



Brussels, 22.12.2025  
COM(2025) 804 final

Recommendation for a

**COUNCIL DECISION**

**authorising the opening of negotiations between the European Union and the United Kingdom of Great Britain and Northern Ireland on the participation of the United Kingdom in the internal electricity market of the Union and on the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union**

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE RECOMMENDATION

#### 1.1. Reasons for and objectives of the recommendation

On 1 February 2020, the United Kingdom of Great Britain and Northern Ireland ('the United Kingdom') withdrew from the European Union ('the Union') and from the European Atomic Energy Community ('Euratom'). The relationship is governed by two agreements:

- The Withdrawal Agreement<sup>1</sup>, including the Windsor Framework<sup>2</sup>, which forms an integral part of it.
- The Trade and Cooperation Agreement.<sup>3</sup>

On 19 May 2025, the European Union and the United Kingdom held their first summit and adopted a Joint Statement, reaffirming the commitment to the full, timely and faithful implementation of the Withdrawal Agreement, including the Windsor Framework, and the Trade and Cooperation Agreement. They welcomed a renewed agenda for EU-UK cooperation – Common Understanding<sup>4</sup>, which committed the European Commission and the United Kingdom to explore in detail the necessary parameters for the United Kingdom's possible participation in the Union's internal electricity market, including participation in the Union's trading platforms in all timeframes, and to proceed swiftly on this undertaking in accordance with the respective procedures and legal frameworks.

On 13 November 2025, the Council and the Commission adopted a statement on a financial contribution of the United Kingdom. In this statement, both institutions shared the view that, *“should any agreement be concluded that provides for the participation of the United Kingdom in parts of the Union’s internal market, they will reflect on the appropriate level of financial contribution towards reducing economic and social disparities between the regions of the Union that would reflect the level of the United Kingdom’s participation in the Union’s internal market”*.

Through the same statement, the Council invited the Commission to recommend a mandate for negotiations on an agreement on the participation of the United Kingdom in the internal electricity market of the Union before the end of 2025.

#### (a) Participation in the internal electricity market of the Union

Since 1 January 2021, the Union and the United Kingdom have run separate electricity markets, except for the United Kingdom in respect of Northern Ireland, where the provisions

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<sup>1</sup> Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (OJ L 29, 31.1.2020, p. 7) ('Withdrawal Agreement').

<sup>2</sup> The Windsor Framework is the new way in which the Protocol on Ireland / Northern Ireland is referred to in accordance with Joint Declaration No 1/2023 of the Union and the United Kingdom in the Joint Committee established by the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community of 24 March 2023, (OJ L 102, 17.4.2023, p. 87).

<sup>3</sup> Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part (OJ L 149, 30.4.2021, p. 10–2539) ('Trade and Cooperation Agreement')

<sup>4</sup> A renewed agenda for European Union – United Kingdom cooperation Common Understanding, [https://ec.europa.eu/commission/presscorner/detail/en/statement\\_25\\_1267](https://ec.europa.eu/commission/presscorner/detail/en/statement_25_1267)

of Union law governing wholesale electricity markets, as well as other aspects including certain relevant environmental rules and State aid apply, respectively, in accordance with Articles 9 and 10 of and Annexes 4 and 5 to the Windsor Framework, underpinned by the Withdrawal Agreement's general as well as Windsor Framework's specific governance arrangements.

The electricity markets of the Union and the United Kingdom share many common design features. Yet, even though some provisions of Union law continued applying to and in the United Kingdom in respect of Northern Ireland, other parts of the United Kingdom have otherwise been able to diverge from the Union's legal framework.

Articles 311, 312 and 317 and Annex 29 of the Trade and Cooperation Agreement provide for the establishment and implementation of a procedure for the allocation of capacity on electricity interconnectors at the day-ahead market timeframe based on the concept of "Multi-region loose volume coupling." However, this procedure proved more difficult to implement than anticipated.

Allowing the United Kingdom to participate in the internal electricity market of the Union would improve the efficiency of the electricity trading between the Parties, and facilitate investments in electricity infrastructure, including renewable electricity generation that is necessary to achieve the net zero ambition of both sides, while advancing the level playing field between the Union and the United Kingdom.

Since the EU-UK Summit on 19 May 2025, the Commission and the United Kingdom have explored in detail the necessary conditions for the United Kingdom's possible participation in the Union's internal electricity market. They identified a series of underlying parameters for the negotiations concerning an agreement on the participation of the United Kingdom in the internal electricity market of the Union.

- (b) Financial contribution towards reducing economic and social disparities between the regions of the Union

The EU aims to establish a permanent, legally binding mechanism for the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union, at an appropriate level.

The financial contribution of the United Kingdom should be calculated based on the Union financial contribution towards reducing the disparities between the regions of the Union, adjusted to reflect the relative size of the UK economy and the proportion of the internal market to which the United Kingdom participates.

