The voice of the energy industry

# Energy UK Response to Dynamic alignment call for evidence launched by the UK Parliament European Affairs Committee

20/04/2026

## About Energy UK

**Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.**

From growing start-ups to major electricity generators, grid and infrastructure developers, and energy suppliers, our members are driving change across power, heat, transport, and flexibility.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity. Through our Young Energy Professionals Forum, we support the development of future leaders.
We are equally committed to our team and are proud to be recognised as a 'Gold' Investors in People employer.

## Executive Summary

Energy UK's submission addresses the UK's prospective dynamic alignment with the EU in the electricity and emissions trading sectors, drawing on international precedents and practical industry experience.

**Nature of Dynamic Alignment:** Energy UK emphasises that dynamic alignment does not mean direct application of EU law in the UK, but rather an international obligation to approximate legislation to achieve equivalent outcomes and technical compatibility. The UK should retain the freedom to pursue domestic policies on pricing, supply security and grid stability. The Swiss bilateral electricity agreement,

signed in March 2026, is identified as the most appropriate model, being deeper than the existing Trade and Cooperation Agreement but narrower than the EEA framework.

**International Precedents:** The EEA model, while offering the most structured form of alignment, does not automatically guarantee access to EU market platforms. The Swiss model is preferred precisely because it is targeted and operationally focused, securing market coupling, balancing platform participation and system operation cooperation without requiring wholesale legislative transposition. The EU-Switzerland ETS linkage is highlighted as a flexible, sector-specific precedent that preserves market integrity while allowing each party to retain meaningful domestic policy autonomy.

**Decision-Shaping and Influence:** Real influence over EU electricity rules is exercised through technical bodies, principally ENTSO-E and ACER working groups, rather than through political committees alone. Energy UK recommends that any future agreement explicitly secure UK participation in these organisations. The UK's significant role in North Sea offshore wind (around a third of the 300 GW NSEC target) provides meaningful leverage, and formal reintegration into the North Seas Energy Cooperation body as a full member is strongly recommended.

**Economic Benefits:** The UK Government's own analysis suggests ETS linkage could add 0.1% to GDP, while also avoiding approximately £800 million in EU Carbon Border Adjustment Mechanism costs by 2030. The absence of electricity market coupling is currently estimated to cost £120-370 million annually, a figure that is growing as interconnector capacity expands.

**Key Conditions for Success:** Energy UK stresses that the precise terms of any agreement matter considerably. Priority areas include a clearly signalled transition period for industry, alignment of guarantees of origin and renewable energy certification, pragmatic handling of ETS benchmarks on a case-by-case basis, and explicit mutual recognition of production attributes for electricity and energy commodities. Comparable certification frameworks for hydrogen, sustainable aviation fuel and biogas will also be needed in due course.

**Parliamentary Scrutiny:** Energy UK recommends re-establishing the European Scrutiny Committee, abolished in 2024, to provide informed parliamentary oversight of legislation introduced via secondary legislation under dynamic alignment, while preserving the speed and flexibility of the statutory instrument route.

**Implementation:** A sequenced approach to implementation is proposed: beginning with securing UK access to EU market platforms, formalising TSO cooperation with ENTSO-E, and aligning certification frameworks, before embedding these within a

joint governance structure. Reestablishing the Joint European Stakeholder Group's pre-Brexit advisory function is also recommended. Ideally, the necessary legislative and operational steps should be completed within one year.

Energy UK remains supportive of dynamic realignment with the EU on emissions trading and electricity market coupling and stand ready to answer any questions the Committee may have.

