

AN EU BUDGET FOR A STRONGER, CLEANER & MORE SOVEREIGN EUROPE

RECOMMENDATIONS FROM DANISH INVESTORS, BUSINESS COMMUNITY & CIVIL SOCIETY

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Europe faces several critical challenges. Geopolitical and economic instability, the war in Ukraine, energy dependence, growing pressure on Europe's competitiveness, and increasing climate risks all call for decisive political action. A key part of the answer lies in accelerating the clean transition and expanding the production and use of renewable energy sources across the EU. This requires both ambitious decisions at EU level and stronger cooperation among Member States.

The EU's common budget is a crucial lever for turning ambition into action. The next Multiannual Financial Framework (MFF 2028–2034) should mark a decisive break with costly and unsustainable fossil fuel imports and set a clear course towards climate neutrality by 2050 at the latest. This will require substantial investments. The Draghi report highlights the urgent need to scale up both private and public investment in European competitiveness and innovation. The European Commission estimates that an additional EUR 477 billion in clean investments will be needed annually to meet the EU's 2030 climate targets - rising to EUR 743 billion annually by 2040.

While most of these investments will come from investors, companies, households, and national budgets, an ambitious EU budget is vital to speed up the transition and help steer private and national investments in the right direction. That is why the Danish business and investor community and civil society stand together in support of a sustainable EU budget, while we continue to push for Europe's electrification as well as the production, transmission, and storage of renewable energy and improved energy efficiency.

If the full potential of clean investments across the EU is to be realized, long-term frameworks and clear investment signals are needed at both EU and national levels. These signals must not only be political but should also be clearly reflected in the Union's common expenditures. Climate-related investments should therefore be viewed as strategic measures that contribute to security, energy independence, competitive energy costs, resilient supply chains, and innovation. In other

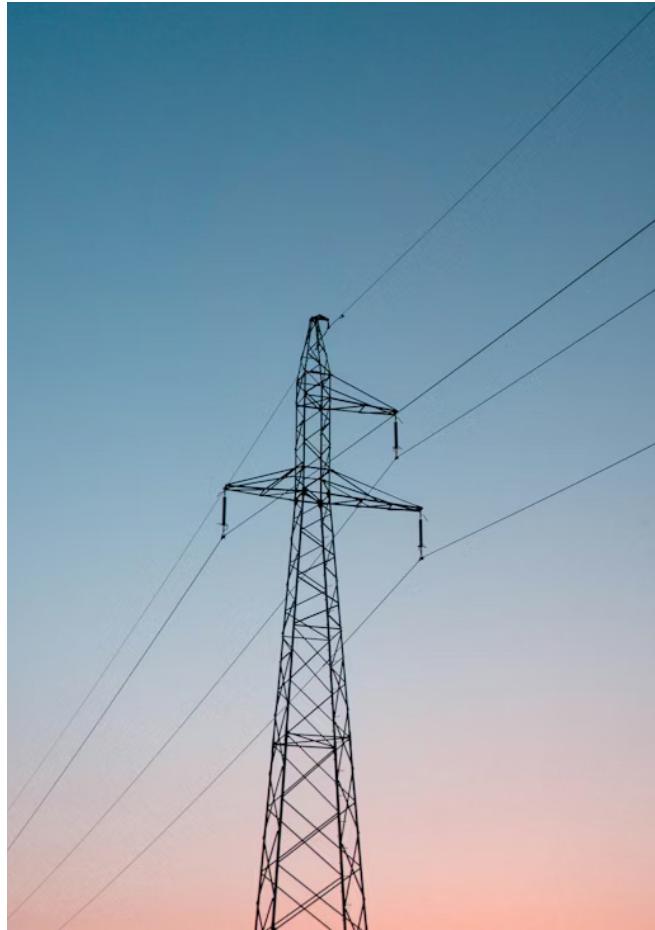


Photo: Adrian Rudzki

words, clean investments are essential in making Europe more secure, competitive, and sustainable.

