Portland

Challenges and Chances for the EU: *From 2025 to 2030*

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When we started discussing this report here at Portland, we realised that whatever the EU's priorities were going to be over the next five years, they were going to be hugely affected by Donald Trump. This is certainly true for trade policy and for global co-operation on the major current geopolitical challenges, such as Ukraine and relations with China. But, at the same time, the EU's work agreeing new rules to extend the Single Market in areas such as savings and investment continues. The painstaking process of negotiations between the member states and MEPs must go on. Even in some policy areas where the differences between the EU and the Trump administration are greatest, such as tech regulation, the EU is defending its policies and enforcing them robustly. It has little choice because EU law obliges the Commission and the member states to apply legislation that has been agreed. With this report, we therefore wanted to set out what the EU will focus on over the next five years and what it can hope to achieve in its main policy areas. Where Trump is likely to make a difference, this report will highlight the potential impact. It is interesting to see how, in many areas, it will be business as usual for the EU.

May 2025

This report has been produced by the Portland Brussels team. Particular thanks are due to Patrick Birken, Chloe Coremans, Daniel Herlihy, Francois Perraudeau and Simonas Vileikis. Simon Taylor, Brussels-based media relations advisor, writer and editor, provided invaluable editorial support. Portland Brussels remains entirely responsible for views expressed.

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Introduction

The challenges for the EU over the next five years can be summed up in two words: Trump and competitiveness.

When Ursula von der Leyen was elected President of the European Commission for her first term in 2019, she boldly announced that she wanted to lead a "geopolitical Commission", i.e. one that could assert its interests on the global stage. Little did she realise that the Commission and the EU would be forced to step up diplomatically, militarily and financially when Putin invaded Ukraine in February 2022.

EU leaders knew there was a good chance that Trump would win a second term in November last year and they knew what Trump 2.0 would look like: the end of support for Ukraine's war against the Russian invasion; an effective end to leadership of NATO; and tariffs that would hurt the global economy.

Yet when Trump carried out the threats that he had been signalling, EU leaders seemed surprised that he was true to his word. While famous for being unpredictable, Trump can be very predictable.

The EU's response in the defence sphere has been to finance armaments and technology with up to €800bn in new funds. Some of this will be used to provide arms, munitions and military technology to Ukraine, and some will build up the EU's defence industries. A portion of the funds will do both.

Enlargement has always been one of the EU's most powerful foreign policy tools. The lure of being admitted to one of the world's largest political and economic blocs has been powerful enough to incentivise politicians across the EU's southern and eastern belt to accept the conditions for entry.

Enlargement has been neglected since the last new member state, Croatia, was admitted in 2013. But now the EU wants to admit Ukraine as soon as possible as one form of security and political protection against Russian ambitions (the other being membership of NATO or a similar mutual defence pact). Ukraine still looks ten years away from being able to fulfil the criteria for joining the EU and the country will need some form of enhanced association agreement so Ukraine feels its path to membership is just a matter of time.

Expanding the EU to take in its biggest member by population since Spain in 1986 (Ukraine has 38 million people compared to Spain's 48 million) will force the Union to review its costliest policies: Cohesion, which accounts for half of the budget, and the Common Agricultural Policy, which accounts for 25% of its spending.

While it is unlikely that Ukraine will be a full member by 2030, the timeframe under examination in this report, the EU will have to start preparing for a major reform of its policies towards the end of this mandate at the latest.

Trump went ahead with his threat to impose tariffs on imports of goods from the EU, slapping 20% on most products and 25% on cars, steel and aluminium. When the potential impact on the US economy started a selloff of US government bonds, Trump suspended the 20% tariff for 90 days, replacing it with a 10% rate. The EU retaliated at first by announcing countermeasures on €21 billion of US exports, mainly on farm goods and from Republican states. These have been suspended as the EU tries to strike a deal with Trump.

The other major priority for the EU during von der Leyen's second term is competitiveness. During her first term, she focused on the twin transitions of greening and digitalising the EU's economy.

But European businesses struggled with the challenges of decarbonising their activities and adjusting to greater transparency over their supply chains. The message from European business that the EU was losing competitiveness to its rivals in Asia and the US struck home. This was exacerbated by the EU having some of the highest energy prices in the world and which were driven even higher after Russia's invasion of Ukraine. In response, von der Leyen asked Mario Draghi, a former President of the European Central Bank, to prepare a report on how to boost the EU's competitiveness.

