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Beyond Leave and Remain: A Path to Rejoining a Reformed Europe

TONY BLAIR
INSTITUTE FOR
GLOBAL CHANGE

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Contributor: Antonia Battaglia

Foreword

Britain faces a dilemma over the European Union. On the one hand, most people understand that, at the very least, the benefits of Britain leaving Europe have not materialised, and many think it has caused precisely the damage which was predicted. So, if we could revisit 2016, I believe the result would be different.

However, we can't. We are in 2026 and over this decade Europe has also suffered from the absence of Britain. It is clear that Europe needs fundamental reform in competitiveness, defence capability and border controls, but not clear it will happen. Britain's voice, which would have been raised in favour of reform, has been missing. In addition – and those opposed to Brexit, like myself, should admit it – much of the sentiment which gave rise to Brexit is echoed in the rest of the continent. Hence the rise of populist, often quite Eurosceptic political parties in Italy, France and Germany. It's just that no one other than Britain decided to have a referendum on the subject. And now, partly as a result of the experience of Britain with Brexit, no one intends to gamble with such a plebiscite.

So, on the one hand, we feel our exclusion from rule-making in our largest market – with the EU still accounting for almost half of Britain's total trade – and from the political deliberations of our own continent which necessarily affect us, like it or not.

On the other hand, we don't want to join a Europe that is pursuing the wrong policies in areas like technology innovation, which are essential to Britain's future, and that is failing to make the reforms vital for Europe's future.

This also means that the red lines which we drew in 2016 are not the same as 2026. We need a new approach which makes sense of the world as it has changed in this decade, and which treats our future relationship in

Europe not as a question about whether Britain “reverses” Brexit but about whether we can secure a modern relationship with Europe which is in our national interest today.

The worst reason for starting such a negotiation would be that Britain’s economy is weak and so we should go back to the shelter of the single market and customs union.

In any event Britain should do our own reforms to make our own economy fit and competitive, in the way my Institute has described in our policy papers, recognising that this will include the abandonment of some of the commitments the Labour Party made in the 2024 election and new positions on issues such as welfare reform and technology.

But this also serves to strengthen our negotiating power with the EU which will, as it always proves, be a challenging negotiating partner.

Britain should signal an intention if the terms are right to enter into a structured formal relationship with Europe and initiate a process of negotiation where everything is on the table, but nothing agreed until everything is agreed.

We should use Britain’s negotiation as a lever for those within the European Union who also want to see the EU reform, in areas from implementation of the Draghi report to proper controls on immigration. But it is hard to do this credibly without a strong commitment that if the terms are right, we want back into the counsels of Europe, accepting that this may take many forms and as Europe continues to enlarge there will inevitably be different speeds of integration. The recent openness of Europe to “associate membership” for Canada shows a newfound flexibility, though it is not clear yet exactly what that would mean or whether it could ever be suitable for a country like Britain which is part of the continent of Europe.

And as we suggest in the paper, there are “no regrets” areas of cooperation we can proceed with in the meantime in areas like defence and energy.

So, this is not about rerunning the debates of 2016 but taking a new approach rooted in the reality of 2026.

There is no point in inching towards Europe as we feel what British public opinion might accommodate. We should be clear that we want back into a formal relationship with the EU. But it must be a Europe on a credible path to reform, a Europe of nation states, a Europe capable of being a genuine global power. Otherwise, though Britain should continue to cooperate with the EU where it is in our mutual interest to do so, and though we should always remain open to changing circumstances, Britain will show that it can and is prepared to remain independent.

Tony Blair, Executive Chairman

Executive Summary

USA. China. Europe?

In the age of great-power competition, the strategic position of the European continent is not yet settled. For Britain, the implications are profound. Although Britain has left the European Union, its prosperity, security and influence remain closely tied to the ability of the European continent to compete and act strategically. This is why Britain needs a new Europe debate, shaped not by divisions of the 2016 referendum but by the demands of the decade ahead.

The organising principle of the European project has never been a constant. It has, by necessity, evolved in response to the strategic realities of each era. After the second world war, its central purpose was peace: to make conflict between Europe's major powers materially impossible through economic and political cooperation. Following the end of the Cold War and the Maastricht Treaty, that purpose shifted towards integration, deepening the single market, expanding membership and embedding shared institutions. Europe now faces another inflection point. In a world increasingly defined by great-power competition, its organising principle must evolve once again. The defining question is how Europe builds and projects power.

Modern power extends far beyond traditional military strength. It depends on the ability to generate economic growth, develop and deploy frontier technologies, mobilise capital, secure affordable and resilient energy, and translate innovation into strategic advantage. These capabilities increasingly determine who sets technological standards, where investment flows, who controls critical supply chains and which countries can respond to crises on their own terms. States that possess these capabilities are better able to generate prosperity, protect their security and shape the international environment in their favour. Those that do not are forced to adapt to decisions made elsewhere.

The United States and China have adapted to this reality. Both combine continental-scale markets with coordinated industrial strategies, deep capital markets, technological leadership and growing military capability. Europe possesses many of the necessary underlying strengths: world-leading universities, advanced manufacturing, exceptional scientific expertise, a population of around 745 million people and a combined GDP of $32.3 trillion.[1] However, these strengths remain fragmented across multiple states and institutions, making strategic coordination far more difficult.

The EU remains the principal mechanism through which Europe can organise and translate these capabilities into power. But building a continent capable of competing with today's great powers will require reform of the EU and a broader conception of European cooperation and coordination that extends beyond the EU's current membership.

Britain should play a leading role in shaping a more powerful Europe. The necessary reforms have already been identified – not least in Mario Draghi's report on EU competitiveness – but implementing them remains the challenge. For Britain to be part of that effort, it must show political commitment to Europe. This can be achieved by setting a clear, public objective to rejoin the EU within a decade – subject to internal EU reform. This objective should be a cornerstone of the UK government's upcoming ten-year plan.

There are also signs that the EU is increasingly seeking to draw on the capabilities of close partners beyond its current membership to build European power. Ursula von der Leyen's proposal to explore a new form of "associate membership" for Canada suggests that the EU recognises both the need for a wider alliance and the value of more flexible arrangements through which countries can contribute. Although the details remain undefined, the proposal points towards a broader and more adaptable architecture for European cooperation that Britain should help define.

The long-term goal of rejoining the EU subject to reforms must be accompanied by a new strategy for how Britain collaborates with the rest of Europe in the immediate term.

First, Britain should strengthen its own economy and work to become indispensable to the construction of a more powerful Europe. Britain already has much to offer and should be confident in this. A Europe that is better able to compete globally will be stronger with Britain than without it. Part of the European continent, it remains one of Europe's largest economies, one of its leading military powers, a global financial centre, and a world leader in science, research and innovation. By building a stronger economy and stronger capabilities, it will become an even more essential partner for the EU. This strengthens the UK's hand in driving reform, supports the rebuilding of trust and creates the conditions for renewed membership.

Second, a new, more open and constructive negotiating strategy must be forged. Red lines on what Britain does not want should give way to clear parameters framing what it does want – a more technologically capable, innovative and dynamic continent. To make decisions, rather than relying on the existing red lines, the UK should determine what it is willing to contribute through a new "Power Maximising Test". Applied at Cabinet Office level, the test would provide a standard framework for assessing the appropriate level of UK participation in any European programme. Rather than treating specific institutional arrangements or financial contributions as a political obstacle in themselves, it would assess whether they deliver a meaningful strategic return for both the UK and Europe's wider competitiveness and security. This would help shift negotiations away from debates over nominal contributions and towards the strategic value that cooperation can create, reinforcing UK-EU relations as central to Europe's competitiveness agenda.

Third, Britain and its European partners should build capabilities together in the areas that will determine the continent's future power, focusing on forms of cooperation that can be pursued ahead of any future UK membership of the EU. This paper identifies practical opportunities across technology, defence and energy, from strategic frontier technologies like quantum and digital public infrastructure to defence production, integrated electricity markets and nuclear power. Cooperation should be judged by whether it creates capabilities that neither Britain nor its partners could build as effectively alone.

Finally, Britain should help overcome the political fragmentation that limits the speed and scale at which Europe can act. Building European power will require deeper cooperation, but not every country needs to participate through the same institutional arrangements straight away. Britain should therefore champion a more operational European Political Community (EPC). Rather than serving primarily as a forum for strategic dialogue, the EPC should identify a limited number of shared competitiveness and capability priorities, convene coalitions of willing countries and maintain political momentum behind their delivery. Working alongside existing EU institutions – not replacing or duplicating them – the EPC would provide a structured mechanism for coordinating cooperation between EU and non-EU countries on initiatives where collective action can strengthen Europe's competitiveness, resilience and security.

The politics that shaped the Brexit debate belong to a different strategic era. Today's geopolitical reality demands a different approach: one focused not on institutional questions alone, but on how Europe builds the collective capability needed to compete and act strategically. Britain should therefore seek to become Europe's indispensable strategic partner, contributing the capabilities that strengthen the continent's competitiveness, security and resilience.

01

Britain Needs a New Europe Strategy

Global politics has entered a new era. The defining question for states is how to build and project power. Economic competitiveness, technological leadership, energy security and military capability are now deeply intertwined, with countries competing to secure the capabilities that will underpin influence in the 21st century.

Today, those capabilities are built at continental scale. The US and China combine vast domestic markets with deep pools of capital, integrated industrial ecosystems and coordinated strategic investment. Europe possesses many of the same underlying strengths, but too often they remain fragmented across national borders. As Mario Draghi argued in his seminal report on EU competitiveness, Europe's challenge is not a lack of talent or capability, but fragmentation.[2] With the changing geopolitics of power, this is a strategic weakness.

