

Centre for Geopolitics and  
International Policy



# **ENERGY AND CLIMATE**

**THE EUROPE AGENDA**

**Tazu Walden and  
Marley Morris**

September 2026

## ABOUT IPPR

**IPPR, the Institute for Public Policy Research**, is an independent charity working towards a fairer, greener, and more prosperous society. We are researchers, communicators, and policy experts creating tangible progressive change, and turning bold ideas into common sense realities. Working across the UK, IPPR, IPPR North, and IPPR Scotland are deeply connected to the people of our nations and regions, and the issues our communities face.

We have helped shape national conversations and progressive policy change for more than 30 years. From making the early case for the minimum wage and tackling regional inequality, to proposing a windfall tax on energy companies, IPPR's research and policy work has put forward practical solutions for the crises facing society.

IPPR  
8 Storey's Gate  
London  
SW1P 3AY  
E: [info@ippr.org](mailto:info@ippr.org)  
[www.ippr.org](http://www.ippr.org)  
Registered charity no: 800065 (England and Wales),  
SC046557 (Scotland)

This paper was first published in September 2026. © IPPR 2026

The contents and opinions expressed in this paper are those of the authors only.

## ABOUT THE AUTHORS

**Tazu Walden** is a researcher at IPPR.

**Marley Morris** is the associate director for migration, trade and communities at IPPR.

## ABOUT THIS SERIES

Britain faces a transformed world: unreliable allies, emerging security threats, and increased pressure on living standards and the climate. In this context, the driving questions for relations with its European neighbours cannot be those of the past, but how the UK can act strategically — identifying opportunities for partnerships and building effective coalitions to advance British goals on growth, security, the climate transition, and shared values.

This note is part of a series by IPPR examining each of these terrains in turn, building on the 2025 reset as a starting point.

---

### Download

This document is available to download as a free PDF and in other formats at:  
<http://www.ippr.org/articles/europe-agenda-energy-and-climate>

### Citation

If you are using this document in your own writing, our preferred citation is:  
Walden T and Morris M (2026) *The Europe agenda: Energy and climate*, IPPR.  
<http://www.ippr.org/articles/europe-agenda-energy-and-climate>

### Permission to share

This document is published under a creative commons licence:  
Attribution-NonCommercial-NoDerivs 2.0 UK  
<http://creativecommons.org/licenses/by-nc-nd/2.0/uk/>  
For commercial use, please contact [info@ippr.org](mailto:info@ippr.org)



## INTRODUCTION

When the EU-UK Trade and Cooperation Agreement (TCA) was signed in 2020, climate action had broad political consensus on both sides of the Channel. Since then, the transition has slipped down the agenda as governments respond to inflationary pressures and heightened geopolitical risk. But this shift in the political context is exactly why UK-EU cooperation matters more now, not less.

Shared concerns about lost competitiveness and the cost of living mean that progress on energy cooperation is now visibly about more than hitting net-zero targets. It is required to build energy systems that are cheaper and more secure. The UK's goals are concrete: lower energy costs for households and industry, reduced exposure to volatile markets. A redefined relationship with Europe is the most direct path to these.

The 2025 UK-EU reset outlined a clear agenda on energy, centred on linking the two jurisdictions' emissions trading schemes and electricity markets to reduce costs. With energy prices painfully high, the case for moving fast is stronger than ever. But as both sides get into the details, the hard questions are emerging. Dynamic alignment is complicated, and sustained price shocks have emboldened transition sceptics in the EU.

Delivering on the reset is a clear priority, but there are greater benefits that could be won with additional ambition. We propose an additional strategic goal, focussed on delivering a coordinated approach to energy security and vital clean tech supply chains.

## THE EUROPEAN CONTEXT

The broad political consensus in Europe over climate action that existed when the European Green Deal was announced has fragmented. Russia's invasion of Ukraine and the ongoing Middle East conflict have sent energy prices spiralling. The inflationary knock-on effects have hit industrial competitiveness and economic growth. These pressures are complicating European climate action, and, in turn, UK efforts to link to it.

