



Ten issues to watch in 2026



IN-DEPTH ANALYSIS



EPRS | European Parliamentary Research Service

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Members' Research Service
PE 782.587 – January 2026

EN

This EPRS publication seeks to put into context, and offer insights on, 10 key issues and policy areas on the European Union's political agenda in 2026. It has been coordinated and edited by Isabelle Gaudeul-Ehrhart, based on contributions from the following policy analysts: Steven Blakman and Anja Radjenovic (Toughening stances on irregular migration in the EU and elsewhere in the world), Sebastian Clapp and Eva-Maria Poptcheva (Closing European defence capability gaps), Jakub Przetacznik (Ukraine's progress on its path to EU integration), Issam Hallak (Unlocking Europe's startup potential), Ulrich Jochheim (EU-China relations: More complex than ever), Juan Lopez and Liselotte Jensen (Climate policy framework for the decade ahead), Tristan Marcelin (How AI is changing the web), Marin Mileusnic and Lucia Sanchez Cabanillas (Why reforms are crucial for effective RRF implementation), Tim Peters and Karoline Kowald (Next EU long-term budget: Achieving a deal while ensuring democratic oversight), Frederik Scholaert and Anne Altmayer (Will 2026 be the year of action for the oceans?).

The cover image and other graphics were produced by Samy Chahri.

Further details of progress on ongoing EU legislative proposals, including all those mentioned in this paper, are available in the European Parliament's Legislative Train Schedule, at: <http://www.europarl.europa.eu/legislative-train/>.

LINGUISTIC VERSIONS

Original: EN

Manuscript completed in January 2026.

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PE 782.587

ISBN: 978-92-848-3319-1

ISSN: 2600-268X

DOI:10.2861/2973253

QA-01-26-001-EN-N

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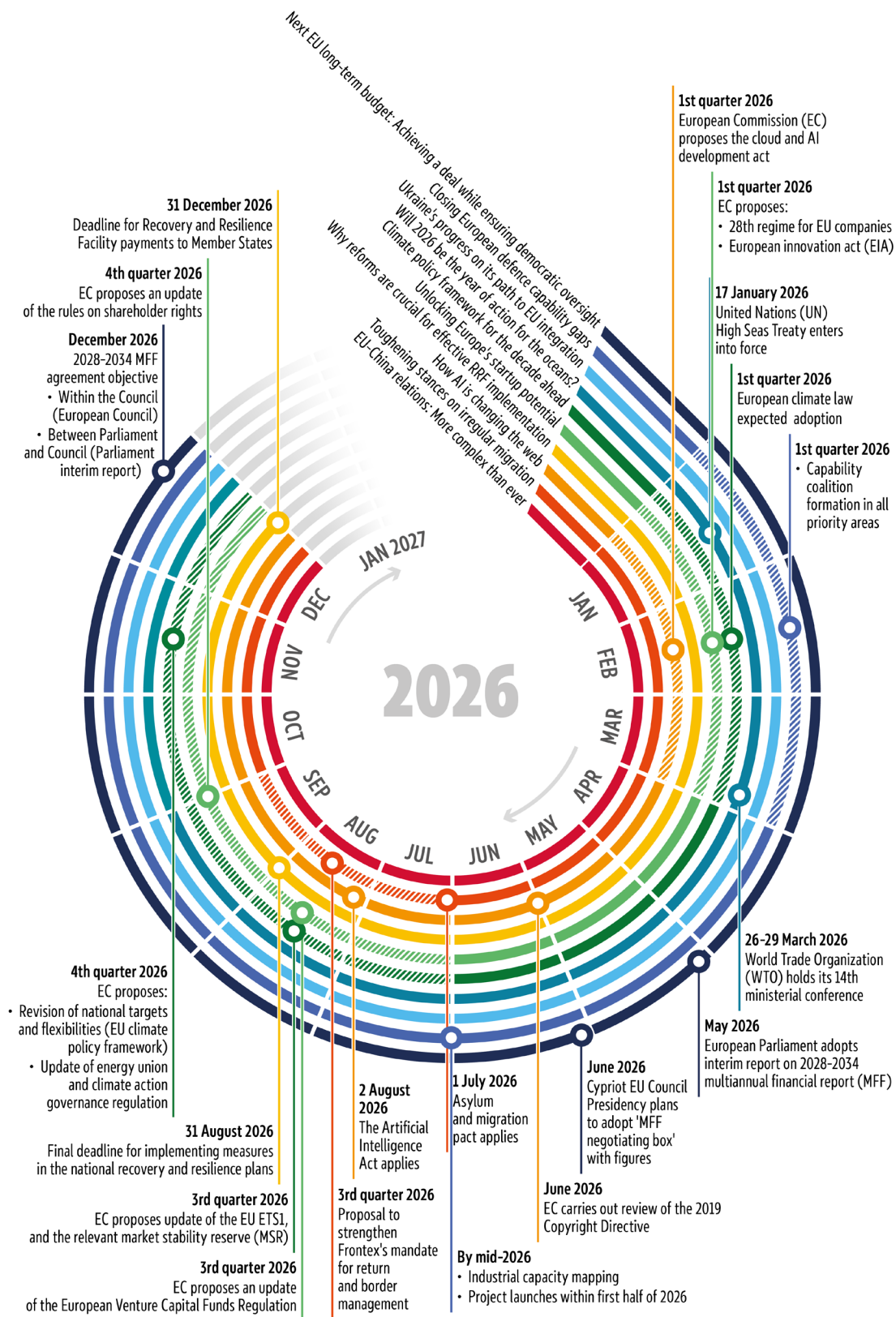
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Figure 1 – Events that will shape 2026



Source: EPRS, 2026.

Introduction

What are the challenges and issues that the European Union will have to take on in 2026? For ten years now, the European Parliamentary Research Service (EPRS) has asked its policy analysts to identify ten issues to watch in the year to come. While not exhaustive, the annual outlook produced by the Members' Research Service seeks to explore some major political debates as well as put the spotlight on issues that are not so well known. Over a challenging and defining decade, the series has tackled themes across the European Parliament's various fields of competence, from citizens' policies and structural policies to the economy, digital and climate issues, to budget and international affairs.

Such periodic analysis enables us to better understand today's opportunities and challenges. When reflecting on issues that have affected the European Union in the past decade, dramatic changes immediately come to mind: the COVID-19 pandemic, the war on Ukraine, and the shift in global power balances. But this annual exercise has also covered long-standing, recurrent issues: addressing climate change, shaping the long-term budget for Europe, monitoring the Union's weight in global trade, and analysing the changing dynamics of the transatlantic relationship.

This tenth edition comes at a highly turbulent time in geopolitics. The balance of power in the world is shifting, and the rules-based international order now faces greater and more frequent challenges than ever before. The selection of issues for 2026 reflects this heightened focus on external policies. The publication addresses three directly affecting the EU: Ukraine's integration into the EU, European defence capability gaps, and EU-China relations. These issues interact with other trends and developments with geopolitical consequences, such as the impact on the web of artificial intelligence (AI), the potential of Europe's startup companies, the tougher stances on irregular migration being taken around the world, including in Europe, and challenges on climate policy and ocean protection – all covered below. All these issues, as well as the 'normal business' that is not highlighted in this paper but is the European Union's daily work in delivering for its citizens, require financial means and governance. So this paper also covers the discussions on shaping Europe's long-term budget, or multiannual financial framework, for the coming years, as well as lessons drawn from implementing the post-COVID-19 Recovery and Resilience Facility.

EPRS provides independent, objective and authoritative information to Members of the European Parliament. As with all EPRS publications, this paper is based on research, robust facts and figures, and informed analysis, with the aim of providing Members with the elements they need to do their work. Readers will find links to the previous editions of this publication listed under the 'Further reading' section. Analysis on countless other topics and issues requiring closer, more regular monitoring can be found in the thousands of publications that EPRS has issued over the years, enriching Parliament's knowledge environment. We hope that this tenth edition of 'Ten issues to watch' will provide you with material for reflection as we enter 2026.

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1. Next long-term EU budget: Achieving a deal while ensuring democratic oversight



Negotiations on the 2028–2034 multiannual financial framework (MFF) will be a central issue on the EU's political agenda in 2026. The President of the European Council, António Costa, is [working](#) to secure a deal within the Council before the end of 2026. Early adoption would allow for a smooth start for all spending programmes. In their [draft interim report](#), Parliament's MFF co-rapporteurs, Siegfried Mureşan (EPP, Romania) and Carla Tavares (S&D, Portugal), are even more ambitious, aiming to reach an agreement between Parliament and the Council at the end of 2026.

The Commission's MFF [proposal](#) would shift a significant portion of EU funding – approximately 40 % – into 27 national and regional partnership plans (NRPPs), to be implemented under shared management. This structure, combined with the proposal's broader design features, would jeopardise Parliament's rights as the budgetary, legislative and discharge authority, thus threatening the democratic oversight of the EU budget. Budgetary decision-making and scrutiny powers are essential for a functioning parliamentary democracy. The control of the budget is a historic [prerogative](#) of Parliament, also known as the 'power of the purse'.

