorporation could lead to 'forum shopping' - incentivising them to register in member states

on employee share options, increased access to capital investment through its Savings and Investment Union, and it is encouraging member states to set up specialised courts for dealing with EU Inc. companies.

with weaker labour protections and union rights.

The EU has made similar attempts to harmonise corporate registration rules three times before, but failed in large part due to a lack of agreement among member states.

24. Cybersecurity

Revision of Cybersecurity Act.

ISSUE	IMPACT
In January 2026, the European Commission proposed a package of revisions to the Cybersecurity Act which it adopted in 2019. The original act established a cybersecurity certification process for products and services (to prove they are safe for use in the EU). The proposal would expand the cybersecurity regime beyond ICT goods and services to include supply chains, with companies required to demonstrate adequate policies and systems to meet new requirements. The most-discussed aspect of the reforms is a power for the European Commission to classify certain countries as 'high-risk' across 18 'critical sectors', with EU companies prevented from using suppliers from high-risk countries. This is widely seen as a means to exclude Chinese companies from supplying technology for critical infrastructure in areas including telecoms, energy, security and transport. To reduce the administrative burden of meeting the rules, there will be some 'harmonisation' of notification requirements, assessment criteria and governance obligations with other EU laws.	The decision to effectively cut Chinese suppliers out of EU critical infrastructure could have significant geopolitical implications. It will likely lead to some form of trade retaliation from China, raising a challenge for the EU around finding alternative suppliers of critical technologies. The extent of retaliation may depend on how widely the powers are used. The Commission is reportedly frustrated that (non-mandatory) measures introduced in 2020 to cut Chinese companies Huawei and ZTE out of 5G networks have not been systematically introduced by member states. It thus seems likely the new powers granted to the Commission will be used to make that ban mandatory at the EU level - but whether restrictions on Chinese companies are extended to other sectors remains to be seen. It is notable that the EU has not expanded the scheme to cloud storage services, which could have led to American companies being prevented from storing EU data. The reforms also raise questions for the UK about whether to follow in the EU's footsteps. The UK took action in 2020 to remove Huawei from telecoms networks. If it now follows the EU in restricting Chinese companies from access to other critical infrastructure, it will likely face trade retaliation from China. But if it does not, it may find it harder to build future connections with EU critical infrastructure.

25. Digital & Data

Proposal for a Digital Networks Act.

ISSUE	IMPACT
In January 2026 the European Commission published a proposal for a Digital Networks Act, which aims to create harmonised EU-level rules governing modern digital networks (e.g. fibre and mobile - rather than older copper ones) which underpin tech, AI and cloud services. It proposes a 'Single Passport' authorisation system, which would require companies to only register in one member state in order to provide digital services across the EU. This includes a standard notification template, which national authorities will not be allowed to deviate from, and a 'digital-first' approach, where authorities have to accept notifications through digital means and provide confirmation within a week. It also proposes a pan-European satellite communication service, based on an EU-level authorisation processes and the introduction of 'security and resilience' criteria when deciding on suppliers, in order to reducing dependences on foreign providers. There will also be a reduction in reporting obligations for firms and mandatory 'transition plans' for member states (to be presented by 2029) to deliver the phase-out of copper networks between 2030 and 2035. The proposals are still subject to negotiation with the Parliament and member states, meaning they could yet change in form.	Greater harmonisation of EU telecom rules was identified as a key priority by both the Draghi and Letta reports. Without this, they see a risk of becoming increasingly dependent on foreign (US and Chinese) providers in a critical sector, and EU firms being unable to scale-up and compete. Firms are seen to be hindered by a fragmented EU telecoms market, based on a range of differing national regulations, which makes it hard for them to grow across national borders - reflected in the existence of more than 40 large mobile telecom operators across the continent. Yet industry was reportedly left disappointed by the EU proposal, which they felt failed to implement many of the core recommendations of the Draghi report. In particular, there is no proposal for big tech companies (which are largely US-owned) to a pay a 'network fee' for the use and maintenance of the EU digital networks upon which their operations are highly dependent. The law firm Bird&Bird also points out that the 'Single Passport' proposal is far from enough to fully harmonise EU digital network rules. Even though providers will only need to register in one member state, they will still need to comply with the specific regulatory requirements of each member state they operate in. The firm notes that there is 'significant national divergence in telecommunications regulation — particularly regarding ePrivacy, cybersecurity, and lawful intercept'. In addition, member state regulators

will still hold powers to impose penalties and withdraw operating rights - leading to potentially inconsistent approaches across the EU (unlike a measure like the Digital Services Act where rules and enforcement are set at the EU level).

