

# The UK-EU Reset:

What the 2026 Summit  
Means for Business

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23<sup>rd</sup> June 2026

10<sup>th</sup> Anniversary of Brexit



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# 01

## Executive Summary

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Ten years after the Brexit referendum, UK-EU relations have entered a new phase. The focus has shifted from managing separation to identifying where closer cooperation can drive economic growth, strengthen competitiveness and enhance European security. While a return to the Single Market or Customs Union remains politically unlikely, the next UK-EU summit expected later in 2026 represents the most significant opportunity since Brexit to deepen practical cooperation in areas of mutual strategic interest.

For business, the direction of travel is increasingly clear. The UK and EU are moving away from divergence towards selective reintegration in strategically important sectors, including trade, defence, energy, research, technology and regulatory cooperation. Although many post-Brexit frictions will remain, a series of targeted agreements has the potential to reduce barriers, improve market access and create new commercial opportunities.

The most immediate opportunities lie in five areas:

- 1 An SPS Agreement** would significantly reduce trade friction for agri-food and manufacturing businesses.
- 2 Linking UK and EU emissions trading systems** could save exporters hundreds of millions of pounds annually while mitigating the impact of the EU Carbon Border Adjustment Mechanism (CBAM).
- 3 Progress on defence cooperation**, including UK participation in SAFE and closer industrial collaboration, would unlock significant opportunities across the defence sector.
- 4 Greater cooperation** on electricity markets and technology would strengthen resilience and competitiveness.
- 5 Carefully managed labour mobility** reforms could ease skills shortages in key industries.

While an SPS Agreement and linkage of the UK and EU Emissions Trading Systems (ETS) are now considered the most likely deliverables from the July Summit, businesses should recognise that these agreements remain politically linked to progress on a Youth Experience Scheme. Current negotiations suggest that political agreement on youth mobility may not be reached until later in 2026, meaning implementation of wider trade measures could also be delayed if negotiations become stalled.

The commercial implications will not be felt evenly across the economy. The sectors most likely to benefit from closer UK-EU cooperation include:

**Defence & Security**, where greater industrial collaboration and potential UK participation in EU programmes could unlock significant opportunities.

**Healthcare & Life Sciences**, through reduced regulatory friction and strengthened research partnerships.

**Technology & Artificial Intelligence (AI)**, where selective cooperation is expected alongside continued regulatory divergence.

**Advanced Manufacturing**, which stands to benefit from lower trade barriers, SPS reform and greater regulatory alignment

**Energy Sector**, where progress on emissions trading and electricity market integration could improve competitiveness, investment and long-term energy security.

Northern Ireland is uniquely positioned to benefit from this new phase of cooperation. Its dual access to both the UK internal market and the EU Single Market for goods provides a competitive advantage unmatched elsewhere in Europe. As trade friction reduces and regulatory cooperation deepens, Northern Ireland's attractiveness as a location for investment, advanced manufacturing and internationally integrated supply chains is likely to increase further.

However, businesses should also recognise that the reset is taking place against an increasingly uncertain geopolitical backdrop. Russia's war against Ukraine, strategic competition with China, uncertainty in US policy and growing European defence investment are accelerating UK-EU cooperation, but domestic political developments in the UK, including Labour's forthcoming leadership contest and the continued rise of Reform UK, could influence both the pace and ambition of future agreements.

For business leaders, the key message is that the UK-EU reset should not be viewed as a single political event but as the beginning of a longer-term process of pragmatic cooperation. Organisations that monitor developments closely, assess their exposure to regulatory change and position themselves early to take advantage of emerging opportunities will be best placed to benefit from the next chapter in UK-EU relations.

# 02

## Context

### A New Phase in UK-EU Relations

Ten years after the Brexit referendum, the question facing business is no longer how to manage the uncertainty resulting from the tumultuous negotiations around the terms of separation, it is how to capitalise on renewed cooperation between the UK and EU.

A decade on from Brexit, UK-EU relations have entered a new phase. The political focus has shifted to identifying areas where closer cooperation can support economic growth, competitiveness and security. While a return to the Single Market or Customs Union remains unlikely in the near future, there continues to be political debate within the UK around the issue of Europe. This debate is less vibrant within the EU, as Member States and institutions focus on more immediate priorities, such as competitiveness and security concerns, while showing little appetite to re-open old and painful negotiations with the UK.

The 2025 UK-EU Summit marked an important milestone in the transition to warmer UK-EU relationship, however. Through the Common Understanding and the establishment of a new Strategic Partnership, both sides signalled a willingness to move towards a more pragmatic relationship focused on shared interests, especially in security & defence, economic growth and competitiveness.

The next summit was scheduled for 22nd July in Brussels, however following the resignation of Sir Keir Starmer, it was decided to postpone the summit until later in 2026 when a new UK Prime Minister has been appointed.

The UK and EU are moving from divergence towards 'selective reintegration' in strategically important sectors — this is why business need to understand the key issues in the context of any future UK-EU Summit.



## Vulcan Insight:

The next UK-EU Summit is an important moment in the reset relationship. The most likely outcomes over the coming years are targeted agreements covering trade, defence, energy, research and mobility.

Taken together, these could have a significant impact on businesses operating across these islands and throughout Europe. For now, a wholesale reintegration of the UK into the single market, or even the possibility of Britain rejoining (also dubbed 'Brejoining'), is off the table.



### 2025 Milestone

The 2025 UK-EU Summit marked an important milestone in this transition and launched a new Strategic Partnership.



### 2026 Test of Ambition

The 2026 UK-EU Summit will provide an important test of how far that ambition can be translated into practical outcomes.



### Focus for Business

Moving from divergence towards 'selective reintegration' in strategically important sectors.



This report seeks to support business leaders to seize the opportunities of greater cooperation and navigate the areas where frictions remain.

# 03

## The Foundations of the Reset Relationship

### What Has Been Agreed So Far?

The post-Brexit relationship between the UK and European Union rests on three pillars:



The Withdrawal Agreement



The Trade and Cooperation Agreement (TCA)



The Windsor Framework

#### The Withdrawal Agreement

The Withdrawal Agreement was effectively the ‘divorce settlement’ between the UK and EU and remains an essential part of the legal architecture underpinning the relationship. However, it is no longer the central focus of political debate. Attention has shifted towards how the UK and EU can make the existing framework work more effectively and identify areas where deeper cooperation serves mutual interests.

#### The Trade and Cooperation Agreement (TCA)

The TCA was signed in December 2020 and remains the cornerstone of the UK-EU relationship. It replaced membership of the EU Single Market and Customs Union with a comprehensive free trade agreement, providing tariff and quota-free trade in goods while establishing frameworks for cooperation across areas including services, transport, fisheries, energy, security and dispute resolution. It is worth noting that 45% of UK trade is still with the EU, according to the UK

## The Windsor Framework

For several years, political and diplomatic attention was dominated by disagreements over the Northern Ireland Protocol which was agreed as part of the Withdrawal Agreement.

The Protocol sought to avoid a hard border on the island of Ireland while protecting the integrity of the EU Single Market. In practice, it created new requirements for goods moving from Great Britain into Northern Ireland and became one of the most politically contentious aspects of the Brexit settlement.