Given the democratic oversight risks in the Commission's proposal, one of the key tasks for the European Parliament in these negotiations will be to identify and address these risks. The risks can be grouped as follows: i) NRPPs may shape budget implementation without Parliament's input; ii) financing may not be linked to costs, lacking transparency and making audit and discharge more difficult; iii) regional and local governments and parliaments risk being excluded from decision-making; iv) less defined basic acts, and instead of delegated and implementing acts the Commission would make financing decisions alone; and finally, v) reduced oversight due to a reduction in the number of budget lines.

NRPPs may shape budget implementation without Parliament's input

In accordance with Article 23 of the draft NRP regulation, Member States would prepare the 27 NRPPs, which would then be assessed by the Commission, and adopted by a Council implementing decision. The same process would apply to any subsequent amendments to the 27 NRPPs. The Parliament would not play any role in the adoption or amendment of the plans, even though key priorities for EU spending would be defined in these plans. Parliament's MFF co-rapporteurs, Siegfried Mureşan and Carla Tavares, have opposed the merging of different policies in 'one plan per Member State' in their [draft interim report](#), confirming [Parliament's position](#) of May 2025. One option to include Parliament in the decision-making process could be for Parliament to contribute to the adoption and amendments of the NRPPs through delegated acts, as proposed by four political groups in a [letter](#) to Commission President Ursula von der Leyen. Another option could be to include more detailed provisions in the basic act to constrain the plans to a greater extent.

On 16 July 2025, the Commission presented its proposal for the next MFF for 2028 to 2034, amounting to almost €1.8 trillion in 2025 prices. The overall size of the MFF measured in gross national income (GNI) would increase from 1.13 % in the current MFF to 1.26 % in the next MFF. However, 0.11 % of the 1.26 % would be used to repay the debt created by the COVID-19 recovery programme Next Generation EU (NGEU). Parliament's co-rapporteurs [demand](#) a significantly more ambitious budget of 1.38 %, to enable the EU to address major challenges (see Figure 2).

Financing may not be linked to costs, lacking transparency and making audit and discharge more difficult

The European Court of Auditors repeatedly [criticised](#) the Recovery and Resilience Facility (RRF), which served as a model for the NRPPs, for lacking a sufficiently robust compliance and control framework. It warned if payments were solely made based on achieving milestones and targets without verifying compliance with EU and national rules, including public procurement rules, disbursements may be made regardless of underlying legal or financial irregularities. Furthermore, the 'financing not linked to costs' model used for national plans did not allow measurement of the efficiency of EU funds used, as this would necessitate the establishment of the actual costs. As a result, Parliament may be required to decide on discharge for large volumes of expenditure as reported by Member States or the Commission, primarily based on the achievement of milestones and targets.

Regional and local governments risk exclusion from decision-making

According to Article 6(2) of the draft NRP regulation, Member States 'shall involve' regional and local authorities in the preparation of the NRPPs. However, these entities risk being excluded from decision-making. While regions and municipalities play an important role in the EU's multi-level democracy, the concrete form of their involvement is not clear and risks being mainly in the hands of the central government of each Member State.

Less defined basic acts instead of delegated and implementing acts, Commission makes financing decisions alone

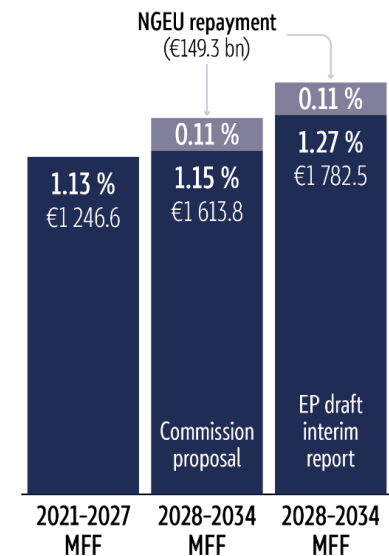
Newly proposed sectoral programmes would either lack specific programme objectives and funding priorities or include general objectives. The new MFF governance rules would allow larger financial envelopes to be shifted without requiring legislative action or approval from the budgetary authority. The NRPPs under Heading 1: 'Single market, innovation and digital' would be decided by Council implementing decisions. More work programmes in Heading 2: 'European Competitiveness Fund' would be decided by simple Commission financing decisions in accordance with Article 110 of the Financial Regulation, instead of Commission implementing acts in accordance with Article 291 TFEU. As a result, Parliament would be excluded from any formal involvement in their implementation. To fully ensure democratic oversight, Parliament has repeatedly [argued](#) that work programmes containing key policy choices should even be adopted by delegated acts in accordance with Article 290 TFEU.

Reduced oversight due to a reduction in budget lines

The budget nomenclature defines the structure of EU revenue and expenditure. While the European Parliament supports simplifying the EU budget, it insists the budgetary nomenclature be granular enough to allow for meaningful decision-making and scrutiny by the Union's budgetary authority, i.e. Parliament and the Council. This would ensure that the annual budget remains fit for purpose and that the budgetary authority is adequately involved in transfer decisions.

Figure 2 – Comparison of 2021–2027 MFF and 2028–2034 MFF

Commitments in € billion and EU GNI %, 2025 prices



Source: [European Commission](#) and [European Parliament](#).

2. Ukraine's progress on its path to EU integration



The year 2026 will be an important year on Ukraine's road to joining the EU. After finalising the [screening](#) meetings in September 2025, the country is ready to open negotiations on all [clusters](#). A major challenge is that the decision to launch negotiations requires unanimity in the Council – and Hungary has used its [veto](#) to date. In parallel, Ukraine is implementing reforms to modernise the country, facilitate reconstruction and bring it closer to the EU.

The [European Commission's 2025 report](#) noted that Ukraine has shown 'remarkable resilience and commitment to its European path', despite the continuation of Russia's full-scale, unjustified and unprovoked war of aggression. The Commission recognises that Ukraine is moving forward on key reforms and specifies that steady progress is needed in the fight against corruption. The Ukrainian government's objective is to close accession negotiations by the end of 2028. The Commission has [committed](#) to support this ambitious goal, adding that it will require an acceleration of the pace of reforms 'notably with regards to the fundamentals, in particular rule of law'. The European Parliament [recommends](#) swift opening of negotiating clusters, calls on the Hungarian Government to withdraw its veto and urges Ukraine to maintain its dedication and pace of reforms. Parliament is working on its report on an [EU enlargement strategy](#), expected to be voted during the March session. Taking into account this ambitious agenda, 2026 will be an important year, in which Ukraine will have to introduce the necessary reforms to meet the deadline.

Ukraine signed an [Association Agreement](#) with the EU in 2014 – an important step on its path to economic integration. It officially requested EU [membership](#) on 28 February 2022, just four days after the beginning of Russia's war.

As Ukraine had met the required preconditions, the first [accession conference](#), marking the formal opening of the negotiations, took place on 25 June 2024.

Overcoming the veto on opening negotiating clusters

The decision to open negotiating clusters requires [unanimity](#) in the Council. At the time of publishing, it was blocked by Hungary. As the current Hungarian government [supported](#) Donald Trump's November 2025 [plan](#), which stated that (point 11) 'Ukraine is eligible for EU membership', its position could evolve, depending on the general geopolitical situation. Hungary may also change its position after parliamentary elections scheduled for April 2026. Lifting the Hungarian veto in the Council is a substantive pre-requisite, as the enlargement is a two-way, merit-based process, in which the EU allows candidate countries to progress following their reforms.

If the Council blockage persists, the EU Member States might move to qualified majority voting, in particular for intermediate steps in the accession negotiations (e.g. opening negotiating clusters). Since the rules are set in the negotiating framework, this change would require unanimity among Member States. The Member States did not reach consensus on this matter during the [Copenhagen](#) summit in October 2025, as several of them wished to keep their power of veto. Yet, a path remains, as renouncing the possibility to veto the opening of negotiating clusters would still allow Member States to veto closing of individual clusters or even the outcome of entire negotiations.

Meeting reform targets for 2026

Progress is necessary across all negotiation clusters. Based on the 2025 country report, a non-exhaustive list of required reforms to be implemented by Ukraine in 2026 addresses the following items.

Under **Cluster one – The fundamentals of the accession process**, which includes the rule of law, Ukraine should 'advance its anti-corruption framework and prevent any backsliding on its notable reform achievements'. This echoes Ukraine's unsuccessful July 2025 attempts to introduce a law that would operationally subordinate the National Anti-Corruption Bureau (NABU) and the Specialised

Anti-Corruption Prosecutor's Office (SAP) under the authority of the politically appointed Prosecutor General. Their independence proved to be even more important in November 2025, when a vast [corruption case](#) was uncovered, leading to the dismissal of two ministers. The action plan of [10 reforms](#) covering rule of law and anti-corruption was agreed in December 2025 and, according to Commissioner [Marta Kos](#), is top of the list of priorities for 2026.