The Single Passport regime could nevertheless make it somewhat easier for UK operators to access EU digital networks. The UK faces similar challenges to the EU around security, resilience and competitiveness in digital networks - and there could be potential for greater regulatory cooperation between the two sides in order to better integrate their networks and reduce their dependence on non-European providers.

26. Digital & Data

Preliminary ruling on TikTok.

ISSUE

In February 2026 the European Commission issued a preliminary finding that TikTok has breached its Digital Services Act (DSA) due to the addictive design of its interface. The DSA imposes obligations on online services and platforms to protect EU users from a range of threats including to their physical and mental wellbeing. It deems that TikTok's platform possesses addictive features ('such as infinite scroll, autoplay, push notifications, and its highly personalised recommender system') and that 'TikTok did not adequately assess' how these features 'could harm the physical and mental wellbeing of its users, including minors and vulnerable adults'. It further deems that TikTok has not implemented 'reasonable, proportionate and effective measures' to address those risks, highlighting that existing screentime management and parental control tools seem ineffective.

The Commission's initial view is that TikTok will need to change the design of its platform to comply with the DSA, by disabling features such as infinite scroll, adapting its recommendation system and implementing more effective screen time breaks. The ruling is the result of an investigation which began in February 2024, but the findings remain preliminary. TikTok may now examine the investigation and issue a defence before the Commission makes a final ruling. If it confirms its initial findings, it can demand that TikTok makes changes to its platform design and issue a fine of up to 6% of annual worldwide turnover.

IMPACT

This continues a trend, noted in previous trackers, of the EU taking a highly interventionist approach against big tech for breaches of its DSA and sister Digital Markets Act (DMA, which seeks to uphold fair competition in digital markets). Elon Musk's X was fined €120m last December for breaching the DSA.

This has led to strong criticism from the US government for what it perceives as a targeted attack on US tech companies - but in this case the intervention is being made against a Chinese company, not a US one (though a recent agreement will see the US arm of TikTok become majority US-owned). The Commission has previously issued preliminary rulings against TikTok and the Chinse company Temu for breaches of the DSA (relating, respectively, to advertising transparency and user safety); and it raided Temu's European offices in search of evidence of unfair subsidisation.

The UK's Online Safety Act (OSA) is similar in design to the EU DMA, including provisions to protect the wellbeing of users online, but it has not taken parallel action against TikTok, despite UK campaigners calling on the government to tackle the addictive design of social media platforms. The UK has in general been less forthright in its use of powers under the OSA and Digital Markets, Competition and Consumers Act (equivalent to the EU DMA).

27. Fisheries

CATCH certification scheme.

ISSUE	IMPACT
In January 2026, the EU introduced a new digital certification scheme for fish and seafood imports, replacing the previous system of paper declarations. Known as 'CATCH', it is designed to more effectively detect and prevent illegal imports of fishery goods into the EU. Under the old scheme, EU importers had to ensure that fishery goods were accompanied by certifications, including confirmation from relevant national authorities that catches were made in accordance with national and international fishing and conservation laws. The EU was concerned that, because many of those certificates were provided on paper or as scanned copies, there was no integrated means for member states to share information on the data they were processing. This, in turn, made it harder to take coordinated action against illegal imports. The new system creates a single database into which all catch certificates and related documents are submitted. The EU says this will 'streamline the catch certification process and... offer a fully digitised and paperless workflow' which speeds up administrative processes.	The implementation of CATCH has been challenging, with the new IT system struggling to deal with demand. In January 2026, the Financial Times reported that seven EU member states said the system was unworkable, with importers facing a range of issues such as server errors and certain postcodes and fish species not being recognised. In addition, EU importers must manually copy data from paper certificates/ scans into the new system, which can amount to hundreds of separate data entries taking several hours to complete. Some importers have had their uploads rejected because the file size is too big. The European Commission says it has taken action to address those issues and introduced temporary flexibilities around what data has to be uploaded. Industry groups have called for a six month transition period where paper certificates are still valid. CATCH allows operators and authorities from non-EU countries (where fish has been caught) to transfer catch certificates directly into the system - digitising and thus speeding up the data registration processes. It is not clear whether the UK has adopted such a process or will consider doing so - but it could potentially speed up processes for British fishers seeking to export UK fish and seafood to EU markets. Another question for the UK is whether - if CATCH is successful in better detecting illegal imports into the EU - more illegally caught fish is redirected to the UK market instead.

