Securing Europe against *Climate Risks*: The Case for *EU Action*

POLICY PRIORITIES FOR THE EU CLIMATE RESILIENCE AND RISK MANAGEMENT INTEGRATED FRAMEWORK

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The European Climate Risk Assessment[1] has identified thirty-six risks across Europe and several have already reached critical levels. Managing climate risks is essential to safeguarding the EU's economic stability, competitiveness and security. Yet progress in managing these risks has been uneven and insufficient, leaving significant gaps in Europe's preparedness for current and future climate impacts. This year, the EU Climate Resilience and Risk Management Integrated Framework presents a critical opportunity to address these gaps and fundamentally strengthen how Europe anticipates and manages climate risks.

Executive summary

- The EU Resilience Framework is a pivotal opportunity to transform how Europe anticipates and manages climate risk by embedding resilience as a cross-cutting principle across policy, investment and governance at all levels.
- Six design priorities can shape a strong outcome: i) 'resilience by design' across EU policy and spending, ii) harmonised risk assessment methodologies, iii) coordinated management of cross-border systemic risks, iv) strengthened national governance and risk ownership, v) protection of people, and vi) mobilisation of private finance to close the insurance protection gap.
- Political buy-in hinges on addressing concerns and expectations of different countries, sectors and communities. Narratives around economic competitiveness, energy

[1] European Environment Agency, March 2024, **European Climate Risk Assessment**.

security, geopolitical stability, social protection and workers' rights are most likely to gain support, with dual-purpose solutions offering concrete cross-sectoral wins.

The case for EU action on climate resilience and risk management

Managing climate risks is a matter of protecting economic stability, public finances and long-term prosperity. Heatwaves, droughts, floods and wildfires are increasingly disrupting infrastructure, reducing agricultural productivity, affecting labour conditions, and damaging homes and businesses across Europe. The costs of these climate impacts will rise significantly if they are not managed proactively. National responses alone will not be enough to manage these risks, as many of the most serious climate threats affect systems that operate across borders such as energy networks, food supply chains, financial markets and transport infrastructure. This means that disruption in one Member State can quickly affect others through the Single Market.

Coordinated EU action is therefore necessary to:

- manage cross-border and systemic risks at the scale at which they occur,
- safeguard the functioning of the Single Market through common resilience standards,
- protect financial stability and public finances from growing disaster losses and widening insurance protection gaps,
- mobilise investment in resilient infrastructure at a scale beyond individual actors or regions, and
- provide the shared data, scenarios and planning frameworks that allow governments, businesses and financial institutions to consistently assess and act on climate risks.

Ultimately, managing climate risks is increasingly a core task of economic governance. The question is no longer whether Europe will face these risks, but whether and how it will act proactively rather than continuing to respond only after the damage is done.

Defining a strong resilience outcome for Europe

The European Climate Resilience and Risk Management Integrated Framework (hereafter EU Resilience Framework) will aim to drive transformational change to ensure Europe can anticipate, manage and reduce climate risks while strengthening economic resilience and global competitiveness.

Its success will depend not only on the policies and decision-making frameworks it establishes but also on the level of political and stakeholder buy-in it generates across member states, sectors and levels of governance. While the former can shape approaches to policy, public spending and risk management, the latter will determine

whether the framework succeeds in establishing a shared understanding of resilience across the EU.

A key starting point is the development of a **shared and operational definition of resilience**, one of the main stated goals of the EU Resilience Framework. This should reflect **a systemic, "all-of-society" understanding**, encompassing not only the ability to withstand and recover from known and anticipated climate impacts but also to adapt and thrive in the face of evolving risks. Such a definition must be inclusive and reflect the perspectives and needs of different sectors, communities and economic actors.

Looking ahead, increasing the **political salience of resilience** will be essential. Strengthening resilience must be understood not as a niche policy objective but as a **core component of economic stability, competitiveness and security**. Building coalitions across stakeholders – including public authorities, businesses, financial actors and civil society – will be critical to demonstrating that resilience delivers tangible benefits across sectors. Structured cross-sectoral dialogue can help identify shared priorities and translate them into **actionable, investable solutions**.

A strong EU resilience outcome, achievable through this policy package, would include:

- **A shared systemic understanding of resilience.** Resilience is recognised across EU Member States and levels of governance as an "all-of-society" objective, requiring coordinated action across sectors and institutions.
- **Clear risk ownership and effective risk-sharing mechanisms**. Roles and responsibilities for managing climate risks are better defined, supported by mechanisms to distribute and share risks across public and private actors.
- **Integration of resilience into economic decision-making.** Pathways are established to price climate risks and resilience into economic systems, unlocking private investment and enabling firms and local authorities to act, supported by improved data and financing tools.
- **Mainstreaming "resilience by design" across policy and investment**. Public policy and spending systematically incorporate resilience considerations, with approaches that are also accessible and applicable to private sector decision-making.
- **Stronger, more consistent and investable national adaptation strategies**. Member States develop more ambitious, standardised and actionable adaptation plans that contribute to resilience both locally and at EU level.

