EXPLANATORY MEMORANDUM FOR EUROPEAN UNION LEGISLATION/DOCUMENTS WITHIN THE SCOPE OF THE UK/EU WITHDRAWAL AGREEMENT AND THE WINDSOR FRAMEWORK

REGULATION (EU) 2026/1738 of the European Parliament and of the Council of 8 July 2026 on circularity requirements for vehicle design and on management of end-of-life vehicles, amending Regulations (EU) No 168/2013, (EU) 2018/858, (EU) 2019/1020 and (EU) 2023/1542 and repealing Directives 2000/53/EC and 2005/64/EC

Submitted by the Department for Transport 04 August 2026

SUBJECT MATTER

1. This Explanatory Memorandum sets out the implications for Northern Ireland of Regulation (EU) 2026/1738 amending the EU type-approval framework regulation for passenger and commercial vehicles and repealing Directive 2000/53/EC on end-of-life vehicle disposal and Directive 2005/64/EC on type approval of vehicles with regard to their reusability, recyclability and recoverability. The Regulation sets the requirements for vehicle recyclability to be demonstrated at the approval stage and for the treatment of end-of-life vehicles.

2. Its main objective is to establish a closer link between vehicle construction and their end-of-life management, improving circular design to increase the recovery of materials from end-of-life vehicles. It focuses on three main aspects: the recyclability of vehicles, the management of end-of-life vehicles and the export of used vehicles.

3. The application of this Regulation in Northern Ireland is not expected to have an impact on vehicle manufacturing in Northern Ireland, given there are no mass-production facilities and existing facilities are expected to benefit from exemptions in the Regulation. New requirements will apply in respect of used vehicle parts assessment and labelling, used vehicle traceability and export controls, which may have some impacts on relevant sectors. The Government’s engagement to date with the sector indicates that the sale of used vehicles without an MOT is largely focussed on commercial transactions rather than direct-to-consumer sales. Under existing industry practices, such vehicles are typically subject to assessments by qualified professionals and, in some cases, only verified buyers can purchase these vehicles. A declaration mechanism under the Regulation is designed to preserve existing legitimate trade practices, while addressing potential illicit transfers. Where new requirements apply to used car parts, this market is highly varied

between larger multi-site operators and independent SMEs, with the latter more likely to need to adjust to new assessment and labelling practices.

4. The Regulation will be phased in over the next two-six years and so further analysis will be undertaken to assess impacts as well as to support readiness and the transition within the sector.

5. In addition, the Government is committed to safeguarding the integrity of the UK internal market, and so will explore with industry and stakeholders the relative merits of taking similar measures across Great Britain. The Government will take any necessary steps to protect the UK's internal market, including considering equivalent measures in Great Britain where necessary.

SCRUTINY HISTORY

6. Regulation (EU) 2026/1738 was scrutinised as proposal COM(2023) 451 by the Department for Transport, who submitted an EM dated 11 April 2024.

MINISTERIAL RESPONSIBILITY

7. The Secretary of State for Transport is responsible for the vehicle type-approval requirements. The Secretary of State for the Environment, Food and Rural Affairs has responsibility for the end-of-life vehicle requirements, while elements of domestic waste management are devolved.

INTEREST OF THE DEVOLVED GOVERNMENTS (DGs)

8. Type approval is a reserved matter, as are exports of used and waste vehicles. The Devolved Governments, particularly in Northern Ireland, have an interest and have been consulted in the preparation of this EM. Under the Northern Ireland Act 1998, vehicle testing and road safety are transferred (devolved) matters under the remit of the Department for Infrastructure (DfI), while environmental protection and domestic waste management policy are similarly transferred under the remit of the Department of Agriculture, Environment and Rural Affairs (DAERA).

9. Accordingly, while the upstream vehicle type approval requirements set out in the Regulation are within UK Government competence, the downstream requirements on vehicle testing, road safety, environmental protection and domestic waste management are within the competence of DfI and DAERA, respectively.

LEGAL AND PROCEDURAL ISSUES

i. **EU Legal Base:**

10. Articles 114 and 192 of the Treaty of the Functioning of the European Union are the powers used for the type-approval requirements and end-of-life requirements respectively.

ii. **Voting Procedure**:

11. The proposal was considered using the EU's ordinary legislative procedure (Co-decision). Voting was via qualified majority.

iii. **Timetable for adoption and implementation:**

12. The proposal was adopted by the Commission on 24 July 2026. It will enter into force 20 days after its publication in the Official Journal of the EU. It will apply on 1 September 2028.