The Windsor Framework was agreed in 2023 introduced new arrangements for goods remaining within Northern Ireland and simplifying aspects of East-West trade. It reduced tensions between London and Brussels and provided greater certainty for businesses operating across these islands. While implementation challenges remain, the Framework helped create the political conditions for a broader reset in UK-EU relations.

Beyond addressing practical trading issues, it demonstrated that the UK and EU could find pragmatic solutions to politically difficult problems. It also reinforced Northern Ireland's unique position, with unfettered access to both the UK internal market and the EU Single Market for goods.

## The 2025 Summit and the Common Understanding

The most significant political development in recent years was the UK-EU 'reset' in May 2025.

The Summit launched a new Strategic Partnership and endorsed a Common Understanding that provides a roadmap for the next phase of the relationship.

It reaffirmed the importance of the Withdrawal Agreement, Windsor Framework and TCA, while committing both sides to explore deeper cooperation across defence, energy, migration, law enforcement, climate policy and economic relations.

Proposals under discussion include an SPS Agreement, linking emissions trading systems, cooperation on electricity markets, a Youth Experience Scheme, deeper security collaboration and enhanced engagement between regulators. This will be the focus on the next UK-EU Summit.



# 04

## Geopolitical Risks

### Implications for Business

The UK-EU Summit in July is taking place against a backdrop of significant geopolitical uncertainty and growing international instability.

Understanding these wider geopolitical dynamics is essential. The trajectory of UK-EU cooperation over the coming years will be shaped not only by trade and regulatory discussions, but also by developments in global security, defence, geopolitics and domestic political change.

#### 5 FORCES SHAPING UK—EU COOPERATION

1

Russia, Ukraine  
and European  
Security

2

China and  
Strategic  
Competition

3

The United  
States

4

Defence  
Spending

5

Political Stability  
in the UK

#### Vulcan Insight:

Many of the geopolitical risks facing Europe are also creating incentives for closer UK-EU cooperation. Security threats, economic competition, supply chain vulnerabilities and global instability are driving a more pragmatic relationship focused on shared interests.

However, the pace and direction of that cooperation will remain vulnerable to political change, geopolitical shocks and economic uncertainty as well as the old challenges of British 'exceptionalism' and EU 'incrementalism'. Businesses should therefore view the UK-EU reset not as a fixed destination, but as an evolving process shaped by wider global events.

## Russia, Ukraine and European Security

Russia's full-scale invasion of Ukraine remains the most significant security challenge facing Europe. The conflict has fundamentally altered the political and strategic landscape across the continent and has been a major catalyst for closer UK-EU cooperation on defence & security matters.

The UK and EU increasingly share concerns around military capability, defence industrial capacity, cyber security, critical infrastructure protection and supply chain resilience. These shared interests were reflected in the Security and Defence Partnership agreed at the 2025 UK-EU Summit and are likely to remain central to discussions at the July summit.

For businesses operating in defence, aerospace, technology and critical infrastructure, continued and deeper cooperation in these areas should create significant commercial opportunities.

## China and Strategic Competition

Alongside Russia, China remains a growing focus of policymakers in both London and Brussels. While the UK and EU maintain important economic relationships with China, concerns continue to grow around economic security, critical technologies, supply chain dependencies and strategic competition.

Areas such as semiconductors, telecommunications, artificial intelligence, rare earth minerals and advanced manufacturing are increasingly viewed through the lens of national security as well as economic competitiveness. To put the scale of this challenge in context, it is anticipated that China will account for 45% of global manufacturing by 2030 — a figure that will grossly distort global trade and presents a major dependency risk for both the UK and the EU.

The challenge for them will be balancing economic engagement with China while reducing strategic vulnerabilities. This debate is likely to influence industrial policy, export controls and technology regulation over the coming years. There is a common purpose here.

## The United States

The return of President Trump has introduced a new layer of uncertainty into the international system.

Recent developments, including the introduction of tariffs, a more transactional approach to international alliances and heightened tensions in the Middle East, have reinforced concerns about the predictability of US foreign and economic policy.

For European governments, this uncertainty is accelerating discussions around strategic autonomy, defence capability and economic resilience. For businesses, it increases the importance of monitoring developments in trade policy, supply chains, sanctions regimes and geopolitical risk. Many policymakers in both the UK and EU view closer cooperation as a means of strengthening resilience in an increasingly uncertain international environment.

## Defence Spending

Defence spending is rapidly becoming one of the defining political issues across Europe. In the UK, the recent resignation of John Healey MP as the Defence Secretary has highlighted growing tensions between Number 10, the Treasury and the Ministry of Defence regarding the pace and scale of future defence investment. Similar debates are taking place across the EU as governments seek to balance fiscal pressures with growing and urgent security requirements. NATO commitments, military modernisation and defence industrial capacity are expected to remain at the centre of political debate on both sides. As a result, defence policy is increasingly becoming economic policy, with governments placing greater emphasis on domestic industrial capability, supply chain resilience and strategic technologies.

## Political Stability in the United Kingdom

Political developments in the United Kingdom will inevitably shape both the pace and ambition of the UK-EU reset. The resignation of Prime Minister Keir Starmer has led to the postponement of the planned UK-EU Summit while a new Prime Minister is appointed. However, this delay should be viewed as a pause rather than a reversal of the broader trajectory towards closer cooperation. European leaders have been clear that the strength of the UK-EU relationship extends beyond individual political leaders and remains an important strategic priority for both sides.

The anticipated arrival of Andy Burnham in Downing Street could, in fact, provide fresh impetus for the reset. Burnham has long been regarded as one of Labour's more pro-European figures and has consistently argued for a pragmatic rebuilding of Britain's relationship with the European Union. At the same time, he is an astute political operator who understands the electoral realities facing any Labour government. Representing a political tradition rooted in the North of England, he is acutely aware that many of the communities central to Labour's electoral coalition voted to leave the European Union and that the continuing rise of Reform UK places significant pressure on the government to demonstrate that closer cooperation with Europe can coexist with respect for the Brexit settlement.

Any future UK-EU relationship under Burnham is therefore likely to be characterised by pragmatism rather than ideology. Greater cooperation on trade, defence, security, research and industrial policy may become politically easier to pursue, provided it can be framed as advancing Britain's national interest rather than revisiting the arguments of the Brexit debate. This could ultimately allow a more ambitious reset than has been possible under the previous government's self-imposed negotiating constraints.

Nevertheless, domestic political pressures will remain significant. Reform UK continues to reshape the political landscape, ensuring that migration, economic competitiveness and sovereignty remain highly salient political issues. The success of the next phase of the UK-EU reset will therefore depend not only on the substance of future agreements but also on the government's ability to communicate clearly the practical economic and security benefits of closer cooperation while reassuring voters that Brexit's fundamental constitutional settlement will remain intact.