Brexit sits awkwardly in this new strategic environment. The referendum reflected genuine concerns about sovereignty, democratic accountability, immigration and the uneven distribution of the benefits of globalisation. These concerns were not invented. The EU had become too bureaucratic and slow to act, responsibility was often blurred between national and European institutions, and its asylum system struggled to control the external border or distribute responsibility fairly between member states. At the same time, economic integration had advanced further than political consent in many countries, leaving too many voters feeling that consequential decisions were being made without them having a meaningful say.

The British public were not unique in raising these concerns. Across Europe, dissatisfaction with uncontrolled migration, economic stagnation and remote institutions has contributed to the rise of populist parties and placed many of the same questions raised during the Brexit debate at the centre of European politics. The EU has since adopted a new Pact on Migration and

Asylum, and competitiveness, deregulation and economic security have moved much higher up its agenda. These reforms remain incomplete and, in some areas, insufficiently ambitious. But they demonstrate that the concerns expressed by British voters were neither uniquely British nor incompatible with EU membership.

The mistake was to believe that leaving the EU would resolve them. Brexit removed Britain from the institutions through which many of these problems would ultimately have to be addressed, while imposing significant costs on the British economy. The Office for Budget Responsibility estimates that the current UK-EU settlement will reduce long-term productivity by about 4 per cent, while both exports and imports are expected to remain roughly 15 per cent lower in the long run.[3] Academic research suggests the impact may already be greater, estimating that by the end of 2025, Brexit had reduced UK GDP by between 6 and 8 per cent relative to remaining in the EU, alongside weaker business investment and lower productivity growth.[4]

The cost of Brexit to Britain is likely to become even more significant. Today, Britain's prosperity and security – and ultimately its power – depend ever more on capabilities that are difficult to build alone. AI requires access to compute, energy and capital at scale. As transport, heating and industry shift to electricity, energy security depends on integrated infrastructure and resilient supply chains. Defence relies on industrial capacity, technological innovation and coordinated procurement. The new geopolitical environment rewards countries that can combine capabilities rather than fragment them.

Britain and Europe need one another. The EU offers Britain market scale, research networks, industrial depth, interconnected energy systems and the capacity to set global standards. Britain brings one of Europe's largest economies, its leading financial centre, world-class universities and technology companies, extensive diplomatic reach, intelligence capabilities and one of the continent's strongest militaries. These strengths are complementary: Europe can provide the scale Britain lacks, while Britain can provide capabilities Europe urgently needs.

Brexit weakened both sides of this equation. It reduced Britain's ability to shape Europe's economic, technological and security agenda – areas in which it had traditionally been a strong advocate of openness, competitiveness and reform – while removing one of Europe's most capable states from the centre of European decision-making. Britain has lost influence without escaping interdependence, while the EU has lost capacity without eliminating the need for British cooperation. Both are less strategically capable than they might otherwise have been.

This is why Britain's Europe debate is out of step with today's realities. Much of the discussion continues to revolve around questions inherited from Brexit, such as regulatory alignment, participation in EU programmes, market access and whether Britain should move closer to or further from the EU. These remain important issues, but they were shaped by yesterday's politics. The question now is not whether Britain should revisit every institutional argument of the past decade. It is how Britain and its European partners can assemble the economic, technological, energy and military capabilities needed to exert power in the decades ahead.

Britain therefore needs a new Europe strategy. It should acknowledge that Brexit was a mistake without pretending that the grievances behind it were unfounded, and pursue close cooperation without suspending its demands for European reform. Just as building power has become the organising principle of Europe's agenda, it should become the organising principle of Britain's approach to Europe.

02

A Strategy for a Stronger Britain in a Reformed Europe

Britain should seek neither a better-managed version of Brexit nor a recreation of its pre-2016 membership. Its long-term objective should be to rejoin a reformed and more powerful EU. This should be a stated ambition, rather than a decision to join the EU as it currently stands. Britain must be clear about the kind of Europe it would want to be a part of, and work with European partners to help build it. A final decision on membership should only come when the conditions are right. This is not the just the right strategy for Britain; it will also help open space for a more ambitious conversation with European partners.

Britain must then chart a path towards that ambition. First, Britain must rebuild its own economic and strategic capabilities, strengthening both the country itself and the leverage it brings to negotiations. It should use these capabilities to advance reform across Europe, while remaining open about the institutional arrangements through which cooperation is achieved. This means moving beyond the 2016 red lines and instead starting with the capabilities Britain and Europe need to build together, then pursuing the institutional arrangements that best enable them.

Rebuilding Britain's Capacity to Shape Europe

Building a new relationship with a reformed Europe begins at home.

As the purpose of UK-EU negotiations shifts from managing alignment towards building power through reform, Britain must approach Europe from a position of domestic strength.

There are two core reasons for this. First, because strength buys greater influence. Negotiations are shaped not only by what one side wants, but by what the other side stands to gain. If Britain brings economic heft and capabilities that make it an indispensable partner in Europe's renewal, it becomes more likely that the EU will want to agree to more favourable arrangements than if the UK struggles to generate growth.

Second, it gives Britain the credibility and experience to help suggest and influence reforms. For instance, if the UK can illustrate, with tangible outcomes in terms of performance, better alternatives for regulating AI or addressing environmental regulations, it can strengthen its hand in influencing change from within the EU. The more that the UK can be seen as a country with the answers to the EU's challenges, the more fertile ground there will be for cooperation around reform – especially as the bloc grapples with how to implement the Draghi report and rebuild competitiveness.

Britain's previous experience inside the EU demonstrates how economic and political weight translate into agenda-setting influence. As one of the EU's largest economies and most influential member states, the UK helped shape the development of the single market and consistently pressed for a more open and competitive European economy. The UK was also able to secure important differentiated arrangements that reflected its national interests, including remaining outside the euro zone and the Schengen Area, while continuing to shape the development of the single market and wider European policy.

The objective now is to both strengthen Britain's negotiating position on specific terms, and to reestablish the influence needed to shape the European model for building power. Domestic renewal and European reform should therefore be understood as two parts of the same strategy.

From Alignment to Strategic Contribution

Much of the post-Brexit debate assumes that Britain faces a binary choice between aligning with EU rules or accepting the economic costs of divergence. But this assumes that the existing rules on either side are fixed. In many of the areas that are most important to Europe's future, they should not be.

Britain should instead identify where UK and EU frameworks prevent the development of capabilities that both need and pursue reform on both sides. The question should not be whether Britain moves closer to the existing EU model, but what regulatory and institutional framework would allow Britain and Europe together to become more competitive, secure and technologically capable.

In other words, Britain should not seek alignment with the EU's existing energy and environmental frameworks as an objective in itself. It should work with European partners to reform the rules, markets and infrastructure-planning systems that prevent both Britain and Europe from delivering abundant, affordable and secure energy. This may produce greater regulatory convergence, but that convergence should be the consequence of common reform, rather than the substitute for it. The same principle applies to AI, capital markets, defence procurement and infrastructure. In each case, the starting point should be the capability that Europe needs, followed by the reforms necessary to create it. Institutional alignment should follow only where it supports that objective.

In practice, reform defines the agenda, while strategic contribution gives Britain the means to advance it. By bringing capabilities that Europe needs, Britain can become a partner in designing new regulatory and institutional frameworks rather than being a third country deciding whether to align with rules made elsewhere.

Britain will be able to advance this agenda because its capabilities complement those of the EU. Strategic contribution should therefore become the organising principle of the relationship: Britain should identify where combining its strengths with European scale can unlock capabilities that neither side can develop as effectively alone.

The list of core capabilities Britain brings to the table should ideally be a growing list over time, as the country becomes more competitive and builds strengths in strategic sectors. Figure 1 outlines some of the existing core capabilities:

FIGURE 1

How strategic contribution builds joint European power

Pillar	UK capability	EU capability	Combined advantage
Tech & economic	AI research and assurance; frontier science; quantum expertise; deep capital markets; strong technology ecosystem	Industrial scale; advanced manufacturing; single market; research collaboration; commercialisation	Accelerates frontier innovation, AI adoption and commercialisation at continental scale
Military	Advanced armed forces; defence industry; intelligence; operational experience; NATO leadership	Scale of procurement; industrial programmes; defence financing; coordinated capability development	Faster rearmament, greater interoperability, stronger deterrence and more resilient defence production
Energy	North Sea assets; offshore wind; nuclear capability; electricity-system expertise; whole-system planning	Integrated energy market; interconnectors; industrial demand; investment scale	Lower-cost, more secure and more resilient European energy system
Political	Diplomatic reach; NATO leadership; coalition-building; convening power beyond the EU	EU institutions; regulatory influence; investment programmes; continental coordination	Greater capacity to coordinate European action across both EU and non-EU partners

Viewing negotiations through the lens of strategic contribution fundamentally changes the logic of the relationship. Britain’s objective is to advance its own long-term prosperity and security, but it recognises that these depend on helping to strengthen Europe’s collective capabilities. The test for cooperation therefore becomes straightforward: does closer collaboration strengthen Britain's long-term prosperity while helping to build a more powerful Europe?

Approached in this way, UK-EU cooperation ceases to be an issue separate from both Britain's agenda to end decline and the EU's competitiveness agenda. Instead, it becomes one of the principal means through which the UK and the EU can achieve these objectives.

Beyond Red Lines

A strategy organised around capability and reform also requires flexibility about institutional reform. Britain should reject both divergence for its own sake and alignment for its own sake. The relevant question is what arrangements will deliver the capabilities and reforms that Britain and Europe need to become more powerful, more competitive and more secure.

Over the next decade, Britain should work towards the ambition of rejoining a significantly reformed EU. That should provide a clear long-term direction for Britain's European policy, but it should not prescribe every step along the way. Institutional arrangements should be judged according to whether they advance Britain's national interest, strengthen European power and support progress towards renewed membership. Britain should therefore remain open to different forms of cooperation and integration on the path to potential membership, including new models of association that may emerge as the EU develops deeper relationships with strategic partners, rather than allowing the institutional debates of the Brexit era to determine its choices.