Von der Leyen has adopted many of Draghi's ideas and recommendations into her priorities over the next four years. While Draghi's ideas have been endorsed by EU leaders, the hard work of negotiating among member states and with MEPs still has to be done.

One of the main pillars is simplification to reduce the burden of EU legislation on businesses.

In March, von der Leyen presented the first "omnibus" package of simplification measures which reduce the burden on businesses of sustainability reporting, due diligence obligations and the taxonomy, which sets out which activities count as low carbon.

The change in the Commission's priorities from the last mandate to this one are plain to see in von der Leyen's speeches and public statements. Whereas from 2019 to 2024, the emphasis was on decarbonisation, this goal now has to be balanced with competitiveness.

For an organisation that has faced some major challenges over the last 15 years (with the financial crisis and COVID), the EU's next five years promise to be some of the most difficult as it deals with Trump, tries to bring peace and security to Ukraine and protect its political and economic interests.

By 2030, the EU needs not just to survive; it needs to thrive.

Energy and Climate Policy

Challenges for 2030

- Reducing energy prices
- Ending the EU's reliance on Russian energy imports
- Building a stronger electricity grid

Chances of Success

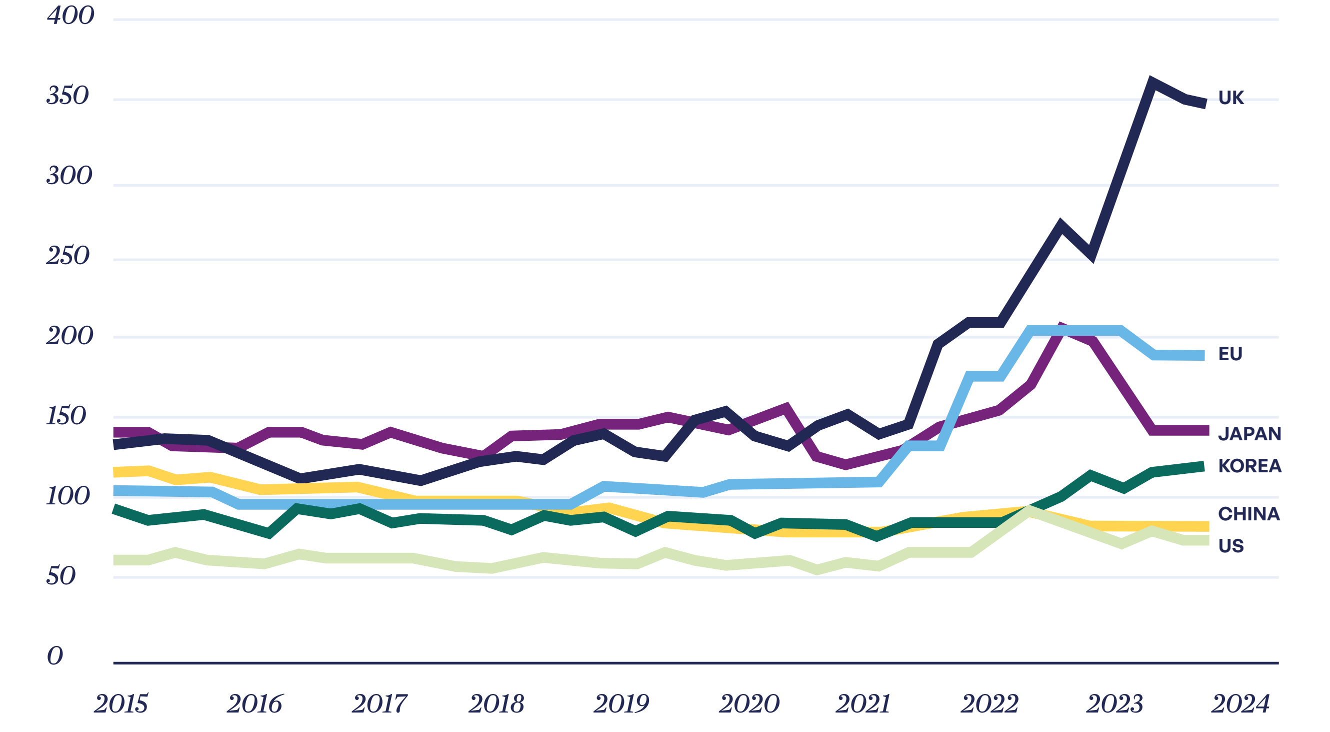
- Reducing prices will depend on expansion of renewables, grid integration and global energy market trends. Some price stabilisation is likely by 2030 thanks to well-supplied gas markets
- Ending reliance on Russia will be difficult as the Ukraine conflict should be over in five years' time and some member states will still buy Russian energy imports
- A stronger electricity grid will depend on the level of investment and speed of permitting. With increased EU and national investment and cuts in red tape some progress is likely to be made, but it will be patchy. Bottlenecks in the internal market will remain