Kind regards,

**Tobias Burke**

**Policy Manager**

tobias.burke@energy-uk.org.uk

## Response

**1. What is dynamic alignment? How does dynamic alignment operate under EU agreements with non-EU countries other than the UK?**

For the avoidance of doubt and possible misconception, dynamic alignment between the EU and the UK does not imply direct application of the EU law in the UK but rather an international law obligation for the UK to approximate legislation to dynamically align with that of the EU. It should be restricted to only where necessary to enable closer market alignment The UK therefore shall retain the ability to implement internal policies targeting affordable pricing, supply security, and grid stability, like those in the EU and EEA Member States. Therefore, alignment in practice shall be about achieving equivalent outcomes and technical compatibility, consistent with Swiss and Energy Community experiences, rather than identical legislative text.

In the electricity sector, the alignment requirements are shaped by the technical and operational realities of the network, making alignment a practical, operational matter rather than a purely theoretical one. Great Britain (GB) remains closely aligned with the EU market and system operation rules through retained network codes, interconnector arrangements and ongoing inter-Transmission System Operator (TSO) cooperation. Nonetheless, dynamic alignment must ensure that the current Great Britain (GB)[1] legal and regulatory framework accords with the EU framework that have changed since the date of 'Brexit'. Dynamic alignment should therefore be

[1] As per the Windsor Framework, as it relates to the legal and regulatory framework for electricity in Northern Ireland, has remained aligned.

framed as functional and incremental, focused on preserving operability and market access, rather than implying wholesale or line by line transposition of EU law.

Dynamic alignment means that future amendments to EU energy and climate legislation, such as revisions to network codes, balancing methodologies, or the ETS Directive, will trigger corresponding UK implementation to preserve access, taking into account the UK's constitutional and parliamentary processes. While not equivalent to direct applicability, this obligation nonetheless introduces a structured and ongoing mechanism for the application of EU law in the UK insofar as the electricity sector is concerned, in a manner not dissimilar to the treatment of electricity policy for European Economic Area (EEA) countries. Under this approach, whilst the proposed arbitration panels must refer questions of EU law to the Court of Justice of the European Union (ECJ), and the resulting interpretations bind the UK, the UK courts would not themselves be subject to ECJ jurisdiction, though there would be a clear hierarchy implying the superiority of EU law. This is comparable to the current arrangement between the EU and Switzerland.

This is an important point for ETS linkage. Swiss ETS linkage provides a useful precedent, where alignment can be achieved through comparable rather than identical rules. Therefore, allowing the UK to retain an appropriate degree of control over its domestic ETS framework.

The governance architecture envisaged by the Common Understanding bears a strong resemblance to existing models of differentiated integration within the European legal order. The most instructive comparators are the EEA Agreement, the EU-Swiss bilateral framework, and the EU-Ukraine Deep and Comprehensive Free Trade Area (DCFTA). It is worth going over each in turn and their implications for the electricity sector. A separate assessment of each, including the implications for the electricity sector, is therefore required.

EEA Countries

The EEA model represents the most structured form of external alignment with EU internal market law. It extends the EU internal market to the three EEA-EFTA states. To preserve sovereignty while ensuring uniform market rules, the EEA is built on a two-pillar structure:

- the EU pillar (EU institutions, including the Commission and ECJ)
- the European Free Trade Area (EFTA) pillar (EFTA Surveillance Authority and EFTA Court)

This structure avoids giving EU institutions direct authority over non-EU states, while ensuring homogeneous application of EEA law. EU legislation for the internal market, including the Internal Electricity Market (IEM), is added to the EEA Agreement by the

EEA Joint Committee, requiring EEA states to adopt these rules for uniformity and market access. This dynamic alignment between the EU and EFTA is upheld through judicial interpretation to preserve equivalence of EFTA law with EU law. This is, however, not without its difficulties as EU law has steadily become more complex over time compared to EFTA and EEA treaty law and the need to address them.

Notwithstanding this high degree of formal legislative convergence access to core EU market arrangements, including electricity market coupling, electricity balancing platforms, and electricity capacity allocation mechanisms, is not automatic. Instead, participation is contingent upon separate technical, operational, and governance assessments, as well as discretionary decisions by EU institutions and the European Network of Transmission System Operators for Electricity (ENTSO-E). The Energy Community thus illustrates that dynamic acquis adoption, however comprehensive single coherent legal framework, does not of itself secure integration into EU market platforms.