For example, rising energy prices have prompted calls from Poland and Italy to temporarily suspend the EU Emissions Trading System (EU ETS) in an attempt to reduce prices. The European Commission has already moved to grant itself new powers to exempt goods from the mechanism from the mechanism, and soften the trajectory for the emissions cap.

There have also been major shifts in EU policymaking in response to Chinese green technology overcapacity. Those member states that have significant domestic car manufacturing sectors have developed concerns in recent years about the penetration of Chinese electric vehicles, which some fear pose an existential threat to national champions. This has led to pressure to localise supply chains and tighten rules of origin to ensure that value is captured and created within Europe. This too creates risks for UK-EU alignment.

## THE UK'S CAPABILITIES

Britain brings significant assets and capabilities to the table. Geographic location alone makes it indispensable for the continent's energy transition; its position in the North Sea means it is an anchor point for routing pipes and interconnectors crucial for Western Europe's energy systems.

In addition, the North Sea represents the continent's single greatest offshore wind resource, and British industry has developed considerable expertise in the sector. The UK holds an estimated one-third of Europe's potential carbon storage capacity,

and thus is a vital component of any currently envisaged net-zero pathway. This has been confirmed in practice in the January 2026 Hamburg Declaration, which committed the UK and its partners in the North Sea to deliver 100GW of joint offshore wind projects, “putting the UK at the heart of Europe’s power system” (DESNZ 2026).

The UK’s domestic Clean Power 2030 mission, to which the government has committed £63 billion, aligns its investment timeline closely with EU targets; this creates a window for joint procurement, shared infrastructure and coordinated industrial policy. The City’s central position in green finance also heightens the case, from the European perspective, for British involvement in energy investment.

## **PRIORITIES FOR ACTION**

### **1. Linking the emissions trading schemes**

After Brexit, the emissions trading schemes in the EU and the UK were separated. Since, then, the EU has introduced a carbon tax on imports, the Carbon Border Adjustment Mechanism (CBAM), targeted at trading partners that do not link to the EU Emissions Trading System (EU ETS). Thus British exports in carbon-intensive sectors to the EU pay twice, once under the UK Emissions Trading Scheme (UK ETS) and again at the EU border. Electricity exports from the UK into the EU – which are subject to similar conditions – would be similarly disincentivised. The EU has refused exemptions from CBAM levies while ETS linkages are being negotiated (Reuters 2025).

The cost impact from the separation of energy markets gets increasingly hard to justify in a world where energy prices are higher and more volatile, and exposed to an uncertain geopolitical environment. Linking emissions trading schemes would remove the carbon taxes currently levied on cross-border trade under the EU’s CBAM, saving UK exporters from paying up to £800 million into the EU budget by 2030 (Frontier Economics 2025). This is a substantial prize.

The benefits of linkage aren’t just avoiding double payment, however. Carbon markets seek to drive investment away from gas and into renewables, thereby tackling the main driver of high energy costs – the high and volatile gas price. In a bigger carbon market, the carbon price will be more stable, and therefore help to support industrial competitiveness as this transition takes place (ibid).

In the short term, however, UK businesses are likely to face a higher carbon price as a result of linkage, as carbon prices in the EU are currently higher than in the UK. The UK government is focussed on supporting heavy industries with high energy costs, and this could necessitate further support.

Getting to a point of linkage is challenging and requires significant work on key technical questions. These include, in particular, the inclusion of the maritime and aviation sectors, and the alignment of accreditation schemes (Reland 2025). The extent of dynamic alignment beyond emissions monitoring and verification will also be relevant – for example, whether the UK government’s interventions to ensure price stability harmonise with European processes.

Working to find solutions to these implementation challenges is critical, as is maintaining political will to link the schemes, focussed on the long-term benefits for the transition and for energy prices.

### **2. Electricity market integration**

A bigger and more liquid electricity market allows renewable supply to better match demand, increasing secure supply and reducing reliance on expensive and volatile gas (Zachmann et al 2024). Rejoining the EU’s internal energy market should improve the efficiency of interconnector flows and energy

trading, which could save UK households and electricity producers up to £1.1 billion (Energy UK 2023).