POLICY AND LEGAL IMPLICATIONS

13. This Regulation will apply in Northern Ireland under Article 13(3) of the Windsor Framework, which provides for the automatic application of EU acts that amend or replace EU instruments listed in the annexes of the Windsor Framework. This application is subject to the democratic scrutiny arrangements established under the Windsor Framework and enacted through domestic legislation via Schedule 6B of the Northern Ireland Act 1998.

14. Considering the scope of the Windsor Framework, only specific provisions of this Regulation shall apply in respect of Northern Ireland, as set out in Article 58 of the Regulation. This targeted application accounts for the unique application of the Regulation in respect of Northern Ireland, as the Regulation merges and updates two distinct EU instruments: Directive 2005/64/EC on vehicle circularity, which is listed in Annex 2 of the Windsor Framework; and Directive 2000/53/EC (on end-of-life vehicle disposal), which is not listed in Annex 2 of the Windsor Framework.

15. The full detailed list of what parts of the Regulation apply under the Windsor Framework is set out in Article 58, but to summarise, this includes:
    - **Articles 1-13:** establish the general provisions, scope and definitions, alongside the upstream circularity and ecodesign requirements for vehicle manufacturing, including restrictions on hazardous substances and targets for recycled plastic content;

- **Article 14, with exceptions:** requires the establishment of one or more competent authorities responsible for the obligations that do apply in Northern Ireland;
- **Articles 30 and 31:** establishing the technical and labelling requirements for parts removed from end-of-life vehicles, and how such parts are traded and placed on the market;
- **Article 35(1):** applying export restrictions to end-of-life vehicles to those vehicles being exported to non-UK and non-EU destinations, in the same way that end-of-life vehicle exports are currently controlled under the Windsor Framework;
- **Articles 36-44:** set out the criteria for legally distinguishing between used vehicles and end-of-life vehicles, export controls on used vehicles for non-UK and non-EU destinations, and electronic data exchanges;
- **Articles 45 and 46:** require national vehicle registries to connect to the EU's centralised MOVE-HUB electronic data exchange platform, which will be used to automate customs clearance for used vehicle exports outside of the EU.
- **Articles 47-50 (parts thereof):** setting out domestic enforcement, inspection, regulatory cooperation and reporting requirements, which only apply insofar as they relate to the parts of the Regulation that do apply in Northern Ireland;
- **Articles 51-59:** final provisions covering delegated powers, evaluation timelines, committee structures and technical amendments to type-approval legislation.

16. Only the specific set of provisions listed above will apply in Northern Ireland, whereas the full Regulation will apply in the EU.

17. **Application of the Regulation in the EU:** For reference, the full Regulation establishes a comprehensive vehicle lifecycle-based framework that replaces the legacy European directives on vehicle disposal (Directive 2000/53/EC) and type-approval recyclability (Directive 2005/64/EC). Moving beyond traditional waste management, the Regulation embeds 'circularity by design' directly into the manufacturing process. It requires all new vehicle models to be engineered for the non-destructive removal of high-value components (such as electric vehicle batteries and drive motors) and mandates binding targets for the use of recycled materials, including specific quotas for recycled plastics. It also introduces digital tracking tools, such as a 'Circularity Vehicle Passport' to give repairers and recyclers immediate access to the technical and dismantling data required to optimise the reuse and remanufacturing of secondary components.

18. The Regulation establishes an EU-wide Extended Producer Responsibility (EPR) framework, making vehicle manufacturers financially liable for the

collection and treatment of vehicles when they reach their end-of-life stage. Authorised Treatment Facilities (ATFs) are at the centre of the waste management process for end-of-life vehicles, with stricter obligations for environmental compliance and permitting ATFs. ATFs will be legally required to perform the complete extraction of all hazardous fluids, gases and high voltage battery systems before a vehicle can be crushed or shredded, with mandatory pre-shredding dismantling rules. ATFs must separate materials prior to processing. To combat the environmental impact of ‘missing vehicles’ and illegal waste dumping, the Regulation introduces criteria to legally differentiate between legitimate used cars placed on the market from waste end-of-life vehicles. End-of-life vehicles may be exported to some third countries for treatment so long as they have been processed in accordance with the EU’s Waste Shipments Regulations (2024/1157). Exports of hazardous waste to non-OECD countries are prohibited. The export of hazardous waste to OECD countries is subject to the ‘Prior Informed Consent’ procedure, in accordance with the Basel Convention.