This requires moving beyond Brexit-era red lines. Whether the issue is the customs union, the single market, freedom of movement or financial contributions, the focus should not be whether a proposal resembles pre-Brexit arrangements but whether it strengthens Britain's long-term prosperity while helping to build a more powerful Europe. The right answer should always come first and the politics should follow. It is the role of government and political leaders to explain to the public why certain decisions need to be made if they represent the best outcome for the national interest.

SPOTLIGHT

Why Britain Should Put Freedom of Movement on the Table

Ending freedom of movement involved a trade-off that deserves to be examined again.

Britain lost the automatic right for its citizens to live and work across the EU, while travel became subject to new limits and border procedures. Yet the demand for workers from abroad did not disappear.

Ending freedom of movement was presented by some of its advocates as the most effective lever for reducing immigration. Yet after the post-Brexit system came into force, migration rose to record levels. In the year ending June 2016, 832,000 people immigrated to the UK on a long-term basis and net migration stood at 321,000. By the year ending March 2023, long-term immigration had peaked at 1.47 million and net migration at 944,000[5] – almost three times its pre-referendum level. Centre for European Reform analysis estimates that, by 2024, the fall in EU-origin employees attributable to Brexit had been more than offset by a rise in non-EU employees. In the workforce, the UK has changed where migrant workers come from far more than it has reduced their overall number.[6] Net migration has since fallen, reaching 171,000 in 2025[7] following tighter visa rules and rising emigration. The wider record nevertheless demonstrates that ending free movement did not itself determine overall migration levels: domestic decisions about work, study, family and humanitarian routes proved far more consequential.[8]

This does not mean the concerns that drove the 2016 vote should be dismissed. Housing, public services and the ability to manage migration all matter. But ending EU free movement did not, by itself, resolve those concerns or remove Britain's demand for workers from abroad.

The debate about immigration within Europe has changed significantly since 2016. The EU is also responding to pressure over immigration, including through changes to its asylum and external-border policies.[9] Those changes are distinct from freedom of movement within the EU. Britain should be part of the debate about whether and how free movement could better address public concerns, while preserving the opportunities it gives citizens on both sides.

Freedom of movement is likely to be an important part of any settlement that gives the UK significantly deeper access to the single market. The emerging EU-Canada relationship could provide an important precedent. Both sides are exploring "associate membership", including closer economic integration and greater mobility, which could also involve bespoke negotiations on freedom of movement.

Therefore, if a reformed approach to free movement helped Britain secure a deeper relationship that strengthened its economy and restored opportunities for British people, Britain should be willing to put it on the table. Political leaders would then need to explain the whole bargain to the public: what rights Britons would regain, what obligations Britain would accept and how legitimate pressures on communities would be addressed. Ruling it out now prevents that argument from being made.

That does not mean deeper integration will always be the right answer. Britain should remain cautious about accepting arrangements that unnecessarily raise costs, slow innovation or weaken sectors where it retains genuine competitive strengths. This is particularly important in frontier technologies, where regulatory agility could remain an important source of advantage, and in areas of energy policy where elements of the EU's current framework could increase rather than reduce costs. A ten-year ambition to rejoin should not mean accepting existing arrangements irrespective of their consequences, particularly when Britain should also be using its influence and capabilities to support reform in Europe.

But Britain should not reject cooperation simply because it involves common rules or financial contributions. Where common rules reduce unnecessary costs, improve interoperability, expand markets or enable more effective joint action, Britain should be willing to align. Where financial contributions strengthen Britain's prosperity, security or influence, they should be regarded as strategic investments rather than political concessions.

To apply this principle consistently, the government should establish a new Power Maximising Test to assess strategic contribution – led by the Cabinet Office and applied across government departments – to guide decisions on participation in European initiatives. Rather than asking whether Britain should contribute, ministers should ask whether participation delivers greater economic and strategic value than the available alternatives – simply put, whether collaboration in this area is worth it for the UK. Assessments should consider direct economic benefits such as industrial contracts, cost savings and market access, alongside strategic returns including influence over European policy, contributions to collective security and Britain's geopolitical positioning. To maintain credibility, the methodology should be published, major assessments should be transparent, and decisions should be subject to independent scrutiny and parliamentary oversight. Decisions should always be clearly communicated to the public, so it is clear that they are made on the basis of what is in the best interest of the country.

Applied to negotiations such as the UK's participation in the Security Action for Europe (SAFE) instrument, the assessment would focus on whether participation generated sufficient strategic and economic value to justify the investment, rather than the headline size of Britain's contribution.

This would fundamentally change Britain's approach to Europe. Rather than managing the legacy of Brexit, Britain would pursue deeper cooperation wherever it strengthens both Britain's national interest and Europe's collective power. Negotiations would shift away from arguments over sovereignty and financial contributions towards evidence-based assessments of reciprocal strategic value.

Recommendation: *Britain should reset its relationship with the EU around the principle of strategic contribution, as part of a ten-year plan with the ambition of rejoining a significantly reformed European Union. It should rebuild its domestic economic and strategic capabilities, use those strengths to advance reform across Europe, and remain flexible about the institutional arrangements required on the path towards membership. Proposals for cooperation should be assessed through a new Power Maximising Test, centred on a transparent public question: is participation worth more to Britain than the available alternatives?*

03

Building European Power Together

Britain should focus its strategy on the capabilities that will determine whether Europe can compete successfully in the new geopolitical era. Four are fundamental: technological and economic strength, military capability, secure and affordable energy, and the political capacity to coordinate and deliver collective action. They are the foundations of Europe's future prosperity, security and global influence – and areas in which fragmentation limits what Britain and its European partners can achieve alone. Britain possesses significant strengths across each and can help build European power while advancing its own interests.

Technological and Economic Power

Technological capability shapes how prosperous, secure and influential a country will become. Countries and regions that lead in frontier technologies can achieve faster productivity growth, build globally competitive companies, shape international standards and gain military advantages.

While the US and China are charging ahead in the technologies of the future, Europe has fallen behind. In 2024, private AI investment in the US reached $109 billion – more than four times more than the EU and UK combined.[10] Despite being the home of some of the world's top AI research institutions and leading AI research publications, Europe produced only three frontier AI models in 2024 compared to over 40 in the US and 15 in China.[11] As Draghi has warned, Europe risks "a slow agony" of decline unless it urgently reverses underinvestment and fragmentation in its strategic technology sectors and modernises its economies.[12]

Europe struggles to convert its strengths into globally competitive firms. As we set out in *Europe in the Age of AI: How Technology Leadership Can Boost Competitiveness and Security,* market fragmentation, limited scale-up finance, risk aversion and regulatory complexity choke innovation. Europe leads in scientific publications but fails to commercialise – only one-third of EU university patents are used, well behind the US and only slightly ahead of China.

No single European country has everything it needs to compete with the US or China in frontier technologies. Frontier AI requires enormous compute infrastructure and access to advanced semiconductors. Quantum technologies depend on long-term investment and highly specialised research ecosystems. Advanced manufacturing relies on resilient supply chains that span multiple countries. All frontier technologies also require access to deep pools of patient capital capable of financing innovation from research through to commercial scale. In each case, the economics reward scale. Europe will be more competitive if countries combine their complementary strengths.

Britain and the EU bring complementary strengths to this challenge. Britain is home to one of Europe's largest AI ecosystems, a university sector that has generated more than 3,000 spinouts and a financial ecosystem capable of supporting billion-dollar funding rounds for frontier technology companies.[13] The EU complements these strengths with industrial scale, making it easier to commercialise new technologies, and advanced manufacturing capability – which the UK could benefit from. Together, these strengths give Europe the opportunity to create technology ecosystems that can compete with the US and China.

The opportunity, therefore, is to combine UK and EU strengths to build capabilities that neither could efficiently develop alone.

This does not mean cooperating on every area of technology policy. Where the UK possesses a genuine comparative advantage, such as its potential for flexible AI governance, its regulatory framework for gene editing or its greater flexibility to trial new regulatory approaches through the Medicines & Healthcare products Regulatory Agency, it should retain the freedom to move faster, experiment and pursue new regulatory approaches. Successful UK approaches should be used to demonstrate what works in practice and inform and shape wider European policy.

Similarly, there will be areas of common interest where cooperation will only be achieved over time. Both the EU and the UK face challenges in mobilising sufficient long-term investment to finance frontier technologies and scale innovative firms. The EU is addressing this through its Savings and Investments Union, while the UK is pursuing reforms to unlock greater pension-fund investment. Both sides should learn from one another's experience.

The recommendations that follow highlight key areas where UK-EU cooperation can genuinely generate greater economic and strategic power than either Britain or the EU could independently.

1. DEVELOP A SHARED STRATEGY FOR HARD TECHNOLOGIES, INCLUDING QUANTUM

Advanced semiconductors, quantum technologies, robotics, nuclear fusion and other strategically important hard technologies will be central to future economic competitiveness, military capability and control over critical supply chains. Unlike predominantly software-based technologies, their development depends on complex physical engineering, specialised infrastructure and advanced manufacturing capacity. Developing these technologies requires sustained investment, specialised research and manufacturing ecosystems, as well as access to materials and components sourced across multiple countries. Few European states possess the scale or full range of capabilities needed to compete independently.

Without coordination, countries risk investing in the same technological capabilities while leaving critical gaps elsewhere. The UK should therefore work with European partners to map the continent's capabilities, identify areas of comparative advantage and anticipate technological and supply-chain chokepoints. But cooperation should also address the practical barriers that prevent European technology companies from accessing customers, infrastructure and investment across national borders.