# 05

## Analysis:

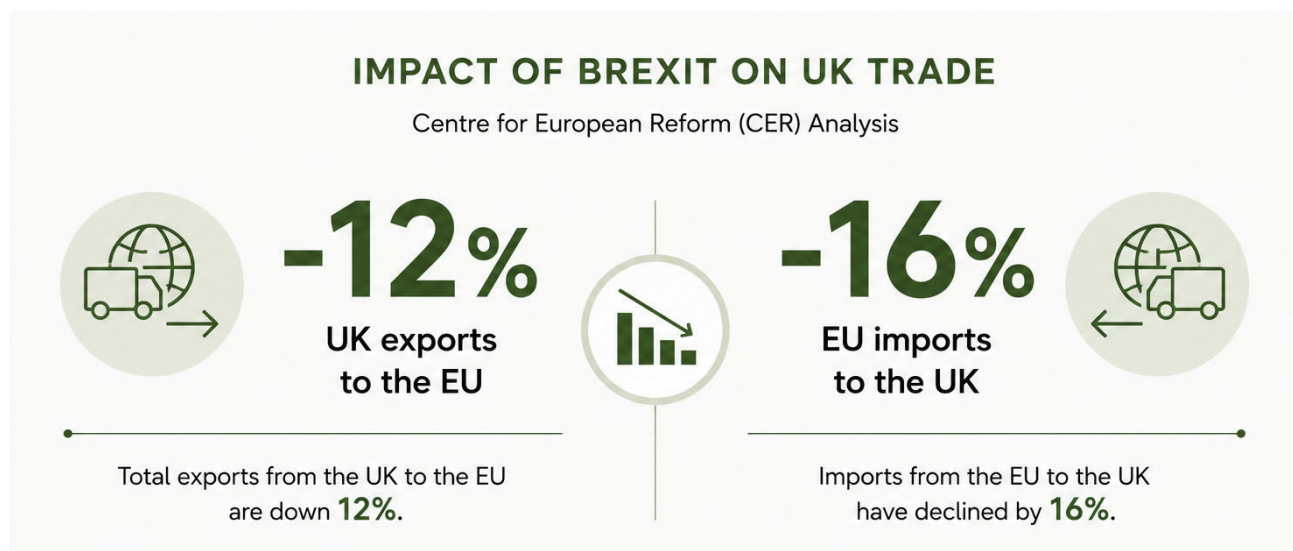
### Areas of Continued Friction for Business in UK-EU Relations

Businesses continue to face customs requirements, regulatory divergence, labour mobility constraints and market access challenges that increase costs and complexity.

These are the key issues that business should be aware of in the context of the UK-EU reset and upcoming UK-EU Summit:

#### Trade & Regulatory Friction

Despite improvements in political relations, non-tariff barriers continue to create significant friction for businesses trading between the UK and the EU. A recent analysis carried out by the London based thinktank the Centre for European Reform (CER) shows that the impact of Brexit on British trade is immense, with total exports to the EU down 12%, while imports from the EU to the UK have declined by 16%.



Regulatory divergence presents a further challenge. While the UK and EU have avoided major divergence in many areas, differences are beginning to emerge in chemicals regulation, product standards, precision breeding, digital regulation and environmental policy. These differences are manageable today but could become more significant over time.

The UK is also pressing the EU for greater flexibility on a number of emerging protectionist measures, including proposed **“Made in Europe”** procurement requirements under the Industrial Accelerator Act and forthcoming changes to EU steel safeguard quotas, both of which risk disadvantaging UK exporters.

The UK also faces another challenge as closer alignment with EU standards may facilitate market access and reduce friction but could limit regulatory flexibility in negotiations with other partners, particularly the United States. As the UK seeks to strengthen both transatlantic and European relationships, balancing these competing priorities will become increasingly important.

## An Agri-food Deal?

**The proposed UK-EU Sanitary and Phytosanitary (SPS) Agreement is the single most significant opportunity to reduce trade friction in the near term for business.**

Since Brexit, exporters of food, and agricultural products have faced extensive paperwork, inspections and certification requirements when trading with the EU. An SPS agreement would substantially reduce these barriers, simplify supply chains and improve market access across Great Britain, Northern Ireland and the EU.

Formal negotiations began in 2026, with the UK Government signalling its commitment by identifying 76 areas of EU legislation with which it is prepared to align. However, significant questions remain around the scope of the agreement, potential exemptions and the extent to which the UK can retain regulatory flexibility in areas such as precision breeding and biotechnology.

Potential areas of friction include the transition required in pesticides policy, loss of active substances approval, ensuring standards are maintained, ensuring the EU is not placed at a disadvantage, ensuring that only EU-compliant goods can enter the EU market, possible exemptions, balancing competing interests. It has been reported that the EU is seeking provisions that would oblige a future UK government to pay compensation if it were to withdraw from any SPS agreement.

A British source from the Department for Environment, Food and Rural Affairs expressed concern over possible EU-UK alignment on gene-edited lab meat, where the EU has recently imposed stricter regulations.

While officials increasingly believe an SPS agreement is technically achievable before the Summit, businesses should recognise that its implementation is becoming tied to progress in wider negotiations, particularly on youth mobility. As a result, the timing of commercial benefits may ultimately depend as much on political compromise as on the technical completion of SPS negotiations.

## UK-EU SPS AGREEMENT

# 76

AREAS OF EU LEGISLATION  
the UK is prepared  
to align with.



Less  
paperwork



Fewer  
inspections



Simpler  
supply chains



Better market  
access

Substantially reducing barriers for  
agri-food trade between the UK and the EU.  
Across Great Britain, Northern Ireland and the EU.



The SPS Agreement is technically achievable before the Summit, but its timing depends on progress in wider negotiations, particularly on youth mobility.



Negotiations began  
in **2026**

## Defence and Industrial Cooperation

The EU-UK Security and Defence Partnership, agreed at the 2025 UK-EU Summit, established a new framework for cooperation on Ukraine, defence industrial policy, cyber security, resilience and crisis management.

Talks broke down in November 2025 on UK participation in SAFE, over the UK's financial contribution. The EU had successfully agreed Canada's participation, making the UK's exclusion more notable. However, there are increasing signs that both sides are seeking a way back to the negotiating table.

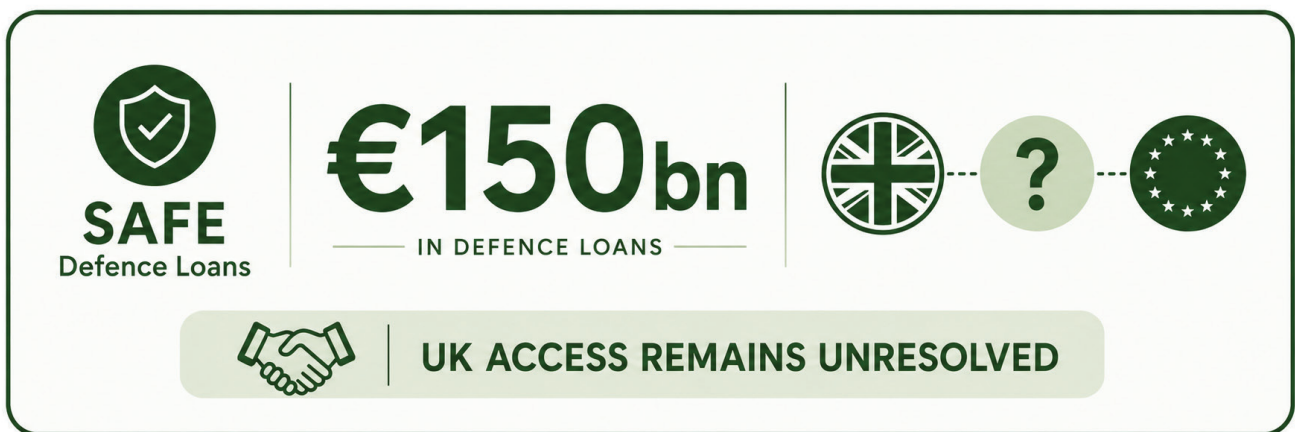
In March 2026, European Council President Antonio Costa said he was confident an agreement would ultimately be reached, citing the improving UK-EU relationship under the Labour government's "reset" agenda and the close UK-EU cooperation emerging through support for Ukraine.