Within **Cluster two – Internal market**, the Commission recommended Ukraine continue efforts to join the EU standardisation and metrology bodies, advance alignment with the Payment Services Directive 2, the Single Euro Payments Area (SEPA) Regulation, the Cross-Border Payments Regulation 2 and the e-Money Directive 2; as well as make progress in the fight against money laundering.

Under **Cluster three – Competitiveness and inclusive growth**, the Commission recommends Ukraine adopt a new Ukrainian customs code and relevant secondary legislation that will be compatible with the EU Customs Code, thus preparing Ukraine to become an external customs border of the EU.

According to **Cluster four – The green agenda and sustainable connectivity**, Ukraine should continue implementing upgrades to critical energy and transport infrastructure in 2026, and further align with and implement the trans-European transport network (TEN-T) and the trans-European networks for energy (TEN-E).

Under **Cluster five – Resources, agriculture and cohesion**, Ukraine should implement requirements for sub-national authorities' needs in allocating financing to Ukraine's recovery, reconstruction and modernisation, according to EU cohesion policy principles, including subsidiarity, efficiency, accountability and on the decision-making role of sub-national authorities.

Under **Cluster six – External relations**, Ukraine should assess all new bilateral trade agreements against their impact on its candidate status and future accession, making sure that any such agreement should contain an early termination clause in the event of EU accession, thus facilitating a smooth integration into the EU [customs union](#).

Gradual integration's 2026 opportunities

[Gradual integration](#) means that [candidate](#) countries can benefit from EU membership even before actual enlargement, through reversible and merit-based access to EU policies. This approach speeds up and facilitates integration into the European single market, and provides economic opportunities for EU companies.

Here are a few examples of what to expect in 2026: on 1 January 2026, Ukraine joined the '[Roam Like at Home](#)' area. It is expected to join the Single European Payments Area (SEPA), as it will introduce the necessary above-mentioned reforms. This will limit money transfer costs for both EU and Ukrainian companies and citizens. Furthermore, the changes to custom codes and metrology will facilitate trade and deepen Ukraine's integration into the EU single market. Finally, by 2027, Ukraine – whose power system was synchronised with the European electricity grid in 2022 – is expected to integrate into the EU energy market, improving its energy infrastructure resilience.

Figure 3 – Enlargement negotiation clusters



Source: European Commission, [The EU accession process step-by-step](#).

3. Closing European defence capability gaps



In the face of a rapidly deteriorating security environment on its borders and beyond, the European Union has entered a decisive phase in strengthening its own defence capabilities. In 2025, the European Council [reaffirmed](#) the Union's determination to enhance its defence readiness by 2030 and to deliver on this objective with the necessary pace and scale to deter both immediate and future threats. As global security dynamics evolve and the engagement of key partners becomes less certain, this commitment reflects a growing political consensus on the need for the EU to assume greater responsibility for its own security. At the [December 2025 European Council meeting](#), leaders took stock of ongoing work on Member State-led capability coalitions, priority capability areas and the preparation of concrete projects to be launched in the first half of 2026.

A roadmap to enhance Europe's defence readiness by 2030

In March 2025, the Commission and the High Representative presented the [White Paper for European Defence: Readiness 2030](#), accompanied by the [ReArm Europe Plan](#). Together, these initiatives form an ambitious defence package, designed to provide Member States with financial instruments intended to stimulate a substantial increase in defence capability investment. Building on this, the [defence readiness roadmap 2030](#), presented in October 2025, sets out how Europe aims to deter aggression and protect the continent's security for the coming decades. It defines concrete objectives, milestones and indicators, while proposing flagship capability initiatives. It underlines that Europe must develop interoperable capabilities, reduce dependencies and acquire the capacity to act without excessive reliance on others, while deepening cooperation with NATO.

The roadmap notes that the objective of closing Europe's critical military capability gaps by 2030 lies at the heart of the EU's defence readiness agenda. To deter and defend the EU and its Member States against threats across all domains (land, air, sea, cyber and outer space) requires a full spectrum of operational capabilities. Delivering defence readiness by 2030 requires a systemic approach that ensures interoperability, complementarity and coherence across national procurement and development programmes.

Assessment and annual review

The EU Military Staff is conducting a classified assessment of Member States' armed forces capabilities, including lessons learned from Ukraine's defence effort. This analysis is to be updated annually and integrated into the coordinated annual review on defence, so capability shortfalls are linked to EU-level procurement priorities. Chiefs of defence are expected to review capability assessments and guide national armament directors in designing joint solutions, while Member States continue sharing aggregate defence planning data to allow progress to be tracked. According to the roadmap, the Commission and the High Representative are expected to present an **annual defence readiness report** to the European Council each October. These reports assess progress in closing capability gaps and provide indicators for monitoring procurement, production and readiness developments. They will inform strategic guidance from Heads of State or Government and discussions between defence ministers.

Priority capability areas

- air and missile defence
- artillery systems, including deep precision strike capabilities
- missiles and ammunition
- drones and anti-drone systems
- strategic enablers, including for space and critical infrastructure protection
- military mobility
- cyber
- artificial intelligence
- electronic warfare

Source: [Special European Council meeting in March 2025](#).

Member State-led capability coalitions

A central mechanism to close capability gaps, these coalitions will organise cooperation in each priority capability area by identifying lead nations, setting objectives and defining collaborative projects. Building on European Defence Agency-led priority implementation roadmaps, capability coalitions will remain open to participation by any Member State and will operate on a voluntary basis. The coalitions are to be supported by European defence industrial programme tools – such as **European defence projects of common interest (EDPCI)** or the structures for European armament programme (SEAP) – and could launch new permanent structured cooperation projects. The European Defence Agency is expected to provide expertise and coordination; the European Military Staff, to supply capability assessments; the Commission, to ensure access to funding and industrial policy instruments; and Member States, to finalise coalition membership and governance arrangements by early 2026.

The effectiveness of this framework depends on the degree of joint procurement. Despite a long-standing target to allocate 35 % of defence investment to collaborative procurement, Member State levels remain below 20 %. The Commission notes that meeting the 2030 readiness objective demands significant increases in joint procurement. Larger and coordinated orders would reduce costs, strengthen the EU's defence technological and industrial base and enhance supply chain resilience.

In parallel with capability coalitions, the Commission and the High Representative propose a set of **European readiness flagships**. These are pan-European defence projects designed to respond rapidly to pressing security threats. Four initial flagships are proposed: the **European drone defence initiative**, the **Eastern flank watch**, the **European air shield** and the **European space shield**. These initiatives will simultaneously reinforce multiple priority capability areas and will be open to all Member States.

Challenges

Experts identify a set of political, institutional, financial and social challenges that complicate the roadmap's implementation. Industry representatives [stress](#) that capability gaps, fragmented procurement and weak coordination continue to inhibit progress, noting that political ambition still struggles to translate into delivery and that clearer strategic direction from the European Council is required. Trade union voices have [raised](#) concerns that deregulation and unconditional funding could erode labour, safety and environmental standards and divert cohesion resources from social priorities, with implications for political stability. They argue that credible defence readiness depends on formal safeguards for training, working conditions and social budgets, together with structured consultation of those who implement defence policy.

Other [commentators](#) emphasise institutional and political [obstacles](#), including the risk of duplication with NATO processes, uncertainty about integrating non-EU partners, reluctance among Member States to share sensitive capability data and the need for greater investment in EU-level structures. They also question whether new cooperative formats can attract broad participation given divergent national preferences and limited additional funding, while highlighting persistent resistance to opening national procurement to EU-level competition. Furthermore, the proposed EU 'flagship' defence projects face uncertainty as major EU countries have [resisted](#) endorsing them, arguing that large initiatives should be led by national governments or NATO rather than the Commission.

Milestones on closing capability gaps

- capability coalition formation by first quarter of 2026 in all priority areas
- industrial capacity mapping by mid-2026
- project launches within first half of 2026
- 40 % joint procurement by end 2027
- contracts and financing in place to close critical capability gaps by end 2028
- receive all Security Action for Europe - funded procurements, contributing to closing all capability shortfalls in priority areas by end 2030.

Source: European Commission, [Readiness roadmap 2030](#).

4. EU-China relations: More complex than ever



The second biggest nation-state globally in terms of gross domestic product (GDP), China is increasingly leading in the development of advanced technologies, such as renewable energies. Yet, the country's 'opening up and reform(s)' have not resulted in a similar opening up of its political system. To the contrary, since 2012, when Xi Jinping first became General-Secretary of the Chinese Communist Party, the system has become increasingly authoritarian at home and more assertive abroad. This development led the Commission and the High Representative to define China in 2019, as a 'partner', 'competitor' and 'systemic rival'. Not least due to China's support for Russia's aggression in Ukraine and the somewhat uncooperative economic policies pursued by the country, the EU-China relationship has focused more on the 'competitor' and 'systemic rival' aspects, although more recent developments indicate an increasing mutual commitment to multilateralism on climate change and trade in particular.