19. **Application in Northern Ireland:** As noted above, the application of this Regulation is targeted and limited to specific provisions under the Windsor Framework (as set out in Article 58). Consequently, Northern Ireland will not adopt the full EU Regulation, instead it will continue to follow the UK’s domestic producer responsibility system as well as the UK’s domestic rules on waste treatment. The assimilated version of Directive 2000/53/EC (on end-of-life vehicle disposal) will continue to apply UK-wide, for example the existing waste handling requirements on ATFs and extended producer responsibility for vehicle manufacturers. These matters are subject to future determinations on UK and devolved policy. The specific provisions that do apply in Northern Ireland (such as those relating to type approval, used parts labelling and waste export requirements) are focused on product standards and trade in goods.

20. The UK Government is fully dedicated to safeguarding the integrity of the UK internal market and protecting Northern Ireland’s place within it. In line with this core principle, the Government will commit to taking any necessary steps to protect the UK's internal market, including considering equivalent measures in Great Britain where necessary.

21. To support this mechanism, the Government will explore with industry and stakeholders the relative merits of introducing similar measures across Great Britain. This will include:

    ○ **Upstream design and type approval:** The Government will maintain a presumption in favour of alignment on vehicle type-approval rules for circularity, with the intent to engage stakeholders on introducing similar measures in Great Britain ahead of the EU’s phased two-six year implementation timeline.

- **Trade in used parts:** The Government will engage with stakeholders to explore the relative merits of applying the same or a similar approach in Great Britain for used parts assessment and labelling.
- **Used vehicle, waste status and waste export controls:** The Government will explore with stakeholders the relative merits of applying the same or a similar measures in Great Britain to used vehicles, waste status and waste exports.

22. Set out below is a more detailed assessment of the parts of the Regulation that will apply in Northern Ireland under the Windsor Framework.

Vehicle type-approval requirements

23. **Article 4** requires vehicles to be designed for reusability, recyclability and recoverability. It requires manufacturers to ensure each vehicle type must be able to be recycled or reused to at least 85% by mass and recycled or recovered by 95% mass.

24. **Article 5** restricts the use of lead, mercury, cadmium and hexavalent chromium in vehicles.

25. **Article 6** sets requirements for the minimum use of recycled plastic in vehicles. Those targets start at 15% six years after the Regulation comes into force, rising to 25% 10 years after it comes into force. The Commission is required to establish a methodology to calculate and verify these percentages 23 months after it comes into force.

26. The Article also places obligations on the Commission. It is required to assess, and report to the Council and European Parliament, the expected impact on global trade and EU recycling and automotive industries. In addition, it is required to assess the feasibility of including other materials, such as recycled steel, aluminium, magnesium and elements used in permanent magnets, including neodymium, nickel and cobalt. It is also required to establish targets for those materials and methodologies for their calculation and verification.

27. **Article 7** sets requirements regarding the design of vehicles to enable the removal and replacement of vehicle parts and components. This requires them to be designed in a way that does not hinder the removal of parts by treatment facilities.

28. **Article 8** requires manufacturers to demonstrate the above requirements at the type-approval stage for new vehicle types in scope (Passenger cars (M1) ,

light duty vans (N1) and motor/quadricycles (L category)) of those requirements.

29. **Article 9** requires manufacturers to produce a single circularity strategy at the manufacturer level (not per vehicle model) at least 3 years after the Regulation comes into force and provide it to the type-approval authority.

30. **Article 10** requires manufacturers to declare at type-approval the respective share of recycled content of a range of the recycled materials in scope of Article 6, e.g. neodymium, nickel, cobalt, aluminium, magnesium, steel, and plastics.

31. **Articles 11 and 12** require manufacturers to provide information on the safe removal and replacement of a range of vehicle components including batteries in electric vehicles and to label them.

32. **Article 13** requires each vehicle to have a digital circularity passport. This is to provide the information relating to the safe removal and replacement of parts and components, those parts containing lead, mercury, cadmium, or hexavalent chromium, and the share of recycled content as per Article 10.

33. The above Articles will all apply to **passenger cars and light-duty commercial vans**.

34. **Buses and heavy goods vehicles** are only in scope of Article 7, the requirements to design vehicles to enable easier dismantling, reuse and recycling, and Article 11 setting requirements on the provision of information on the removal of parts and components.