28. Industrial policy

Industrial Accelerator Act.

ISSUE	IMPACT
In March 2026, the European Commission announced a proposal for a new 'Industrial Accelerator Act' (IAA), which introduces requirements for public procurement processes in certain 'strategic sectors' to introduce thresholds around 'Made in EU' and/or low-carbon content. The IAA focuses on manufacturing industries which are 'essential enablers of the clean transition', namely energy-intensive sectors (steel, cement and aluminium, with chemicals to follow), the automotive value chain, and net zero technologies. The specific requirements (set to come into force from January 2029) vary by sector, but some of those highlighted by the Commission include 'low-carbon' requirements for steel used in automotive, cement used in construction and aluminium used in automotive and construction. Those cement and aluminium goods are also set to be subject to 'Made in EU' requirements, as are a wide range of net zero technologies, electric vehicles and their components. The precise thresholds for how much content must be low-carbon or made in EU vary widely - going as high as 70% local content for electric cars (excluding batteries). Content from countries which have a free trade agreement or customs union with the EU will be counted as 'Made in EU' under the scheme. This could include up to 40 countries, including the UK. The Commission may, however, exclude a country from the scheme if it does not afford the EU reciprocal treatment or 'to	This is a major piece of legislation which forms a central part of the Commission's plan to boost its industrial base. Its target is for manufacturing to represent 20% of EU GDP by 2035, compared to 14.3% in 2024, and it estimates that it will 'create tens of thousands of jobs', lead to €240m in administrative savings and save over 30m tonnes of CO_2. The IAA aims to reduce the EU's reliance on foreign suppliers (in particular China) in key industrial sectors. The Commission says that the IAA focuses on industrial sectors because 'they face declining production in Europe, slower decarbonisation investments and growing global competition and market distortions, such as unfair subsidies, in markets that are increasingly concentrated outside the EU'. The introduction of the IAA was delayed multiple times due to disagreements between member states, not least over which countries should count towards 'Made in EU'. Stéphane Séjourné, the Internal Market Commissioner, as well as certain states including France, initially favoured it being restricted to EU countries only; but other member states successfully pushed back against this, arguing that excluding key trading partners could in fact disrupt supply chains and make it harder to reduce their dependence on countries like China. This will come as a relief to the UK (and other major EU trade partners like Japan), which

avoid dependencies or any other developments that may threaten the security of supply' of particular goods.

Investors from countries which represent more than 40% of manufacturing capacity in certain sectors (battery technologies; electric vehicles and their components; solar technologies; critical raw material extraction, processing and recycling) will not be allowed to make investments of over €100m in the EU in the relevant sector (unless explicitly approved by the Commission). They will also have to ensure that at least half of workers engaged under any investments are from the EU, that local companies are involved, and that 'relevant know-how' is shared with EU partners.

The act also seeks to speed up industrial manufacturing projects by fully digitising permitting processes, setting time limits and speeding up approval of some intermediary steps. The proposal is subject to negotiation with the Parliament and member states before it is finalised.

had been pushing hard for inclusion under the scheme. It is not yet clear whether the act has any implications for the requirement under the TCA that a greater proportion of electric vehicle components originate from the EU or UK from the start of next year - if they are to qualify for tariff-free trade. The British Chambers of Commerce point out that upcoming EU legislation on automobiles and assembly rules pose similar risks in terms of potentially excluding third countries like the UK from EU supply chains.

29. SPS

Measures to reinforce farmers' position in the food supply chain.