## **1.2. Consistency with existing policy provisions in the policy area**

### ***Withdrawal Agreement including the Windsor Framework***

The Windsor Framework makes a set of relevant Union law automatically applicable to and in the United Kingdom in respect of Northern Ireland, in order to avoid a hard border on the island of Ireland.

Where the envisaged agreement would overlap with the Windsor Framework, the Windsor Framework should prevail over it in all relevant areas.

## *Trade and Cooperation Agreement*

### (a) Participation in the internal electricity market of the Union

The Trade and Cooperation Agreement contains provisions in its Part Two, Heading One, Title VIII ('Title VIII') in relation to cooperation in the energy sector, including specifically on electricity.

The objectives of Title VIII are to facilitate trade and investment between the Union and the United Kingdom in the areas of energy and raw materials, and to support security of supply and environmental sustainability, notably in contributing to the fight against climate change in those areas. More specifically on electricity, Title VIII provides high-level rules on the organisation of competition in electricity markets, on trading over interconnectors, on network development and security of supply and on technical cooperation, on the promotion of safe and sustainable energy, and on the trade in energy goods and raw materials.

As the participation of the United Kingdom in the internal electricity market of the Union would require the United Kingdom to comply with more specific provisions of relevant Union law, the agreement would have to complement, specify further and in some cases disapply provisions of the Trade and Cooperation Agreement as far as the electricity sector is concerned and this agreement would apply.

The agreement would for instance need to disapply all or parts of the Articles 311, 312 and 317 and Annex 29 of the Trade and Cooperation Agreement which mandate the implementation of a form of electricity trading based on the concept of "multi-region loose volume coupling". This is necessary since the "multi-region loose volume coupling" would not be compatible with the full integration of the United Kingdom in the Union's internal electricity market, neither in terms of its technical design nor in terms of the underpinning regulatory framework.

The agreement should furthermore set out State aid rules that go beyond the provisions on subsidy control of Part Two, Heading One, Title XI, Chapter 3 of the Trade and Cooperation Agreement. These provisions are not sufficient to ensure a level playing field for the market participants in the electricity sector once the United Kingdom participates in the internal electricity market of the Union.

In addition, the agreement should (i) guarantee dynamic alignment with and simultaneous application of all the relevant Union rules, (ii) ensure uniform interpretation, (iii) include a dispute resolution mechanism with an independent arbitration tribunal based on the Trade and Cooperation Agreement with a role for the Court of Justice of the European Union as the ultimate authority for all questions of Union law; and (iv) include a robust mechanism to ensure compliance with rulings of the arbitral tribunal, for instance through the possibility to adopt appropriate measures to protect the Union's interests and the possibility of cross-retaliation between the new agreements and between these and the areas covered by the Trade and Cooperation Agreement.

The agreement should ensure that: (i) appropriate use is made of the governance structures of the existing agreements, notably the Trade and Cooperation Agreement, and (ii) that the safeguard clause of the Trade and Cooperation Agreement (Article 773 Trade and Cooperation Agreement) applies to the new agreements.

### (b) Financial contribution towards reducing economic and social disparities between the regions of the Union

The Trade and Cooperation Agreement does not contain any provision in relation to the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union.

### **1.3. Consistency with other Union policies**

#### **(a) Participation in the internal electricity market of the Union**

##### ***Level Playing Field Benefits***

The agreement would ensure that a level playing field is in place for operators in the Union and the United Kingdom, by ensuring that the operators are subject to the same obligations in terms of electricity trading, promotion of renewables, protection of the environment and compliance with State aid rules.

##### ***Bilateral Trade Benefits***

The agreement would facilitate trade by allowing the United Kingdom to participate in the Union's electricity trading platforms in all timeframes, thus adopting more efficient electricity trading solutions than those currently in place or those provided for in the Trade and Cooperation Agreement.

##### ***Sustainability and Climate Benefits***

The agreement would support the Union objectives related to the transition to a net zero energy greenhouse gas system in Europe by 2050 at the latest.

The agreement would furthermore reinforce the legal commitments of the United Kingdom to promote renewable energy sources and to protect the environment, hence supporting Union objectives related to sustainability and climate protection.

#### **(b) Financial contribution towards reducing economic and social disparities between the regions of the Union**

The establishment of a legally binding framework for the financial contribution by the United Kingdom to the Union's economic and social cohesion would contribute to the achievement of the Union's policy objectives in this policy area in the long run, not in the least by providing legal certainty and predictability.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

### **2.1. Procedural legal basis**

Article 218(3) of the Treaty on the Functioning of the European Union (TFEU) provides that, where the agreement envisaged does not relate exclusively or principally to the common foreign and security policy, the Commission shall submit recommendations to the Council. The Council shall adopt a decision authorising the opening of the negotiations and nominating the Union negotiator or the head of the Union's negotiating team.

