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## FOUR TESTS DRIVING EU POLITICS IN 2025 AND WHAT THEY MEAN FOR CLIMATE ACTION

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The EU's new political term has officially kicked into gear. 2025 is set to be a particularly tumultuous year, yet one where Europe has a unique opportunity to rise to multiple challenges. Not least among them will be demonstrating that an accelerated clean transition is a viable pathway towards lasting stability, security and cohesion.

This orientation briefing sets the scene for what tests are likely to drive EU politics in 2025 and thus have the greatest impact for climate action. It also analyses how national, EU-level and international politics will shape this landscape.

### Four tests the EU will face in 2025

The EU has turned the political and institutional page. Following a year of elections, high-level agenda setting, and the final instalment of contentious Commissioner hearings,<sup>1</sup> the EU's executive has rolled up its sleeves and is set to begin issuing plans and actions over its "first 100 days". Despite the adversarial political landscape in which this change of cycle has taken place, all parties concerned might be able to agree on one thing: in 2025 Europe faces a series of tests that will determine its pathway and place in the world for years to come.

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<sup>1</sup> E3G, 2024, [Commissioner hearings reaffirm the EU's decarbonisation path amid shakier politics](#)



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## 1. Finding the investment for future prosperity

Mario Draghi's influential report made one message clear: Europe's future prosperity lies in its sustainable transition. He also clarified that future prosperity comes with a price tag – an additional €800 billion annually will be needed for the EU's competitiveness.

Europe's investment needs are currently the enabling thread connecting all its strategic priorities, reflected also in Commission President Von der Leyen's call for an "Investment Commission". The needs are many: from decarbonising the EU economy and mobilising an industrial strategy and international partnerships, through enabling Europe to defend itself and support Ukraine as the US commitment to European security wavers,<sup>2</sup> to strengthening its social fabric. Resourcing these needs will require political courage to unlock additional sources of funding and investment. Business-as-usual is not an option, especially with restrictive fiscal rules having been reinstated for national budgets, and the COVID-era Recovery and Resilience Facility winding down in 2026.

A coherent investment strategy requires a break from the status quo in several politically challenging areas. With the next EU budget set to be proposed and discussed in 2025, hawkish EU leaders will have to acknowledge the need for a larger and more agile EU purse – one that is able to invest in EU public goods and unlock additional private capital. Europe's Capital Markets Union (CMU), over a decade in the making, is spotlighted as a key to increased investment both by Mario Draghi and in Enrico Letta's report on the Single Market,<sup>3</sup> where the CMU is reconfigured into a "Savings and Investments Union". To move in this direction, member states will have to overcome division and strengthen a more centralised supervisory body, while also working to align capital markets with Europe's transition strategy through systemic changes to the incentives and disincentives channelling private finance.<sup>4</sup> The European Investment Bank, the upcoming reform of state aid rules, and the set up of new and existing funds such as the Competitiveness Fund, the Innovation Fund, and the Social Climate Fund will be crucial in channelling funds where they are most needed. Also important will be ensuring that simplification of existing rules does not spill over into a broader deregulation push that could risk scattering investment flows and creating uncertainty for investors and businesses.

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<sup>2</sup> AP News, 2024, [Trump's threat to NATO allies draws little condemnation from GOP](#)

<sup>3</sup> Enrico Letta, 2024, [Report on the Future of the Single Market](#)

<sup>4</sup> E3G, 2024, [Aligning capital markets with Europe's transition needs](#)



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## 2. Simplifying regulation without sacrificing integrity

Commission President Von der Leyen has made “reducing administrative burden and simplifying legislation” – including cutting 25 to 35% of existing reporting obligations for companies – a top priority of her new team.

Commissioners made it clear during parliamentary hearings that these reforms “won’t mean deregulation”. However, this comes amid demands from industrial and political actors calling for a rollback or postponement of key Green Deal policies, such as the EU’s anti-deforestation law, the 2035 internal combustion engine ban, introduction of carbon pricing in buildings and transport known as “ETS2”, and reduction of sustainable reporting under the EU’s sustainable finance framework.