The European Union will be dealing with major energy policy challenges in the coming five years, as it seeks to transition to a sustainable energy system while maintaining energy security and economic competitiveness. When it comes to headline targets, by 2030 the EU is planning to reach 40% renewables in its energy mix, a 55% reduction in greenhouse gas emissions compared to 1990, and a 12% reduction in its final energy consumption (primarily through energy-efficiency measures). Meeting these targets will be a tall order for the EU, mostly due to geopolitical tensions, the scale of the green transition, economic pressures, and the need to balance member states' interests with those of the EU as a whole.

The EU faces ongoing threats to energy security, due to its reliance on external energy supplies, notably in natural gas. The Russia-Ukraine war has sharply exposed the EU's vulnerabilities, prompting the need for a diversification of energy sources. As a political goal, European Commission President Ursula von der Leyen wants the EU to end imports of Russian fossil fuels by 2030. However, while the EU has significantly reduced its dependency on Russian gas (from 44% to 8% since 2021), finding reliable and affordable alternatives remains a challenge.

Increased imports of LNG (liquefied natural gas), especially from the US, investment in strategic energy infrastructure (such as new transmission lines and more wind and solar infrastructure), and stronger partnerships with energy producers in North Africa and Central Asia will be vital but will not guarantee quick outcomes. Some bilateral energy deals such as with Azerbaijan or Qatar (and even the US) might also require the EU to put its economic interests ahead of its notional commitment to values.

The EU remains committed to achieving climate neutrality by 2050. This green transition requires significant investments in renewable energy technologies, such as wind, solar and green hydrogen, and the modernisation of energy grids. However, managing this transition will be challenging, particularly as some member states remain heavily dependent on fossil fuels like coal (e.g. Poland, Bulgaria) or are unable to exploit the full potential of renewables (Germany). Balancing decarbonisation with energy affordability and social impact (e.g. job losses in fossil fuel industries or manufacturing) while maintaining economic competitiveness will be a crucial hurdle to overcome.



Source: Bruegel based on Chief Economist Team/DG ENER/European Commission, based on Eurostat (EU), Energy Information Administration (US), Department for Energy Security and Net Zero (UK), International Energy Agency (Japan and Korea), CEIC (China). Note: European Central Bank conversion rates.

Expanding renewable energy generation is critical, but the EU faces challenges in scaling up. Wind and solar installations demand substantial investment and permitting processes, which are often slow and bureaucratic and suffer from so-called "NIMBY" (Not in My Back Yard) resistance from local communities, need to be sped up.

Ageing energy infrastructure also needs modernisation to handle the variability of renewable energy, and massive investments are required to upgrade grids for storage, distribution and cross-border energy flows. Member states are financing grid modernisation through the EU's Cohesion and Modernisation funds in addition to their own national investment projects. The EU is also likely to offer funding support through funds such as the Connecting Europe Facility (€5.8bn from 2021-2027), along with policies to ease administrative burdens. Still, studies show that the current level of spending by the EU is about 50% lower than what is needed to deliver the green transition — €584bn by 2030, according to the Commission's own estimates. In any case, four years is a short time to make a significant dent on energy infrastructure Europe-wide; there will be some impact, but it will be patchy across the EU with cross-border connections the hardest projects to implement.

High energy prices, exacerbated by recent geopolitical crises in Ukraine and the Middle East, are a pressing concern for both households and businesses in Europe. Energy affordability, particularly for low-income families, is critical as the EU transitions to cleaner energy sources, which can be expensive in the short term. In the near-term, the EU will continue to face competition from rivals with lower energy prices such as the US, Turkey or China and will have to work hard to retain or attract businesses.