Quantum technologies should be an early priority. The UK and its European partners collectively possess world-leading research institutions, scientific expertise and emerging industrial capabilities in quantum computing, sensing and communications. Europe has expertise in supply-chain components, while the UK has strengths in quantum software and computing hardware. Yet fragmented national procurement and funding programmes can prevent companies from taking advantage of this combined market and encourage governments to duplicate capabilities domestically.

This challenge is becoming more important as the EU develops a more active industrial policy. Its emerging Made in Europe agenda seeks to use public procurement and financial support to strengthen European production and reduce strategic dependencies in particular sectors. While these measures do not currently extend to quantum, they raise a broader question about the boundaries of Europe's industrial base. The UK and EU should build on the emerging recognition that trusted partners can contribute to European economic security, ensuring their approach to critical hard technologies reinforces complementary strengths rather than encouraging unnecessary duplication.

In quantum, this should mean improving reciprocal access to relevant procurement and industrial-support programmes, expanding access to specialised research infrastructure and developing common principles governing IP created through jointly funded research and procurement, allowing knowledge and technology to diffuse across the partnership while protecting companies' core IP. Combined with better access to specialised research infrastructure and coordinated investment in strategic gaps, this would give European technology companies a larger home market in which to develop and commercialise new technologies.

Recommendation: *Establish a UK-European critical-technologies partnership, beginning with quantum, to build greater European scale by connecting capabilities across national markets. The partnership should map capabilities and strategic dependencies, improve reciprocal access to relevant markets and research infrastructure, establish common principles for IP arising from jointly funded projects, and coordinate investment in critical technological and supply-chain gaps.*

2. BUILD A UK-EU PARTNERSHIP ON AI ASSURANCE

Europe is unlikely to displace the US or China in the development of frontier AI models in the near term. But technological leadership does not depend solely on building the most advanced models. Europe's more immediate opportunity lies in becoming the world's leading adopter of AI, deploying it across industry, public services and critical infrastructure to raise productivity and improve outcomes. Achieving that ambition will require governments, businesses and consumers to understand how AI systems perform, where they may fail and how they can be deployed reliably. Developers and deployers need this evidence to demonstrate that they have met their responsibilities and understand their potential exposure when something goes wrong. It can also underpin proportionate regulation and liability frameworks, strengthen consumer confidence and facilitate access to international markets through more consistent standards.

This requires AI assurance: the process of measuring, evaluating and communicating the trustworthiness of AI systems, components and development practices. Strong assurance capabilities can accelerate adoption by giving organisations greater confidence to deploy AI in high-value and sensitive settings. Countries that lead in AI assurance will be better placed to accelerate adoption and shape international standards.

The UK has established itself as a global leader in this area through the AI Security Institute, the Centre for AI Measurement at the National Physical Laboratory and its wider ecosystem of frontier AI researchers. European countries are also expanding their capabilities in AI evaluation and assurance. Maintaining expertise at the technological frontier is difficult and resource-intensive. Bringing these strengths together would allow institutions to share evidence, develop stronger evaluation and measurement methodologies and avoid unnecessary duplication, while preserving their distinct regulatory systems.

AI assurance therefore represents an opportunity for practical UK-EU collaboration. It offers Europe the opportunity not only to accelerate AI adoption but to build a leading stake in an important part of the AI value chain.

Rather than attempting to align AI regulation wholesale, the UK and EU should focus on building shared technical capability. This need not require the UK to adopt the EU AI Act or reproduce the EU's compliance architecture. Instead, the UK's distinct approach could allow it to act as a bridge between the EU's rules-based system and the more litigation-led US model. This should include deeper collaboration between AI security institutes, national laboratories and leading research organisations to develop common and interoperable evaluation methodologies, exchange technical expertise and coordinate testing of frontier AI systems. Different institutions should be encouraged to specialise in complementary areas of expertise, allowing Europe to build a distributed network of technical capability rather than duplicating effort across multiple countries. By helping to define international best practice, this partnership would give the UK and EU greater influence over the future development of AI governance and safety.

Recommendation: *Establish a UK-EU AI-assurance network that coordinates the testing and evaluation of advanced AI systems across Europe. Participating institutes should specialise in complementary areas of expertise, conduct joint evaluations of frontier models, share technical research and develop common and interoperable evaluation methods that can be used across the UK and the EU.*

3. PROTECT CRITICAL OPEN-SOURCE SOFTWARE FROM AI-ENABLED CYBER THREATS

Open-source software is part of the critical infrastructure of the digital economy. Governments, businesses and essential services across Britain and the EU depend on open-source components, many of which are maintained by small and under-resourced developer communities. A serious vulnerability in a widely used component can therefore expose organisations across both jurisdictions simultaneously.

Advances in AI are increasing this risk. More capable AI systems can help defenders identify and remedy vulnerabilities, but they can also enable attackers to discover weaknesses more quickly, develop exploits and conduct cyber-attacks at greater scale. As these capabilities improve, protecting the open-source software on which both economies depend should be treated as a shared security priority.

Britain and the EU should establish a joint programme with two complementary strands. First, it should provide sustained funding for the maintenance and security of critical open-source components, including vulnerability detection, security audits and timely remediation. Second, it should bring governments, researchers, industry and open-source developers together to test how advanced AI systems could be used both to attack and defend the software stack, and to share information about emerging vulnerabilities and effective countermeasures.

The partnership would combine the UK's strengths in AI research, cyber-security and intelligence with the EU's ability to mobilise investment and coordinate action across a market of almost 450 million people. It could also strengthen the case for securing access to the most capable AI models for defensive testing: by investing in the security of software used around the world, Britain and the EU would provide a global public good as well as protect their own digital infrastructure. Because vulnerabilities in open-source software cross national borders, coordinated investment would deliver greater security and value than fragmented national initiatives.

Recommendation: *Establish a joint UK-EU programme to identify, fund and secure critical open-source software, combining long-term maintenance funding, coordinated vulnerability management and collaborative research on AI-enabled cyber-threats.*

4. PURSUE INTEROPERABILITY IN DIGITAL PUBLIC INFRASTRUCTURE

Digital public infrastructure is becoming a foundation of economic and state power. Secure identity, trusted data exchange and verifiable digital credentials allow citizens, businesses and governments to transact online, automate services and deploy AI more effectively. Countries that establish these digital foundations at scale will be better placed to increase productivity, expand digital trade, accelerate innovation and shape the standards governing the digital economy.

The EU is already a leader in its investment in digital public infrastructure. Through initiatives such as eIDAS 2.0 and the Digital Identity Wallet, the EU is developing digital-identity and trust services that enable secure digital interactions across borders. But the strategic value lies not only in making existing public services more convenient. Interoperable digital infrastructure could create a continental platform on which businesses can verify customers, workers can demonstrate qualifications, researchers and companies can exchange trusted data, and AI-enabled services can be deployed across multiple markets without rebuilding their underlying systems in every country.

As the EU is the UK's most significant trading partner, there are strong reasons why the UK should seek to work with these efforts in Europe and help accelerate and improve them. Rather than seeking complete alignment with European digital regulation, Britain should pursue selective interoperability in areas where common technical standards deliver clear practical benefits. Priority areas should include digital identity, trusted cross-border data exchange and the technical standards that support digital public services. Cooperation should focus on ensuring systems can work together rather than requiring identical policy frameworks.

This would reduce friction for businesses and citizens operating across the UK and EU while allowing Britain to retain control over the design and delivery of its own digital public infrastructure. It would also enable the UK to contribute its own expertise in digital government while benefiting from the scale and interoperability that European initiatives can provide.

Recommendation: *Establish a UK-EU digital-interoperability partnership focused initially on digital identity, trusted data exchange and digital credentials, with the objective of enabling secure cross-border services without requiring wholesale regulatory alignment.*

Military Power

Military capability has returned to the centre of geopolitics. Europe recognises the need to rearm: defence budgets are rising and the political consensus around rearmament has strengthened. Its challenge is now to convert higher spending quickly and coherently into the industrial, technological and operational capacity to deter aggression at scale.

Russia's war against Ukraine has exposed the scale of Europe's military capability gaps. European gaps include deep precision strike and the suppression and destruction of enemy air defences; integrated air and missile defence; artillery, missiles and sufficient ammunition stocks; drones and counter-drone systems; and intelligence, surveillance and reconnaissance across space, air, maritime, land and cyber domains. Europe also lacks sufficient strategic enablers, including resilient and interoperable command, control and communications, air-to-air refuelling, strategic lift, space-based capabilities, cyber and electromagnetic warfare, and the infrastructure and logistics required for military mobility. Significant maritime gaps remain, particularly in anti-submarine warfare, maritime surveillance and the protection of undersea infrastructure.

Behind these operational requirements lies a deeper readiness challenge: manpower, trained reserves, interoperability, maintenance and logistics, secure supply chains, and the skilled industrial workforce needed to expand and sustain production. Modern deterrence requires the capacity to sustain military capability under pressure – producing and replenishing equipment, repairing losses and adapting to changing battlefield demands.

Yet Europe's fragmented defence-industrial model makes it harder to generate this capability at the necessary scale and speed. Poorly coordinated national procurement increases costs, delays delivery, limits interoperability and leaves industry without the large, predictable orders needed to invest. To illustrate, in 2017 European armed forces operated around 178 major weapons systems, compared with roughly 30 in the US. Europe fields 12 different main battle tanks, 17 artillery systems, 20 combat aircraft and 29 classes of major warship, creating duplication, reducing interoperability and increasing procurement costs. Estimates suggests that greater coordination could generate savings of around €57 billion.[14] Even with reforms over recent years, collaborative procurement still only accounted for 24 per cent of EU equipment expenditure in 2025, significantly below the European Defence Agency's (EDA) 35 per cent benchmark.[15]

The EU has begun to address these weaknesses through the European Defence Fund, initiatives supporting ammunition production and common procurement, the European Defence Industry Programme (EDIP) and the €150 billion SAFE instrument. These initiatives reflect an important shift towards common procurement, industrial capacity and security of supply. The strategic question for Britain is how to connect its own capabilities to this emerging European architecture without allowing access to any single EU instrument to become the objective of its defence relationship.