Other industrial players<sup>5</sup> worry that re-opening legislation in this context risks unpredictable rollbacks, undermining policy effectiveness and creating legal uncertainty for investors and companies, while forcing them to restart their adaptation to Green Deal rules. To achieve simplification without sacrificing regulatory integrity, policymakers must remain vigilant and distinguish legitimate business concerns from environmentally regressive agendas.

The first test of this will be the “omnibus” package of proposals announced for February, which is expected to take particular aim at rules for corporate sustainability reporting (CSRD), supply chain due diligence (CSDDD) and the taxonomy of sustainable activities. While targeted amendments could improve the consistency of the reporting requirements, reopening the reporting framework could erode trust and inadvertently put companies committed to sustainability at a disadvantage.

Instead, the EU could advance a smart regulation approach to effectively harnesses the power of EU-level standardisation. Greater consistency across EU laws, sector-specific standards, tackling overcompliance and increasing digitalisation could all help overcome complexity without reducing substance.<sup>6</sup> Ultimately, these efforts would need to be coupled with implementation support and enhanced member state capacity, as well as more guidance for companies.

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<sup>5</sup> Various companies, business associations and investors, 2024, **A business perspective: Strong environmental standards foster long-term competitiveness**

<sup>6</sup> Various stakeholders, 2024, **Smart implementation of EU sustainability reporting standards: make complying with rules easy**



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### 3. Strengthening coordination for an EU that forges its own path

Another strong message from Draghi's report is that Europe has a choice between "exit, paralysis, or integration" and that improving competitiveness requires closer cooperation and integration among Europe's nations. Unity among member states was a decisive theme in the aftermath of Russia's invasion of Ukraine, when the EU was confronted with the choice between adopting a joint strategy or freezing in the face of an invasion on nearby soil. Member states were able to defy expectations and adopt a common plan that centred declining dependence on Russian fossil fuels and an accelerated clean transition. 2025 will up the ante, testing whether the EU is able not only to remain united but to make significant moves on its own independent strategy. The political conditions for further European cooperation are not ideal, but the value case has never been stronger.

EU and national elections in 2024 have seen the rise of Eurosceptic and nationalist groups in several key countries, notably in France and Germany,<sup>7</sup> and a more fragmented<sup>8</sup> European Parliament. Meanwhile, the incoming Trump administration will test EU unity as member states may prefer different levels of engagement in areas such as security, energy and trade.<sup>9</sup> In this context, capitals may be tempted to resort to prioritising their own interests – from national private sector champions, to perceived regulatory advantages and local jobs.

But a coordinated and planned EU approach holds greater, longer-term benefits for the European economy and its position globally. Staying the course on the clean transition – and employing new tools, such as the forthcoming Clean Industrial Deal, in full service of this strategy – for one, will lead to structurally cheaper and more secure energy sources, as well as provide a much-needed leg up in the global cleantech race. Integrated power markets are already saving the EU €34bn annually.<sup>10</sup> But doing this effectively will require an increased level of EU coordination. Fundamental building blocks such as integrated infrastructure planning on grid expansion, electrification, and a plan for hydrogen use and gas phase-down will depend on pan-European buy-in that leverages the unique strengths of member states and regions.

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<sup>7</sup> E3G, 2024, **Opportunities and risks for climate action after the EU elections**

<sup>8</sup> E3G, 2024, **Commissioner hearings reaffirm the EU's decarbonisation path amid shakier politics**

<sup>9</sup> Politico, 2024, **EU warned to prepare for early Trump tariff action**

<sup>10</sup> ACER, 2022, **Final Assessment of the EU Wholesale Electricity Market Design**



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#### 4. Navigating heightened global competition and security concerns while enabling international cooperation

Going into 2025, boosting Europe's security is a clear priority for the new European executive amid worsening geopolitical tensions. This will require reducing the bloc's dependence on foreign economic powers as well as keeping trust and momentum on global cooperation and climate action.