The Swiss version of dynamic alignment

In contrast the Swiss bilateral model consists of more than 120 separate sectoral agreements. Although it provides deep access to the EU single market, it has historically lacked a coherent mechanism for dynamic alignment and judicial harmonisation. In 2024, a wide-ranging update to a number of bilateral agreements was agreed, which addressed these issues by embedding mandatory ECJ referral and structured alignment obligations.

The EU-Switzerland Electricity Agreement forms part of this broader package of bilateral agreements and intended to stabilise and modernise EU-Swiss relations. Negotiations on this package were successfully concluded in December 2024 at the political level between the European Commission and the Swiss Federal Council. On 2 March 2026, the EU and Swiss representatives signed the Swiss Agreement as part of a broader package of sectoral agreements which remains subject to ratification by the EU and approval by the Swiss Parliament and, potentially, a referendum.

The scope of the Swiss Agreement extends to the ‘electricity sector, as regards generation, transmission distribution, trading and supply of electricity’. It enables Switzerland’s participation in the EU’s internal electricity markets. It is intended to:

i. grant equal market access for all participants in both markets,
ii. promote cross-border electricity trade,
iii. improve transmission system management,
iv. support network stability and security of supply,
v. maintain transparency in the wholesale market,

vi. increase renewable energy use and environmental protection, and
vii. strengthening cooperation between parties and authorities in the electricity sector.

Swiss electricity companies are granted equal access to the IEM, including participation in day-ahead and intra-day market coupling, balancing platforms, and relevant technical committees for grid stability.

Swiss participation in the internal electricity market is selective and operationally targeted. Switzerland has not fully transposed all EU network codes; alignment applies where necessary to enable participation in market coupling, balancing platforms and system operation.

The Swiss Agreement commits Switzerland to dynamic alignment with relevant EU electricity *acquis* and uniform interpretation of integrated EU law. A Joint Committee composed of representatives from the Contracting Parties, co-chaired by officials from the Union and Switzerland, is established to oversee the operation and management of the Agreement, including reference to the ECJ where EU law concepts are concerned. It is worth noting that, regarding electricity, Switzerland similarly has representation in relevant EU grid and market bodies, including ENTSO-E and the European Union Agency for the Cooperation of Energy Regulators (ACER) as well as relevant technical working groups for legislation.

In the climate domain, the most relevant precedent is the linking of the Swiss and EU emissions trading systems under the EU-Switzerland ETS Linking Agreement, which entered into force in 2020. This arrangement does not amount to full participation by Switzerland in the EU ETS but instead creates mutual recognition of allowances and a unified carbon market across the two systems. Crucially, it requires Switzerland to maintain equivalence within core elements of EU ETS legislation, including:

a) cap-setting,
b) monitoring,
c) reporting and verification (MRV), and
d) registry infrastructure.

Where the EU updates its ETS rules, such as through revisions to the EU ETS Directive, Switzerland is expected to adapt its domestic system accordingly to preserve the link. Further, Switzerland has an independent approach to managing its Nationally Determined Contributions (NDCs) through Article 6.2 of its ETS linkage agreement and its national fuel emissions trading scheme, maintaining independence in climate policy market design that does not impact the EU but maintain alignment with EU objectives. This is overseen through a joint governance framework, including

a Joint Committee with the power to update annexes and manage disputes. While this does not go as far as the more automatic dynamic alignment seen in the EEA, it nonetheless establishes a functional form of dynamic alignment in a highly technical policy area, backed by the possibility of suspending the link in case of divergence. The ETS link therefore illustrates a more flexible, sector-specific approach to alignment, where market integration is preserved through conditional regulatory convergence rather than direct legal hierarchy. Given the technical nature of the ETS, this type of alignment is better suited. It enables linkage with the EU while safeguarding UK installations and its own domestic market.