35. **Motorcycles and quadricycles** are exempt from the majority of the design, material and digital tracking rules that other vehicle categories will follow. However they must apply rules on dismantling and labelling, specifically Articles 7 and 11. Additionally Article 8, obligating manufacturers to demonstrate compliance at type-approval, applies though only Article 7 is relevant for these vehicles. Article 12, requiring the labelling of parts components and materials would also apply.

36. In addition, the Regulation exempts vehicles approved under the small series scheme and those parts added by multi-stage manufacturers.

37. The Government is not aware of any mass production vehicle manufacturers based in Northern Ireland that manufacture vehicles within scope of this Regulation. Vehicle manufacturers in Northern Ireland, such as Wrightbus, consist of small-scale or multi-stage speciality builders who are expected to qualify for the exemptions for these categories. The local manufacturing industry is therefore unlikely to be affected by this Regulation.

38. As noted above, the Government will maintain a presumption in favour of alignment with changes to EU type-approval requirements for road vehicles and that would apply to the above vehicle design rules for circularity, with the intent to engage stakeholders on introducing similar measures in Great Britain ahead of the EU's phased two-six year implementation timeline.

End-of-life vehicle requirements - parts assessment and labelling

39. The mandatory requirement under **Article 29** for ATFs to remove used parts prior to shredding / dismantling of the vehicle does not apply in Northern Ireland, but where ATFs choose to remove used parts from a vehicle for onward sale or transfer they will need to assess and label these as set out in the Regulation. **Article 30** requires Authorised Treatment Facilities (ATFs) to assess removed parts to determine whether they are fit for reuse, remanufacturing or refurbishment, and apply a label that includes the name of the part, the Vehicle Identification Number (VIN) and ATF details. Parts and components that are assessed as fit for reuse, remanufacturing or refurbishment shall not be considered waste. Where an ATF chooses to remove a part, but after an assessment, the ATF determines that the part should be sent for recycling or other treatment options, the UK's domestic rules on waste treatment will apply.

40. **Article 31** requires that parts placed on the market in Northern Ireland and the EU must be subject to the assessment and labelling in Article 30, and this requirement also extends to parts sold on online marketplaces. Parts that are labelled in accordance with Article 30 will continue to benefit from Northern Ireland's unfettered access to the rest of the UK internal market.

41. Under **Article 31** parts placed on the market must maintain their required functions and performance through normal use for up to one year. Domestic consumer protection rules will continue to apply in Northern Ireland.

42. The measures under **Articles 30 and 31** will apply following a **three year transition** period to allow time for technical upskilling and labelling adjustments.

43. The Government's engagement with the automotive salvage and recycling sectors (including ATFs) has highlighted a highly varied domestic market. Large-scale operators generally already have advanced digital tracking and assessment capabilities, designed to facilitate fully-automated, high-volume inventory systems integrated into e-commerce platforms. The Regulation does not require such systems, but smaller independent dismantlers and local operators may need to put in place new procedures to systematically assess and label component parts that are removed from used vehicles prior to the onward sale of those vehicle parts. The Government, in close coordination

with Northern Ireland departments, has directly approached multiple businesses in Northern Ireland but it has been challenging to engage with the smaller, independent end of the market. The Regulation will be phased in over the next three years and so further analysis will be undertaken to assess readiness within the sector.

44. In addition, the Government will engage with stakeholders to explore the relative merits of applying the same or similar measures in Great Britain for used parts assessment and labelling.

Used and end-of-life vehicle requirements - vehicle traceability and export controls

45. In order to mitigate the illegal dumping of end-of-life vehicles, which causes significant environmental hazards, and to take measures to address the significant number of used vehicles that disappear from official records as a result of illegal dismantling or illicit export, **Article 36** establishes a new mechanism to differentiate legitimate second-hand vehicles from waste streams.

46. The Regulation requires that when a used vehicle undergoes a commercial transfer of ownership, it must be accompanied by evidence of its roadworthiness. This requirement is automatically satisfied by a valid roadworthiness certificate (a MOT). To safeguard ordinary commercial trade in used vehicles, the Regulation provides for targeted exemptions and administrative flexibilities to ensure the legitimate trading of used vehicles without an MOT is not subject to regulatory disruption.

47. For instance, there are no requirements on private in-person sales between individuals. Similarly, vehicles of historic, cultural, or collector value - such as classic cars and unique museum assets - are completely excluded from these requirements.

48. For the automotive retail and dealership sector, the commercial trade of used vehicles without an MOT will be able to defer evidence of its roadworthiness until the point of its onward transfer to an end-consumer, as long as a declaration is passed along the commercial supply chain. For example, when a car dealership or an online marketplace acquires a used vehicle without an MOT, such as via a customer part-exchange or trade-in, the requirement under Article 36 to produce an expert technical assessment of the vehicle's roadworthiness can be deferred through such a declaration.