Article 218(4) TFEU provides that the Council may address negotiating directives to the negotiator and designate a special committee to consult the negotiator.

The Commission recommends to open negotiations between the Union and the United Kingdom for two international agreements, one relating to the participation of the United Kingdom in the internal electricity market of the Union and one on the financial contribution

of the United Kingdom towards reducing economic and social disparities between the regions of the Union. The Commission is to be nominated as negotiator.

The procedural legal basis for the proposed decision to authorise opening of negotiations of the envisaged agreement is Article 218(3) and (4) TFEU.

## **2.2. Substantive legal basis**

This proposal concerns the negotiation of two different agreements which will fall under two different substantive legal bases.

An agreement on the participation of the United Kingdom in the internal electricity market of the Union shall be concluded on the basis of Article 194(2) TFEU.

An agreement on the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union shall be concluded on the basis of Title XVIII, Part Three TFEU.

## **2.3. Union competence**

The Union has exclusive competence to conclude an agreement on the participation of the United Kingdom in the internal electricity market of the Union.

The nature of the competence for the agreement on the financial contribution of the United Kingdom towards reducing economic and social disparities will be determined in light of the mechanism chosen for the financial contribution of the United Kingdom.

## **2.4. Subsidiarity (for non-exclusive competence)**

The impact on the subsidiarity principle can only be determined in view of the outcome of the negotiations.

According to Article 5(3) of the TEU, the subsidiarity principle does not apply in areas of exclusive EU competence.

## **2.5. The choice of negotiator**

Given that the agreements envisaged exclusively cover matters other than the Common Foreign and Security Policy, the Commission must be designated as the negotiator pursuant to Article 218(3) TFEU.

## **2.6. Proportionality**

The Union's action does not go further than what is necessary to achieve the policy objective of allowing the participation of the United Kingdom in the internal electricity market of the Union and providing for the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union.

## **2.7. Choice of the instrument**

This Recommendation for a Council decision is submitted in accordance with paragraphs 3 and 4 of Article 218 TFEU, which envisage the adoption by the Council of a decision authorising the opening of negotiations and nominating the Union negotiator. The Council may also address negotiating directives to the negotiator. There exists no other legal instrument that could be used in order to achieve the objective expressed in this recommendation.

### **3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS**

N/A

### **4. BUDGETARY IMPLICATIONS**

The agreement on the participation of the United Kingdom in the internal electricity market of the Union should include provisions to ensure that the United Kingdom contributes financially to support the Union's work in the policy area, including to the functioning of the relevant Union agencies, systems and databases to which the United Kingdom would gain appropriate access.

The agreement on the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union should include provisions to ensure that the United Kingdom financially contributes towards reducing economic and social disparities between the regions of the Union, that would reflect the level of the United Kingdom's participation in the Union's internal market.

### **5. OTHER ELEMENTS**

#### **5.1. Detailed explanation of the specific provisions of the recommendation**

With this recommendation, the European Commission invites the Council of the European Union to authorise the opening of negotiations for an agreements between the Union and the United Kingdom on the participation of the United Kingdom in the internal electricity market of the Union and on the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union, to nominate the European Commission as Union's negotiator and to address directives to the negotiator and designate committees in consultation with which the negotiations must be conducted.

Elements for the agreement on the participation of the United Kingdom in the internal electricity market of the Union which are common to other agreements under negotiations with the United Kingdom:

1. The agreement should be without prejudice to the proper functioning of the Union's internal market.
2. The agreement should not give the United Kingdom the right to participate in the Union's decision-making. However, the United Kingdom should be involved at an early stage and contribute appropriately for a country that is not a member of the European Union to the decision-shaping process of Union legal acts in the fields covered by the obligation to dynamically align and simultaneously apply. The European Commission should consult the United Kingdom at an early stage of policymaking. These rights would not extend to participation in the work of the Council or its preparatory bodies.
3. The agreement should provide for an obligation for the United Kingdom to dynamically align to the relevant Union legislation. The mechanism of dynamic alignment should ensure that identical rules within the scope of the agreement are simultaneously applied.
4. The agreement should ensure uniform interpretation and application of Union law on the basis of the case-law of the Court of Justice of the European Union; in particular,

the interpretation given to the applicable rules within the Union should also apply in the context of the relations between the Parties.

5. The agreement should include effective mechanisms for dispute resolution involving an independent arbitral tribunal and ensuring that the Court of Justice of the European Union is the ultimate authority for all questions of Union law, with possibilities for appropriate measures to protect the Union interests in case of non-compliance with the agreements.
6. The agreement should ensure that the institutional committee structure of the Trade and Cooperation Agreement is used for the administration of the new agreements.
7. The agreement should include provisions to ensure that cross-retaliation between the new agreement and the areas covered by the Trade and Cooperation Agreement remains possible as contemplated in the Trade and Cooperation Agreement.
8. The agreements should ensure that the Safeguard Measures clause of the Trade and Cooperation Agreement (Article 773 Trade and Cooperation Agreement) applies.
9. The United Kingdom should contribute financially to support relevant costs associated with the Union's work in this policy area.