**2. In developing its arrangements for dynamic alignment, are there lessons that the UK should draw from:**

**a) the other countries that engage in, or are preparing to engage in, dynamic alignment with the EU—namely the European Free Trade Association (EFTA) countries of Iceland, Liechtenstein and Norway, within the European Economic Area (EEA); and Switzerland?**

**and/or**

**b) the experience of a form of dynamic alignment with respect to Northern Ireland under the Withdrawal Agreement Protocol/Windsor Framework?**

Regarding electricity trade and emissions trading linkage, the UK does not in any way seek to replicate the institutional depth of the EEA or EFTA. Therefore, the anticipated agreements between the UK and EU should both aim to follow the Swiss precedent: deeper and more aligned with the EU *acquis communautaire* as far as electricity is concerned than the TCA, but narrower than the EEA arrangement. It is important to also note that the EEA framework contains its own safeguards. Adaptations of EU law must be mutually agreed within the EEA Joint Committee, and EEA states retain the ability to veto consent if needed.

This will strike the right balance of simple implementation of relevant EU electricity and climate law to the UK and the use of a joint oversight body, as well as access to key technical bodies, to discuss issues and ensure the UK has a ‘voice in the room’ concerning key areas of EU law that will affect the UK’s electricity sector and climate law while retaining autonomy to implement domestic policies in its national interests.

**3. Can formal ‘decision-shaping’ by non-EU states, under agreements with the EU, deliver real influence over the EU law to which it applies? If so, what institutional arrangements and resources should the UK Government have in**

**place—in London, Brussels and national capitals around Europe—to ensure that it can participate in EU 'decision-shaping' as effectively as possible?**

In the Electricity sector the real influence over future rules is exercised primarily through technical and operational fora. In practice, market design, methodologies and detailed rules are shaped through ENTSO-E, ACER working groups, and participation in market coupling and balancing platforms (including EUPHEMIA, XBID, MARI and PICASSO), rather than solely through political or joint committees. We therefore recommend that any future arrangements explicitly secure UK participation rights in these organisations and platforms, which is critical both for effective operation and for meaningful decision shaping.

On a broader political level, the pursuit of a Swiss-style arrangement on electricity and climate law, in combination with the UK's influence in various institutions and areas of the electricity sector, can deliver greater influence for the UK over the formation of EU electricity and climate law than the existing arrangement under the TCA.

Based on the outcome of the initial talks on Great Britain's (GB's) participation in the EU's IEM and the recently published EU negotiating mandate on GB's participation in the EU's IEM indicate the desire to create a joint body and mechanism for both dispute arbitration and appropriate input on relevant EU-level regulation for a non-member state. Such a measure is similarly envisioned under ETS linkage. If such an arrangement were to mirror the Joint Committee under the Swiss-EU arrangement, this body would provide a dedicated body for areas where regulation or directives being introduced, affecting the UK electricity sector, can be discussed and potentially adjusted for the benefit of parties on both sides of the Channel. While the Uk would not have voting rights in key bodies like ACER, and EU law would technically be functionally superior, it would allow the UK the opportunity to be a rule shaper in key areas that concern both parties, rather than a pure rule taker.

The UK is set to play a key role in delivering the crucial energy infrastructure goals agreed at the las two North Sea Summit's, including around a third of the 300 GW of offshore wind target set by the Noth Seas Energy Cooperation (NSEC) body, by far the largest share. It for this reason the UK has the opportunity to be a rule shaper regarding relevant cross-border electricity affairs and that the UK must be formally reintegrated into NSEC as a full member.

It is worth noting that the UK is already a member of relevant international bodies to influence cross-European policy. These include the United Nations Framework Convention on Climate Change (UNFCCC), the International Civil Aviation Organization which sets standards for carbon credits eligible for the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), and

International Organisation for Standardisation (ISO) which provides the technical foundation for global carbon offsets (due to be integrated into both the UK and EU ETSs), and international electrical component standards. These, among other bodies, already provide the UK with many opportunities to influence and provide technical expertise on European-wide energy and climate policy. It is now a question of how the UK leverages this influence.