To change this situation, the EU has to wait until increased supply of renewables can make a sizable impact on energy market prices. Even then, some member states might fare better than others. Either way, the EU is likely to have higher energy prices over the next five years than the US or Asia. But the situation should keep improving slowly with much better prospects after 2030.

Energy policies differ widely among EU member states, which have varying energy mixes, economic capabilities and political priorities. The challenge for the EU is to implement unified energy policies, stemming from the Green Deal package, while respecting member states' control over their energy mix and allowing capitals to use policies that work in their own contexts. Disagreements over nuclear power, interconnector priorities and carbon pricing could hinder cohesive decision-making at EU level, slowing down progress toward shared goals, but it is unlikely to deter the EU from pursuing its energy transition. Some targets might be adjusted over time but the direction of the EU is unlikely to be changed radically.

The EU's energy policy over the next five years will be marked by a delicate balancing act between ensuring energy security, preserving European competitiveness, advancing the green transition, and managing social and economic impacts. The chances of the EU achieving its energy transition targets in their entirety are low, but the growing scale of renewables, global energy market developments and new infrastructure should start to make some impact on European energy consumers by 2030.

Critical Raw Materials

Challenges for 2030

- Increasing the EU supply of Critical Raw Materials (CRMs)
- Shifting away from China as the main supplier of CRMs
- Boosting recycling and replacement of CRMs in essential technologies

Chances of Success

- Opening new mines in the EU will remain difficult due to the high investments required, slow permitting and public opposition
- Some progress will be made in shifting away from China through new trade deals with African and South American countries
- Recycling of CRMs is likely to make a larger impact on the supply side for CRMs while innovation in green tech could lead to the replacement of certain CRMs in some products like EV batteries

Over the next five years, the EU's reliance on critical raw materials (CRMs), such as lithium, cobalt, nickel, rare earth elements, and graphite, will only intensify as the Union aims to meet ambitious sustainability targets, including carbon neutrality by 2050 and the expansion of digital and clean energy technologies.

CRMs are indispensable in the production of a wide range of products essential for decarbonisation. For example, lithium and cobalt are integral for EV batteries, while rare earths are crucial for wind turbines and advanced electronics. So far scientists have been slow to develop alternatives, but efforts in this respect are continuing.

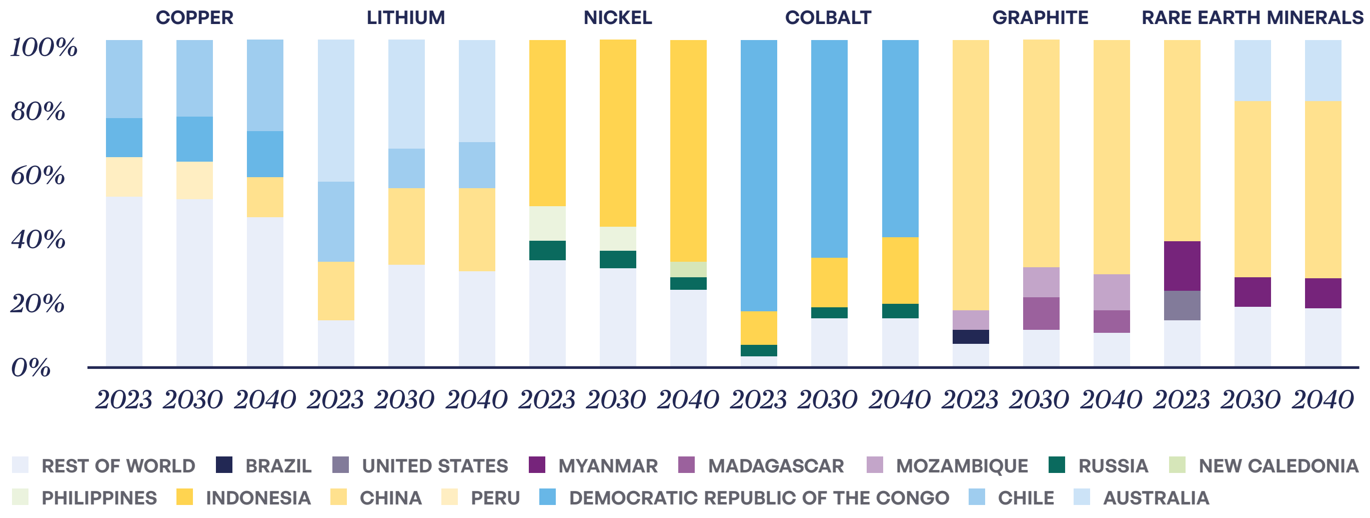
By 2030, the EU wants to increase domestic capacity to supply CRMs. At least 10% of domestic demand for CRMs from mining and extraction should come from within the EU, while for processing and refining the target is 40% and for recycling 25%.