Main elements regarding the agreement on the participation of the United Kingdom in the internal electricity market of the Union:

10. The envisaged agreement should allow the participation of the United Kingdom in the internal electricity market of the Union.
11. The agreement should be based on a balance of rights and obligations and ensure a level playing field.
12. The scope should cover both the wholesale and retail market. It should include the participation in the Union trading platforms in all timeframes and in the relevant bodies, such as ENTSO-E or EU DSO Entity, and processes relevant for regulatory coordination, security of supply and grid stability. The envisaged agreement should ensure the integration of Union rules on the wholesale energy market integrity and transparency and their application, including to financial instruments that qualify as wholesale energy products under those Union rules. It should not provide for the participation of the United Kingdom in the Union's financial services market nor require the Union or the United Kingdom to change or alter the application of its rules on financial instruments and financial services for the purpose of this agreement.
13. The envisaged agreement should ensure the dynamic alignment of the laws of the United Kingdom with the rules of the Union on the electricity market and provide for their simultaneous application in the United Kingdom. Within the framework of the Union rules on the electricity market, the United Kingdom should be able to adopt policy measures to ensure affordable electricity prices, security of electricity supply and grid stability in the same way as Member States of the European Union. The envisaged agreement may also contain provisions allowing a phasing in of the United Kingdom's participation into the EU internal electricity market and a limited number of objectively justified technical adaptations. All of these measures should be designed in such a way that they do not (i) negatively affect the design and effective functioning of the European Union's electricity market, (ii) affect or distort cross-border electricity exchanges, or (iii) put the United Kingdom in a more advantageous position than a Member State of the Union.

14. The envisaged agreement should also ensure the dynamic alignment of the laws of the United Kingdom with the rules of the Union on the promotion of renewable energy and provide for their simultaneous application in the United Kingdom. It should set an indicative global target for the share of renewable energy in the gross final consumption of energy in the United Kingdom. To ensure a level playing field, the global target should be comparable to that of the Union and based on the definitions, requirements and methodologies set by the Union *acquis*. In setting the target, due regard should be paid to the United Kingdom's Climate Change Act 2008 obligations and Nationally Determined Contributions. The sectoral sub-targets in transport, buildings, heating and cooling and industry sectors should fall outside the scope of the Electricity Agreement. The envisaged agreement may also contain provisions allowing a limited number of technical adaptations to the renewable energy *acquis* provided that they i) are justified by objective criteria, excluding policy choices, ii) ensure that the global renewable energy target of the United Kingdom remains comparable to that of the Union and iii) do not put the United Kingdom in a more advantageous position than a Member State of the Union.
15. In addition, the agreement should provide that the United Kingdom ensures, dynamically and at all times, at least the same level of environmental protection in law as set out in the relevant European Union rules on the protection of the environment. This should be ensured with respect to each obligation and each right in those European Union rules, insofar as they are relevant for the electricity sector. The United Kingdom should be able to determine how to achieve this result. The agreement should ensure that the United Kingdom maintains the possibility to adopt measures which provide a higher level of environmental protection.
16. Furthermore, the agreement should ensure that the United Kingdom applies, at all times, State aid rules covering any aid that specifically targets the electricity sector or has a particular material effect on the electricity market, including existing aid but not affecting the validity of aid already granted to individual beneficiaries, for example in the form of legally binding commitments pre-dating the entry into force of the agreement. The agreement should guarantee that there are the same substantive and procedural State aid rules as the rules of the European Union. This should include providing for their dynamic alignment with Union law, giving due regard to the constitutional and parliamentary procedures of the United Kingdom.
17. The agreement should require the United Kingdom to ensure that State aid control is carried out by an independent authority which, in terms of State aid control, enjoys the same powers as the European Commission and that is subject to the same rules as those applying to the European Commission in that regard. This should include, *inter alia*, rules on transparency, investigation and evidence gathering, *ex ante* control of State aid, issuing binding State aid decisions and recovery of incompatible State aid (plus interest). The agreement should establish an administrative cooperation between the European Commission and the United Kingdom independent authority allowing for exchanges of administrative practice, including on case practice. The agreement should provide for an adequate transition period for the implementation of the new rules in the United Kingdom.
18. Finally, the agreement should provide for the participation of the relevant UK regulatory authority, in respect of Great Britain, in the Union agency ACER, without a right to vote, in line with the requirements of the Union *acquis*. It should also extend to the United Kingdom, in respect of Great Britain, the competences of ACER

in terms of regulatory oversight over the functioning of the internal electricity markets.