Going forward, like other non-EU countries, such as Norway, the UK could also be invited to participate in EU-level working-level discussions on legislation being proposed.

**4. Are current arrangements for parliamentary scrutiny of UK-EU relations adequate for scrutinising dynamic alignment? What would an ideal system for parliamentary scrutiny of UK dynamic alignment comprise?**

The Government has proposed that, the legislation which they plan to introduce to allow for dynamic alignment, will allow for the route for individual pieces of EU legislation to be brought into the UK law via secondary legislation i.e via statutory instruments to primary legislation. This was the route for EU law implemented into UK legislation prior to Brexit, while the UK was a participating member of the EU.

The route for the scrutiny of secondary legislation in the UK Parliament does allow for a role of MPs and members of the House of Lords to scrutinise the impact of the legislation brought forward. However, expertise is required in the form of a specific Committee which is skilled and knowledgeable in the European legislative process and the policies within the integrated areas, to be able to suitably assess the legislation that is brought to the UK as part of dynamic alignment. For that reason, we propose that the European Scrutiny Committee, abolished in 2024, should be reestablished to assume responsibility for providing recommendations and advice to Parliament on the impact of the legislation being brought forward into UK law and provide Parliament with greater oversight, while retaining more speedy routes for implementation via secondary legislation route and Ministerial direction.

**5. What impact are the three new UK-EU agreements that are currently in prospect likely to have on UK GDP? (the three agreements being on: the creation of a Common Sanitary and Phytosanitary (SPS) Area; the linkage of the UK and EU Emissions Trading Schemes (ETSs); and UK participation in the EU's internal electricity market)**

The UK Government's own analysis indicates that ETS linkage itself could add 0.1% to the country's GDP. Beyond that, ETS linkage will also help the UK avoid roughly £800m of costs by 2030 from the EU CBAM during this decade.

Energy UK analysis indicates that the impact on electricity costs from the lack of market coupling is in the realm of £120 million-£370 million annually but this figure is growing rapidly as electricity trade over the Channel grows and more interconnections are built. The real value of closer integration is greater liquidity and system resilience for the Uk (and EU) electricity system at a time when geopolitical threats are growing. Energy UK will be providing updated and forward-looking figures on the benefits of recoupling with the IEM in the near future.

Efficient market coupling supports higher penetration of variable renewables, reduces redispatch and curtailment, and improves the cross-border value of low-carbon generation. These benefits become increasingly material as renewable deployment expands and interconnector volumes grow and bring wider system benefits.

**6. To what extent are the drawbacks and benefits of these prospective agreements for the UK, including with respect to GDP, likely to depend on their precise terms—for example, with respect to the scope and operation of, and exemptions from, dynamic alignment?**

The extent to which there may be drawback depends on the detail of the agreements. Energy UK maintains the position that the benefits of ETS linkage and market coupling outweigh any potential drawbacks.

Nonetheless, key areas need attention to ensure industry is able to benefit from the reset with the EU. Firstly, there needs to be a clearly signalled transition phase to allow GB electricity stakeholders to meet any requirements resulting from ETS linkage and the Electricity Agreement. GB stakeholders need to understand fully the details of what those EU Rules are, how we are to transition to implementation and over what timeframe in order to be prepared.

Based on the assumption the UK and EU will seek a Swiss-style arrangement on ETS linkage and market coupling, while it is difficult to set out the exact quantified benefits and drawbacks from the application of this electricity *acquis*, it is worth noting that the ongoing GB electricity market reform will need to consider and align with the Union's electricity *acquis*, as well as the ongoing direction of travel in the EU's own electricity market and emissions trading reform. It will also need to consider how measures to ensure a level playing field between the UK and EU's electricity sector may affect future policymaking domestically. It is therefore important for any linkage

that any next steps and decisions with regard to GB's electricity market reform take this into consideration.