UK ministers have likewise continued to argue that excluding the UK from SAFE is counterproductive, with former UK Armed Forces Minister Al Carns describing the outcome as "self-defeating" for European security.

SAFE represents €150 billion in defence loans, and UK defence industry access on full rather than third-country terms remains an open question with major industrial implications. In the absence of an agreement, UK firms can participate in SAFE-funded projects only under standard third-country rules, which generally limit their involvement to 35% of a project's value.

This has fuelled concerns on both sides that excluding one of Europe's largest defence industries could weaken the effectiveness of European defence procurement and fragment existing cross-border supply chains.

There is also growing concern that SAFE may set a precedent for future EU defence financing instruments, potentially leading to a gradual structural decoupling of the UK from EU defence-industrial initiatives unless a broader framework is agreed.



Much of security coordination happens outside the EU context, whether through NATO and “coalitions of the willing”. The EU-UK Security and Defence Partnership agreed in 2025 provides an additional framework for cooperation, but the SAFE dispute illustrates the wider challenge of translating shared strategic interests into practical industrial cooperation.

While both sides increasingly recognise the need for closer collaboration in response to the deteriorating European security environment, disagreements over financial contributions, governance and the UK's status outside EU structures continue to complicate progress.

At the heart of the disagreement lies a familiar post-Brexit challenge. The EU wants to strengthen its own industrial base and ensure European taxpayers support European jobs and production. Recent signals from the UK Government also suggest a stronger focus on domestic industrial capability.

Proposals to prioritise British companies in defence procurement and require overseas contractors to create jobs in the UK illustrate the growing importance of economic security considerations in defence policy.

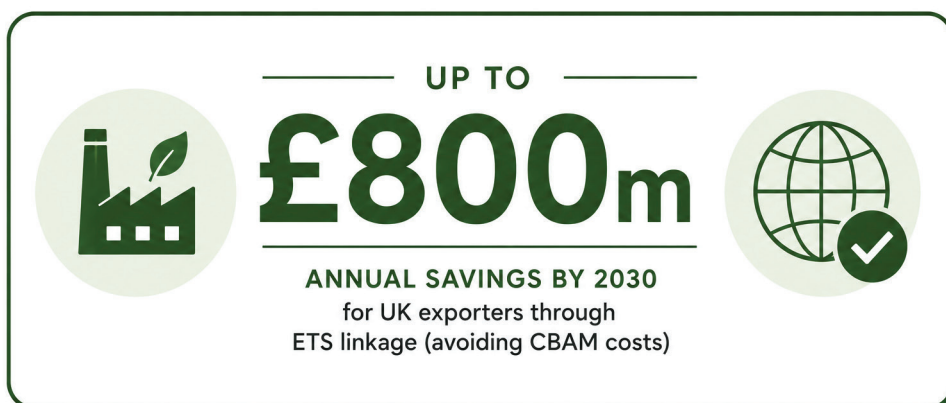
## Emissions Trading

**Energy has emerged as one of the most strategically important areas of UK-EU cooperation.**

Negotiations to link UK and EU emissions trading systems have the potential to reduce costs for exporters and mitigate the impact of the EU's Carbon Border Adjustment Mechanism (CBAM).

Since CBAM entered into force in January 2026, UK exporters have remained exposed to additional costs associated with carbon pricing differences.

On 14 January 2026, EU Climate Commissioner Wopke Hoekstra announced formal negotiations on linking the UK and EU Emissions Trading Systems (ETS). The commercial stakes are high: ETS linkage would exempt UK businesses from EU Carbon Border Adjustment Mechanism (CBAM) payments — saving UK exporters up to £800 million annually by 2030 and avoid significant uncertainty for electricity trading on the island of Ireland.



However, reaching agreement may prove more difficult than initially expected. Recent EU proposals to reform its ETS market stability reserve (MSR)— including measures designed to increase the supply of allowances and potentially reduce carbon prices — expose emerging differences in how the UK and EU manage their respective carbon markets. While both sides support ETS linkage in principle, negotiations must still resolve the extent of UK dynamic alignment with future EU ETS legislation. The UK is likely to argue that equivalence should be sufficient in areas such as price stability mechanisms, whereas the EU may seek closer alignment.

Although negotiations on ETS linkage continue to make progress, there is growing recognition that the agreement forms part of a wider negotiating package. This means implementation could be delayed if broader political issues, particularly youth mobility, remain unresolved.