19. To ensure that the envisaged agreement and the Trade and Cooperation Agreement establish a consistent and coherent framework for the energy relationship of the Union with the United Kingdom, the envisaged agreement should, for as long as it remains applicable, suspend the application of some of the provisions of the Trade and Cooperation Agreement.

Elements regarding the agreement on the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union

20. The agreement should establish a permanent, legally binding mechanism for the appropriate financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union
21. The agreement should be aimed at encouraging the continuous and balanced strengthening of economic and social relations between the Union and the United Kingdom.
22. The agreement should ensure an appropriate level of financial contribution. It should be calculated based on the Union financial contribution towards reducing the disparities between the regions of the Union, adjusted to reflect the relative size of the UK economy and the proportion of the internal market to which the United Kingdom participates.
23. The Agreement should be subject to a robust dispute settlement mechanism.

Recommendation for a

## COUNCIL DECISION

### **authorising the opening of negotiations between the European Union and the United Kingdom of Great Britain and Northern Ireland on the participation of the United Kingdom in the internal electricity market of the Union and on the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 194(2), first subparagraph and Title XVIII, Part Three in conjunction with Article 218(3) and (4) thereof,

Having regard to the recommendation from the European Commission,

Whereas:

- (1) The Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part (the ‘Trade and Cooperation Agreement’)<sup>5</sup> has applied since 1 January 2021. It is, together with the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the ‘Withdrawal Agreement’)<sup>6</sup>, the cornerstone of bilateral relations between the Union and the United Kingdom of Great Britain and Northern Ireland (the ‘United Kingdom’).
- (2) On 31 December 2020, when the transition period provided for in the Withdrawal Agreement ended, Union law ceased to apply to the United Kingdom, and the Protocol on Ireland/Northern Ireland (now referred to as the ‘Windsor Framework’)<sup>7</sup>, which forms an integral part of the Withdrawal Agreement, became applicable.
- (3) Since 1 January 2021, the electricity markets of the Union, on the one hand, and the United Kingdom, on the other hand, have been separated from each other, and therefore separate legislation and policies apply. However, provisions of Union law governing wholesale electricity markets, as well as other aspects including certain relevant environmental rules and State aid continue to apply to and in the United Kingdom in respect of Northern Ireland, respectively, in accordance with Articles 9 and 10 of and Annexes 4 and 5 to the Windsor Framework, underpinned by the Withdrawal Agreement’s general as well as Windsor Framework’s specific governance arrangements.

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<sup>5</sup> (OJ L 149, 30.4.2021, p. 10).

<sup>6</sup> (OJ L 29, 31.1.2020, p. 7).

<sup>7</sup> The Windsor Framework is the new way in which the Protocol on Ireland / Northern Ireland, as amended by the Withdrawal Agreement Joint Committee Decision No 1/2023, is referred to in accordance with Joint Declaration No 1/2023 of the Union and the United Kingdom (OJ L 102, 17.4.2023, p. 87).

- (4) Article 299 of the Trade and Cooperation Agreement provides for the objectives of the energy cooperation between the Union and the United Kingdom, which are to facilitate trade and investment between the Parties in the areas of energy and raw materials, and to support security of supply and environmental sustainability, notably in contributing to the fight against climate change in those areas.
- (5) More specifically, Article 311 of the Trade and Cooperation Agreement establishes high level principles for the efficient use of electricity interconnectors and Article 312 establishes rules for electricity trading arrangements at all timeframes. For capacity allocation and congestion management on the day ahead market, the Trade and Cooperation Agreement requires the development of arrangements in accordance with the model of “Multi-Region Loose Volume Coupling” as laid out in the Annex 29 to the Trade and Cooperation Agreement. Yet, arrangements on the model of “Multi-Region Loose Volume Coupling” has proven more difficult to implement than originally anticipated.
- (6) As part of the outcomes of the United Kingdom-European Union summit of 19 May 2025, the European Commission and the United Kingdom shared the view that close cooperation on electricity is in the interest of both the European Union and the United Kingdom and agreed to explore in detail the necessary parameters for the United Kingdom’s possible participation in the European Union’s internal electricity market, including participation in the European Union’s trading platforms in all timeframes. Since then, the European Commission and the United Kingdom have identified those necessary underlying parameters.
- (7) To ensure a balance of rights and obligations between the United Kingdom and the Union, the negotiations of an agreement on the participation of the United Kingdom in the internal electricity market of the Union should also lead to negotiations of an agreement establishing a legally binding mechanism for the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union.
- (8) Such an agreement should ensure an appropriate level of financial contribution that reflects the level of the United Kingdom’s participation in the Union’s internal market.
- (9) Negotiations should therefore be opened with a view to concluding two agreements with the United Kingdom on the participation of the United Kingdom in the internal electricity market of the Union and on the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union. The Commission should be nominated as the Union negotiator,

HAS ADOPTED THIS DECISION:

#### *Article 1*

1. The Commission is hereby authorised to negotiate, on behalf of the Union, with the United Kingdom,
  - (a) an agreement on the participation of the United Kingdom in the internal electricity market of the Union; and
  - (b) an agreement on the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union.