Currently, the EU is highly dependent on third countries for its supply of CRMs. China, for instance, controls a dominant share of the global production and processing of many critical materials (e.g. over 90% for cobalt), while other suppliers, such as Russia, the Democratic Republic of Congo, Canada and Australia, are also key sources. This dependence poses significant geopolitical and supply chain risks, particularly in light of emerging trade tensions with the US, market volatility and potential disruptions from global crises.

The EU's relations with key third-country suppliers of CRMs will remain fraught with uncertainty. Russia's invasion of Ukraine and the sanctions imposed on Russia make it unlikely to be a major supplier of CRMs in the near future. Ukraine's potential for rare earths remains relatively unexplored, and the US is likely to have priority rights as part of any peace deal with Russia. The EU's delicate political relationship with China is unlikely to lead to a major increase in supplies from that country. The EU's desire to reduce dependency on these countries will continue to be hindered by political tensions, trade barriers, and conflicts.

Donald Trump's presidency itself is also likely to be a new major barrier for Europe to secure more CRMs. First, Washington will compete aggressively for the same CRMs Europe needs on the global market. Second, international fora like the G7+ critical raw materials club, suggested by Draghi's competitiveness report, would be unlikely to work due to Trump's isolationist political agenda.

GEOGRAPHICAL DISTRIBUTION OF MINED OR RAW MATERIAL PRODUCTION FOR KEY ENERGY TRANSITION MINERALS IN THE BASE CASE, 2023-2040



Source: IEA (2024), Geographical distribution of mined or raw material production for key energy transition minerals in the base case, 2023-2040, IEA, Paris https://www.iea.org/data-and-statistics/charts/geographical-distribution-of-mined-or-raw-material-production-for-key-energy-transition-minerals-in-the-base-case-2023-2040-2, Licence: CC BY 4.0

Expanding domestic mining and increasing recycling operations will continue to face significant opposition in Europe due to environmental, humanitarian and NIMBY concerns. Protests have taken place against lithium mines at Tréguennec in France and Jadar in Serbia. Other EU member states with potential for CRM mining are likely to experience the same obstacles. NGOs and other campaign groups will continue to put pressure on local politicians and Brussels policymakers to delay or postpone mining operations. In practice it can take 10-20 years to open a new mine in the EU, while in China a permit can be issued in as little as three months.

Draghi's competitiveness report suggested cutting permitting times and the Commission has identified 47 strategic CRM projects. The permitting process should be cut to a maximum of 15-27 months while finance should be easier to obtain. These procedures however could still be held up by environmental assessments or public consultations.

Scaling up recycling technologies and developing alternative materials requires significant investment and time. The economics of such initiatives may not be immediately favourable (even within five years), and the global market for CRMs will remain rather volatile and undersupplied. The EU will continue to encourage rapid innovation in recycling of CRMs, protect its own technologies and companies with trade defence tools and provide public support to the sector. This might shift the CRM supply-demand situation in the EU's favour, but the change will be incremental and will ultimately take time.

Transport

Challenges for 2030

- Electrifying the automotive sector
- Decarbonising aviation and maritime transport
- Facilitating greater usage of rail for international travel and freight transport