Spurred by a drastic change in geopolitics over the past few years, the EU has established a "de-risking" strategy to build up and protect its domestic industry – by developing more resilient supply chains, moving away from overdependence on single suppliers, and ensuring fair competition via tools such as the Carbon Border Adjustment Mechanism (CBAM). Looking ahead, the incoming Trump administration has pledged to impose significant tariffs across all imports, with a potential 60% or more on Chinese imports.<sup>11</sup> Although it is unclear at this stage how serious this intention is, it poses risks to the EU economy, among them the potential to usher in a displacement of Chinese exports – which could undercut key EU industries that are already considered to be struggling. In a context where EU–China relations were complex to begin with, Europe's ability to build strategic autonomy while also managing economically critical trade relations will be one of the new term's hardest nuts to crack.

But moving too far in the direction of protective trade measures and onshoring of cleantech manufacturing threatens to raise costs and slow the clean transition, contributing to a perception of lagging EU climate action, and antagonising trade partners at a time when countries need to step up efforts.

A promising track lies in the European Commission's planned new Clean Trade and Investment Partnerships and plans to strengthen economic ties with emerging and developing markets. Clean transition partnerships can contribute to rebuilding trust with the Global South by making a strong case for cooperation with the EU,<sup>12</sup> while addressing EU fears of overdependence on critical imports from China and its loss of international competitiveness due to rising energy costs and green subsidies. They can also facilitate the emergence of a climate ambitious coalition in 2025 by reassuring emerging economies about the available support for choosing sustainable development pathways, and thereby giving them the confidence to reflect such ambition in their next Nationally Determined Contributions (NDCs).

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<sup>11</sup> CNN, 2024, **Trump ups the ante on tariffs, vowing massive taxes on goods from Mexico, Canada and China on Day 1**

<sup>12</sup> E3G, 2024, **EU clean transition partnerships with emerging economies**