2. The negotiations shall be conducted on the basis of the negotiating directive of the Council set out in the Annex to this Decision, subject to any directives which the Council may subsequently issue to the Commission.

*Article 2*

The Commission is hereby nominated as the Union negotiator.

*Article 3*

The negotiations shall be conducted in consultation with the [name of the special committee(s) to be inserted by the Council] in accordance with Article 218(4) of the Treaty.

*Article 4*

This Decision is addressed to the Commission.

Done at Brussels,

*For the Council  
The President*



Brussels, 22.12.2025  
COM(2025) 804 final

ANNEX

**ANNEX**

**to the**

**Recommendation for a COUNCIL DECISION**

**authorising the opening of negotiations between the European Union and the United Kingdom of Great Britain and Northern Ireland on the participation of the United Kingdom in the internal electricity market of the Union and on the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union**

## ANNEX

### **A. AGREEMENT ON THE PARTICIPATION OF THE UNITED KINGDOM IN THE INTERNAL ELECTRICITY MARKET OF THE UNION**

#### **INSTITUTIONAL PROVISIONS**

1. The implementation of the envisaged agreement should be subject to joint governance mechanisms. These mechanisms should have adequate roles in the procedures ensuring the incorporation of the Union's evolving legislation, through dynamic alignment, into the legal order of the United Kingdom.

#### **General principles**

2. The institutional provisions should ensure that the rules applicable to relations with the United Kingdom in the fields covered by the agreement, where relevant, are the same as those applying in the Union internal market, at all times, and that their interpretation and application cannot differ.
3. Bearing in mind that objective, the institutional provisions should reflect the following essential principles and include the following elements:

#### **Dynamic alignment**

4. The common institutional provisions shall ensure that the United Kingdom applies at all times the full body of Union acquis that is relevant for the purpose of the agreement, on a dynamic basis. This body of Union acquis should be listed in the agreement as existing at the time of signature. Subsequent relevant legal acts of the Union, including amendments to existing legal acts, should be incorporated into the respective agreement by means of appropriate mechanisms. The incorporation of new relevant acts of Union law into the agreement should be done by a joint body as soon as possible after their adoption and within a given deadline and constitute an obligation for the Parties. If the deadline is not met, the Parties shall be able to submit the case to dispute settlement.
5. The principle of dynamic alignment should ensure that identical rules within the scope of the agreement are simultaneously applied.

#### **Decision shaping**

6. The agreement should not give the United Kingdom the right to participate in the Union's decision-making. However, the United Kingdom should be involved at an early stage and contribute appropriately for a country that is not a member of the European Union to the decision-shaping process of the European Union. The involvement should be limited to draft legal acts in the fields covered by the obligation to dynamically align and simultaneously apply. The European Commission should consult the United Kingdom at an early stage of policy-making. This implies that, taking into account its status as a third country, the Commission provides draft legal acts to the United Kingdom at the same time than it provides them to representatives of the Member States during the decision-shaping phase. The Commission may allow consultations with the United Kingdom on such draft legal acts in a similar than how it consults Member States experts. The agreement may not provide for a right of the United Kingdom to vote. The possible consultation with the

United Kingdom will not extend to participation in the work of the Council or its preparatory bodies.

### **Uniform interpretation and application of the Union acquis**

7. The institutional provisions should lay down an obligation for the United Kingdom to interpret and apply Union law in relations between the Parties in the same way as it is interpreted and applied within the Union. This requires that the Union acts referred to in the agreement and, to the extent that their application involves concepts of Union law, the provisions of the agreement be interpreted and applied in accordance with the case-law of the Court of Justice of the European Union both prior and subsequent to the signature of the agreement.

### **Dispute settlement**

8. The institutional provisions should ensure that disputes in the interpretation or application of the agreement can be submitted by the Parties to a dispute settlement mechanism based on that established by Title I of Part Six of the Trade and Cooperation Agreement for their resolution if an amicable solution cannot be found within a joint body. The dispute settlement mechanism should safeguard the exclusive competence of the Court of Justice of the European Union to interpret Union law. To that end, the arbitral tribunal should be under an obligation to refer to the Court of Justice of the European Union all questions of Union law (including a concept or a provision of Union law) for it to give a ruling which should be binding on the arbitral tribunal.