49. Retailers or dealerships will be able to meet this requirement by completing an internal electronic log or standardised template (the 'declaration'), verified by their in-house mechanics or technicians, confirming that the vehicle is a used vehicle and not waste. This declaration must stay with the vehicle if it is

subject to inter-dealership transfers, trade wholesale movements, or sales through dedicated auction houses. Trade-to-trade transactions can therefore continue under current market practice when accompanied by the declaration. The independent expert roadworthiness assessment is therefore only triggered if a dealership or other business chooses to sell a vehicle without an MOT to a private end-consumer.

50. For the vehicle insurance sector, The Regulation closely mirrors the existing total-loss management frameworks. Vehicles formally designated by insurers as a ‘total technical loss’ (Category A or B under the insurance industry established Salvage Code of Practice) represent structurally irreparable damage and automatically default to waste end-of-life vehicles, and so must be immediately routed by the vehicle owner or their representative to an ATF for appropriate waste handling. Vehicles that are designated as ‘total economic loss’ (Category S and N, structural or non-structural write-offs) are repairable assets. Under the Regulation, these vehicles retain their status as used vehicles rather than waste, and can be sold or transferred on so long as they either have an MOT, or are accompanied by a technical assessment detailing the repairs required to achieve roadworthiness. This assessment is valid for up to five years, otherwise the vehicle defaults to an end-of-life vehicle.

51. The requirement under Article 36 for an independent automotive expert to provide evidence of a vehicle’s roadworthiness, in the event that it does not have an MOT, includes existing professional accreditations. This means individuals that hold an active professional qualification or accreditation from an independent industry or engineering body. Technical assessments or declarations compiled by ‘in-house’ insurance adjusters, automotive engineers or dealership mechanics are recognised as independent and compliant for the purposes of the Regulation.

52. Consequently, these traceability requirements on used vehicles without an MOT will carry minimal practical impact for most commercial operators, with the Regulation targeting illicit operators attempting to exploit the greymarket to illegally dump or export waste.

53. These requirements will apply following a two-year transition period after the Regulation comes into force.

54. The Government’s engagement with the insurance and car dealerships sector has found that the Regulation builds on existing industry standards, including the UK’s Salvage Code of Practice, and the UK insurance industry is working closely with wider European partners to better understand any potential impacts for insurers. Procedures already exist for appropriate qualified persons (AQPs), who are independently accredited, to undertake

assessments of vehicles before vehicles are moved onwards. This means that economic operators will be able to make use of the services of “in-house” AQPs provided they are accredited by an independent body, which is widely considered to be the norm. Dealerships do not typically sell vehicles without an MOT to end consumers. Such vehicles (received through trade-ins or part-exchanges) are either repaired and sold with an MOT, or sold onwards to commercial traders. The arrangements set out above will minimise impacts on this legitimate trade in used vehicles.

55. **Article 35** provides that end-of-life vehicles may be exported to third countries as long as they are processed in accordance with the EU’s Waste Shipment Regulation 2024/1157. Exports of hazardous waste are prohibited, with some exceptions, under the existing Waste Shipments Regulation (2024/1157) that already applies in Northern Ireland under the Windsor Framework. These export controls do not apply to vehicle movements from Northern Ireland to Great Britain, which are protected by Northern Ireland’s unfettered access to Great Britain under the Windsor Framework. These export controls will therefore only apply to vehicle exports from Northern Ireland to non-UK and non-EU destinations.

56. **Articles 39-44** state that used vehicles cannot be exported from Northern Ireland to non-UK and non-EU destinations if they do not have an MOT. The in-person movement of personal vehicles is unaffected by this provision as this is not an export, for example an individual driving their Northern Ireland-registered vehicle beyond the UK and EU (although it is illegal to drive a car on public roads without a valid MOT certificate).

57. The above articles will be enforced through existing customs procedures operated by HMRC for used vehicles exported from Northern Ireland to non-UK and non-EU destinations. The Government, working with relevant Northern Ireland departments, intends to establish the procedures and processes in place to control such movements over the 3-5 year transition process set out in the Regulation. The nomination of one or more competent authorities to oversee these processes is required within a year of the coming into force of the Regulation.

58. **Articles 45 and 46** require national vehicle registries to connect to the EU’s centralised MOVE-HUB electronic data exchange platform, which will be used to automate customs clearance for used vehicle exports outside of the EU.