Britain is Europe's most consequential non-EU military and defence-industrial partner. It is one of Europe's leading defence spenders, one of NATO's most capable armed forces and home to a globally competitive defence industry with strengths in advanced aerospace, naval systems, missiles, cyber-capabilities and defence innovation. The UK also brings world-class intelligence through the Five Eyes partnership, extensive operational experience, a strong defence research base, leading test and evaluation facilities, and deep relationships across NATO. As one of Ukraine's closest military partners, Britain has played a central role in training Ukrainian forces, coordinating international support and learning from the rapid evolution of modern warfare.

Europe will struggle to build the capabilities it needs as quickly or efficiently if British assets remain peripheral to its industrial programmes. Britain, equally, cannot generate the necessary scale through national procurement alone. The strategic opportunity is to connect Britain's military, technological and industrial strengths with EU investment and continental scale.

Britain is already embedded in an overlapping network of European defence cooperation. This includes: bilateral partnerships with France, Germany and Poland; the UK-led Joint Expeditionary Force (JEF) across northern Europe; major industrial programmes such as the UK–Italy–Japan Global Combat Air

Programme; and the UK-EU Security and Defence Partnership. These arrangements provide strong foundations for cooperation, but they perform different functions and do not yet add up to a coherent strategy connecting British capabilities with EU investment and European industrial scale.

The UK-EU SAFE negotiations exposed the limitations of both sides' approach to defence cooperation. Britain allowed the discussion to become concentrated on the price and terms of access to a single instrument,[16] rather than beginning with the capabilities it wanted to build with European partners. The EU, meanwhile, approached the negotiation principally through SAFE's existing financial and eligibility rules, rather than asking whether a broader partnership could make fuller use of British capabilities. Both positions reflected legitimate interests: Britain should participate only where the strategic and economic benefits justify the cost, while the EU is entitled to protect its industrial base and apply common conditions to third-country partners. But neither side placed the negotiation within a sufficiently ambitious proposition for wider defence-industrial cooperation. As a result, an argument about one funding mechanism displaced the more important question of how Britain and the EU could combine their strengths to build European military power.

To move the conversation on, Britain should therefore propose a standing defence-industrial work programme under the existing UK-EU Security and Defence Partnership. Rather than concentrating on access to individual EU instruments, it should organise cooperation across three areas: joint capability development and procurement; critical technologies and interoperability; and industrial resilience and security of supply. Capability coalitions, EU instruments and bilateral partnerships would provide different routes to delivery within this broader relationship. At the political level, von der Leyen's proposed European Security Council could provide the forum through which Britain and the EU set shared strategic priorities and embed this practical cooperation within a wider European security compact.

Giving this work programme practical effect will require a stronger connection between Britain and the EU's capability-development machinery. The UK and EU should conclude the Administrative Arrangement with the EDA envisaged in their 2025 Security and Defence Partnership. This would not give Britain the decision-making rights of an EU member state but could enable structured engagement with EDA capability work and participation in agreed projects and programmes. Britain should also seek regular exchanges informed by the priorities identified through the Coordinated Annual Review on Defence (CARD) and give practical effect to its authorised participation in the Permanent Structured Cooperation (PESCO) Military Mobility project.

Recommendation: *The UK and EU should establish a standing defence-industrial work programme under their existing Security and Defence Partnership and conclude an Administrative Arrangement with the EDA. This should support structured British engagement with EDA capability work, regular exchanges informed by CARD priorities and participation in agreed EDA and PESCO projects.*

This would move the relationship beyond periodic negotiations over access and create a durable basis for developing, producing and sustaining a joint European military capability. Its initial work programme should focus on three priorities.

1. CLOSE EUROPE'S MOST URGENT CAPABILITY GAPS THROUGH TARGETED PROCUREMENT PRODUCTION

Britain already leads or participates in European initiatives covering deep precision strike, integrated air and missile defence, and maritime and undersea security. The priority is not to create additional coalitions, but to turn existing cooperation into larger and faster delivery programmes. Britain and its partners should concentrate on areas where operational needs are urgent, requirements are sufficiently aligned and British involvement can materially increase industrial capacity or accelerate delivery.

This will sometimes require Britain to prioritise the strongest European capability over a narrowly national "Buy British" approach, provided British industry receives fair access to the resulting programmes and supply chains.

Existing initiatives should translate NATO requirements into common specifications, coordinated production plans, multi-year orders and measurable delivery milestones. Deep precision strike, integrated air and missile defence, and maritime surveillance and undersea protection are strong candidates. A small group of countries should lead each programme, while allowing others to aggregate orders around the resulting systems.

Space is also a natural early priority for this cooperation. Military operations increasingly depend on space-based intelligence, surveillance and reconnaissance, secure communications, navigation and timing, while the resilience of these services has become central to European security. Britain has important capabilities in satellite manufacturing, Earth observation, communications, space-domain awareness and space science, but lacks the scale to develop resilient constellations and infrastructure independently. European programmes, in turn, will be stronger if they can draw fully on British technology, industry and research. Cooperation should build on Britain's membership of the European Space Agency while connecting civil, commercial and defence activity more effectively. Britain and European partners should identify programmes in which UK participation can add distinctive capability, particularly secure satellite communications, persistent surveillance, space-domain awareness and the protection and rapid replacement of critical space assets.

These programmes should be supported by cooperation on AI-enabled command and control, autonomous systems and data integration. Britain's strengths in defence AI, intelligence, software, testing and assurance could help connect European sensors, decision-makers and weapons. Common data standards and secure digital architectures should allow systems developed by different countries to operate together and incorporate new technologies.

Procurement should reflect the maturity of each capability. Established products such as ammunition and existing missiles require predictable, multi-year orders that allow manufacturers to expand production. Rapidly evolving technologies such as drones and military software require shorter development cycles, staged contracts and faster testing. Performance should be measured against operational outputs, while sensitive information remains classified.

EU instruments such as SAFE and EDIP could provide finance and industrial scale where they offer an effective route to delivery. Britain should assess them programme by programme within its wider defence-industrial relationship with the EU, rather than treating access to any instrument as an objective in itself.

Recommendation: *Britain and its European partners should scale and accelerate existing initiatives in deep precision strike, integrated air and missile defence, and maritime and undersea security. They should convert political commitments into common requirements, multi-year orders, coordinated production plans and measurable delivery milestones, drawing on British strengths in AI and using EU instruments where these add financing or industrial scale.*

2. USE NATO REQUIREMENTS AND STANDARDS TO BUILD INTEROPERABLE EUROPEAN CAPABILITIES

UK-EU defence-industrial cooperation should reinforce NATO's existing capability framework. NATO's defence-planning process should remain the principal mechanism for identifying collective-defence requirements, while European governments use national procurement and EU financial and industrial instruments to deliver them. The EU can make a particular contribution through defence investment, military mobility, civil preparedness and infrastructure resilience.

NATO standards provide an important foundation but do not guarantee interoperability. Countries implement them differently, add national specifications and maintain separate training, maintenance and supply chains. Systems may comply with the same broad standard while using incompatible software, data formats, proprietary interfaces or certification processes. The problem is therefore less the absence of standards than their uneven implementation.

European capability programmes should address these barriers from the outset. EU-supported programmes should demonstrate how they contribute to NATO requirements, limit unnecessary national variants and align testing, certification, maintenance, training, ammunition and spare-parts requirements. New systems should use modular designs, common interfaces and open architectures wherever security requirements permit, allowing components and software to be replaced or upgraded without redesigning the entire system.

Britain's leading position within NATO and its operational and industrial relationships across Europe make it a natural partner in this work. NATO provides a common baseline around which Britain and EU member states can organise joint programmes without either side adopting the other's separate standards. The UK-EU defence-industrial work programme should address barriers to British participation, including certification, technical information, export controls and security of supply.

Where standards remain incomplete, particularly for emerging technologies, Britain and EU member states should develop common approaches through NATO. They should also implement NATO's Rapid Adoption Action Plan, including its ambition to field new technological products within 24 months, and expand cross-recognition of testing and certification. NATO test centres and exercises, supplemented where appropriate by JEF and bilateral exercises, can support adoption across allied forces.

Recommendation: *Britain and European partners should design jointly supported capability programmes around NATO requirements and standards. They should limit national variants, use common interfaces and align testing, certification, maintenance and training. Britain and EU member states should work through NATO to close standards gaps and implement its existing rapid-adoption commitments.*

3. BUILD THE INDUSTRIAL RESILIENCE REQUIRED TO SUSTAIN EUROPEAN COMBAT POWER

Acquiring equipment will not be sufficient if Europe cannot maintain, repair and replace it during a prolonged conflict. Defence production relies on complex supply chains in which critical materials, components, machinery and skills may be concentrated among a small number of suppliers. Industries organised around peacetime efficiency must be able to continue producing under cyber-attack, sabotage, trade disruption and rapidly rising battlefield demand.

Britain and European partners should build on existing NATO and EU initiatives rather than create a parallel structure. NATO already provides an alliance-wide basis for assessing production capacity, supply-chain vulnerabilities and industrial surge, while EU instruments can support investment in production, infrastructure, skills and security of supply. The UK-EU defence-industrial work programme should connect British capacity to these efforts and address dependencies affecting joint capability programmes.