China's support for Russia's war of aggression in Ukraine

That Russia's war is an existential threat not only to Ukraine, but also to global security was [underlined](#) by the EU at the EU-China Summit held in Beijing on 24 July 2025. 'The EU reiterated that, as a permanent member of the United Nations (UN) Security Council, China bears special responsibility to uphold the rules-based international order, the UN Charter and international law.'

Faced with these critical remarks from both the EU and elsewhere, the official Chinese reaction is [well summarised](#) in the 12-point position paper on Ukraine issued by its Ministry of Foreign Affairs in 2023. The paper emphasises 'respect for national sovereignty and territorial integrity', a principle that China considers extremely important because of Taiwan. The paper's second principle, however, which states that the 'legitimate security concerns of all countries must be taken seriously', is an obvious concession to Russia's President Vladimir Putin.

China, however, also signed the [Leaders' Declaration](#) at the Johannesburg G20 Summit (a document drafted [without United States involvement](#) and in the absence of Russia). Paragraph 5 of this declaration states: 'We further reaffirm that in line with the UN Charter, all states must refrain from the threat or use of force to seek territorial acquisition against the territorial integrity and sovereignty or political independence of any state'.

At the July 2025 EU-China Summit, the EU also repeated its calls on China not to provide any material support that sustains Russia's military-industrial base. As of the end of October 2025, the EU had agreed to place sanctions on a total of 15 mainland Chinese or Hong Kong-registered entities for 'illicit trade' with Russia, e.g. for the [delivery of satellite imagery](#) to the Russian military or for [significant purchases of Russian oil](#).

On the issue of material support, China tends to [point out](#) that 'it has never provided lethal weapons to any party in the conflict and exercises strict export control over dual-use items'.

Another major concern for the EU and its Member States is the increasing geopolitical competition with China, as manifested by rising Chinese influence in a few Member States and in the [Western Balkans](#) in particular. China's role in Africa and [Latin America](#) has also become an issue which is vividly discussed in the EU and in its Member States.

Economic policies, business practices and regulatory challenges

The EU and international financial institutions such as the International Monetary Fund (IMF) have been trying for years to convince China that its strong focus on the promotion of investment to the detriment of private consumption [is not sustainable](#), neither economically nor politically. With the serious real-estate crisis, which constrains private consumption even more, this challenge has again become much more prominent. This policy is also a major factor contributing to the rising imbalance

in the bilateral trade relationship, the other factor being that the imposition of high US tariffs on Chinese goods has diverted these goods to the EU via third countries.

As also [pointed out](#) by Commission President Ursula von der Leyen at the 2025 G20 Summit, 'it is not possible for a large economy to have a share of world manufacturing production which is two to three times bigger than its share in the world's consumption ... (These imbalances) cannot be addressed by using trade policy tools'. The imbalances are expected to continue, based on the available information on the new five-year plan at the beginning of 2026.

On top of these macroeconomic considerations, EU businesses in China are [concerned](#) that the Party State strongly supports state-owned enterprises (SOEs) to the disadvantage of many private companies. They are also concerned about increasing obstacles for foreign companies in tender processes, particularly in the service sector. The EU also considers that the controls introduced by China on its exports of rare earths (first in October 2022 on gallium and germanium) and new controls announced in April and October 2025, are a serious threat to the functioning of international supply chains.

These developments have led the EU to adopt or propose a number of measures, in particular the [Foreign Subsidies Regulation](#), the [International Procurement Instrument](#), the [Anti-Coercion Instrument](#), an [industrial accelerator act](#) and to publish a [joint communication on strengthening economic security](#).

Yet, the EU is willing to engage with all interlocutors on the deep and comprehensive reform of the World Trade Organization (WTO), as strongly emphasised by the Commission President in Johannesburg.

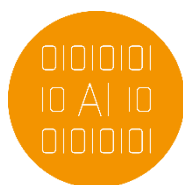
Common global challenges and lingering geostrategic concerns

The most obvious example for potential cooperation between the EU and China is climate change – with sustainable climate a global public good, both sides have a strong incentive to engage in mutually beneficial policies in this area. At their bilateral July 2025 summit, the EU and China published a [joint press statement](#) underlining their commitment to demonstrating leadership to drive a global just transition and to 'submitting before COP30 their respective NDC [nationally determined contribution] covering all economic sectors and all greenhouse gases'. In line with this latter engagement, on 3 November 2025 China announced, for the first time ever, a [commitment](#) to reduce its net greenhouse gas (GHG) emissions (by 2035, by 7 % to 10 % from peak levels – a major commitment, given that China's share of global emissions in 2024 is 27 %). The EU [announced](#) an updated contribution for the EU and its Member States on 5 November, reiterating the EU's goal of achieving a net reduction of 55 % in GHG emissions by 2030 and introducing an indicative contribution of 66.25 % to 72.5 % for 2035 on the path towards carbon neutrality by 2050 (see Issue 7).

Regarding trade, in September 2025, China's Premier Li Qiang [announced](#) that China would in future refrain from claiming 'special and differential treatment' on the sidelines of the UN General Assembly meeting, thereby removing a major obstacle to long-sought WTO reform. In the November 2025 G20 statement, the signatories committed to constructive discussion to 'ensure positive outcomes' at the WTO's 14th ministerial conference in March 2026.

The G20 declaration in a special chapter entitled 'harness critical minerals for inclusive growth and sustainable developments' also welcomes the G20 Critical Minerals Framework, 'a voluntary, nonbinding blueprint to ensure that critical mineral resources become a driver of prosperity and sustainable development' and expresses the intention 'to ensure that the value chain of critical minerals can better withstand disruptions whether due to geopolitical tensions, unilateral trade measures inconsistent with WTO Rules ...'

5. How AI is changing the web



In 2026, EU co-legislators will face the following questions: if all-purpose AI agents or platforms emerge – serving simultaneously as online intermediaries and platforms, search engines, core platform services and general-purpose AI models – will EU digital laws cover them effectively? And can the EU compete if such advances are built upon non-European web platforms?

Artificial intelligence (AI) tools are increasingly used to read, create for, and interact with the web. The changes directly impact the advert-driven web economy, and the protection and share of human content online. EU digital laws are adapting to web developments as new changes emerge.

Diffusion of generative AI

[Breakthroughs](#) in [machine learning](#) and [deep learning](#) techniques have enabled generative AI models, which generate content based on the data upon which they are trained. The global take-up of generative AI [started](#) with the release of OpenAI [ChatGPT](#) in 2022. Two years later, 65 % of respondents to a [McKinsey](#) survey saw their organisations regularly using generative AI in at least one business function. Conscious of the global diffusion of such tools, the EU adopted the [Artificial Intelligence Act](#) (AI Act) in 2024. This regulates generative AI under the broader definition of [general-purpose AI models](#) (GPAI). The AI Act will fully [apply](#) from 2 August 2026, but the Commission's proposed [digital omnibus on AI](#) could delay certain deadlines to 2027 and 2028.

From initial web to web as a platform

The world wide web is an information system relying on [protocols](#) and [standards](#) enabling users to share content over the internet, which itself is a network of devices communicating thanks to other protocols. The web and internet are both the result of [cooperation](#) between stakeholders as they jointly defined the standards, enabling interoperability. The web is decentralised and provides users with large freedom, carrying on the initial [libertarian spirit](#) of the internet's beginnings. However, the web has progressively evolved towards the '[web as a platform](#)' where big platforms such as Google Search and social media have centralised content and users. [Platforms](#) have grown stronger over time as their increased use enables them to collect more data, leading to better services.

New ways to interact with the web

While generative AI can answer queries based solely on training data, the industry has further expanded the capabilities of models by connecting them to existing digital environments. For instance, [Perplexity](#), Google [AI mode](#), and ChatGPT can perform online web search using generative AI models to understand users' queries and summarise the answers found on the web. Studies suggest that users tend to [replace](#) search engines with AI tools to access information or web content. [The Economist](#) reported in 2025 that 'the share of worldwide traffic coming from search engines fell by about 5 % in the year to June' – some sectors, such as health pages, by up to 10 %. Also in 2025, [McKinsey](#) reported that '44 % of AI-powered search users say [AI] is their primary and preferred source of insight'.