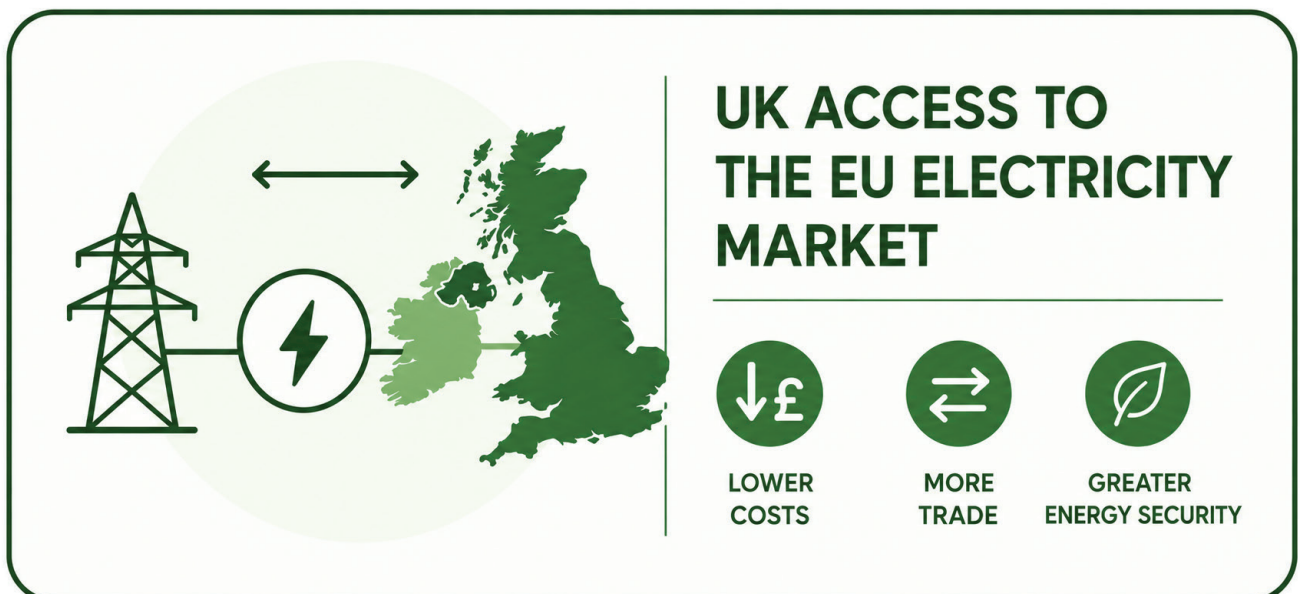
## Electricity Markets

The EU and UK concluded exploratory talks on UK participation in the EU’s internal electricity market on 17 December 2025. Discussions remain less advanced than other elements of the May 2025 EU-UK Common Understanding, with the two sides having committed only to “explore” an electricity agreement rather than to “work towards” one. In March 2026 EU Member States formally authorised the European Commission to open negotiations with the UK.

A future agreement would allow the UK to participate in both the wholesale and retail elements of the EU internal electricity market, helping to reduce trading inefficiencies that emerged after Brexit, lower the cost of cross-border electricity trade and support greater cooperation on renewable energy projects and energy security. Participation would require the UK to dynamically align with relevant EU electricity market rules.

However, the UK has been resisting the EU’s demand that — in exchange for access to the EU single electricity market — it contribute to the EU cohesion fund, as Norway and Switzerland do. The EU has made clear that an electricity agreement would require an appropriate UK financial contribution towards reducing economic, social and territorial disparities across the EU, and has indicated that similar requirements could apply to any future agreements granting the UK access to parts of the single market. The UK argues this condition was not prefigured by the May 2025 agreement.

The scale of any UK financial contribution is expected to be a key sticking point in negotiations ahead of the next Summit. The EU’s position is that contributions should reflect both the size of the UK economy and the extent of market access sought, reinforcing the principle that deeper participation in the single market comes with financial obligations.



## Talent and Labour Mobility

**Labour mobility remains one of the most politically sensitive aspects of the reset agenda.**

**The Trade and Cooperation Agreement** significantly reduced opportunities for people to live and work across borders compared with pre-Brexit arrangements. While provisions remain for business visitors and intra-company transfers, employers continue to face higher costs and reduced access to talent.

The proposed **Youth Experience Scheme** has emerged as the primary mechanism through which both sides are seeking to improve mobility. However, significant disagreements remain over participant numbers, visa arrangements, labour market access and university tuition fees. The UK favours a capped, visa-based scheme (between 40-50k), while some within the EU continue to push for a more ambitious arrangement.

For the UK Government, migration remains politically sensitive. Ministers are determined to ensure that any scheme cannot be characterised as a return to free movement. Several EU Member States are also becoming increasingly cautious about labour mobility and migration issues. As a result, negotiations have proven more difficult than anticipated.

A senior German diplomat said that the easiest way through an impasse would be for the UK Government to offer reduced tuition fees for EU students and EU trade commissioner Maroš Šefčovič said that a scheme, which would allow under-30s to travel freely on a three-year visa, is one of the “top 3 issues”.

Some EU nations are threatening to block or water down the youth mobility scheme, citing fears for their own labour markets. This presents a significant obstacle to an agreement.

### Vulcan Insight:

This remains the most contentious issue of the negotiations in advance of the UK-EU Summit. The Youth Experience Scheme has become the pivotal issue in the wider reset negotiations. Current discussions suggest that political agreement on SPS and ETS is within reach ahead of the Summit, while a final agreement on youth mobility, particularly over university tuition fees and the scope of the scheme, is more likely by the end of 2026.

Importantly, the European Commission has opposed UK efforts to delink these negotiations, meaning implementation of SPS and ETS agreements may ultimately depend on progress towards a youth mobility settlement. For businesses, this means that even where technical negotiations are complete, commercial benefits could take longer to materialise.

## Technology, Innovation and Competitiveness

**The UK & EU increasingly recognise the strategic importance of technology, artificial intelligence (AI), semiconductors and digital infrastructure.**

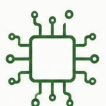
Yet this is also one of the areas where regulatory divergence is becoming most visible. The EU has generally adopted a more interventionist approach to digital markets, AI and competition policy. The UK has sought to position itself as a more flexible and innovation-friendly jurisdiction, emphasising proportionate regulation and regulatory agility. Differences are already emerging in areas such as digital competition enforcement, cybersecurity regulation, AI governance and platform regulation.

The EU has taken a tougher stance, including heavy fines and binding behavioural requirements for companies like Apple, while the UK Competition and Markets Authority (CMA) has generally opted for softer “commitments” and a more hands-off approach. For example, the CMA announced that it would not introduce conduct requirements for Apple and Google in relation to mobile app stores, deviating from the EU approach which imposed fines on Apple.

In February 2026, the EU ruled that TikTok breached the Digital Services Act through addictive design features. In contrast, the UK, despite having similar powers under the Online Safety Act and Digital Markets legislation, has not launched comparable action - reflecting its generally more cautious approach toward digital platforms

The CMA has stated that its approach reflects the “unique flexibility of the UK digital markets competition regime”. The FT reported that British officials are concerned about potential damage to the UK’s tech sector and US alliance which may emerge from closer relations with the EU. The biggest concern is that the UK will be forced to adopt the EU’s position on AI regulation.

Financial services present a similar challenge. Industry groups are increasingly calling for closer regulatory cooperation, improved professional mobility and greater equivalence arrangements. At the same time, others argue that the UK should use its regulatory independence more aggressively to maintain competitive advantage.



### UK-EU tech approaches are diverging

Different rules today could mean harder cooperation tomorrow.



#### EU APPROACH



##### Stronger regulation

Tougher enforcement, fines and binding rules for tech companies



#### UK APPROACH



##### More flexible regulation

Softer approaches and regulatory agility to support innovation



**Key challenge:** Regulatory differences risk limiting future cooperation on technology, AI and digital markets.

# 06

## Northern Ireland: A Strategic Opportunity for Business?

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**As the UK and EU move towards a more pragmatic and cooperative relationship, Northern Ireland's strategic importance is likely to increase rather than diminish.**

For much of the Brexit debate, Northern Ireland was viewed primarily as a challenge to be managed. Increasingly, it is becoming an economic opportunity to be championed.

Northern Ireland's unique position, with unfettered access to both the UK internal market and the EU Single Market for goods, creates a proposition that is unmatched anywhere else in the world. At a time when many businesses are seeking to diversify supply chains, reduce geopolitical risk and maintain access to multiple markets, Northern Ireland offers a compelling proposition for manufacturers, exporters and international investors.

### The Opportunities

**1. Access to Two Major Markets** - Northern Ireland's most significant advantage is straightforward: unfettered access to both the UK internal market and the EU Single Market for goods. For manufacturers and exporters, this provides a level of market access unavailable elsewhere in the world. Businesses can serve customers across both markets from a single operating base, creating potential advantages in efficiency, market reach and investment attractiveness. Firms operating from Northern Ireland can often avoid some of the customs procedures, tariffs and administrative burdens associated with cross-border trade.