Further, in the Electricity Agreement, there should be an explicit reference to alignment and mutual recognition of production attributes, including guarantees of origin for electricity. This is operationally critical for cross-border renewable PPAs, offshore and hybrid assets, as well as for interaction with CBAM and wider EU climate policy.

Outside of electricity, comparable certification frameworks for gases and fuels will be needed in the future as this will be critical from both the UK and EU's hydrogen, Sustainable Aviation Fuel (SAF), biofuels and biogas trade and value chains.

For example, the Electricity Agreement will need to examine how best to align some of the differences between the UK's 2008 Climate Change Act and the Renewable Energy Directive (RED) III such as the differing treatment over the next few years of unabated biomass energy that is currently seeking abated capabilities.

Experience from Switzerland and the Energy Community shows that attribute recognition often requires bespoke treaty solutions and close cooperation between registries, rather than following automatically from electricity market rules.

Regarding ETS linkage, dynamic alignment, combined with the need for fully fungible allowances and price alignment of allowances appears likely to require alignment across major policy areas such as benchmarks, carbon leakage lists, cost compensation schemes and possibly future Carbon Boarder Adjustment Mechanism (CBAM) design.

Across some economic sectors, some concerns regarding benchmarks, which determine free allocation of allowances to installations based on the performance of the top 10% most efficient plants, have been raised. Benchmarks are central to carbon leakage protection and are updated periodically (EU ETS Phase 4: 2021-2025 and 2026-2030). Indeed, recent events in the Middle East have indicate that the EU may be, once again, looking at revising benchmarks to ensure EU industry is not disadvantaged by high energy prices. Some sectors have expressed a preference for the retention of UK-specific benchmarks or, perhaps more preferably, that UK data should be included in revised EU benchmarks. Sectors have also expressed concern in areas where adopting EU metrics and measures may place their sector at a disadvantage by replacing existing UK-specific policies.

These issues highlight the need for a pragmatic approach to ETS linkage which deals with specific areas of emissions trading and carbon leakage risks on a case-by case basis. The UK and EU retain many similarities in their ETS schemes and so some adjustments in a minority of areas is not beyond the realm of feasibility.

**7. Should the UK make a financial contribution to the EU or EU policies as part of its dynamic alignment agreements? Is there a level of contribution that would mean that such agreements do not represent value-for-money for the UK?**

The UK Government already acknowledged in the preliminary talks on electricity market recoupling their willingness to provide proportionate contributions to the EU cohesion fund as other third countries within the IEM do.

It is worth noting that such contributions should imply access to EU funding for research and various EU programmes. The UK should similarly gain such access as part of the Electricity Agreement and wider negotiations across the other areas.

**8. What are the implications of the three prospective agreements with the EU, and of the Government's general policy of dynamic alignment with the bloc, for the UK's trade relations with countries outside the EU—with respect especially to the United States, and the UK's membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)?**

Market recoupling for electricity should have virtually no impact on electricity trade itself with non-EU members given the lack of direct physical connection with non-European countries.

Nonetheless, regulatory alignment increasingly affects trade in energy commodities and attributes. In particular, alignment with EU production and sustainability criteria for sustainable aviation fuels (SAF), biofuels and biogas may form part of a broader dynamic alignment agenda, extending beyond electricity trading alone.

This includes compatibility of lifecycle greenhouse gas methodologies, sustainability criteria, traceability and certification systems. Such alignment is desirable. Without such alignment, UK producers and market participants risk loss of EU market access or duplication of compliance regimes. Nonetheless, dynamic alignment here would have implications for the sourcing of biofuel, biogas or feedstocks to produce these energy types from third countries should they not meet high sustainability standards. However, Energy UK believes the promotion of such sustainable feedstock and fuel sourcing would be a desirable outcome.