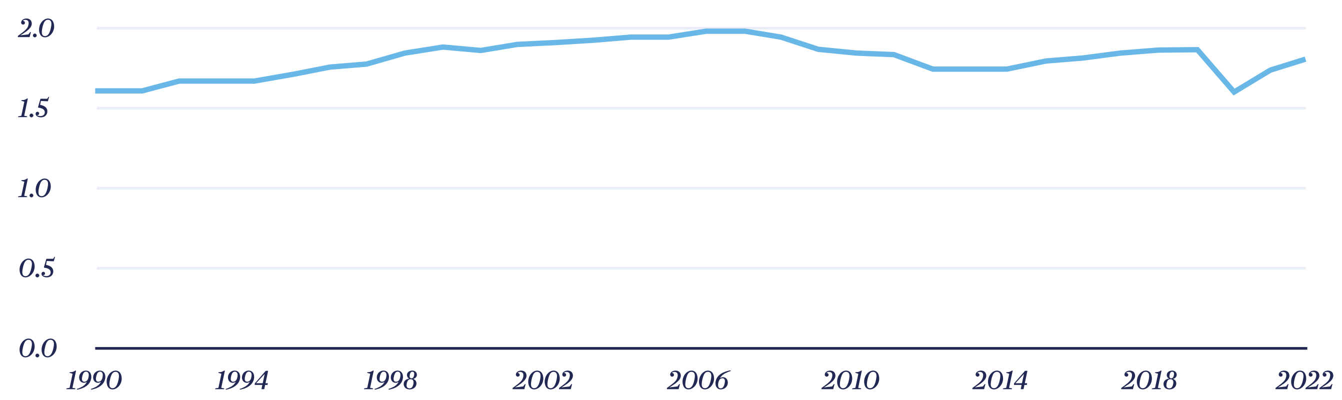
Chances of Success

- Electrification rates will increase, but the 2035 ban on new petrol and diesel cars is likely to be modified
- Permitting for alternative-fuel factories will be faster, but production and usage rates will remain low

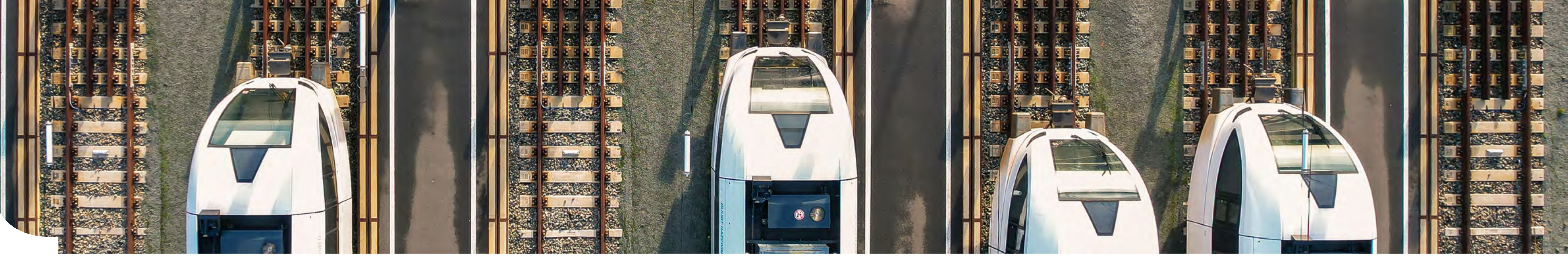
While the EU has made progress in decarbonising its economy since 1990, with a 49% decrease in net emissions projected for 2030, transport emissions have actually increased, currently accounting for around 25% of the EU's total emissions. Of that percentage, 16% are from cars and vans. The number of petrol and diesel vehicles has continued to grow, reaching 256 million in 2023, a 6.5% increase compared to 2018. Air travel has become common thanks to cheap international flights, with the number of passengers increasing by a third between 2012 and 2023. The EU must grapple with how to bring transport emissions down without doing too much damage to businesses, nor limiting the freedom of travel to which citizens have become accustomed.

Decarbonisation requires a multi-faceted response. Electric vehicles (EVs) are the most prominent solution with EVs accounting for 16% of new vehicle registrations in 2023 compared to 0.2% in 2013. But there are challenges for further expansion of EVs. For example, there are fears that the electricity grid will be unable to keep up with the growing demand. Furthermore, charging stations are not spread evenly around the EU to match population density.

GREENHOUSE GAS EMISSIONS FROM FUEL COMBUSTION IN TRANSPORT (TONNES OF CO2 EQUIVALENTS PER INHABITANT, EU, 1990-2022)



Source: Eurostat (online data codes: env_air_gge and demo_pjan) and European Environment Agency (EEA)



The Netherlands, France and Germany have over 60% of the EU's charging points despite representing less than 40% of its population. The Joint Research Centre estimates that 400,000 charging points a year will need to be installed to reach the EU's binding targets for 2030, far above the 153,000 installed in 2023.