**2. A Hub for Manufacturing** - The benefits are particularly relevant for advanced manufacturing, life sciences, medical technologies, aerospace, engineering and agri-food businesses. These sectors frequently operate across multiple markets, rely on integrated supply chains and place a premium on regulatory certainty. Northern Ireland's unique position allows companies to manufacture once and access two significant markets. There are also continued opportunities for the defence sector in Northern Ireland, especially as cooperation between UK & EU on defence grows.

**3. A Stronger Investment Proposition** - Invest NI increasingly positions dual market access at the centre of Northern Ireland’s investment proposition. For international companies seeking a base that provides access to both UK & EU customers, Northern Ireland offers a unique strategic location. As global competition for investment intensifies, this differentiator could become increasingly valuable.

**4. Supply Chain Resilience** - Northern Ireland offers businesses the opportunity to build supply chains that operate across both the UK and EU while maintaining market access on either side. This flexibility is becoming increasingly important for internationally traded sectors.

**5. Continued Opportunities Created by the Reset** - The value of dual market access is likely to evolve alongside the wider UK-EU relationship. Progress on SPS, ETS linkage and energy cooperation would reduce friction across the UK-EU economy and enhance Northern Ireland’s role as a bridge between both markets. Northern Ireland is uniquely positioned to benefit from a more cooperative phase in UK-EU relations.

## Northern Ireland: A Strategic Opportunity for Business

Northern Ireland has unique access to  
**both the UK internal market and the EU Single Market for goods**  
– an advantage unmatched anywhere else in the world.

<p><b>Access to Two Major Markets</b> Sell to UK and EU customers from one base.</p>	<p><b>A Hub for Manufacturing</b> Ideal for key sectors like life sciences, engineering, agri-food and more.</p>	<p><b>A Stronger Investment Proposition</b> A unique location for global investors seeking access to both markets.</p>	<p><b>Supply Chain Resilience</b> Build flexible supply chains with access on either side.</p>	<p><b>Future Opportunities from the UK-EU Reset</b> Closer cooperation will reduce friction and strengthen Northern Ireland’s role as a bridge between markets.</p>
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### The Challenges

**1. Regulatory Complexity** - The most consistent concern raised by businesses is complexity. Northern Ireland remains aligned with certain EU rules for goods while also operating within the UK internal market. Understanding which rules apply, and when, continues to create challenges for many firms, particularly SMEs.

**2. Divergence Between Great Britain & Northern Ireland** - As UK and EU regulations evolve over time, divergence risks increase. Where Great Britain chooses a different regulatory path from the EU, businesses operating across both markets may face additional compliance costs, certification requirements and administrative burdens.

**3. East-West Trade Friction** - The Windsor Framework has significantly improved trading arrangements, but some requirements remain for goods moving from Great Britain into Northern Ireland. For businesses dependent on East-West supply chains, these processes can still create cost and complexity.

**4. Political Uncertainty** - Although the Windsor Framework has stabilised relations and secured democratic consent until at least 2028, the arrangements remain politically contested. Future debates around implementation or governance cannot be ruled out and continue to feature in investor risk assessments.

**5. Seizing the Opportunity** - Perhaps the most important challenge is that the economic opportunity has not yet been fully captured. While dual market access is widely recognised as strategically attractive, the anticipated scale of investment, export growth and international business relocation has yet to fully materialise. There remains an implementation gap between the potential of the proposition and its practical economic impact.

## The Business Perspective

**Northern Ireland Chamber of Commerce** has consistently highlighted dual market access as one of Northern Ireland's most important economic advantages, particularly for advanced manufacturing, life sciences and internationally traded sectors. At the same time, it has emphasised the need to reduce complexity and ensure businesses can utilise the arrangements effectively.

**The Federation of Small Businesses (FSB) Northern Ireland** has focused on the practical challenges facing smaller businesses, including administrative burdens, compliance costs and the complexity of East-West trade.

There is widespread agreement that dual market access is a genuinely unique proposition and there is recognition that the opportunity has not yet been fully realised.

### Vulcan Insight:

Northern Ireland is no longer simply a consequence of Brexit, it is increasingly becoming one of the most strategically significant regions in Europe. Importantly, the value of that proposition may increase if the UK and EU continue to deepen cooperation in areas such as SPS, energy and carbon markets. The more friction that can be removed from the UK-EU relationship, the more attractive Northern Ireland's position becomes.

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Dual market access creates an opportunity - the question is whether Northern Ireland can fully realise its potential.

# 07

## What This Means for Key Business Sectors

### Likely Outcomes from the UK-EU Summit Implications for Business

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**The UK-EU reset will not affect all sectors equally.**

While the political debate often focuses on the overall relationship, the commercial impact will be felt most acutely in sectors where market access, regulation, supply chains, talent and investment are closely linked to the EU. For many businesses, the implications of the reset will be determined by the outcome of negotiations on defence, trade, energy, research and regulatory cooperation.

#### Defence & Security

**For defence companies, the most important issues to monitor include UK participation in future EU defence financing mechanisms, access to programmes such as SAFE, procurement frameworks and opportunities for cross-border industrial collaboration.**

The wider direction of travel is positive. Defence spending is increasing across Europe, governments are seeking to accelerate capability development and there is growing recognition that closer cooperation strengthens collective resilience. However, tensions around industrial policy, domestic job creation and procurement rules are likely to remain.

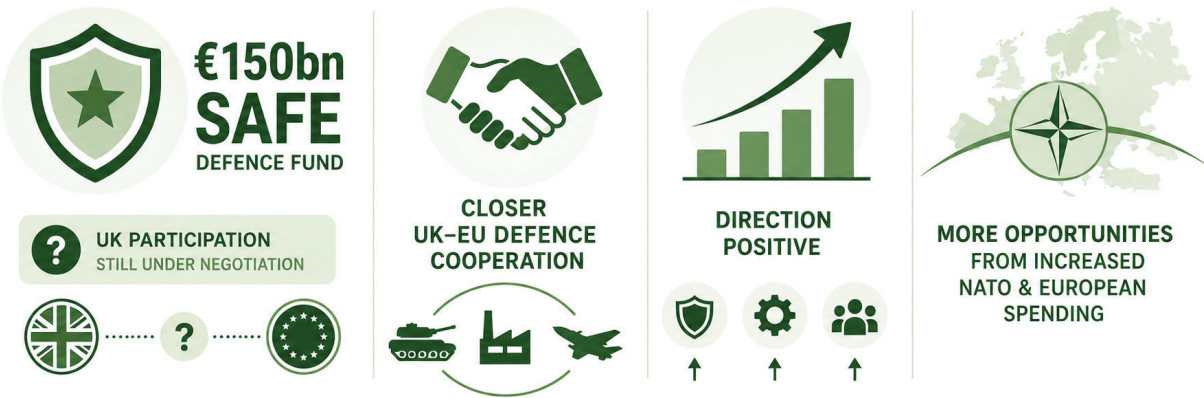
SAFE remains the most visible unresolved issue. Access to the EU's €150 billion defence financing initiative would provide significant opportunities for UK industry, while helping preserve existing supply chains and industrial partnerships.