ETS linkage will put the UK and EU at the forefront of a number of third countries already establishing emissions trading, offsetting and carbon pricing regimes and provide the UK with the opportunity to jointly influence the formation of global carbon pricing regulation. Countries already following the UK and EU's lead include India, Japan, South Korea, Indonesia, Brazil, Mexico, Canada, South Africa and, to an

extent, the USA and China which implement more limited ETSs in terms of scope and geography.

**9. What issues does prospective UK dynamic alignment raise for the UK's devolved administrations and legislatures? How should the UK Government and Parliament engage with the devolved administrations and legislatures in a system of dynamic alignment?**

N/A

**10. What actions need to be taken and arrangements put in place—in legal, institutional and practical terms—before UK dynamic alignment under the three prospective agreements is operating fully and smoothly? How long might this process take?**

A fully functioning system of dynamic alignment would require a sequenced set of operational, institutional and legal measures, reflecting the practical realities of cross-border electricity trading. The indicative sequencing reflecting operational practice therefore would facilitate a smooth transition. For example,

- In operational terms, an initial priority would be to secure UK participation in the relevant EU market platforms. This includes capacity-allocation auctions, day-ahead and intraday market coupling arrangements, and balancing platforms given that these constitute the core mechanisms through which the internal energy market functions.
- This would need to be accompanied by the formalisation of cooperation between the UK system operator and ENTSO-E, including participation in regional coordination processes, data-exchange protocols and system-operation procedures.
- A further step would likely involve alignment of sustainability, production and certification criteria for electricity, gases and fuels, ensuring that traded energy products are mutually recognised and treated as equivalent.

Only once these operational foundations are in place can dynamic alignment mechanisms be embedded within a joint governance structure, providing for the timely incorporation of relevant EU measures, structured update procedures and dispute-resolution arrangements.

The aforementioned joint body/committee to oversee the Electricity Agreement would need to be set up.

UK representation in the EU's joint energy regulator, ACER, and cross-border electricity network operator, ENTSO-E, would also need to be put in motion.

In respect of dynamic alignment with the IEM, it will be necessary to reestablish the national (GB) arrangements, that existed, pre-Brexit, that facilitated direct stakeholder engagement to support the UK Government, Ofgem and the TSOs (NESO primarily) when they engaged in these IEM policy meetings with the Commission, ACER and ENTSO-E respectively.

Fortunately, the industry body the Joint European Stakeholder Group (JESG) that undertook this task, pre-Brexit, has continued, post-Brexit, to provide a forum for stakeholder engagement and have indicated a willingness to return to the pre-Brexit role of supporting the UK Government, Ofgem and NESO when they engaged in those IEM related meetings with the Commission, ACER and ENTSO-E respectively. In this way any practical issues that may arise from dynamic alignment for the IEM (both initial, but also on an enduring basis going forward) can be flagged and addressed in a timely manner.

From an ETS perspective, while the core design of the UK ETS is already closely aligned with the EU ETS, we would support a pragmatic approach to linkage as a focused, sector-specific form of dynamic alignment, maintaining equivalence where it matters for market integrity, without complex changes to accommodate operational divergences that do not create material costs or risks for UK business. There is clear precedent for linked schemes operating effectively without being identical. For example, consistent with the EU–Switzerland model, the UK and EU could maintain separate but linked registries and separate auctions; operate different compliance and surrender calendars where this eases administrative burdens; and focus legal alignment on ensuring the UK cap trajectory and Linear Reduction Factor remain at least as ambitious as the EU's as required under the TCA. We also support the upcoming EU Partnership Bill as an important enabling step to provide the domestic legislative framework and certainty needed to implement such agreements smoothly.

Sufficient time should be allowed for enabling operational linking of the ETS schemes, i.e. passing the agreements into secondary legislation on the UK's side and achieving formal EU Council agreement.

Ideally, these processes should take no more than a year.