As a frontrunner in the climate transition and a leader in several strategic clean sectors, Denmark has a unique opportunity to help set a clear direction for the EU budget negotiations. As representatives of business, the financial sector, and civil society, we now present five key recommendations:

1. AN AMBITIOUS & SUSTAINABLE BUDGET

The EU budget should include an ambitious target for investments in climate, energy, environment, and circular economy - aimed at closing the clean investment gap and rapidly reducing the EU's dependence on costly imported energy¹.

This will help strengthen the resilience and competitiveness of European companies. To avoid a slowdown in clean investments, it is crucial that climate and environmental spending in the next MFF increases significantly compared to the current budget-period and that investments are continuously monitored to ensure their actual climate impact.

2. FINANCING FOR CLEANTECH AND INDUSTRIAL DECARBONISATION

The European Competitiveness Fund should maintain a strong strategic focus on clean transition and electrification. There is great potential in further strengthening the synergies between competitiveness, energy independence, circular economy, and decarbonisation - both by supporting the launch and scaling of cleantech products and technologies and by decarbonising existing industries.

Subsidies for strategic technologies should be designed so that projects primarily take place within the EU, strengthen European production and value chains, and promote domestic manufacturing of critical components². Furthermore, the EU should maintain a strong price signal through the emissions trading systems and ensure that revenues are directed towards investments in electrification of industry, transport, and heating, where solutions are efficient and strengthen energy independence.

3. ACCELERATE EUROPE'S ELECTRIFICATION AND PERMITTING

The EU currently imports more than 90% of its oil and gas at an annual cost exceeding EUR 400 billion. The EU budget should therefore support rapid electrification to reach the European Commission's proposed target of 32% electrification by 2030, full decarbonisation of electricity supply, and a doubling of the electrification rate by 2040³. Electrification is the most cost-effective pathway to enhance competitiveness while reducing greenhouse gas emissions and energy dependence. We therefore support the Commission's proposal of a fivefold increase of funding for cross-border energy infrastructure projects.

Lengthy approval, funding, and permitting processes creates uncertainty and delays the deployment of clean technologies and solutions. The EU should support faster national implementation of the Renewable Energy Directive (RED III), ensuring significantly faster and more efficient permitting and approval processes.

4. STABLE FRAMEWORKS AND SCALING OF PRIVATE CLEAN INVESTMENTS

The EU must ensure clear and long-term investment frameworks. The EU budget should send strong signals through instruments such as blended finance and green guarantees that can mobilize private capital - particularly focused on scaling new and strategic clean technologies. To mobilize private capital at scale for clean energy, circular economy, and electrification, regulatory frameworks should support risk-adjusted and competitive returns compared to other infrastructure investments. In a situation where Europe urgently needs to strengthen productivity and entrepreneurship, it is also important that no unnecessary barriers are created for European companies' competitiveness.

5. TRANSPARENCY AND PHASING OUT OF ENVIRONMENTALLY HARMFUL ACTIVITIES

To ensure cost-effective use of budgetary resources, a robust methodology should be developed to classify EU budget investments so that the climate impact of each investment is clearly reflected in its categorisation as green, partially green, or non-green. The principles of the EU Taxonomy could serve as inspiration.

The EU budget should also include ambitious horizontal implementation of the "Do No Significant Harm" (DNSH) principle, ensuring that EU spending does not cause significant harm to climate or the environment. We support the Commission's proposal for a simple and streamlined guidance⁴ that does not delay disbursement or increase reporting burdens but rather simplifies processes. The guidelines should distinguish between activities exempt from DNSH (e.g. disaster response), those aligned with DNSH, and those causing significant harm, which should therefore not be eligible for EU funding.

NOTES

1) Calculations by the Commission show that doubling the level of electrification could halve the EU's spending on fossil fuel imports by 2040.

2) Access to financing under the Competitiveness Fund should be simple, as complex application and reporting procedures would delay investments and hinder the rollout of new technologies.

3) In line with the Commission's impact assessment for the EU's 2040 climate targets.

4) The above parameters (investment classification and DNSH) are particularly important in relation to the proposed National and Regional Partnership Plans (NRPPs), where Member States will have significant responsibility for the allocation of budget funds.