One of the biggest sticking points is the proposed requirement for the UK to dynamically align on EU rules on the promotion of renewable energy. The EU has a binding target that at least 42.5 per cent of all energy consumed in the region will have been produced from renewable sources. This target was set after Brexit; the UK concentrated instead over this period on scaling up its generation capacity in pursuit of the Clean Power target (DESNZ 2024). Partly for this reason, capacity addition has been faster than increases in the actual consumption of renewables – which, at only 16.2 per cent of all energy consumed in 2024, trails behind the European target (DESNZ 2025).

Closing this gap would require a rapid shift towards electric technologies, in particular the scale-up of heat pump and electric vehicle (EV) roll-out, where the UK currently lags. A domestic push on this would be welcome, and has the potential to be the key to showing consumers the economic value of the transition (Gasparin et al 2024). But there is also the potential for flexibility; in the recent EU-Switzerland Electricity Agreement, the Swiss were able to secure a non-binding target on energy demand and carve-outs for existing solar subsidies.

### **3. Deepening cooperation in the North Sea**

Significant progress is already happening beyond the reset's scope. The 2026 North Sea Summit brought together the UK and members of the North Sea Energy Cooperation Group (NSEC), and produced major commitments on multi-purpose interconnectors (MPIs) (DESNZ 2026). This infrastructure connects wind farms to multiple countries' electricity grids simultaneously, avoiding unnecessary cabling. Renewable UK has estimated that MPIs could take £13 billion off the cost of meeting the EU's 300GW offshore wind target (Renewable UK 2026).

The UK currently participates through a memorandum of understanding with the NSEC, rather than as a full member. While these topline commitments demonstrate that this can work for now, going forward, the more technocratic planning challenges around grid build-out would likely be far easier to navigate as a full member. Bilateral negotiations can be more complicated, and the UK is already facing difficulties in agreeing on cost and revenue sharing for new interconnectors with France. The NSEC already includes Norway as a non-EU member, and, given that the UK already plans to align with EU energy market rules, the benefits of the UK participating fully in decision-making structures seem significant.

There is also a clear opportunity for greater cooperation on carbon capture, utilisation and storage (CCUS). The UK holds a large share of Europe's potential CO<sub>2</sub> storage capacity in the North Sea, but that value only materialises if EU supply can reach it (NSTA 2026). Who will build the infrastructure also remains unclear – the UK's market-led build-out differs from the EU's Net Zero Industry Act, which requires oil and gas companies to invest in storage facilities. Given that cooperation on North Sea energy networks is already advancing, CCUS should be treated as a core part of the cooperation agenda to avoid fragmentation and duplication. Removing regulatory barriers to trade in captured CO<sub>2</sub>, such as mutual recognition of CCUS permitting regimes, based on an agreed set of standards for emissions accounting, transport and storage, will be an important part of this.

### **4. Local content rules**

Rules governing trade in EVs remain a clear point of tension. Under the original terms of the TCA, the local content thresholds for EVs to be traded between the UK and EU with zero tariffs were to be phased up over time, in order to encourage greater domestic production and protect against cheap Chinese competitors. The application of the initial increase in thresholds was delayed until December 2026

to provide more time to scale up manufacturing capacity within Europe and the UK. This has left a cliff-edge where, from 1 January 2027, goods not meeting the new rules-of-origin thresholds will be subject to a 10 per cent tariff (EP 2024).

The sector continues to need time to meet these requirements, as its dependence on imported components (especially batteries) remains significant. A further extension would help, but the underlying issue remains. IPPR has elsewhere suggested the importance of creating resilience by onshoring a greater portion of the EV supply chain (Gasperin et al 2026). This will be crucial in spurring domestic growth, but also in avoiding disruption of the ongoing boom in cross-channel EV trade (Green Alliance 2025).

## **A PATH FORWARD**

This delayed solution to the question of EV content requirements points towards a larger problem: Transactional and limited approaches do not maximise the benefits of collaboration. That would require a qualitatively different level of cooperation – a formal UK-EU clean energy and security partnership, framed around shared values and interests.