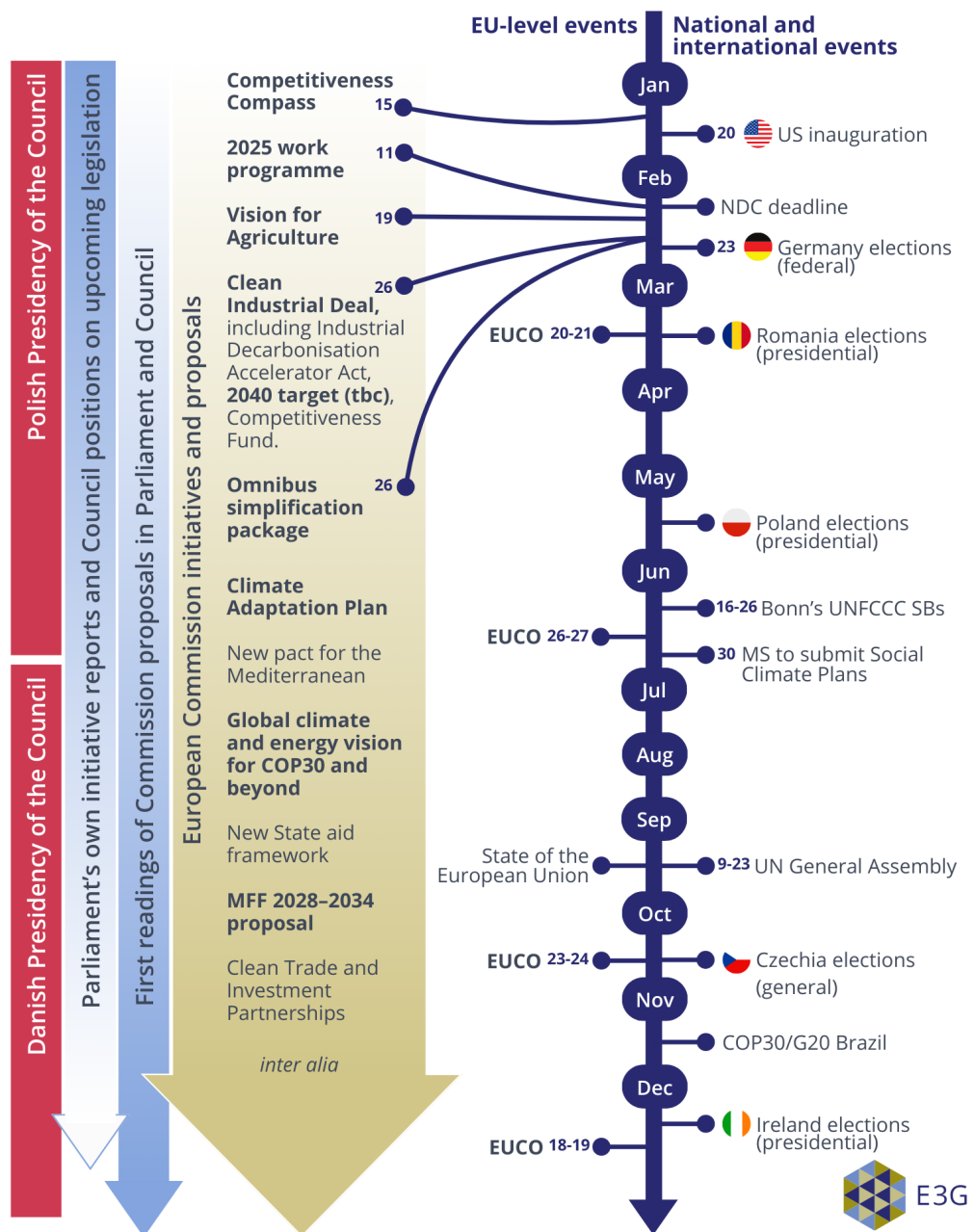


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## 2025 political outlook and key moments

The EU will prove its ability to stand up to these tests amid a complex mix of national politics, EU-level decisions, and international dynamics in 2025. Here we look at some of the critical political junctures ahead across these different levels of governance. The first big moment for EU climate politics will come in February with the Commission's the Clean Industrial Deal and an omnibus simplification package.

### Timeline of EU climate politics in 2025





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## International dynamics: Two years-long wars fray the international order, Trump administration could heighten tensions and the road to COP30 will test EU climate leadership

- > **2025 starts as the third year of war in Ukraine, and the second in Gaza, pushing the EU to continue focusing on security** and foreign policy in an increasingly tense geopolitical landscape. The ongoing conflicts have caused a catastrophic human death toll, immense environmental and infrastructure impacts, and challenge the post-war international world order. Gaza, in particular, represents an unprecedented test for the modern international legal order, as well as for European values and unity in the EU's response. Russia's military presence at EU borders and its influence in the elections of countries like Romania, Georgia and Moldova remain significant threats to Europe's stability. EU leaders will also pay great attention to the end of Al-Assad's regime in Syria, and the prospects for stability in the region.
- > **Trump's return as US President signals the possibility of trade tensions, an unstable NATO and an uncertain end to the Ukraine war.** The prospects of renewed tariff threats change the landscape of the cleantech race and leave EU leaders in a precarious position if they don't stay united. The anticipation of rapid, sweeping policy changes – affecting forums like the G7, G20 and COP30 – amplifies these concerns, leaving EU and member states' officials bracing for unpredictability.
- > **Throughout 2025, the EU will have opportunities to rebuild momentum and trust in global climate action on “the road to COP30” in Brazil.** While COP29 showed that international climate cooperation is still functional and capable of delivering progress despite strong headwinds, the deal agreed falls short of what is needed to address the escalating climate crisis. This is putting Europe's own climate safety at risk. Curbing emissions outside its borders has always been in Europe's interest. Achieving it will now require targeted, impactful engagement to create the right political and economic conditions for third countries' sustainable development. This will require the EU to present an ambitious and timely 2035 Nationally Determined Contribution (NDC) in line with its upcoming 2040 climate target (deadline February 2025); to engage with China around their own NDC (likely Feb–Sep 2025) in the context of the preparations for China's draft 15th Five-Year Plan; and to engage proactively with G20 countries at different junctures. The EU's impact will be affected by its ability to collaborate with emerging economies and developing countries in co-creating mutually beneficial Clean Trade and Investment Partnerships.



