

***Outcome of the exploratory discussions on the possible participation of the United Kingdom in the European Union's internal electricity market.***

1. In light of the Common Understanding found during the United Kingdom - European Union summit of 19 May 2025, the European Commission and the United Kingdom explored the parameters for the United Kingdom's possible participation in the European Union's internal electricity market.
2. The United Kingdom and the European Commission share the view that close cooperation on electricity is in the interest of both the European Union and the United Kingdom.
3. The European Commission and the United Kingdom should work towards the participation of the United Kingdom in the European Union's internal electricity market, by way of a European Union-United Kingdom Electricity Agreement (hereinafter 'Electricity Agreement'). Meanwhile, the current electricity trading arrangements will continue to apply.
4. The Electricity Agreement should be based on a balance of rights and obligations and ensure a level playing field.
5. Regarding its territorial scope, the Electricity Agreement should be appropriately articulated with the provisions of the Windsor Framework.
6. In terms of material scope, the Electricity Agreement should cover both the wholesale and retail markets. It should include the participation in the European Union'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 Electricity 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 European 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.
7. The Electricity Agreement should ensure the application of the same rules at all times by providing for dynamic alignment of the rules applicable to and in the United Kingdom with all the relevant Union rules on the electricity market, giving due regard to the United Kingdom's constitutional and parliamentary procedures. 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 parties may also discuss measures facilitating the phasing in of the United Kingdom's participation into the European Union's 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 European Union.
8. The Electricity Agreement should also ensure the application of the same rules at all times by providing for dynamic alignment of the rules applicable to and in the United Kingdom with the relevant Union rules on the promotion of renewables, giving due regard to the United Kingdom's constitutional and parliamentary procedures. 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 European Union and based on the definitions, requirements and methodologies set by the Union acquis. In setting the target, due regard shall 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 European Union and the United Kingdom may agree a limited number of technical adaptations to the renewable energy acquis provided they i) are justified by objective criteria, excluding policy choices, ii) ensure that the United Kingdom's global renewable energy target 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 European Union.

9. The Electricity 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 Union rules on the protection of the environment. This should be ensured with respect to each obligation and each right in those 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 Electricity Agreement should ensure that the United Kingdom maintains the possibility to adopt measures which provide a higher level of environmental protection. It should give due regard to the United Kingdom's constitutional and parliamentary procedures.

10. Finally, the Electricity 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 Electricity Agreement. The Electricity 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 the Union law, giving due regard to the United Kingdom's constitutional and parliamentary procedures. The United Kingdom should 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 Electricity 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 Electricity Agreement should provide for an adequate transition period for the implementation of the new rules in the United Kingdom.

11. The Electricity Agreement should provide for the participation of the relevant United Kingdom regulatory authority in the Union agency ACER, without a right to vote, in line with the requirements of the Union acquis. The Electricity Agreement should extend to the United Kingdom the competences of ACER in terms of regulatory oversight over the functioning of the internal electricity markets.

12. The Electricity Agreement should provide for an appropriate financial contribution from the United Kingdom to support the relevant costs associated with the European Union's work in this policy area.

13. The Electricity Agreement should be subject to a dispute resolution mechanism with an independent arbitration panel that ensures the Court of Justice of the European Union is the ultimate authority for all questions of Union law.

14. To ensure that it can put forward its view, 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. The European Commission should consult the Government of the United Kingdom at an early stage of policy-making. These rights would not extend to

participation in the work of the Council or its preparatory bodies.

15. The United Kingdom should have appropriate access to relevant Union systems and databases in the areas covered by the Electricity Agreement.

16. The Electricity Agreement should be subject to a joint governance mechanism.