ISSUE	IMPACT
In March 2026, the European Parliament and Council agreed on a proposal to ban vegetarian and vegan food items from using various meat-based names in their marketing descriptions. Meat will be redefined as 'edible parts of animals', and accordingly non-meat products will be banned from using 31 terms including steak, liver, bacon, beef, chicken, drumstick, loin, ribs, steak, T-bone and wing. This is a softening of the original proposal, which would have also banned the use of terms such as 'burger' and 'sausage'. Lab-grown and cell-based foods will also be banned from using the term 'meat'. The measures are part of a wider set of provisions designed to strengthen the position of farmers in food supply chains. Other measures introduce stricter criteria for when agricultural products can describe themselves as 'fair' and 'equitable' - requiring connections to rural community development and the promotion of farmer organisations; and setting a definition on when goods can carry the term 'short supply chain' (they must be made in the EU with a limited number of intermediaries or travelling time/distance). The agreement is subject to final approval by the Parliament and Council, meaning it could in theory be amended before reaching its final form.	MEPs supportive of the package say it "recognises the value of livestock farmers' work and protects their products, fruits of unique know-how, against a form of unfair competition." There are implications for both GB-NI and UK-EU trade. Northern Ireland will have to adopt the measures on food marketing, which it is subject to under the Windsor Framework. GB supermarkets serving the NI market may thus have to rebrand certain items for Northern Irish shelves (unless they can prove that they are not at risk of entering the EU). GB companies serving the EU market, meanwhile, will have no choice but to comply with the new marketing rules, meaning they may have to rebrand certain products for the EU. The potential for GB-NI/EU divergence will, however, likely be negated if and when the UK and EU implement the 'SPS' deal which is currently under negotiation. As part of this agreement, the UK government has publicly committed to align with EU marketing rules for specific foods, although it did not reference meat products as an area in scope. Given that the government says it will only seek to negotiate a few exemptions from alignment with EU SPS rules (relating to welfare standards, public health, and new technologies) it seems likely that the new EU rules discussed here will end up being adopted across the whole of the UK, should the SPS deal be completed.

30. Trade / Product standards

Council authorises opening of MRA negotiations with Korea.

ISSUE	IMPACT
In April 2026, the European Council authorised the Commission to open negotiations with the Republic of Korea on a mutual recognition agreement (MRA) on conformity assessments, certificates and markings. Conformity assessments certify that a product meets the necessary regulatory standards for circulation in a given market. The EU conformity assessment marking is known as 'CE'. The MRA would allow Korean conformity assessment bodies (CABs - including laboratories, inspection bodies, and certification entities) to issue test reports, certificates and conformity markings for the EU market - and vice-versa. As part of the negotiations, the two sides will have to agree which sectors are covered by the MRA. The purpose is to reduce duplication of processes. Under an MRA, a Korean manufacturer would be able to get products certified for both the Korean and EU markets from the same Korean CAB - rather than having to seek separate testing and approval from an EU body for access to the EU market. The same applies in reverse for EU bodies exporting to Korea. The two sides do not need to harmonise their product regulations as part of the agreement, as the MRA enables Korean CABs to test products in line with EU requirements, and vice-versa.	Given Korea's strong advanced manufacturing base, the agreement appears to be another part of the EU's strategy to diversify supply chains in critical sectors. The Council notes that 'empirical evidence indicates that MRAs boost exports, increase the number of exporting firms, and expand product portfolios to partner markets'. The decision is especially notable for the UK, given that the Commission rejected a proposal for an MRA on conformity assessments ahead of last year's UK-EU summit. This may reflect the EU thinking it has little to gain from an MRA with the UK, given that the UK already accepts CE-marked goods, and so EU manufacturers do not need to undergo separate testing and approval for the GB market. The greater flexibility shown to Korea may also reflect the fact that there it is a far more distant market (meaning very little risk of EU manufacturers getting their goods certified in Korea rather than the EU) which is specialised in goods which the EU has a critical need for. The EU also has MRAs, of varying depth, with Australia, Canada, Israel, Japan, New Zealand, Switzerland and the US. The Swiss deal is the most relevant for the UK, as it is also a country neighbouring the EU which is highly integrated into its goods market. Were the EU to consider an MRA with the UK, it would likely be along the lines of the Swiss deal. Switzerland has an 'advanced' MRA, whereby it harmonises most of its product regulations

with the EU (this is not a requirement under the proposed Korean MRA). The benefit is that Swiss and EU product approvals are treated as interchangeable – so a Swiss conformity assessment mark is sufficient for a good to be sold on the EU market, and vice-versa. This goes beyond the EU-Korea deal, under which goods still need to undergo separate testing and approval for the EU and Korean markets.

31. Vehicles

Type-approval framework for non-road mobile machinery used on roads.