The AI industry aims at bringing the capabilities of AI tools beyond web search. AI developments in 2025 led to the creation of AI tools able to act: OpenAI released ChatGPT [Atlas](#), which brings AI inside web browsing, and Google [Gemini](#) and Mistral [LeChat](#) can manage, within limits, users' Google Calendar and Gmail. The [UK Department for Science](#) defines AI agents as autonomous AI systems that perform multiple sequential steps, including actions such as browsing the internet and sending emails, to try to complete a high-level task or goal. Furthermore [experts](#) believe that AI agents are not yet ready for unsupervised high stakes tasks. Still, recent developments increasingly suggest AI tools are not an end in themselves, but a means to interact with other digital environments, including the web.

Users have also increasingly used generative AI to create content for the web. [The Economist](#) has reported that 'slop', a pejorative term to refer to published AI-generated content such as text, video and photo, includes AI-generated books sold on Amazon, AI songs on Spotify and AI photos (which

sometimes go viral on social media). [Researchers](#) performed word analysis on recent biomedical academic publications and concluded that text-based generative AI has 'had an unprecedented impact on scientific writing in biomedical research'. One [study](#) tried to assess the share of AI-generated content published in April 2025, based on a sample of newly created web pages. It concluded that around 74 % of the content was produced by humans with the help of AI. However, this number has not yet been confirmed by other research, and the study acknowledged limitations in using detectors of AI content.

Impact on the web economy and content

The global take-up of generative AI directly challenges the [advertisement-based web economy](#).

A first consequence, [experts](#) suggest, is a loss in genuine traffic, which would negatively impact the current flow of ad revenue. This loss of traffic can result in users either preferring to indirectly access content through AI tools, creating AI traffic instead of genuine traffic, or no longer accessing web content because AI models can answer their needs based solely on their data and without searching the web. *The Economist* reports content providers are concerned about these changes, pushing them to search for new economic models such as subscriptions, or deals with AI providers.

A second consequence is the [use](#) of available data for AI training. Indeed, AI learns from data, which may reduce reliance on an original source as users may omit due diligence checks if AI already has the information. The current EU legal framework comprises [uncertainties](#) on the right to use copyright-protected materials for AI training, and several legal [actions](#) are pending in the EU. The European Parliament is preparing an own-initiative [report](#) on this matter, expected for March 2026. Under the [Copyright Directive](#), the Commission is due to carry out a review of the directive from June 2026. The directive lays down exceptions for temporary acts of reproduction for 'text and data mining' purposes, used to train models.

A third consequence is the diffusion of AI-generated content over the web. Concerned [analysts](#) warn against the 'dead internet theory', where the web would become full of AI-generated content with human activity isolated. This could be even more concerning, as AI-generated content can and does carry [information manipulation](#). At the same time, *The Economist* believes that an endless flow of AI-generated low-quality content would push users to focus on high-quality content. They believe it could also boost fan content engagement with original content.

Power shift – What next?

The balance of power on the web [shifted](#) when it became a 'web as a platform', since platforms began centralising content and users. Closed platforms further shifted the balance outside the web and its interoperable standards, as they aim at retaining users within their closed environment. They typically require users to download a specific app and/or to register to access content.

If AI became the main way users read, create for and interact with the web, the balance of power might shift further to AI-enabled platforms, where already established platforms are likely to have a competitive advantage, or lead to [anti-competitive conduct](#).

Yet, the scope of this shift extends beyond the web, as AI is more broadly reshaping [human-computer interactions](#) by providing new ways to naturally interact with any digital environment.

EU digital rulebook

EU legislation has evolved to follow digital developments, from the [ePrivacy Directive](#) in 2002, to the General Data Protection Regulation ([GDPR](#)) in 2018, focusing on the use of data, the [Digital Services Act](#) and the [Digital Markets Act](#) in 2021 and AI Act in 2024, covering specific digital activities. The European political landscape following the 2024 elections has made [competitiveness](#) a key priority. In 2025, the Commission proposed a [digital omnibus](#) and [digital omnibus on AI](#) to [simplify](#) rules on competitiveness. Following its [plan](#) to make the EU a global leader in AI, a proposed [cloud and AI development act](#) has been announced for the first quarter of 2026.

6. Unlocking Europe's startup potential



Developing a friendly business environment and access to finance for young innovation companies is a Commission priority, as reflected in its [competitiveness compass](#) and [2026 work programme](#). Young innovative EU companies (startups) tend to seek private financing outside the EU in their fast growth phase (scaleup) to seek risk investors, often bringing their activities along. The main deterrents for risk investors to operate in the EU are the narrow and fragmented EU capital markets, which limit options to sell and exit the firm. The [Letta](#) and [Draghi](#) reports both emphasised the urgent need for the EU to remove internal cross-border barriers to business operations and capital flows; this is essential if the EU intends to catch up on competitiveness.

EU innovation ecosystem is penalised by the scaleup problem

More than other small and medium-sized companies (SMEs), innovation startups rely on an [ecosystem](#) made up of a network of companies, research organisations, technological infrastructure, government bodies and individuals. Risk investors play an essential role (see box), typically aiming at a medium-term investment horizon (5 to 10 years). To reach such a horizon, risk investors need 'exit options', whereby they can withdraw from the startup company after it has 'scaled up' and is operational. Exit options usually consist of selling the firm to a large company or an initial public offering (IPOs) on the stock market.

Venture capitalist (VC) firms [consider](#) the limited capacities for such exit options, especially IPOs, in the EU as the main break on investment (See Figure 4). This is due to EU stock markets' lack of depth and size for IPOs, as well as their complexity and costs. The EU's financial system – fragmented and still bank-reliant – is thus perceived as unsuited to providing the risk capital needed for startups and scaleups. As a result, the EU is less attractive to large risk investors, who reduce their activities in the EU innovation ecosystem. This vicious circle has maintained a funding gap for scaleups –the 'scaleup problem'.

Risk investors are essential to innovation

Unlike 'traditional' SMEs, innovative startups typically aim to become large companies within a relatively short period (scaleup). Traditional SMEs represent the status quo, whereas startups look to challenge it. However, startups suffer from scarce financial endowment; a lack of operational records, profits, and tangible collateral also constitute hurdles to traditional financing in the scaleup phase.

Startups thus need skilled and solid investors to provide them with the funding needed to scale up; these 'risk investors' are typically business angels (successful and wealthy entrepreneurs) and venture capitalist firms (funds specialised in high-risk business investment).

A fit-for-purpose strategy: Main deliverables for 2026

The Commission is pursuing a series of targeted actions to resolve the scaleup issue and unlock the EU's startup potential mainly through two strategies. As co-legislator, the European Parliament will play a major role in the final design of the legislation they contain.

Startup and scaleup strategy

The [startup and scaleup strategy](#) (3S) focuses mainly on non-financial issues and aims at creating a business-friendly environment for innovative startups. A key deliverable of the 3S is the proposal for a [European innovation act](#) (EIA), scheduled for the first quarter of 2026. It is expected to promote regulatory sandboxes, including across countries, to allow innovators to develop and test new ideas. The EIA would facilitate innovation idea marketing, support commercialisation of research results, strengthen collaboration between industry and academia, and improve innovative companies' access to markets, finance, talent and infrastructure.

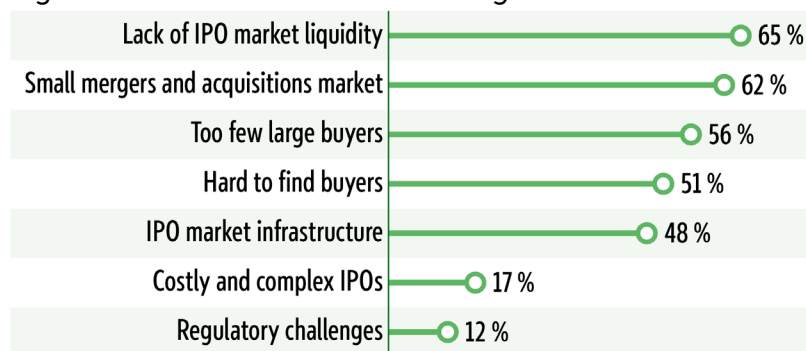
The second key deliverable – often referred to as the [28th regime](#) – is a proposal for the creation of a unified business code, especially aimed at innovative companies. Also expected in the first quarter of 2026, the regime would remove legal barriers and administrative burdens that currently fall on startups while they expand their activities across the EU. It would govern all aspects of a business lifecycle – e.g. establishment, organisation, operation, investment, and disputes. The 28th regime could represent a major step towards obtaining external funding across the EU, as it would enhance cross-border transparency e.g., for business operations and dispute resolution.

Savings and investments union

The [savings and investments union](#) (SIU) is meant to address the hurdles related to private funding for innovative companies, emphasising the 'scaleup' phase and exit options.

For instance, the SIU would address the institutional restrictions in the financial system, which apply to banks, insurance and pensions, among others, to encourage the channelling of savings into 'productive investment' in general, and towards young innovative firms, in particular. It would also revise stock market rules, infrastructure and supervision, to reduce their fragmentation, support scaleup IPOs, and increase exit options. It would result in making the EU innovation ecosystem more attractive to risk investors, turning the vicious circle into a virtuous one.