Beyond SAFE, there are several other avenues for deepening UK-EU defence cooperation.

The two sides could move forward with practical measures already envisaged under the Security and Defence Partnership, including a formal UK association with the European Defence Agency, closer involvement in EU capability development initiatives, and participation in selected military mobility and defence-industrial projects.

There is also growing interest in joint approaches to defence financing, whether through future EU instruments, coalition-based borrowing arrangements, or a potential European defence bank. More broadly, both sides have a strong interest in ensuring that UK and EU defence industries remain integrated, preserving economies of scale, technological cooperation, interoperability and supply chain resilience at a time when Europe is seeking to rapidly expand its defence capabilities.

Achieving this will likely require the UK and EU to develop a more durable framework for third-country participation in EU defence programmes, balancing the EU’s desire for a stronger European industrial base with the strategic benefits of closer cooperation with one of Europe’s leading military powers



**What to Watch:**

- UK participation in SAFE and future EU defence funding mechanisms.*
- Joint procurement initiatives and industrial partnerships.*
- UK and EU approaches to defence sovereignty and domestic content requirements.*
- Opportunities arising from increased NATO and European defence spending.*

**Vulcan Insight:**

A SAFE agreement may take time, but deeper UK-EU defence cooperation appears increasingly inevitable. The long-term trajectory points towards greater industrial collaboration.

The principal challenge is not whether cooperation will occur, but how the economic benefits of increased defence spending are shared between national industries.

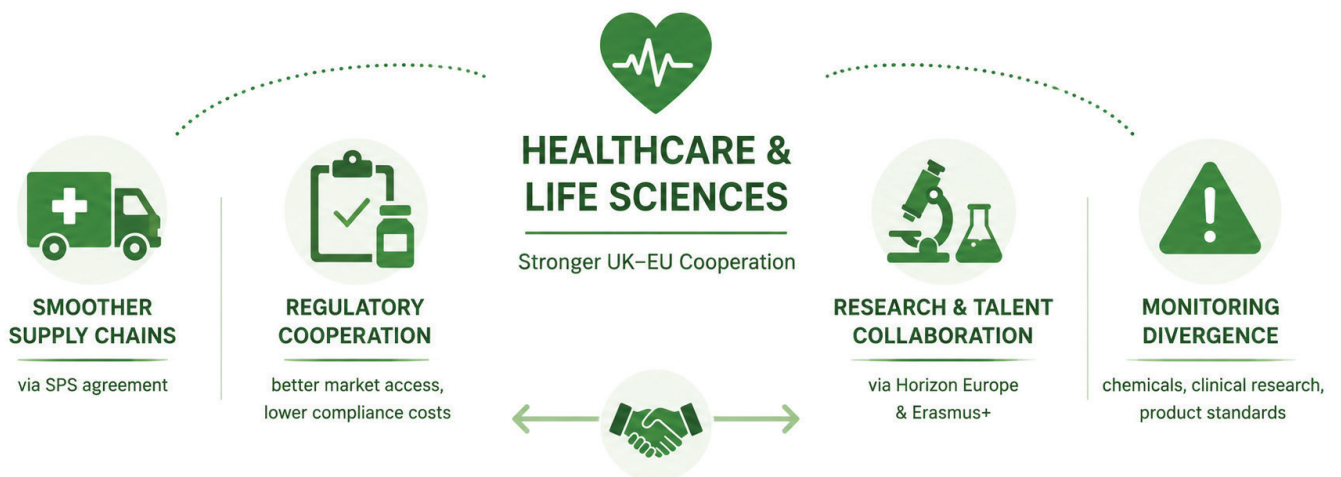
## Healthcare & Life Sciences

**Healthcare, pharmaceuticals and life sciences are among the sectors with the greatest potential to benefit from deeper UK-EU cooperation.**

Supply chains in these sectors are highly integrated and often operate across multiple jurisdictions. Regulatory certainty, efficient market access and research collaboration are therefore critical.

An SPS agreement would significantly reduce friction affecting elements of healthcare and life sciences supply chains, while closer regulatory cooperation could improve market access and reduce compliance costs. Continued participation in programmes such as Horizon Europe and Erasmus+ will also strengthen research collaboration and talent mobility.

The sector will continue to monitor divergence in areas such as chemicals regulation, clinical research frameworks and product standards, where differences could create additional complexity over time.



### *What to Watch:*

*SPS negotiations and their impact on supply chains.*

*Regulatory cooperation in medicines and health technologies.*

*Continued access to collaborative research programmes.*

*Emerging divergence in chemicals and product regulation.*

### **Vulcan Insight:**

An SPS Agreement remains the most likely breakthrough in UK-EU relations. It is also the agreement most likely to deliver immediate and tangible benefits for businesses.

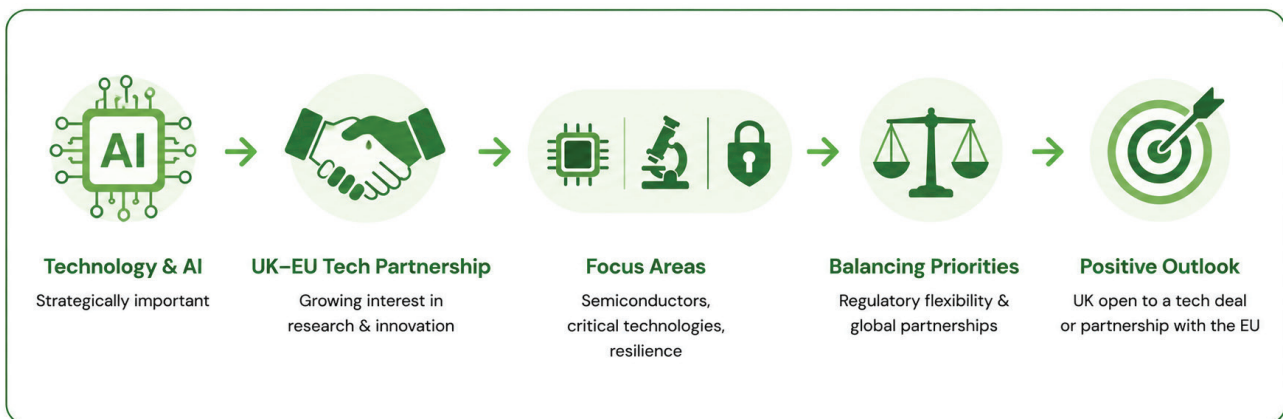
## Technology & Artificial Intelligence (AI)

**Technology is likely to be one of the most strategically important and politically complex areas of the relationship.**

There are signs of growing interest in a broader UK-EU technology partnership, particularly in research, innovation, semiconductor resilience and critical technologies.

However, concerns remain within the UK that deeper alignment could reduce regulatory flexibility or complicate relationships with other strategic partners, particularly the United States.