The EU's climate and economic priorities have come into conflict as the Union imposed tariffs on imports of Chinese EVs in October 2024, ranging from 8% to 35%, to compensate for unfair economic advantages for Chinese carmakers. This should give the European auto industry extra time to switch production to electric vehicles. The leading companies sold over 1.4 million EVs in the EU last year out of total production of 10.6m vehicles. The Commission is aware that more is needed. In March 2025, it published an Action Plan for the Automotive Sector which outlined support for greater digitalisation and automated driving, as well as added flexibility for automakers on CO2 emissions standards. This was accompanied by a Communication on decarbonising corporate fleets, which account for the purchasing of the majority of new cars in the EU yet generally lag behind households when it comes to EVs.

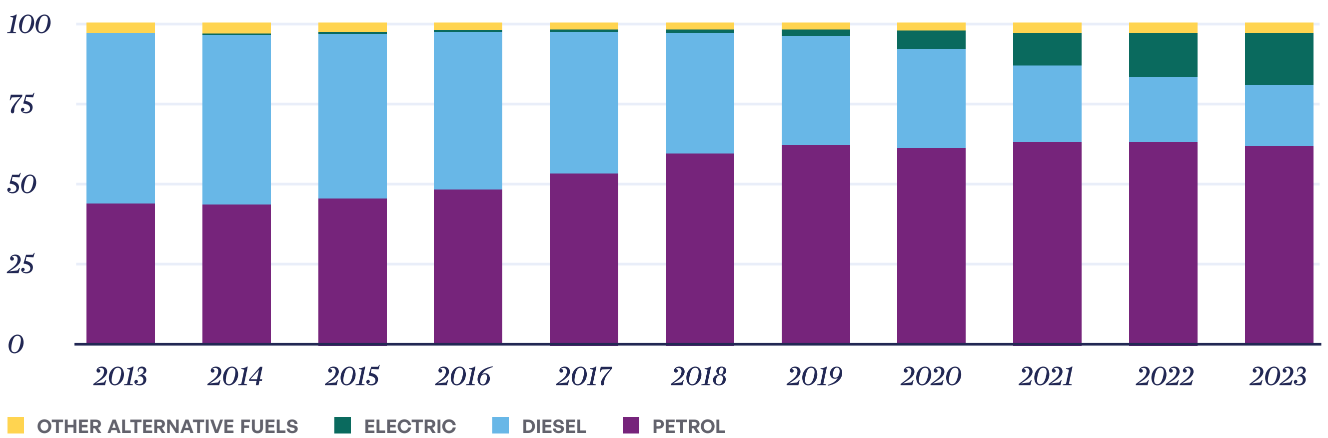
The Communication noted the important role of tax policy to encourage companies to purchase more EVs and highlighted how car rental is dependent on help from airports to install charging points.

Overall, the Commission is moving away from its previous stringent approach, which threatened fines for carmakers who exceeded CO2 emission limits and obligatory EV purchase targets for companies.

The big question mark for the shift away from internal combustion engines is what happens in 2035, the deadline member states agreed to end the sale of new petrol and diesel cars. While the Commission strongly defends the date, the centre-right EPP group in the European Parliament and some groups further to the right want the agreement to either be revised or scrapped completely. The next German government, led by Friedrich Merz from the centre-right CDU, in conjunction with other car-making countries, could push for a softening of the ban when the legislation is reviewed next year.

As maritime transport and aviation are the two sectors that are hardest to decarbonise, carbon-neutral fuels have a crucial role to play. The main examples are green hydrogen (produced by splitting water into hydrogen and oxygen using renewable-powered electricity) for maritime transport, and e-kerosene (when green hydrogen is combined with captured CO2) for planes. The EU will look to speed up permitting and construction of factories producing such green fuels. This is one of the measures contained in the Clean Industrial Deal announced by the Commission in February 2024.