59. Overall, the Government’s engagement with the automotive sector (specifically car dealerships, auction houses and the insurance sector) has found that trade in un-MOT’ed vehicles is largely focussed on commercial trade i.e. business-to-business or wholesale trade. As set out above, the new traceability rules for used vehicles largely build upon existing commercial

practices that dealerships and auction houses operate, whereby used cars are assessed on their condition prior to onward sale. The declaration mechanism, set out above, is intended to preserve these existing practices, and allow for deferral of inspections in trade-to-trade transactions, while addressing potential illicit practices. Feedback from vehicle auction platforms indicate that there are already commercial gating mechanisms to restrict online and in-person bidding for unroadworthy vehicles. For example buyers are required to possess a verified ATF permit. Such vehicles are already logged and categorised prior to sale, with major auction houses deploying specialised in-house technical experts for this purpose. There may be impacts on the smaller end of the market and the Government will continue to explore this during the transition period.

60. In addition, the Government will explore with stakeholders the relative merits of applying the same or a similar approach in Great Britain to used vehicles, waste status and waste exports.

Enforcement, penalties and reporting

61. **Article 49** requires competent authorities to set effective and dissuasive penalties for breaches of the provisions that will apply in Northern Ireland, three years from the date of entry into force of the Regulation.

62. **Article 50** sets data reporting requirements under the Regulation. A number of these data reporting requirements will not apply under the Windsor Framework as they relate to articles that are not applicable. The reporting includes data in respect of used parts removed by ATFs that are placed on the market in NI and the EU, vehicle identity and registration data to support controls on used and end-of-life vehicle exports, as well as export information. The Government understands that many of these reporting requirements build upon data that is already captured for other purposes. For example, the insurance sector already operates a database of total economic and total technical loss vehicles, which is accessible to specific Government authorities. Vehicle registration and identity data is already held centrally by the Driver and Vehicle Licensing Agency (DVLA), as is export data by HMRC. ATFs already have reporting obligations (with associated inspections and auditing) for their existing regulated and licensed activities. As noted above, the ATF sector is highly varied between larger, multi-site operators and independent SMEs. Engagement with the larger end of the market indicates that they will be able to adjust relatively easily to these requirements. Further engagement is required with the smaller end of the market. There is a three-five year transition process for adjusting to the new reporting requirements.

General considerations

63. There is no effect from this Regulation on Northern Ireland's participation in the UK's free trade agreements as the automotive elements of such agreements are based on the recognition of international UN Regulations where available.

64. There is no effect on Northern Ireland's participation in the UK's Common Frameworks.

65. The proposed amendments are to legislation in scope of the Windsor Framework and will apply directly in Northern Ireland. Legislation will be required to set effective and dissuasive penalties for breaches of the requirements.

CONSULTATION

66. The automotive industry was consulted by the Commission during the development of this proposal, to which no responses from any UK-based organisation were submitted and an impact assessment was prepared by the Commission. Feedback from industry to the Commission's consultation was supportive of making vehicle manufacturers hold greater responsibility for the costs of dealing with end-of-life vehicles through the design criteria set in the Regulation, addressing the particular challenges with electric vehicles and batteries was supported, as well as measures to tackle the approximately 3 to 4 million vehicles annually in Europe that disappear from official records (expected to be as a result of illegal domestic dismantling or illicit export to developing countries).

67. To ensure the views of affected stakeholders in Northern Ireland and the rest of the UK are understood, the UK Government in coordination with DAERA and DfI, has undertaken targeted joint engagement with key affected stakeholders, including representatives from the insurance, automotive salvage and recycling industries, as well as car dealerships and manufacturers. As noted, there have been challenges in obtaining feedback from the smaller end of the market, and further engagement is required. This engagement has focussed on assessing the practical impact of the Regulation and the findings are represented in this Explanatory Memorandum.

FINANCIAL IMPLICATIONS

68. The financial implications of this Regulation are currently under review to assess the exact requirements for implementation. Further analysis is required to assess the impacts of the vehicle traceability and export controls requirements. There are no known vehicle manufacturers in Northern Ireland that will be in scope of these requirements, given smaller scale manufacturers

are exempt. As noted above, new reporting requirements appear to largely build on existing industry data that is already captured for other purposes, although some adjustments may be required for the smaller end of the ATF market. Other impacts are generally expected to be limited to routine administrative and data-system adjustments to facilitate the new reporting frameworks to be implemented over the next three-five years.