UK Trade Minister Peter Kyle expressed optimism about the possibility of a tech deal or partnership with the EU, inspired by the UK-US Technology Prosperity Deal.



### What to Watch:

*Future UK-EU technology partnership discussions.*

*AI regulation and digital governance frameworks.*

*Semiconductor resilience and critical technology initiatives.*

*Divergence in digital competition and platform regulation.*

### Vulcan Insight:

Technology is likely to be characterised by selective cooperation rather than comprehensive alignment.

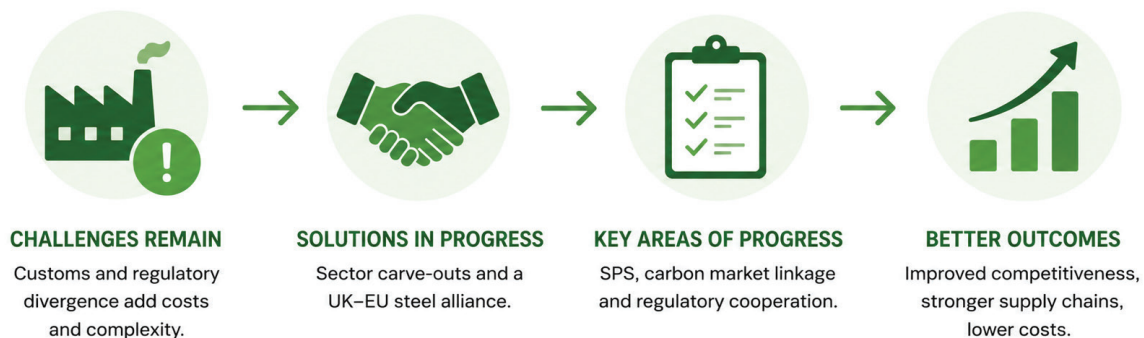
Expect closer collaboration on research & innovation but continued divergence in areas where regulation is viewed as a source of competitive advantage.

## Manufacturing & Supply Chains

**Manufacturing continues to experience many of the practical consequences of Brexit. Customs requirements and regulatory divergence have increased costs and complexity across supply chains. While many businesses have adapted, friction remains a significant challenge, particularly for firms operating across the UK, Ireland and the EU.**

Discussions are underway on potential UK carve-outs in sectors such as civil nuclear, electric vehicles and chemicals, while both sides are also exploring a UK—EU steel alliance that could mitigate the impact of new steel tariffs and preserve UK export quotas.

Progress on SPS, carbon market linkage and regulatory cooperation could materially improve trading conditions for manufacturers. Reducing friction would improve competitiveness, strengthen supply chains and lower administrative costs.



### *What to Watch:*

*SPS negotiations and regulatory alignment.*

*CBAM implementation and ETS linkage.*

*Product standards and certification requirements.*

*Potential of a UK-EU steel alliance*

*Emerging divergence in chemicals and environmental regulation.*

### **Vulcan Insight:**

Manufacturing has the most to gain from successful UK-EU cooperation on trade and regulation. Even relatively modest reductions in friction could deliver significant economic benefits.

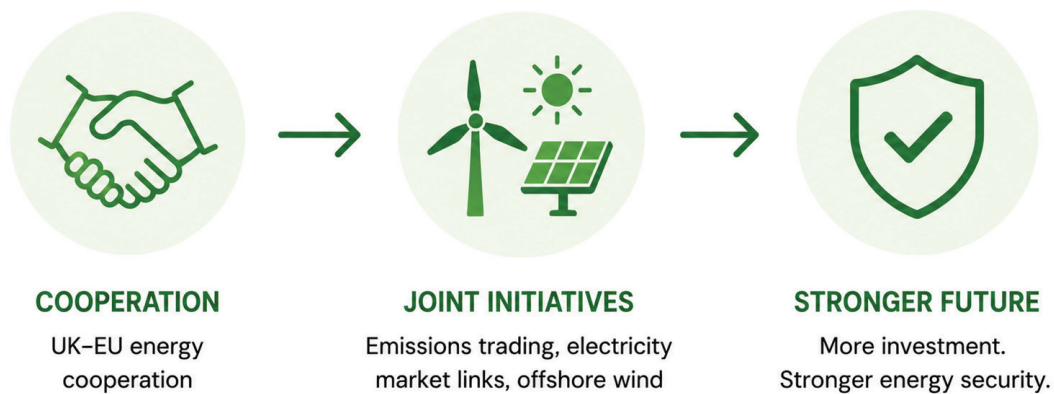
However, manufacturers must continue to monitor regulatory divergence, particularly in areas such as chemicals, product standards, environmental regulation and certification requirements.

## Energy

The transition to net zero, increased focus on energy resilience and growing demand for renewable infrastructure have created strong incentives for collaboration. Both sides recognise that many energy challenges are shared and that cross-border cooperation can deliver significant economic benefits.

Negotiations on linking emissions trading systems, discussions around participation in elements of the EU Internal Electricity Market and joint offshore wind initiatives all have the potential to unlock investment and improve long-term energy security.

However, uncertainty remains around the future shape of cooperation and the financial arrangements that may be required to facilitate deeper market integration.



### *What to Watch:*

*ETS linkage negotiations.*

*UK participation in elements of the EU Internal Electricity Market.*

*North Sea offshore wind development.*

*Future UK-EU cooperation on energy security and decarbonisation.*

### **Vulcan Insight:**

ETS linkage appears increasingly likely. Electricity market integration remains more uncertain, but the long-term trend points towards greater cooperation driven by energy security and decarbonisation objectives.

## Vulcan Insight for Success at UK- EU Summit

Issue	Likelihood of Agreement
SPS Agreement	High
ETS Linkage	Medium-High
SAFE Agreement	Medium
Electricity Market Cooperation	Medium
Youth Mobility Scheme	Medium-Low

# 08

## Conclusion

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*Ten years after the Brexit referendum, UK-EU relations have entered a new phase. The debate is no longer about whether Brexit should be revisited. The focus has shifted towards a more pragmatic question: where can cooperation support economic growth, strengthen competitiveness and improve security for both sides?*

*The answer is increasingly clear. Trade facilitation, defence, energy, research, innovation and labour mobility are emerging as the defining issues of the next chapter in the relationship.*

*For businesses, understanding where cooperation is returning and what that means for markets, investment and competitiveness will be key.*

*The most successful organisations will not be those that simply react to change. They will be those that recognise the direction of travel early, understand the implications for their sector and position themselves accordingly.*

*The UK-EU reset will not be delivered through a single agreement or headline moment. It will emerge through a series of incremental decisions that gradually reshape the operating environment for business.*

*The organisations that succeed in the next phase of UK-EU relations will be those that understand not just where policy is today, but where it is heading.*

# 09

## How Vulcan Can Support

### We Help Clients Look Around Corners

Political and regulatory decisions increasingly shape commercial success. We help clients anticipate change before it happens.

### We Bridge Business and Government

We operate at the intersection of policymakers, regulators, governments and industry.

### We Move the Dial

We help clients secure market access, influence policy, mitigate risk and unlock growth opportunities.



With teams in Belfast, Dublin, Brussels and London, Vulcan provides insight, access and influence where decisions are made.

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