Figure 4 – 'Exit environment' challenges for VC in the EU



Source: [EIF Venture Capital Survey 2024](#).

The Commission has also proposed to implement major changes in the capacity and governance of innovation funding in the 2028–2034 multiannual financial framework (MFF). The major change would be the establishment of the [European competitiveness fund](#) (ECF), which would gather 14 current funds in one, the use of which would be directed at supporting the EU's priorities. The fund would also ensure Horizon Europe alignment, with separate but coordinated budget and actions. Because of the absence of a specific fund allocation, the design of the ECF – particularly its governance – will draw special attention of the co-legislators.

Shared responsibility: Member States' key role in delivering

As the EU has limited competences in related areas, including taxation and the creation of domestic financial products, the European Commission has [called](#) for a 'joint effort' with Member States for capital markets defragmentation – an essential condition for boosting EU innovation and competitiveness; it is a 'shared responsibility'. This is reflected in the number of strategies and action plans that call for Member States to act e.g. on financial literacy and for the establishment of the savings and investment union, two relatively long-term projects which require coordination of effort, and a mutual learning process on best practices.

7. Toughening stances on irregular migration in the EU and elsewhere in the world



A movement towards stricter migration controls is spreading within the EU reflecting a world-wide trend, as evidenced by action taken by countries such as the [United States](#). It was a [major topic](#) in the general elections in the Netherlands in October 2025 and the [reason](#) why the last two governments in that country collapsed. Migration was also one of the [defining issues](#) of the federal election in Germany in February 2025, and the [parliamentary elections](#) in [Czechia](#) in

October 2025.

The EU has also been facing [instrumentalisation of irregular migration](#) and hybrid threats at its external borders. The growing instability and hostility of the international environment increases the [likelihood](#) that hostile states will further exploit irregular migration to undermine the EU's stability. The ongoing conflict in Ukraine raises concern that the instrumentalisation of migration flows may become a [standard tactic](#) at the EU's eastern borders. As the EU seeks to collaborate with third countries to combat irregular migration, potentially using [punitive measures](#), it may face future counter-tactics to defy EU pressure or gain concessions.

These trends have led EU countries to implement stricter migration policies, call for a reinterpretation of human rights laws to allow for stricter migration controls, and demand more action from the EU. In response, the EU is proposing not only to promote cooperation on irregular migration with non-EU countries, but also to allocate more funding to fight irregular migration.

Exceptional circumstances restricting asylum-seekers' access to EU countries

In recent years, several EU countries have adopted national emergency measures more often, which allow them to derogate from EU law. In response to the instrumentalisation of migration by the Belarusian government, which instigated irregular border crossings into the EU, [Poland](#), [Latvia](#), and [Lithuania](#) adopted measures restricting asylum-seekers' access and limiting certain rights in border areas in 2021. In March 2025, [Poland](#) temporarily restricted the right to apply for international protection if instrumentalisation poses a serious and real threat to the security of the state or society. In April 2025, [Austria](#) suspended family reunification for beneficiaries of international protection based on Article 72 of the Treaty on the Functioning of the European Union (TFEU), citing a risk to maintenance of law and order and internal security. In July 2025, [Greece](#) suspended asylum processing for North African arrivals, allowing for immediate deportation. The European Commission [points out](#) that [Article 72](#) TFEU allows EU countries, in specific circumstances, to take measures for reasons of law and order or public security.

Increased appetite for cooperation with non-EU countries

To increase the effectiveness of EU return policy, the Commission has committed to explore ['innovative ways'](#) to address irregular migration, and has been under pressure from Member States to develop [out-of-the-box ideas](#) to ensure effective returns. In March 2025, it put forward a [legislative proposal](#) that broadens the range of countries to which third-country nationals can be forcibly returned beyond their country of origin. This includes countries where they may have previously resided, [safe third countries](#), first countries of asylum, or countries where they have the right to enter. The list also includes countries with which there is an agreement or arrangement for return (return hubs). With negotiations between Parliament and the Council expected to start in early 2026, this proposal could still be adopted in the year. Return is also a key building block in the ongoing [implementation of the pact on migration and asylum](#), which needs to be operational by its entry into application in June 2026. In addition, in the third quarter of 2026, the Commission is

planning to present a [proposal](#) on reinforcing the European Border and Coast Guard Agency's mandate on returns and border management.

EU countries are increasingly exploring opportunities to work together with third countries on migration. Spain already had an agreement with [Morocco](#), and Italy with [Libya](#), to work together on issues such as irregular migration. In March 2025, Italy signed an [agreement with Albania](#) to process asylum applications there. In September 2025, the Dutch government [announced](#) it was in talks with Uganda to settle people who had failed in their bid to obtain asylum in the Netherlands.

The Commission is also prioritising strategic cooperation with countries of origin and transit in the field of migrant smuggling, border management and control of departures. A new partnership was concluded with [Jordan](#) in 2025, while the Commission stepped up its existing cooperation with [Egypt](#), [Lebanon](#), [Libya](#), [Mauritania](#), [Senegal](#), [Tunisia](#), and [Türkiye](#). In her [letter](#) to the 27 national leaders in October 2025, Commission President Ursula von der Leyen called for closer cooperation with third countries and announced that funding of €675 million would be adopted for Algeria, Egypt, Morocco, Libya and Tunisia, for 2025 to 2027, focusing among other things on strengthening border management and preventing illegal migration.

Demands to change the interpretation of legal migration frameworks

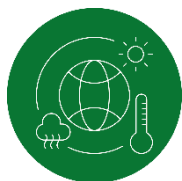
In May 2025, the leaders of nine EU countries sent a [joint letter](#) questioning the European Court of Human Rights' interpretation of the European Convention on Human Rights ([ECHR](#)) on irregular migration. They urged the Court to revise its previously adopted interpretations, accusing it of 'extend[ing] the scope of the Convention too far as compared with the original intentions', limiting governments' discretion in protecting their 'democratic societies and ... populations', instead 'result[ing] in the protection of the wrong people'. The governments called to restore 'the right balance', arguing that national security, as 'the highest priority', should leave more room for domestic decision-making.

Discussion on the adequacy of the legal framework on migrants' rights is not limited to the ECHR but also concerns the 1951 [Refugee Convention](#). The most recent calls to revisit the international refugee system have come from [the US](#) and [the UK](#) governments, both citing concerns over mass migration movements and abuse of asylum systems.

Boost for migration funding in the long-term EU budget

For the EU's [2028-2034 budget](#), the Commission has proposed to significantly [increase funding for asylum and migration policies](#). This would be used to ensure adequate capacity in EU countries for the implementation of border procedures, which envisage accelerated processing of asylum claims and faster returns to non-EU countries, and enable the EU to support specific activities in non-EU countries. The support aims to boost cooperation on irregular migration with non-EU countries, either by preventing people from going to the EU without the proper paperwork or to serve as return hubs for those who were unsuccessful in their bid to obtain asylum in the EU.

8. Climate policy framework for the decade ahead



EU climate policy is due for an update in 2026. In July 2025, the Commission [proposed](#) to amend the European Climate Law with an intermediate 2040 climate target, to set the course towards the [legally binding](#) objective of EU climate neutrality by 2050. Reaching a general approach in the Council proved difficult, ultimately requiring political guidance from the European Council. The Parliament and Council reached a [provisional agreement](#) in the first trilogue meeting, to be formally adopted in early 2026. The co-legislators agree on a net 90 % emissions reduction target for 2040, compared to 1990 levels, to be achieved with at least 85 % domestic reductions and up to 5 % in international credits. The year 2026 is expected to see this new 2040 target translated into a series of legislative proposals to adapt the EU's climate policy framework.

Challenges ahead for the core pillars of EU climate policy

The 2026 Commission [work programme](#) announces a climate package for the decade ahead. This is focused primarily on the three main pillars of EU climate policy: the [EU Emissions Trading System \(ETS\) Directive](#), the [Effort-sharing Regulation](#) (ESR) and the [Land use, land-use change and forestry \(LULUCF\) Regulation](#). Decarbonising European industry while boosting its competitiveness and keeping public acceptance of climate policies, in a context of strict GHG reduction targets, requires strong and flexible policies. Member States expect due consideration of national circumstances, further increasing the complexity of the task.

This package aims to adapt to the changed geopolitical situation and the impact of war, energy price volatility and tariffs that have anchored Europe's new growth strategy – the [competitiveness compass](#) and related initiatives – firmly in *Realpolitik*. While decarbonisation is still a priority, the narrative has evolved to Europe's [independence](#). This aims at ensuring price stability, boosting clean tech innovation to maintain competitiveness and growth, and using circular economy approaches to bolster EU autonomy by recovering the raw materials needed in our production of goods. Key priorities for both the Council and Parliament are ensuring flexibilities across instruments and sectors to achieve the 2040 target and shielding industry and citizens from negative impacts. Concern about negative impacts ultimately led to the postponement of the EU emissions trading system for buildings, road transport and additional activities ([ETS2](#)) by one year. The focus on flexibility is also evident from the increase of the possible use of [international carbon credits](#) to deliver the 2040 target, from the proposed 3 % to up to 5 % of 1990 net emissions.