With strong coordination and political engagement, the EU Resilience Framework can deliver a **coherent, cross-sectoral approach to climate resilience**, one that strengthens Europe's capacity to manage climate risks while supporting economic stability and long-term prosperity.

Design of the EU Resilience Framework – key recommendations

The design and the political support of the EU Resilience Framework are the two most important factors in determining its potential for achieving a strong resilience outcome as defined above. The Framework's design should prioritise:

1. Defining, operationalising and **embedding "resilience by design" across all EU policy and investment**, ensuring that all major EU policies, infrastructure planning and financial instruments systematically assess climate and other interrelated risks.
2. **Establishing harmonised EU climate-risk assessment methodologies**, with common scenarios and methodologies to guide planning, investment and policy decisions.
3. **Addressing systemic and cross-border climate risks** by strengthening EU-level coordination to manage cascading risks affecting energy systems, supply chains, financial markets and infrastructure.
4. **Strengthening risk ownership and governance** across EU Member States and levels of decision-making by maintaining robust adaptation strategies, developing cross-border response mechanisms, and integrating resilience into economic governance and policy planning.
5. **Protecting people and strengthening local resilience** to ensure all people, including vulnerable communities, workers and local authorities, have the resources, data and support needed to prepare for and respond to climate risks.
6. **Mobilising finance and closing the climate insurance protection gap** by strengthening public–private risk-sharing and investment mechanisms, and improving insurance coverage for climate-related disasters.

1. Embed "resilience by design" across EU policy and investment

"Resilience by design" means proactively considering future climate and other conditions when designing policies, infrastructure and investments. Planning decisions taken today must therefore integrate anticipatory assessments of future climate risks and remain flexible enough to adapt to unforeseen economic, geopolitical, or other changes in the future. As climate risks affect nearly every sector of the economy, limiting resilience planning to a small number of sectors would be insufficient. Instead, resilience should function as a cross-cutting principle guiding investment, decision-making and policy design across government, business and society.

Key recommendations

- **Develop a resilience screening framework.** Create a methodological tool that evaluates how policies and investments affect climate resilience, building on but extending beyond the "do no significant harm" principle. The tool should be accessible

and usable for both public and private sectors and across all Member States and levels of governance.

- **Mainstream resilience across EU policy and spending.** Integrate resilience criteria into infrastructure planning, procurement, industrial policy and public investment.
- **Embed resilience in key EU governance frameworks**. Begin by integrating resilience considerations into National Energy and Climate Plans under the Governance Regulation.
- **Prioritise deployment in high-risk systemic sectors,** including energy systems, water infrastructure, transport networks, agriculture, buildings and financial systems.
- **Encourage the development of dual-purpose solutions** that address multiple resilience challenges simultaneously by applying parallel "security by design" thinking, particularly in energy planning, covering system redundancy, cross-border emergency protocols and supply chain resilience.

2. Establish harmonised EU climate-risk assessment methodologies

Effective climate resilience policy depends on robust risk assessments grounded in scientific evidence. The EU Climate Risk Assessment highlights that climate risks across Europe are interconnected, evolving and highly uncertain, requiring regular updates and shared methodologies across Member States.

Despite this, climate risk assessments remain fragmented across the EU, with differing methodologies and scenarios limiting comparability and coordinated action. The ESABCC[2] emphasises that systematic climate risk assessments are essential for integrating climate risks into economic planning, infrastructure development and financial decision-making.

Key recommendations

- **Establish common EU climate scenarios**. Provide reference scenarios for planning, infrastructure design and investment decisions.
- **Standardise risk assessment methodologies.** Ensure comparability and aggregability between EU and national risk assessments.
- **Strengthen national risk assessments.** Support Member States in developing detailed sectoral risk assessments.
- **Link risk assessments to decision-making.** Ensure assessments directly inform adaptation planning, fiscal policy and infrastructure investment.

[2] European Scientific Advisory Board on Climate Change, February 2026, **Strengthening resilience to climate change - Recommendations for an effective EU adaptation policy framework**.

3. Address systemic and cross-border climate risks

Climate impacts increasingly generate systemic risks that affects multiple sectors or jurisdictions simultaneously. The EU Climate Risk Assessment draws particular attention to risks that cascade across critical systems, such as energy systems, food and water supply, financial markets, supply chains and public health systems. These risks often cross national borders and affect the functioning of the EU Single Market. Climate-related shocks can therefore have macroeconomic consequences, including impacts on asset values, insurance markets, sovereign balance sheets and fiscal sustainability. Managing these risks requires coordinated European action, as national responses alone may not sufficiently address cross-border vulnerabilities.