Assessment should cover critical materials and components, single points of failure, spare manufacturing and repair capacity, and reliance on potentially hostile or unreliable suppliers. It should extend beyond prime contractors to specialist companies providing chemicals, machine tools, electronics and software. Sensitive findings should remain classified but inform procurement, investment and strategic reserves.

Britain and participating European countries should also establish reciprocal security-of-supply arrangements. These should include expedited export-licensing and customs procedures, assistance when national supply chains are disrupted and advance consultation over scarce components and materials. Programme agreements should identify alternative suppliers and repair facilities, establish how necessary technical information will be shared and minimise restrictions affecting participating partners.

These arrangements must be tested under pressure. Britain should participate in NATO's planned industrial-production exercises to assess whether factories, repair facilities, logistics networks, energy supplies and skilled workforces could operate during a major conflict. The results should inform reserves, pre-negotiated contracts, spare production-capacity and workforce plans, including common training and the temporary movement of critical specialists.

Recommendation: *Britain and European partners should integrate British capacity into existing NATO and EU work on supply-chain resilience and industrial surge. They should establish reciprocal security-of-supply arrangements, strengthen repair and replenishment capacity, and test their plans through regular exercises.*

Energy as Power

Energy has become one of the defining foundations of geopolitical power, shaping competitiveness in industry, AI and defence. As economies electrify and AI drives unprecedented demand for compute, access to reliable low-cost electricity is becoming a strategic asset in its own right. Europe's energy challenge expands beyond decarbonisation – it must build a secure, affordable energy system that enables its economy to compete.

Europe will struggle to regain industrial leadership while it continues to pay structurally higher energy prices than its global competitors. In 2024, EU industrial electricity prices averaged around €85 per megawatt hour (MWh), compared with €36 in the US and €53 in China.[17] Meanwhile, the EU's energy-import dependency rate stood at 58 per cent in 2023[18] and the continent continues to rely on technology imports from China. Lowering energy costs, strengthening energy security and building globally competitive European energy industries have therefore become shared strategic priorities for both the UK and the EU.

Energy is an area where the case for deeper UK-EU cooperation is strong. For both Britain and the EU, any credible path towards long-term energy security and industrial competitiveness depends on clean power, electrification and much more efficient regional energy systems.[19,20] Meanwhile, electricity markets are increasingly interconnected: offshore wind, interconnectors, balancing systems and transmission infrastructure already operate across borders, particularly in the North Sea basin. Yet fragmented markets, infrastructure and regulatory frameworks make the system more expensive than it needs to be, slowing investment and increasing costs for households and industry. Britain's departure from the Internal Energy Market has made cross-border electricity trading less efficient, increasing annual system costs by an estimated £120 million to £370 million. But these immediate losses are only the narrowest measure of what is at stake. Without efficient trading and coordinated planning, Britain and the EU cannot realise the full value of North Sea wind, hybrid interconnectors, cross-border balancing and shared infrastructure. Energy UK estimates that more strategic development of hybrid interconnectors could reduce the cost of meeting the North Sea's offshore ambitions by as much as £13 billion by 2050.[21]

Britain brings significant capabilities in the energy space that can help Europe build a cheaper, more secure and more competitive energy system. This includes one of Europe's largest offshore wind pipelines, a globally recognised offshore engineering sector, one of the continent's largest nuclear programmes and a central geographical position within the North Sea basin. Through institutions such as the National Energy System Operator (NESO) and The Crown Estate, the UK also has significant experience in whole-system planning and offshore infrastructure development. Britain's contribution is not limited to physical assets. Its experience of renewable procurement, market design, carbon pricing, infrastructure finance and power-sector decarbonisation can help inform wider European reform.

Cooperation should therefore aim not simply to align Britain with the existing EU framework, but to use the capabilities of both sides to reform and strengthen Europe's energy system. Common rules will be necessary where they enable efficient trading and shared infrastructure. Britain should be willing to accept proportionate obligations and make a reasonable financial contribution where the benefits justify it – but it should be prepared to walk away where the cost outweighs the gains. Both sides should also be prepared to reform arrangements that impede investment, affordability or resilience. The objective is the joint construction of a more competitive European energy system.

Building a more competitive and secure European energy system should therefore focus on five priorities.

1. BUILD AN INTEGRATED EUROPEAN ELECTRICITY SYSTEM

The immediate priority should be electricity markets. Britain's departure from the Internal Energy Market ended participation in Single Day-Ahead Coupling and replaced implicit market coupling with significantly less efficient trading arrangements. The Trade and Cooperation Agreement (TCA) envisaged a replacement through multi-region loose volume coupling, but progress has been slow. The result is higher costs for consumers, less efficient use of interconnectors and weaker incentives for investment in cross-border infrastructure.

Britain should therefore negotiate participation in the Internal Electricity Market, including the restoration of efficient day-ahead market coupling. The direct savings for consumers are significant – in the region of £120 to £370 million per year for bill payers in direct terms depending on the price of gas[22] – but the benefits would be even more significant based on the improved resilience during system stress, more efficient balancing and the unlocking of hybrid interconnectors, cross-border power-purchase agreements and future cooperation on capacity. This is also a prerequisite for developing the North Sea as an integrated regional energy system rather than a series of disconnected national projects.

Participation will require regulatory commitments. These are likely to extend beyond the narrow mechanics of electricity trading to elements of wholesale-market design, state support, capacity mechanisms and environmental regulation. Deciding whether these trade-offs are worth it requires clear-eyed assessment of whether particular obligations are necessary for the effective operation of the shared market and whether their economic and strategic benefits outweigh the financial and regulatory costs. Because Britain and EU member states are pursuing similar objectives around affordability, investment and decarbonisation, the practical differences may be narrower than the political debate sometimes suggests. The relevant comparison for the UK on the way to potential full membership of the EU is Switzerland, where Britain would be seeking a bespoke institutional arrangement reflecting the mutual benefits of deeper market integration, but based on its own contributions and requirements.

Long term, however, there is a strong case for UK participation in a continent-wide system plan, where NESO works closely with the European Commission to effectively create a holistic plan for a route to cheaper power in Europe, as set out in *The Power to Compete: Europe's Energy Reset*. Alongside rejoining of the Internal Energy Market, the EU should create structured UK participation in long-term electricity-system planning through relevant European bodies.

Recommendation: *Restore UK participation in Europe's integrated electricity market through Single Day-Ahead Coupling and structured involvement in long-term European electricity-system planning.*

2. JOINTLY DEVELOP THE NORTH SEA INTO A POWERFUL ENERGY HUB

The North Sea has taken on a renewed strategic importance. Alongside the continuing contribution of oil and gas to near-term energy security, it is becoming a major hub for offshore wind, hybrid interconnectors, transmission networks, carbon storage and potentially low-carbon hydrogen. As these systems expand, the North Sea will cease to be a collection of national offshore projects and instead become an integrated regional energy system.

The scale of the opportunity is considerable. Through the 2026 Hamburg Declaration, Britain and its North Sea partners committed to delivering 100 gigawatts of offshore wind through joint projects, including hybrid assets that connect generation directly to more than one country.[23] Delivering this ambition would increase the supply of domestically produced energy, strengthen cross-border flexibility and create a major market for European engineering, manufacturing and infrastructure. But it will require a level of coordination that national planning and procurement systems cannot provide on their own.

Decisions on offshore generation, transmission infrastructure, interconnectors and marine spatial planning remain too fragmented. National plans can compete for investment and constrained supply-chain capacity, while uncoordinated use of marine space, cable routes and network infrastructure risks creating delays and unnecessary costs. Britain and its neighbours should therefore develop a common strategic plan for the basin, aligning offshore leasing, network planning and infrastructure requirements while preserving national control over individual projects.

Fragmentation also affects the movement of the specialist workers needed to deliver these projects. A Dutch engineering company undertaking a short assignment in British waters, for example, may need to secure individual work authorisation for employees whose activities fall outside those permitted for business visitors. British companies can face comparable barriers on continental projects. For infrastructure programmes that depend on specialist teams moving rapidly between jurisdictions, these requirements add cost, delay construction and reduce the effective capacity of the regional supply chain. The North Seas Energy Cooperation (NSEC) should identify priority workforce needs, while Britain and the EU develop simplified arrangements for designated North Sea projects, including expedited work authorisation, mutual recognition of technical qualifications and common safety credentials.

NSEC should provide the principal forum for this work. The UK currently participates through a memorandum of understanding but is not a formal NSEC member. That arrangement should be strengthened to give Britain a permanent and structured role in regional planning, including participation by NESO in the development of offshore network plans. NSEC should also oversee delivery of the Hamburg commitments, identify priority cross-border projects and coordinate action on constrained supply chains, skills and investment.

Britain and its partners should therefore also develop simplified arrangements for the temporary movement of specialist workers engaged in designated North Sea energy projects. NSEC could identify the occupations and projects for which such arrangements would produce the greatest delivery benefits.

Greater North Sea integration will also require Britain to review its domestic support arrangements. Contracts for Difference (CfD) have been effective in expanding renewable generation, but they were designed principally for a national electricity system. As Britain becomes a larger exporter of CfD-supported power, the government should ensure that British consumers receive a fair share of the resulting value. The treatment of export revenues, congestion income and generation connected through hybrid assets should therefore be reviewed so that European consumers can benefit from low-cost British electricity without British billpayers carrying a disproportionate share of the support costs.

Britain would bring substantial capabilities to this effort. Its geography, offshore-wind pipeline, engineering expertise, seabed management through The Crown Estate and deep capital markets make it central to the development of the basin. Put plainly, the Hamburg ambitions will be considerably harder and more expensive to deliver without full British participation. A stronger role should not give Britain the same institutional rights as an EU member state, but it should provide meaningful influence over the infrastructure it will help finance, build and operate. This would demonstrate the wider principle of strategic contribution: British influence should reflect the value Britain adds to European capability.