Update and extension of the EU emissions trading system

While the EU ETS is [on track](#) to achieve its 62 % GHG emissions reduction target by 2030, its post-2030 framework will have to reflect several structural challenges. Among these are:

- ensuring a stable carbon price that provides liquidity and predictability to business,
- safeguarding market integrity,
- addressing the risk of carbon leakage while maintaining EU competitiveness.

In addition, the post-2030 EU ETS framework will have to address residual emissions in hard-to-decarbonise sectors, and the role of carbon removals. The Commission will also assess how to bring additional sectors (e.g. municipal waste incineration) into the EU ETS.

The pace of emissions reductions in the EU ETS will be part of the debate. The EU ETS, the cornerstone of EU climate policy, [covers](#) around 40 % of EU GHG emissions, and is expected to reach around 75 % once ETS2 starts. The Council and Parliament have called for a revision of the EU ETS trajectory that would allow for a limited volume of emissions after 2039. In the meantime, the future of the EU ETS might be subject to political and social push-back if the ambition is too high, particularly as new sectors are covered by carbon pricing. Under the proposal for the next EU

[multiannual financial framework](#) (MFF), the EU ETS would become a major source of EU revenues that could generate €9.6 billion annually between 2028 and 2034. The challenge is to integrate all these aspects while preserving a strong decarbonisation and revenue tool.

Effort-sharing after 2030

Towards 2030, national ESR reduction targets range from -10 % to -50 %. These are implemented through national [annual emissions allocations](#) and flexibility mechanisms. The [ESR](#) covers the largest share (above 60 %) of EU emissions. It includes domestic transport (except aviation, covered by the EU ETS), buildings, non-ETS industry, agriculture and waste. The largest share of ESR emissions comes from buildings and transport, where reductions need to speed up. The above-mentioned postponement of ETS2 delays the emissions reduction incentive of a carbon price in these ESR sectors. [Projections](#) show that Member States collectively are expected to miss their 2030 targets by two percentage points, even with additional measures envisaged in the national energy and climate plans. The ESR is a good example of EU Member State solidarity, as national circumstances are considered when setting national trajectories, something the co-legislators expect to continue. At the same time, there is also a demand to ensure convergence across Member States along with further flexibility.

Re-evaluating the approach to Europe's carbon sink

Additional measures are needed to address the declining trend of EU forests' carbon sink capacity. The revision of the [LULUCF Regulation](#), setting [national removal targets](#) that will apply from 2026, was a decisive step to address this trend. To date, the decline continues and [latest data](#) show that more needs to be done to keep the [limited LULUCF contribution](#) to the EU 2030 climate target within reach. The co-legislators specifically demand that uncertainty surrounding natural removals is considered in the 2040 climate framework. While keeping the option to use surplus natural removals to compensate shortfalls in other sectors, they have requested that other sectors should not carry the risk of compensating for a shortfall in LULUCF removals.

Novel approaches to deliver a decarbonised EU

In 2026, the Commission is expected to propose key legislation to facilitate the transition to a decarbonised EU. This will be a test for the decarbonisation mainstreaming agenda, as it attempts to define a policy mix delivering a sustainable economic framework. New instruments include the [Carbon Removals and Carbon Farming Regulation](#), where the forthcoming methodologies for certifying permanent carbon removals and carbon farming activities can play an important role in relation to the three core pillars of the climate *acquis* today. Certification is a first step in extending the EU carbon market to include both emissions and removals. [Carbon pricing](#) at EU level already plays a significant and growing role with the EU ETS, as well as the Carbon Border Adjustment Mechanism, as core examples. An envisaged pilot period for an international credit market from 2031 could further have a significant impact on the global carbon market.

Energy policy will be a pivotal driver of decarbonisation with updates of its core legislation and new initiatives such as the electrification action plan (including heating and cooling), phasing out fossil fuels subsidies, and developing CO₂ transport infrastructure and markets. These interrelated topics and the Commission's vision for the 2040 framework will start to take shape with the update of the Energy Union and Climate Action Governance Regulation. Clean technology policies to reduce the cost of decarbonisation along with infrastructure deployment will complement the EU architecture towards 2040.

9. Will 2026 be the year of action for the oceans?



Given the economic and environmental importance of ocean policies, the EU is set to take new action in 2026, including introducing an ocean act and making ambitious efforts to secure global agreements.

Harmful interference – such as waste disposal, sewage discharge, runoff from land-based activities, intense maritime traffic, oil and gas extraction, overexploitation of living resources – and the effects of climate change have however negatively affected the oceans for many years. Marine waters now face numerous challenges, which, combined, threaten habitat and species and ultimately jeopardise the oceans' ability to provide humans with these essential services.

Pursuing long-standing EU policies related to oceans and seas

The [Habitats](#) and [Birds](#) Directives are the EU's oldest **environmental laws** and form the legal basis for [Natura 2000](#): a network of nature protection areas, including marine protected areas ([MPAs](#)). The EU's [2030 biodiversity strategy](#) includes the aspirational target of protecting 30% of the EU's seas by 2030. The [Nature Restoration Law](#) is a related initiative that sets legally binding targets to restore degraded ecosystems, including marine ecosystems. The **Marine Strategy Framework Directive** ([MSFD](#)) takes an integrated approach, requiring Member States to ensure that their marine waters are in a **good environmental status** by addressing many urgent pressures (see box).

The **Maritime Spatial Planning** ([MSP](#)) Directive is the EU's instrument for managing increased competition for maritime space sustainably. The aim is to promote the sustainable development of the **blue economy**, in all sectors related to the oceans, seas and coasts, such as fisheries, maritime transport, coastal tourism and offshore energy, through national [MSP plans](#).

The **common fisheries policy** ([CFP](#)) is one of the EU's longest-standing policies. It aims to make the seafood sector environmentally, economically and socially sustainable. The EU has [exclusive competence](#) for the [conservation](#) of marine biological resources under the CFP and, in this capacity, establishes rules on fishing at sea that directly apply in Member States.

The EU plays a leading role in ocean governance, strongly promoting multilateral responses to global issues. In particular, the EU aims to strengthen the international rules-based framework. This vision is reflected in the EU's **international ocean governance agenda**, set out in a [2022 communication](#).

In June 2025, the Commission published the [ocean pact](#), an overarching framework that takes a **holistic approach** to all ocean-related EU strategies and policies. The pact covers ocean protection, the blue economy and support for coastal areas, as well as ocean research, maritime security, and international ocean governance. In the pact, the Commission announced its intention to propose an **ocean act** in 2026, which would provide the legislative backing for the pact's implementation.

What to expect in 2026

The Commission announced the adoption of the **ocean act** for the third quarter of 2026. This act would strengthen MSP and bring all existing EU ocean-related targets together in a single legislative

Most urgent pressures

- contamination with hazardous substances and pollution with litter, in particular plastic
- eutrophication as a consequence of nutrient over-enrichment ultimately leading to lower oxygen levels
- higher temperatures adding to decreased oxygen levels
- acidification resulting from increased CO₂ absorption
- overexploitation of living resources
- physical disturbance of habitats
- emergence of invasive species affecting habitats and the food chain.

Source: [Wise marine](#).

act. Much attention is expected on how the legislative act will support or enforce the ocean-related targets, particularly the 2030 protection targets and ambitious [offshore renewable energy](#) targets. On the development of the blue economy, the act would aim to shift from a national approach to a sea-basin strategy. [Stakeholders](#) are calling for the involvement of all relevant parties in the MSP process, for collaboration across borders and sectors, for better assessment of the impact of intensified activities at sea, and for support for the shared use of maritime space.

In line with its international ocean governance agenda, the EU continues its **ocean diplomacy efforts** on the global stage. Two major agreements have recently reached the required level of ratification and entered the crucial implementation phase: the [WTO Agreement on fisheries subsidies](#) and the [UN High Seas Treaty](#). The latter is a binding instrument on the conservation and sustainable use of marine biological diversity of areas beyond national jurisdiction (BBNJ).

The **UN High Seas Treaty** enters into force on 17 January 2026. A milestone in the protection of the high seas, it covers [four main issues](#): marine genetic resources and the sharing of derived benefits; area-based management tools, including MPAs; environmental impact assessments; and capacity-building and the transfer of marine technology. The EU is preparing its implementation through a new [directive](#): Parliament adopted its [first-reading position](#) in November 2025 and is ready to negotiate with the Council. As a strong supporter of the agreement, the EU, through its [high-ambition coalition](#), is calling on other countries to implement the treaty's provisions ambitiously. The entry into force has triggered preparations for the first conference of the parties, which is likely to take place in [late 2026](#). Governments are identifying potential areas for [high seas MPAs](#), which will set important precedents for global conservation.