ISSUE	IMPACT
In February 2026, following a meeting of the Joint Committee governing the Withdrawal Agreement, the UK and EU agreed to add a new piece of EU legislation to the Windsor Framework, rendering it applicable in Northern Ireland. Regulation (EU) 2025/14 (Type-approval framework for non-road mobile machinery used on roads) establishes new processes for road safety approvals of 'mobile machinery'. These are machines which are not designed for the transport of persons, animals or goods but are sometimes driven on public roads - such as bulldozers and mobile cranes. The regulation introduces new testing procedures and methods and powers for the Commission to introduce (through delegated legislation) new technical requirements related to safety aspects including braking devices, steering, field of vision, windscreen wipers and lighting (but not pollutant emissions). They will apply to all new types and models of mobile machinery being placed in EU/NI roads, and national approval authorities will have responsibility for conducting the tests. Machines will need to be fitted with a plate confirming the type-approval.	The implementation of the regulation creates divergence between Northern Ireland and Great Britain (where it is not applicable). However, the UK government stated that it 'will not create a new regulatory border' because 'most affected products in Northern Ireland are likely to be traded on a pan-European basis'. That means manufacturers supplying Northern Ireland will be meeting the EU rules as standard practice - and thus the application of those rules in Northern Ireland imposes no additional regulatory burden. A government assessment found that 'all identified GB manufacturers of non-road mobile machinery are trading with the EU... and therefore will adapt specifications to meet EU rules, as this is a major market for them'. That means they will, by default, meet the requirements to sell into the NI market. The government also notes that the rules do not apply to smaller manufacturers (producing under 70 units per type per year) - who typically find it harder to adapt to new administrative requirements - further reducing the risk of trade disruption. The government says that, 'to provide additional confidence', and in line with its 'presumption of alignment with EU vehicle regulation', it will consider 'equivalent measures in Great Britain where necessary'. It has made similar assurances in the past - but without so far following through.

32. Environment

The Deposit Return Scheme for Drinks Containers (Wales) Regulations.

ISSUE	IMPACT
In February 2026 the Welsh and UK governments agreed an exclusion to the UK Internal Market Act (UKIMA) 2020, allowing the Welsh government to include glass bottles in its deposit return scheme (DRS). The Welsh government laid the legislation for its own DRS on the same day. The UK government is developing a DRS for England and Northern Ireland, which aims to increase the rate of recycling of single-use plastic and metal drinks containers by charging consumers an up-front fee when they purchase a can/bottle, which can be reclaimed by returning the used item to a recycling collection point. It is set to come into effect from October 2027. The Welsh DRS goes further than the UK one by including glass drinks containers, as well as plastic and metal ones. That means glass bottles will require special labelling for sale in Wales (to enable recycling under the DRS), and so many glass bottles sold in other parts of the UK may not meet the requirements for sale in Wales. That, in turn, falls foul of the 'market access principles', set out in the UKIMA, which state that a good which meets the regulatory requirements for sale in the part of the UK where it is made or imported may be sold in other parts of the UK, even if they have differing regulatory standards. The Welsh government thus proposed an 'exclusion' to the UKIMA to allow it to include glass bottles under the DRS, despite	The exclusion is notable given that the Scottish government was refused a similar exemption under the Sunak government, which argued that the inclusion of glass bottles would lead to 'permanent divergence' which 'would add cost and complexity to the schemes in particular to hospitality and retail sectors, as well as adding consumer inconvenience'. Previous Conservative administrations adopted a policy of 'muscular unionism' with a stronger role for Westminster over devolved policy, whereas Labour appears to be opting for a somewhat more collaborative approach, based on greater use of interministerial groups for policy coordination. Though the extent of this shift should not be overstated, the decision to grant an exemption to the Welsh government is evidence of a change of approach. A joint taskforce to oversee the implementation of the Welsh DRS will be set up under the Resources and Waste Common Framework (the same intergovernmental forum where the potential exclusion was discussed). It will be interesting to watch whether the Scottish government reanimates attempts to include glass in its own DRS. In January 2025, the UK government announced that a DRS for plastic and metal vessels would be introduced in England, Northern Ireland and Scotland (but notably not Wales) – suggesting that Scottish plans for divergence from the Westminster-led scheme had been abandoned.

the conflict with the UKIMA market access principles. The UK government consulted on the proposal, and has agreed to the exclusion as long as the Welsh government meets certain conditions. It must have its DRS for plastic and metal drinks containers in place by 1 October 2027 (in line with the rest of the UK) and ensure that it is interoperable with the UK-wide scheme (a single registration scheme, consistent logos and deposit levels etc.). There will also be a 'transitional period' for the glass element of the scheme (no deposit cost, labelling requirements or recycling targets) until October 2031 to give industry time to prepare.

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020 7848 2630
info@UKandEU.ac.uk
@UKandEU
www.UKandEU.ac.uk

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