Recommendation: *Britain and its partners should use NSEC to deliver the Hamburg Declaration and develop a common strategic plan for the basin. The UK's existing participation should be formalised through a permanent role in regional infrastructure planning, with NSEC coordinating priority cross-border projects, supply chains and investment.*

3. LAUNCH A EUROPE-WIDE EFFORT TO ADDRESS THE CARBON-PRICING AND COMPETITIVENESS DILEMMA

As Britain and the EU build a more integrated energy system, greater cooperation on carbon pricing will become increasingly important. Significant differences between their carbon markets could distort generation and investment decisions, create regulatory uncertainty for businesses and complicate cross-border electricity trading. They also create new trade frictions through the EU's Carbon Border Adjustment Mechanism (CBAM), particularly for electricity and carbon-intensive goods traded between the two markets.

Emissions trading has played an important role in driving decarbonisation across Europe, particularly by accelerating the transition from coal to lower-carbon generation. But the strategic context has changed. As Europe seeks simultaneously to decarbonise, reindustrialise and compete with the US and China, carbon pricing must be judged not only by its environmental effectiveness, but also by its effects on energy costs, industrial investment and competitiveness.

The UK and the EU should therefore proceed with linking their emissions-trading schemes (ETS) as part of a broader process of regulatory cooperation. A linked market would reduce regulatory friction, give businesses and investors greater certainty and create the conditions for goods originating in Britain and the EU to receive reciprocal exemptions from their respective CBAMs. It would be particularly valuable for electricity trading, where applying border adjustments to power transmitted through interconnected markets is administratively complex and can fail to reflect the carbon intensity of the electricity exported.

Linkage should not, however, be treated simply as a process of Britain importing the existing EU framework unchanged. Linking the two markets would be expected to bring their allowance prices closer together. With EU allowances currently trading above their UK equivalents, this could place upward pressure on the British carbon price and increase the cost of gas-fired generation, which frequently sets Britain's marginal wholesale electricity price. As Britain has already eliminated coal from its electricity system, a higher power-sector carbon price may produce smaller additional decarbonisation benefits than it would in countries where coal remains a significant source of generation, while still increasing costs for consumers and industry.

This tension is not unique to Britain. Concern is growing in several European countries, including Italy,[24] about the extent to which carbon costs imposed on gas-fired generators feed through into wholesale electricity prices. That does not invalidate emissions trading: a credible carbon price remains important for investment and decarbonisation. But it strengthens the case for examining how the design of the market, the use of ETS revenues and the wider electricity-market framework can prevent carbon pricing from unnecessarily weakening European competitiveness.

Any linkage agreement would also need a clear mechanism for managing future regulatory divergence. Linkage with the existing EU ETS should not automatically commit Britain to participate in future schemes or sectors, including ETS2, without a separate assessment of their economic, environmental and distributional consequences.

The UK should therefore approach linkage as an opportunity for joint reform, rather than merely regulatory alignment. Britain brings valuable experience of rapid power-sector decarbonisation and carbon-market experimentation; the EU brings the scale and institutional maturity of one of the world's leading carbon markets. Together, they should examine how carbon pricing can continue to drive investment and emissions reduction while limiting unnecessary increases in energy costs and directing revenues more effectively towards industrial decarbonisation, household support and clean infrastructure.

The same principle should guide the treatment of CBAM. The mechanism was introduced to protect European producers against carbon leakage and ensure that imports face a carbon cost comparable to that borne by domestic industry. Yet it also imposes substantial reporting and verification requirements, complicates electricity trading and risks generating disputes with close partners whose climate policies are credible but not identical to those of the EU. For Britain and other trusted partners, the priority should be to replace border friction with linked or mutually recognised carbon-pricing arrangements wherever possible.

Europe's carbon-pricing framework was largely developed in an era when decarbonisation was treated as the overriding objective. The challenge now is to reconcile three goals: reducing emissions, maintaining industrial competitiveness and strengthening strategic resilience. UK-EU linkage should therefore be the starting point for a wider Europe-wide effort to modernise carbon pricing for the new geopolitical era – not only by expanding its reach, but by ensuring that it supports the affordable energy and industrial investment on which European power will depend.

Recommendation: *Establish a modern UK-European carbon market that supports decarbonisation while strengthening industrial competitiveness and reducing barriers to trade.*

4. ESTABLISH A EUROPEAN ENERGY-SECURITY PARTNERSHIP

For Europe to be powerful, it needs secure energy. Russia's invasion of Ukraine demonstrated the risk of dependence on hostile suppliers, and the recent war in Iran highlighted the risk of dependence on a single point of failure. Attacks on pipelines, subsea cables and electricity infrastructure have further exposed the vulnerability of Europe's critical energy assets.

With global instability, cyber-attacks and grey-zone activity becoming persistent features of the threat landscape, Europe needs to bolster its energy-security strategy. Currently, there is no comprehensive framework for European cooperation on energy security. Existing cooperation is fragmented across NATO, bilateral relationships and sector-specific initiatives, with no institution responsible for protecting Europe's interconnected energy infrastructure.

Britain and the EU should use their existing Security and Defence Partnership and the EPC to coordinate the protection of critical energy infrastructure and strengthen security of supply. Governments, regulators, transmission-system operators, security agencies and NATO should establish common protocols for responding to major energy-security incidents, including cyber-attacks, sabotage of offshore infrastructure and significant supply disruptions. This should include joint contingency planning, coordinated public communications, mutual assistance for infrastructure repair, regular resilience exercises and mechanisms for rapidly sharing operational intelligence during crises.

The partnership should also take a broader approach to security of supply. Britain and the EU should coordinate more closely on strategic energy partnerships with reliable suppliers beyond Europe, including the Gulf states, the eastern Mediterranean and North Africa, while jointly assessing the strategic case for new long-distance electricity interconnectors where these improve resilience, affordability and diversity of supply.

Britain should be prepared to contribute intelligence, maritime-surveillance, cyber-expertise and defence capabilities to this partnership. In return, the EU should treat Britain as a core participant in Europe's energy-security architecture rather than as an external partner consulted on an ad hoc basis.

A standing interface should be established with UK-EU defence cooperation mechanisms on cross-cutting issues – critical-infrastructure protection, hybrid and grey-zone response, and security of supply – so that the two agendas reinforce rather than duplicate each other. Shared threat assessments, joint exercises on offshore and subsea infrastructure, and coordinated resilience planning should be the practical points of contact. The JEF, working with Nordic and Baltic partners, offers a natural operational vehicle for the maritime dimension of infrastructure protection.

Recommendation: *Use the EPC to coordinate the protection of critical energy infrastructure, strengthen security of supply and integrate British intelligence, cyber and maritime capabilities into European resilience planning.*

5. CREATE A EUROPEAN NUCLEAR PARTNERSHIP

Nuclear power will remain an essential component of a competitive and secure European energy system. Existing reactors provide reliable low-carbon generation, while new technologies – including small modular reactors, advanced reactors and eventually fusion – offer significant opportunities to strengthen energy security, industrial competitiveness and technological leadership.

Europe's nuclear sector remains fragmented. Licensing processes differ across countries, supply chains remain nationally organised, fuel-cycle capabilities are increasingly strategic and the continent risks losing competitiveness as the US, Russia and China expand their own nuclear industries. No European country can address these challenges alone.

Because nuclear policy remains largely a national competence, cooperation should extend beyond the EU to include Europe's leading nuclear nations. Britain should work with partners including France, Sweden, Finland, Poland, Romania, the Czech Republic and the Netherlands to establish a European Nuclear Partnership focused on strengthening the continent's nuclear ecosystem.

Priority areas should include greater cooperation on reactor licensing and regulatory approvals where appropriate, coordinated procurement to reduce costs, stronger nuclear supply chains, cooperation on fuel security (including high-assay low-enriched uranium and enrichment capabilities), shared research and development, workforce development and closer collaboration on advanced reactor technologies – as discussed in *Revitalising Nuclear: The UK Can Power AI and Lead the Clean-Energy Transition*. By pooling expertise while maintaining national control over deployment decisions, Europe could strengthen its energy security and create a globally competitive nuclear industry.

The partnership should also help mobilise capital for Europe's next generation of nuclear technologies. Britain has been at the forefront of developing commercial models for fusion and could work with European partners to establish common approaches to demonstration financing, first-of-a-kind deployment and private-capital mobilisation.[25] While deployment decisions would remain national, closer cooperation on financing would accelerate commercialisation and strengthen Europe's technological leadership in advanced nuclear technologies.

Recommendation: *Establish a European Nuclear Partnership to strengthen supply chains, fuel security and regulatory cooperation, while creating a common framework for financing and commercialising Europe's next generation of nuclear technologies.*

Political Power

Economic strength, technological leadership and military capability are all essential components of power. But none of them can be developed at continental scale without political power, which provides the ability to translate shared strategic interests into collective action.

It is here that Europe reveals its greatest weakness. There is no shortage of analysis of what Europe should do. The Draghi report, Enrico Letta's report on the future of the single market, the EU's Strategic Compass for Security and Defence and numerous national strategies have all reached remarkably similar conclusions. Europe needs to strengthen its technological base, rebuild its defence-industrial capacity, mobilise capital, lower energy costs and reduce strategic dependencies. The task now is to sustain the political coordination and momentum needed to deliver these priorities.

This will be difficult to do within the EU's existing operating model. Its political model is built around consensus, compromise and incremental integration – principles that have helped deliver one of history's most successful peace projects and remain fundamental to the functioning of the union. But they were developed for an era in which the central task was integration. Today's strategic environment is different. Building continental capabilities in technology, defence, energy and economic security requires sustained political coordination, rapid decision-making and the ability to act even when complete agreement cannot be achieved.