The **WTO Agreement on fisheries subsidies**, in force since [15 September 2025](#), aims to ban subsidies that contribute to overfishing. Often referred to as [Fish 1](#), it is a partial agreement, since it bans only the [most obvious harmful subsidies](#), such as those granted to fishing vessels engaged in **illegal fishing** or targeting **overfished stocks**. WTO members agreed to continue negotiations on additional rules ([Fish 2](#)), and the Fish 1 agreement will even expire in two years if these are not agreed. The Fish 2 agreement would prohibit subsidies that **contribute to overcapacity**, aiming to prevent overfishing from the outset. Exemptions would be in place for developing countries. Much progress has been made, but India, in particular, raised [objections](#) to elements of the [draft agreement](#). The [WTO ministerial conference](#) of March 2026 will be crucial in **reviving the negotiations**, starting with the appointment of a new chair. Meanwhile, the EU's new multiannual financial framework needs to adhere to Fish 1, including in terms of the [support given under the CFP](#).

The Baltic Sea

As if under a magnifying glass, most of the pressures affecting oceans are strikingly visible in the Baltic Sea.

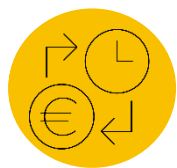
The sea's characteristics, including a rather shallow depth, the absence of tides and a relatively isolated position, make it particularly vulnerable to environmental change.

The Baltic Sea has become one of the most polluted seas in the world and is severely affected by eutrophication. Moreover, the Baltic is warming faster than other marine regions and the arrival rate of invasive species superseding native ones is considerable.

The sea's impaired ecosystems not only threaten natural biodiversity, but also put sustainable use, such as fisheries at risk. Lowering fishing pressure, mainly through the EU multiannual plan for the Baltic Sea and the setting of annual fishing opportunities, has not resulted in an improved situation. Despite a fishing ban for several stocks, the situation remains critical. Baltic cod is at a historically low biomass level and its situation is unlikely to change without a significant improvement to its living conditions.

In 2026, the European Parliament is set to adopt an own-initiative resolution on 'The multiannual plan for the Baltic Sea and ways forward', in which it points to the critical situation in the Baltic Sea and calls for further action.

10. Why reforms are crucial for effective RRF implementation



The Recovery and Resilience Facility (RRF) is heading towards its August 2026 deadline for implementing the outstanding measures outlined in the national recovery and resilience plans (NRRPs). While completing the planned investment will help bridge the [investment gap](#) in the EU, delivering on reform remains equally important in proving the RRF's added value. The RRF's unique feature – tying payments to the rollout of structural reform – means that unfinished reform may hold back transformative progress and funding for planned investment projects.

Progress on pending reforms

In June 2025, the Commission issued [guidance](#) for Member States on how to revise and streamline their NRRPs to meet the August 2026 deadline and maintain their RRF allocations intact. On reform specifically, the Commission recommended to remove from the plans any measures that do not address – significantly or fully – relevant country-specific recommendations (CSRs) identified by the Council, while the ambition of rule of law reform is to be preserved. Not implementing all the measures contained in the recovery plans could result in the loss of RRF resources. Since the publication of the guidance, 25 Member States have submitted – some even twice – revised versions of their plans, with 6 countries still awaiting the Council's approval.

As highlighted in the Commission's [2025 annual report](#) on the RRF's implementation, the reforms – often frontloaded in the NRRPs – have driven structural improvements across Member States, thus addressing the relevant CSRs. Considering the latest revisions of the plans, [62 %](#) (out of 2 547) of the reform-oriented milestones and targets have been completed across the NRRPs so far. The outstanding bulk (38 %) – linked to over 540 reform measures spanning all Member States' plans – is significant but should drop sharply as additional progress in implementing the NRRPs is expected by August 2026. The alternative of not delivering on these reform-linked milestones and targets would be particularly problematic due to the RRF's distinguishing feature that ties reforms to investment. This means that payments would be [partially suspended](#), both because reform-linked milestones and targets remain incomplete, and because even some of the planned investment may be withheld as implementation is contingent on associated reform measures.

In addition, for [Hungary](#), the NRRP contains 27 '[super milestones](#)' on rule-of-law reform that the country needs to fulfil to access RRF funding. These 'super milestones' related to judicial independence in Hungary and protecting the EU budget remain unfulfilled at the time of publication. Hungary cannot receive any RRF payment (except for pre-financing) until all of the 'super milestones' are fulfilled, as noted in the Commission's [2025 rule of law country report](#). Conversely, [Poland](#) has fulfilled its three 'super milestones' linked to judiciary and audit and control systems, and received its first payment in [April 2024](#).

Completing the reform-related milestones and targets is not just a formal requirement but a defining step in ensuring the RRF's legacy: a more resilient, competitive, and future-proof European economy. This transformative direction of travel [highlights](#) the RRF's ability to mitigate crises and reduce financial stress, provide [fiscal stimulus](#) and reduce the investment gap, support multiple policy areas – including the twin transitions – and incentivise reform initiatives in Member States.

Appraisal by EU bodies

Some assessments have raised concerns about the depth and relevance of the reforms currently under way. The European Court of Auditors (ECA) has [noted](#) that the alignment between RRF-supported reforms and the underlying CSRs is only partial in most cases, with no CSR fully covered. This holds true particularly in a policy area focused on the Member States' business environments. Despite the large number of reforms aimed at improving the business climate, the ECA emphasised that these measures often concentrate on legal outputs rather than real-world

results. This suggests that even when these reforms are formally completed, their capacity to tackle structural bottlenecks may vary significantly.

In one of its analyses, the European Central Bank (ECB) [pointed out](#) that the potential long-term returns from structural reforms can exceed those of investment measures, particularly when reforms address persistent productivity and governance issues. However, the authors stress that certain RRF measures may formally meet milestones yet fail to achieve economic impact, a risk more pronounced for reform than for investment. The ECB also acknowledged, in a different [paper](#), that the RRF's architecture links financial support to tangible structural reform, reflecting lessons from past EU instruments in which funding investment alone did not generate lasting impact.

The August 2026 deadline was deemed by several Members of the European Parliament as a critical constraint for completing key reforms – a [concern](#) voiced during the plenary debate that followed the Parliament's 18 June 2025 [resolution](#) commending the RRF's potential to incentivise the adoption of the CSRs by including related measures in the NRRPs.

RRF legacy

With many milestones and targets yet to be achieved, including a substantial portion of those linked to the reform agenda, and 2026 marking the last year for their completion, that moment will be critical in determining the RRF's overall legacy. However, the experience thus far has already generated valuable policy insights, highlighting the RRF's transformative potential.

First, planning reforms across several policy areas – anchored in a single budgetary instrument such as the RRF – may [add value](#) by creating coherence, efficiency, and resilience. It transforms policymaking from isolated interventions into a strategic, system-wide approach that can adapt over time and deliver broader societal impact. The RRF underscores these characteristics, with reform [distributed](#) around key policy domains ranging from green measures (30 %) and those focused on strengthening institutions (25 %), to measures targeting business (17 %), health and social policy (15 %) and skills and labour policy (13 %). Ensuring that such reform is implemented in a timely manner will be vital for upholding the transformative objectives of the RRF.

Second, linking the implementation of reforms with the disbursement of EU resources – as done in the RRF – has served as an inspiration for the 2028–2034 multiannual financial framework (MFF). As part of the wider [MFF package](#) put forward in July 2025, the Commission [proposed](#) national and regional partnership plans that pair investment with reform addressing CSRs identified under the European Semester; the RRF's funding logic via milestones and targets (both are performance-based) has been maintained. However, Parliament, in its [resolution](#) of 7 May 2025, has noted that the RRF's performance-based model cannot simply be [replicated](#) in the proposed national and regional partnership plans, and criticised the idea of a single national plan. It also stressed that any successor approach must ensure strong involvement of regional and local authorities throughout the process, alongside effective oversight by Parliament (see Issue 9). The European Committee of the Regions [echoed](#) Parliament's concerns in its resolution of 15 October 2025 on the next MFF.

Finally, the RRF has proven to have the ability to uphold fundamental governance standards, including respecting the rule of law. The Polish recovery plan, as mentioned above, is an example of how [conditionality](#) in the RRF has been exercised. In the case of 'super milestones', this framework conditions the release of any RRF funds on reform progress in key areas, safeguarding both the EU's core values and its financial interests. Whereas the conditionality mechanism has been replicated and enhanced in the proposal for the next MFF, the final shape of such provisions will ultimately be determined by negotiations between Parliament and the Council.

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PE 782.587
ISBN 978-92-848-3319-1
ISSN: 2600-268X
doi:10.2861/2973253