Because the reset was necessarily limited in scope, major shared vulnerabilities were not given sufficient consideration. The energy transition on both sides of the Channel relies on many of the same inputs – critical minerals, batteries, solar components. There is significant room for greater coordination on how to secure inputs reliably and reduce strategic vulnerabilities.

The action priorities above can be delivered within the existing reset framework. But taken together, they point towards a larger, more ambitious opportunity that is open to being seized, providing broad benefits to British households and companies.

Three areas stand out as possible focus points for this energy and security partnership.

### **1. Net-zero investment from China**

Resolution of the question of EVs could prompt a broader joint approach to net zero investment from China, building upon the significant step of the European Commission potentially including the UK (and others with trade deals) as trusted partners for the purposes of the draft 'Made in Europe' legislation (Johnston 2026). The EU's ongoing investigation into the Chinese manufacturer Goldwind (which it suspects of having been granted distortionary subsidies) and the UK's rejection of a new turbine manufacturing facility by Ming Yang reflect shared concerns about critical infrastructure security and the risk of subsidised foreign investment to domestic industries. In this context, a joint approach could involve agreement on where cooperation with China is acceptable as part of content standards; for example, by segmenting the supply chain by risk. While wind turbine blade manufacturing is low-risk, with no inbuilt data systems or electronics, Chinese investment in grid build-out could be considered higher risk.

### **2. Coordinated industrial policy**

IPPR has elsewhere suggested the UK and the EU could cooperate on developing a critical minerals buyers' club, to facilitate sustainable offtake agreements between suppliers in resource-rich countries and EU manufacturers (Gasperin et al 2026).

In the longer run, the energy security partnership could explore establishing a pan-European solar photovoltaic (PV) manufacturing supply chain. This would be an ambitious effort of transnational industrial policy, bringing together the resources and technical specialisms across Europe in order to reduce the current overwhelming dependence on China for solar PV systems.

### 3. Joint crisis management

Recent energy shocks should prompt both sides to think harder about joint crisis management. For example, joint mechanisms for buying and storing gas and liquefied natural gas (LNG) would avoid intra-European bidding wars and ensure shared infrastructure is used in a coordinated manner. Such mechanisms have been trialled by the EU in concert with Energy Community companies between 2023 and 2024 through AggregateEU, and these could be expanded. However, this voluntary scheme had little success in contracting sufficient supply; meanwhile, the EU's gas storage facilities are supposed to be 90 per cent filled at the onset of winter, while UK gas storage policy is less stringent.

This type of partnership would not be straightforward. Cooperation outside formal EU structures can become more difficult during geopolitical turbulence, where coordination needs to be rapid, predictable and ideally institutionalised. On top of this, the dynamic alignment that is necessary for deeper cooperation can be made more challenging during crises, as the UK and European states might have policy responses that vary in their approach and effects.

The goals of climate and energy transition set at the 2025 summit are still far from being delivered, and even greater ambition will deliver greater rewards. The prizes for both sides – lower energy costs for consumers and businesses, progress towards net-zero targets, and energy security – are significant. In the face of consecutive fossil fuel crises, pushing ahead with deeper cooperation on the transition is not just the right economic decision, but the right one for our shared security.