Any political framework capable of organising European power must therefore address two structural shortcomings in Europe's current political architecture.

First, the EU's reliance on broad consensus makes it difficult to organise ambitious collective action. As Europe's strategic agenda has expanded, the political model through which it pursues that agenda has come under increasing strain – a trend that is likely to intensify as Europe's domestic politics become more fragmented. Across Europe, traditional centre-left and centre-right parties have been losing ground to a wider range of challengers, including Eurosceptic and nationalist parties.[26] Their growing influence does not necessarily reflect an ideological rejection of European cooperation by voters. But it does make it increasingly difficult to sustain the broad political consensus on which the EU has traditionally relied. Europe cannot assume that political convergence will return. It therefore needs political mechanisms capable of enabling willing countries to move forward together even when unanimity proves impossible.

Second, many of the capabilities that will determine Europe's future power extend beyond the EU itself. Britain's military, financial and technological strengths, Norway's role in European energy security, Ukraine's battlefield innovation and defence-industrial expertise, and Switzerland's research and innovation ecosystem all form part of Europe's wider strategic capability. Yet the EU has only limited mechanisms for coordinating long-term strategic cooperation with non-member states across these areas. Building European power therefore requires a political framework capable of organising the continent as a whole, not simply the EU.

These challenges have been recognised by European leaders. French President Emmanuel Macron's vision for the European Political Community (EPC) reflected a growing recognition that Europe's defining strategic challenges could no longer be addressed solely through the institutions of the EU. Established in 2022, the EPC was designed to bring together almost every European democracy in a single political forum, creating a framework for cooperation across the wider continent on issues of shared strategic importance. By bringing together both EU and non-EU countries, it recognised that many of the capabilities underpinning Europe's future security, prosperity and resilience extend beyond the institutional boundaries of the EU and require political cooperation at continental scale.

Yet while the EPC has successfully created a forum for political dialogue, it has not developed into a mechanism for collective action. It has demonstrated its value as a convening body, but it has neither the remit nor the institutional capability to coordinate coalitions of willing countries, sustain political momentum behind shared priorities or translate strategic agreement into delivery.

The next stage in Europe's political development should therefore be to build on the EPC's existing foundations rather than create another institution. The EPC should evolve into Europe's strategic coordination mechanism for EU and non-EU cooperation: the political architecture through which coalitions of willing countries pursue shared strategic priorities, coordinate with existing European institutions where appropriate, and sustain political momentum from agreement through to implementation. Its remit would be distinct from that of the EU, complementing rather than duplicating the EU's institutional role. While the EU remains the principal vehicle for European integration, the EPC should provide the political framework through which EU and non-EU countries coordinate to strengthen Europe's collective capability.

Britain should position itself as one of the principal architects of the EPC's next phase. Rather than just advocating institutional reform, it should lead by offering practical proposals to strengthen the EPC's capacity to coordinate action across the continent. The most immediate opportunity would be to champion the creation of a small permanent EPC secretariat, with the UK offering to help establish and support it. By taking the initiative on the institution's development, Britain would demonstrate its commitment to building European capability while reinforcing its own role as a strategic partner.

1. GIVE THE EPC A CLEAR STRATEGIC REMIT

The next phase of the EPC should focus less on dialogue and more on delivery. Rather than serving primarily as a biannual summit, it should become Europe's strategic-coordination mechanism for EU and non-EU cooperation. Its role would not be to replicate the institutions of the EU, but to identify a limited number of continental-capability priorities and maintain political oversight of their implementation.

The threshold for these priorities should be whether they will determine Europe's future power: energy, technology, defence-industrial cooperation, critical infrastructure, economic security and resilience. The practical initiatives set out in this paper – from AI assurance and quantum technologies to integrated electricity markets and North Sea infrastructure – could all be developed under this broader political framework.

This model would explicitly allow cooperation to transcend the EU, by providing a "home" for coalitions made up of willing European countries, both from within and outside the EU. It would explicitly not be designed around unanimity. Not every EPC member will wish to participate in every initiative, nor should they be required to do so. Countries should instead be able to participate where they possess relevant capabilities or strategic interests, allowing both groups of EU countries, Britain and other non-EU partners to contribute meaningfully to Europe's collective strength without requiring changes to existing institutional arrangements.

Recommendation: *Transform the EPC into Europe's strategic-coordination mechanism, responsible for identifying and maintaining political oversight of the continental capabilities required for Europe's long-term prosperity, security and influence. Enable flexible coalitions of willing countries within the EPC, allowing EU and non-EU members to collaborate on shared strategic priorities without requiring universal participation.*

2. CREATE A PERMANENT DELIVERY CAPABILITY

The EPC will only become an effective mechanism for coordinating European power if it can sustain momentum between summits. Britain should therefore propose the creation of a small permanent EPC secretariat, with the UK offering initial staffing, analytical support and funding to help establish it.

The secretariat would coordinate participating governments, monitor progress against agreed priorities and publish an annual assessment of Europe's continental capabilities. It would not exercise executive authority or develop policy independently. Its role would be to provide continuity between summits, identify delivery bottlenecks and ensure that political commitments are translated into practical action.

Delivery should remain with the institutions best placed to implement it. The European Commission should continue to lead where legislative action or EU programmes are required. NATO should retain responsibility for collective defence. The European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), national governments and sector-specific organisations should continue to deliver investment, regulatory and operational decisions within their respective remits. Representatives from these institutions should participate in EPC discussions where relevant, ensuring that political priorities are closely connected to implementation. The EPC secretariat would coordinate these actors around shared strategic priorities, help resolve political barriers to cooperation and maintain momentum behind delivery.

Recommendation: *Britain should propose and help establish a permanent EPC secretariat, offering initial staffing, analytical capacity and financial support. The secretariat would coordinate implementation across existing institutions, monitor progress against agreed priorities and publish an annual assessment of Europe's continental capabilities, without creating new supranational powers.*

For the UK, the EPC should be understood as a bridge rather than a destination. It offers a practical framework for rebuilding trust, strengthening institutional relationships and demonstrating the value of deeper cooperation through delivery rather than institutional change. Its flexibility is one of its greatest strengths. As an intergovernmental forum rather than an EU decision-making body, it allows countries to participate in a shared strategic dialogue while forming coalitions of willing states around specific capability projects. This variable geometry enables cooperation to advance where interests align, without requiring unanimity or identical levels of participation across every initiative. Over time, successful collaboration should make deeper UK-EU cooperation – including closer participation in European programmes, stronger sectoral agreements and more integrated institutional relationships – progressively easier to achieve. The immediate priority is to create a political mechanism capable of organising Europe's collective power today.

04 Conclusion: Europe as a Superpower?

Europe is not yet a superpower. It possesses many of the foundations of power, but these strengths remain fragmented and, in critical areas, incomplete. Europe must therefore do two things simultaneously: organise the capabilities it already possesses and build those it still lacks.

This is the strategic context in which Britain must now approach its relationship with Europe. Brexit marked the end of one chapter, but it should not define the next. More than a decade after the referendum, the central question is no longer simply how to manage Britain's departure from the EU. It is how Britain and its European partners can generate the economic, technological, energy and military power needed to shape their future in a world increasingly organised around continental powers.

Neither Britain nor the EU can meet that challenge as effectively alone. Britain brings strengths in defence, finance, science, AI, energy and intelligence. The EU brings the scale of the single market, industrial capacity, investment programmes and regulatory influence. These capabilities are complementary but combining them will require a relationship organised around strategic contribution rather than the institutional arguments and political red lines inherited from Brexit. Britain should seek to become indispensable to European power by contributing where it can add greatest value. In return, it should receive influence and participation proportionate to that contribution.

The proposals in this paper show what this approach would mean in practice. In technology, Britain and its European partners should build shared capabilities in AI assurance, cyber-resilience, digital infrastructure and quantum. In defence, they should expand production, close urgent capability gaps and strengthen interoperability under NATO. In energy, they should restore efficient electricity trading, develop the North Sea as a strategic energy basin, strengthen energy security and rebuild Europe's nuclear ecosystem. The test of these initiatives should be whether they create capabilities that Britain and its partners could not build as effectively alone. Deeper institutional integration should serve that strategic purpose.

Delivering them will also require Europe to strengthen its political capacity for collective action. The EU will remain the principal institution for organising European markets, regulation and investment, but the capabilities on which European power depends extend beyond its membership. The EPC should therefore evolve into a mechanism for continental strategic coordination, bringing EU and non-EU countries together in flexible coalitions focused on delivery. For Britain, it can provide both an immediate platform for contribution and a bridge towards progressively deeper cooperation.

For Britain, this practical cooperation should form part of a longer-term ambition to rejoin a reformed EU within ten years. That ambition should be grounded in the same strategic purpose: strengthening Britain and increasing Europe's collective power. Britain must rebuild its own economic and technological strength, while the EU must pursue the reforms needed to become more competitive, innovative and capable of acting at speed. Renewed membership will require democratic consent in Britain and agreement among EU members. The immediate task is to build the capabilities, trust and shared achievements that can help make that goal achievable. Cooperation cannot wait for membership, but it can help lay the foundations for it.

The stakes extend far beyond the UK-EU relationship. If Europe succeeds, it can preserve its prosperity, defend its security and retain the freedom to make its own choices. It can also offer a distinct model of power: one that combines democratic government, open societies and the rule of law with the capacity to compete, innovate and act. If it fails, Europe will become increasingly dependent on others for its security, technology and economic future – and Britain will share in that decline.

Europe's future as a global power is therefore neither assured nor foreclosed. It will depend on whether European countries can turn their combined strengths into collective capability – and whether they possess the political will to build what is still missing. Britain should help lead that effort. Brexit must not define its next chapter with Europe; the shared task of building European power should.

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