### **Appropriate measures to protect the Union interests and interconnection between agreements in case of non-compliance with the ruling of the arbitral tribunal**

9. An effective system of appropriate measures, including temporary remedies, should guarantee the integrity of the internal market in case of non-compliance with the ruling of the arbitral tribunal. In particular, the procedure to be followed in case of non-compliance with the arbitral tribunal's decision should include the possibility to take appropriate measures to protect the Union interests, including in the agreement concerned or in another agreement in force between the parties.

### **Consistency with the Trade and Cooperation Agreement**

10. Without prejudice to paragraphs 1 to 8, the agreement should build on the institutional framework laid down in the Trade and Cooperation Agreement, in particular as regards the role of the Partnership Council. A joint body on the implementation of the agreement shall be set up, unless its functions are assigned to an existing joint body under the Trade and Cooperation Agreement.
11. The agreement should ensure that the Safeguard Measures clause of the Trade and Cooperation Agreement (Article 773 of the Trade and Cooperation Agreement) applies.
12. The provisions of the Trade and Cooperation Agreement as regards essential elements (Articles 771 and 772 of the Trade and Cooperation Agreement) should apply with respect to the agreement.
13. The agreement should contain a provision that deals with its relationship with the Trade and Cooperation Agreement in order to avoid conflicts and ensure that the application of any provisions of the Trade and Cooperation Agreement that are in conflict would be suspended.

## PROVISIONS FOR THE TERMINATION OF THE AGREEMENT

14. The agreement should contain provisions for termination and suspension. The process by which a Party may terminate or suspend the respective agreement, including their taking effect, should be specified in a clear and consistent manner. In particular, the provision on termination should specify an appropriate timeframe within which the agreement shall cease to exist.

## SUBSTANTIVE PROVISIONS

### **Territorial scope**

15. The agreement should apply, for the Union, to the territories in which the Treaties apply and under the conditions laid down therein and in the United Kingdom in respect of Great Britain and in respect Northern Ireland, where the Windsor Framework does not apply.

### **Material scope**

16. The agreement should allow the participation of the United Kingdom in the European Union's internal electricity market, both the wholesale and retail markets. It should include the participation in the EU's trading platforms in all timeframes and in relevant bodies, such as ENTSO-E or EU DSO Entity, and processes relevant for regulatory coordination, security of supply and grid stability. The agreement should ensure the integration of Union rules on the wholesale energy market integrity and transparency and their application, including to financial instruments that qualify as wholesale energy products under those Union rules. It should not provide for the participation of the United Kingdom in the Union's financial services market nor require the Union or the United Kingdom to change or alter the application of its rules on financial instruments and financial services for the purpose of this agreement.
17. The agreement should ensure the dynamic alignment of the laws of the United Kingdom with the rules of the Union on the electricity market and provide for their simultaneous application in the United Kingdom. Within the framework of the Union rules on the electricity market, the United Kingdom should be able to adopt policy measures to ensure affordable electricity prices, security of electricity supply and grid stability in the same way as Member States of the European Union. The envisaged agreement may also contain provisions allowing a phasing in of the United Kingdom's participation into the EU internal electricity market and a limited number of objectively justified technical adaptations. All of these measures should be designed in such a way that they do not (i) negatively affect the design and effective functioning of the European Union's electricity market, ii) affect or distort cross-border electricity exchanges, or iii) put the United Kingdom in a more advantageous position than a Member State of the Union.
18. The agreement should also ensure the dynamic alignment of the laws of the United Kingdom with the rules of the Union on the promotion of renewable energy sources and provide for their simultaneous application in the United Kingdom. It should set an indicative global target for the share of renewable energy in the gross final consumption of energy in the United Kingdom. To ensure a level playing field, the global target should be comparable to that of the Union and based on the definitions, requirements and methodologies set by the Union acquis. In setting the target, due

regard should be paid to the United Kingdom's Climate Change Act 2008 obligations and Nationally Determined Contributions. The sectoral sub-targets in transport, buildings, heating and cooling and industry sectors should fall outside the scope of the Electricity Agreement. The agreement may also contain provisions allowing a limited number of technical adaptations to the renewable energy acquis provided that they i) are justified by objective criteria, excluding policy choices, ii) ensure that the global renewable energy target of the United Kingdom remains comparable to that of the Union and iii) do not put the United Kingdom in a more advantageous position than a Member State of the Union.