# REFERENCES

- Department for Energy Security & Net Zero [DESNZ] (2024) 'Clean Power 2030 Action Plan', policy paper. <https://www.gov.uk/government/publications/clean-power-2030-action-plan>
- Department for Energy Security & Net Zero [DESNZ] (2025) 'Digest of UK Energy Statistics (DUKES) 2025: Chapter 6, Renewable sources of energy', statistical publication. [https://assets.publishing.service.gov.uk/media/688a193f6478525675739024/DUKES\\_2025\\_Chapter\\_6.pdf](https://assets.publishing.service.gov.uk/media/688a193f6478525675739024/DUKES_2025_Chapter_6.pdf)
- Department for Energy Security & Net Zero [DESNZ] (2026) 'UK and Europe Sign Historic Pact to Drive Clean Energy Future', press release. <https://www.gov.uk/government/news/uk-and-europe-sign-historic-pact-to-drive-clean-energy-future>
- Energy UK (2023) 'Energy UK Highlights Potential Electricity Trading Savings', news release, 15 May 2023. <https://www.energy-uk.org.uk/news/energy-uk-highlights-potential-trading-savings/>
- European Parliament [EP] (2024) 'EU-UK Rules of Origin for Electric Vehicles and Batteries', factsheet, European Parliamentary Research Service. [https://www.europarl.europa.eu/RegData/etudes/ATAG/2024/757643/EPRS\\_ATA\(2024\)757643\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2024/757643/EPRS_ATA(2024)757643_EN.pdf)
- Frontier Economics (2025) 'The shared benefits of linking EU and UK carbon markets: Supporting mutual EU and UK competitiveness and climate goals', news article. <https://www.frontier-economics.com/uk/en/news-and-insights/news/news-article-i21452-the-shared-benefits-of-an-uk-eu-carbon-market-link/>
- Gasperin S, Narayanan P and Emden J (2024) *The Heatwave: Unlocking the economic potential of UK heat pump manufacturing*, report, IPPR. <https://www.ippr.org/articles/the-heatwave>
- Gasperin S, Narayanan P and Pultz S (2026) *Resilient by Design: Building secure clean energy supply chains*, report, IPPR. <https://www.ippr.org/articles/resilient-by-design>
- Green Alliance (2025) 'A Plan to Support Electric Vehicle Manufacturing in the UK', policy insight paper. <https://green-alliance.org.uk/wp-content/uploads/2025/10/A-plan-to-support-electric-vehicle-manufacturing-in-the-UK.pdf>
- Johnston I (2026) 'EU to Include UK and Japan in "Made in Europe" Plans', *Financial Times*, 4 March 2026. <https://www.ft.com/content/bfe77726-ba7b-4e18-ae5f-4dbc7464c770>
- North Sea Transition Authority [NSTA] (2026) 'The Move to Net Zero: CCS', webpage. <https://www.nstaauthority.co.uk/the-move-to-net-zero/ccs/>
- Reland J (2025) 'Linking Emissions Trading Schemes: Key challenges', insight paper, UK in a Changing Europe. <https://media.ukandeu.ac.uk/wp-content/uploads/2025/09/UKICE-ETS-insight.pdf>
- RenewableUK and National Grid Ventures (2026) *Stronger Together: Unlocking coordination between UK offshore wind and interconnectors*, report. <https://www.renewableuk.com/news-and-resources/publications/stronger-together-unlocking-coordination-between-uk-offshore-wind-and-interconnectors/>
- Reuters (2025) 'UK Rules out UK Exemption Carbon Border Levy Until Markets Link', article, 18 December 2025. <https://www.reuters.com/sustainability/cop/eu-rules-out-uk-exemption-carbon-border-levy-until-markets-link-2025-12-17/>
- UK in a Changing Europe [UKICE] (2026) *UK-EU Alignment and Divergence: The road ahead*, report. <https://media.ukandeu.ac.uk/wp-content/uploads/2026/02/UKICE-Alignment-and-Divergence-Report-24-FEB.pdf>
- Zachmann G, Battle C, Beaude F, Maurer C, Morawiecka M and Roques F (2024) 'Unity in Power, Power in Unity: Why the EU needs more integrated electricity markets', policy brief, Bruegel. <https://www.bruegel.org/policy-brief/unity-power-power-unity-why-eu-needs-more-integrated-electricity-markets>

## GET IN TOUCH

For more information about the Institute for Public Policy Research, please go to [www.ippr.org](http://www.ippr.org)

You can also call us on +44 (0)20 7470 6100,  
e-mail [info@ippr.org](mailto:info@ippr.org) or tweet us @ippr

### **Institute for Public Policy Research**

Registered Charity no. 800065 (England & Wales),  
SC046557 (Scotland), Company no, 2292601 (England & Wales)