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## EU level: The European Commission has right of initiative, but Parliament and Council will have plenty of opportunities to voice their opinions

- > **The first policy initiatives of the new European Commission will show how it intends to balance climate, security, simplification, competitiveness.** The Competitiveness Compass (expected mid-January) will show what choices President Von der Leyen suggests the EU take to ensure its prosperity. It will be followed by a vision for the future of agriculture, and a large package on 26 February including a Clean Industrial Deal communication, a proposal for a Competitiveness Fund, and an “omnibus simplification package” meant to bring consistency to sustainability and due diligence reporting requirements. The timing of a legislative proposal for a 2040 emission reduction target will be key to shaping the EU’s climate ambition for 2035 ahead of COP30, but is yet uncertain. The 2028–2035 EU budget (MFF) proposal, expected around summer, will kick off crucial negotiations on its size, structure, and priorities.
- > **The Polish and Danish Presidencies will both drive political debate and prepare member states for agreement on the key choices they will make.** The Polish Presidency starts on 1 January and will prioritise security in all its forms.<sup>13</sup> It will shape the orientation of upcoming policy discussions via Council Conclusions and informal events. The Danish Presidency in the second half of the year is expected to focus more on climate action in the run up to COP30, and will prepare the first Council and European Council discussions on the next EU budget proposal.
- 1. **The new European Parliament arithmetic will also be put to the test.** The parliament’s post-election composition has strengthened the centre-right EPP group and allows for building contradictory majorities with the centre-left and the far-right. This risks limiting the influence of climate-ambitious actors as well as driving political instability and hindering the Commission’s ability to build consensus around upcoming clean transition initiatives. In this difficult context for consensus-building, the Parliament’s own initiative reports outlining its position as an institution – such as their position and red lines for the next EU budget – will likely grab the spotlight in the first months of the year.

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<sup>13</sup> Polish Presidency, 2024, **Programme of the Polish Presidency of the Council of the European Union**





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## **National politics: Several elections will shape the year's rhythm, with instability in Germany and France leaving a leadership vacuum others could fill**

- > **Elections in member states and national implementation of the transition will impact Europe's climate-related debates.** Local, regional and national elections across Europe will have an impact on the direction and rhythm of EU-level discussions, affect the level of political polarisation, and test vulnerability to Russian interference. Fragmented national politics and challenges in delivering the transition on the ground – such as implementing ETS2 – are also likely to reverberate in EU-level political debates, especially around specific check-in times such as the NECP progress reports by March, the national Social Climate Plans by June, and the review of CBAM's trial phase.
- > **Political instability in France and Germany weakens the duo's traditional leadership in the EU at the start of 2025.** In France, the lack of a stable parliamentary majority will make it difficult for both the national government and President Macron to take action domestically, as seen in the inability to approve a national budget for 2025, and at the EU level, as seen with the recent EU–Mercosur trade agreement.<sup>14</sup> After the collapse of Chancellor Scholz's coalition, Germany will head to the polls in February, but a new government may not be in full steam until late spring.<sup>15</sup> The likely new conservative administration could review some aspects of the country's "debt brake" to address economic stagnation, but it might oppose efforts to increase the EU's budget.
- > **A distracted Franco-German engine will leave space for other countries such as Italy, Spain, Poland and Denmark to assume greater leadership.** Poland and Denmark have a unique opportunity to step into a prominent role as they will hold the rotating Presidency of the Council. However, Poland's presidential election in May and Denmark's local and regional elections in November risk shifting their attention to domestic issues. Commission President Von der Leyen will remain a strong figure throughout, but her capacity to drive change will depend on Commission unity and the ability to broker agreements with national governments and political groups.

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<sup>14</sup> Euronews, 2024, **France's political instability deepens opposition to Mercosur trade agreement**

<sup>15</sup> Clean Energy Wire, 2024, **The road to a new coalition government in Germany**



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## About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

More information is available at [www.e3g.org](http://www.e3g.org)

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