19. The agreement should also provide that the United Kingdom ensures, dynamically and at all times, at least the same level of environmental protection in law as set out in the relevant European Union rules on the protection of the environment. This should be ensured with respect to each obligation and each right in those European Union rules, insofar as they are relevant for the electricity sector. The United Kingdom should be able to determine how to achieve this result. The agreement should ensure that the United Kingdom maintains the possibility to adopt measures which provide a higher level of environmental protection.
20. Furthermore, the agreement should ensure that the United Kingdom applies, at all times, State aid rules covering any aid that specifically targets the electricity sector or has a particular material effect on the electricity market, including existing aid but not affecting the validity of aid already granted to individual beneficiaries, for example in the form of legally binding commitments pre-dating the entry into force of the agreement. The agreement should guarantee that there are the same substantive and procedural State aid rules as the rules of the European Union. This should include providing for their dynamic alignment with Union law.
21. The agreement should require the United Kingdom to ensure that State aid control is carried out by an independent authority which, in terms of State aid control, enjoys the same powers as the European Commission and that is subject to the same rules, as those applying to the European Commission in that regard. This should include, inter alia, rules on transparency, investigation and evidence gathering, ex ante control of State aid, issuing binding State aid decisions and recovery of incompatible State aid (plus interest). The agreement should establish an administrative cooperation between the European Commission and the United Kingdom independent authority allowing for exchanges of administrative practice, including on case practice. The agreement should provide for an adequate transition period for the implementation of the new rules in the United Kingdom.

#### Other aspects

22. The agreement should be based on a balance of rights and obligations and ensure a level playing field.
23. The agreement should provide for the participation of the relevant energy regulatory authority of the United Kingdom, in respect of Great Britain, in the work of the Union Agency for the Cooperation of the Energy Regulators (ACER), without a right to vote, in line with the requirements of the Union acquis. The agreement should extend to the United Kingdom, in respect of Great Britain, the competences of ACER in terms of regulatory oversight over the functioning of the internal electricity markets.

24. The United Kingdom should bear appropriate costs for participation in the internal electricity market of the Union. The United Kingdom should contribute financially to supporting the relevant costs associated with the Union's work in this policy area. This includes financial contribution to *inter alia* the functioning of the relevant Union agencies, systems and databases to which the United Kingdom would gain appropriate access.
25. This agreement and the agreement on the financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union should provide for their simultaneous entry into force.
26. To ensure that the envisaged agreement and the Trade and Cooperation Agreement establish a consistent and coherent framework for the energy relationship of the Union with the United Kingdom, the envisaged agreement should, for as long as it remains applicable, suspend the application of some of the provisions of the Trade and Cooperation Agreement.
27. Where the envisaged agreement overlaps with the Windsor Framework, the Windsor Framework should prevail over it in all relevant areas, including wholesale electricity markets, environment, State aid and other provisions, including underlying governance rules.

**B. AGREEMENT ON THE FINANCIAL CONTRIBUTION OF THE UNITED KINGDOM TOWARDS REDUCING ECONOMIC AND SOCIAL DISPARITIES BETWEEN THE REGIONS OF THE UNION**

28. The negotiations of an agreement on the financial contribution of the United Kingdom to the Union's cohesion should start at the same time as the negotiations on the participation of the United Kingdom in the internal electricity market of the Union.
29. The agreement should establish a permanent, legally binding mechanism for the appropriate financial contribution of the United Kingdom towards reducing economic and social disparities between the regions of the Union.
30. The agreement should be aimed at encouraging the continuous and balanced strengthening of economic and social relations between the Union and the United Kingdom.
31. The agreement should ensure an appropriate level of financial contribution. It should be calculated based on the Union financial contribution towards reducing the disparities between the regions of the Union, adjusted to reflect the relative size of the UK economy and the proportion of the internal market to which the United Kingdom participates.
32. The agreement and the agreement on the participation of the United Kingdom in the internal electricity market of the Union should provide for their simultaneous entry into force.
33. The agreement should establish a robust mechanism for resolving disputes between the Union and the United Kingdom.

### **C. FUNCTIONS OF THE DEPOSITARY**

34. If the envisaged agreements provide for a depositary, the EU negotiator should ensure that the functions of the depositary will be performed by the Secretary-General of the Council of the European Union.
35. If the envisaged agreements do not provide for a depositary, the EU negotiator should ensure that the General Secretariat of the Council of the European Union will be entrusted with the tasks to provide to, and receive from, the United Kingdom notifications for the Union (and, if applicable, its Member States) under the agreements.

### **D. AUTHENTIC LANGUAGES**

36. The envisaged agreements, which should be equally authentic in all official languages of the Union, should include a language clause to that effect.

### **E. PROCEDURAL ARRANGEMENTS FOR THE CONDUCT OF THE NEGOTIATIONS**

37. The Commission shall conduct the negotiations in continuous coordination and permanent dialogue with the Council and its preparatory bodies. In this respect, the Council and Committee of Permanent Representatives (Coreper), assisted by the Working Party on the United Kingdom, which shall be the special committee within the meaning of Article 218(4) TFEU, shall provide guidance to the Commission.
38. The Commission shall, in a timely manner, consult and report to the Working Party on the United Kingdom. To that end, the Council shall organise before and after each negotiating session a meeting of the Working Party on the United Kingdom. The Commission shall provide in a timely manner all necessary information and documents relating to the negotiations.