Key recommendations

- **Strengthen EU-level systemic risk monitoring.** Improve coordination between climate risk assessments, financial supervision and macroeconomic policy.
- **Enhance cross-border infrastructure resilience,** including energy grids, transport corridors and digital infrastructure, in part by strengthening the mandates of national regulatory authorities and transmission system operators to embed resilience.
- **Improve data sharing and modelling.** Develop EU-wide climate risk datasets accessible to governments, businesses and financial institutions.
- **Integrate climate risks into financial stability analysis**. Ensure macro-financial institutions systematically assess climate risks to the European economy.

4. Strengthen risk ownership and governance

Although the EU has an adaptation strategy under the European Climate Law, national approaches to resilience remain uneven and fragmented. Climate risks often involve overlapping responsibilities across governments, businesses and communities. Without clear risk ownership and governance structures, key vulnerabilities may remain unaddressed. Stronger governance frameworks are therefore necessary to ensure effective coordination across EU institutions, Member States, and local authorities.

Key recommendations

- **Strengthen national adaptation strategies**. Ensure Member States maintain comprehensive adaptation plans and integrate resilience across key sectors, design those plans to function as investment plans to unlock private funding and encourage the creation of independent climate advisory councils to underpin ambition and accountability.
- **Integrate resilience into economic governance.** Incorporate climate resilience considerations into the European Semester.

- **Develop resilience monitoring and indicators.** Establish EU-level indicators to track progress on climate resilience, with clarity on how Member State-level performance against those indicators contributes broader European resilience.
- **Improve transparency and reporting.** Encourage firms to disclose climate risks and resilience strategies and integrate these insights into Member State adaptation and investment planning.
- **Clarify risk ownership attached to the built environment**, for example through mandating local authority liability for climate damages for properties built in flood zones or through resilience performance ratings for buildings.

5. Protect people and strengthen local resilience

Climate impacts disproportionately affect vulnerable populations, including low-income households, elderly people and outdoor workers. Local and regional authorities play a central role in managing climate risks but often face limited resources and technical capacity. Climate resilience policies must therefore be place-based and socially inclusive, ensuring that all segments of society, including vulnerable communities, receive adequate protection and support. While a focus on building socially-inclusive resilience can strengthen economic productivity and human capital – particularly as climate risks increasingly affect labour markets and public health – it also contributes to building a more robust social contract around the necessity of climate resilience and climate action for all of society.

Key recommendations

- **Strengthen local capacity**. Provide technical assistance and funding to support climate risk assessments and adaptation planning at subnational levels, building on and scaling the learnings of the EU Mission on Climate Adaptation.
- **Protect people and workers from extreme heat and climate hazards.** Develop EU standards addressing occupational exposure to extreme temperatures and establish requirements for cool spaces and urban tree cover targets.
- **Improve access to climate data** by providing local authorities with high-resolution climate information for planning and emergency response, grounded in the Aarhus Convention's right of public access to environmental information.
- **Integrate social considerations into resilience policy**. Assess how climate policies affect different socio-demographic groups and build this into resilience planning.

6. Mobilise finance for resilience and close insurance protection gaps

Scaling up climate resilience requires substantial public and private investment though markets often struggle to price in a "resilience premium" that strengthens long-term resilience but involves higher upfront costs and short-term competitiveness challenges. Meanwhile, more severe climate impacts are widening Europe's insurance protection gap[3] and discouraging investment, with many households and businesses lacking adequate coverage for climate-related disasters. Climate-related financial risks are also increasingly relevant for macro-financial stability, affecting insurance markets, sovereign finances and financial institutions. Closing insurance protection gaps requires a coordinated strategy across regulation, fiscal policy, public–private risk sharing and resilience investment.

Key recommendations

- **Integrate climate risks into fiscal planning**. Ensure public budgets and infrastructure planning account for future climate losses.
- **Strengthen public–private insurance partnerships** to expand disaster–risk financing and insurance coverage, building on the EIOPA-ECB 2024 proposal[4] as a foundation for improved risk data, supervisory coordination and minimum coverage expectations across Member States.
- **Develop EU-level risk pooling mechanisms** to diversify risks across Member States, including by exploring large-scale common borrowing to finance climate resilience as a European public good and create the fiscal capacity that a liquid European safe asset would provide.
- **Mobilise private capital** by pursuing enhanced public–private partnerships, and by expanding the use of insurance-linked securities and catastrophe bonds to attract institutional investors.
- **Improve climate-risk data.** Strengthen EU-wide risk modelling and transparency to support insurance pricing and investment decisions, especially for the private sector.

[3] European Central Bank, **The climate insurance protection gap** (webpage, accessed 7 April 2026)

[4] European Central Bank, **ECB and EIOPA propose European approach to reduce economic impact of natural catastrophes** (webpage, accessed 7 April 2026)

ABOUT E3G

E3G is an independent think tank working to deliver a safe climate for all.

We drive systemic action on climate by identifying barriers and constructing coalitions to advance the solutions needed. We create spaces for honest dialogue, and help guide governments, businesses and the public on how to deliver change at the pace the planet demands. More information is available at **www.e3g.org**

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