REGISTRATIONS OF NEW PASSENGER CARS, BY TYPE OF MOTOR ENERGY
(%, EU, 2013-23)



Source: Eurostat (online data codes: road_eqr_zev, road_eqr_carpda and road_eqr_unlweig)

The EU is aiming to produce 10 million tonnes of green hydrogen and import another 10 million by 2030, while airlines are expected to use around 600,000 tonnes of e-kerosene by the same date. Research indicates that if all planned e-kerosene projects come to fruition, they could produce 1.7mt by 2030. On the other hand, the European Court of Auditors said in a report in July 2024 that the Commission's hydrogen goals were unrealistic. All this suggests that carbon-neutral fuels are a potential battleground as the aviation, shipping and road transport sectors fight for access to this crucial fuel. The auto industry looks likely to lose out as electrification is an easier option for road vehicles but the economic importance of the sector in the EU could mean that they get a bigger share of available e-fuels.

The third part of the decarbonisation puzzle is rail transport. The recent uptick in cross-border sleeper services between major European cities, and the 7% increase between 2023 and 2024 in cross-border rail trips suggest that consumers are conscious of the environmental impact of frequent short-haul flights. This willingness does not change the reality that building new train networks is capital intensive and the EU rail system is relatively fragmented.

The Draghi report cites the lack of paperless booking processes in cross-border rail as a serious barrier to seamless multimodal transport. Greater rail harmonisation would seem like an easy win for the EU, and yet little progress has occurred, with the multimodal booking file still to make an appearance in the current Commission's Work Programme. Furthermore, the recent Clean Industrial Deal did not cover rail (or aviation for that matter), indicating where these sectors sit in the Commission's list of priorities. Given the large amount of attention on the auto industry in Brussels at the moment, rail may once again be left by the wayside.

There will be much attention paid to the Sustainable Transport Investment Plan mentioned in the Commission's Competitiveness Compass and its possible impacts on decarbonisation, but the text will not be published until the end of 2025.

Decision-makers in Brussels and the national capitals face tough problems, but by building more charging stations, supporting e-fuel factories and harmonising the rail network they can get closer to a greener and more efficient transport system.

Digital

Challenges for 2030

- Pressure from US to ease EU regulation of tech companies
- Closing the innovation gap with US and China
- Completing the digital transition
- Reducing dependence on foreign tech

Chances of Success

- Gap with US and China is too big to close in five years
- EU will make progress on uptake of digital technologies
- While the EU will not become self-reliant in digital technology, it will reduce its dependency on third countries

The EU's approach to regulating the tech sector has been one of the biggest targets of President Trump's administration since taking office in January. The most outspoken critic has been US vice-president JD Vance, who attacked the EU's approach to AI regulation at a summit in Paris in February, saying the EU risked "killing a transformative industry" at birth and decrying content moderation as "authoritarian censorship". Vance, who has close links to Silicon Valley tech entrepreneurs such as Peter Thiel, the founder of PayPal, also criticised EU data protection regulation, which he said created huge compliance costs for US companies doing business in the EU.

Andrew Ferguson, the chair of the United States Federal Trade Commission, said EU fines were a tax on US companies. "I definitely don't want the Europeans basically levying taxes on American firms no matter what the conduct is."

The EU's response to this full-frontal attack from the US administration has been to stick to its guns and apply the provisions of the Digital Markets Act (DMA) and the Digital Services act (DSA) to US tech companies. In April 2025, the Commission announced that it was fining Apple €500 million and Meta, Facebook's parent company, €200m for breaches of the DMA. For Apple, the fine was because the company had failed to enable customers to buy apps outside Apple's own app store. For Meta, the Commission decided that the company's "consent or pay" model breached the DMA's rules on allowing users free choice over whether to allow their personal data to be used.

Leaving aside pressure from Washington to go easy on US tech firms, the EU continues to face the same challenges in the tech sphere it has been grappling with for decades. The EU faces a persistent innovation gap, fragmented digital transformation across member states, and heavy dependencies on external actors. The policies of the Trump administration have made the last one more acute.

While the EU can boast world-class research, it struggles to translate scientific breakthroughs into commercial success. Despite producing research output comparable to that of the US and China, only a third of patents from EU universities are ever commercialised. This is one factor limiting the EU's ability to compete in fields such as artificial intelligence, quantum computing, and next-generation telecommunications.

To counteract this, the EU plans to boost its innovation ecosystem over the next five years. Investment in digital infrastructure—including telecom networks, cloud computing, and satellite solutions—must serve as a backbone for future technological advances. Measures such as the upcoming AI Factories initiative and the Space Act aim to create an environment that fosters innovation.

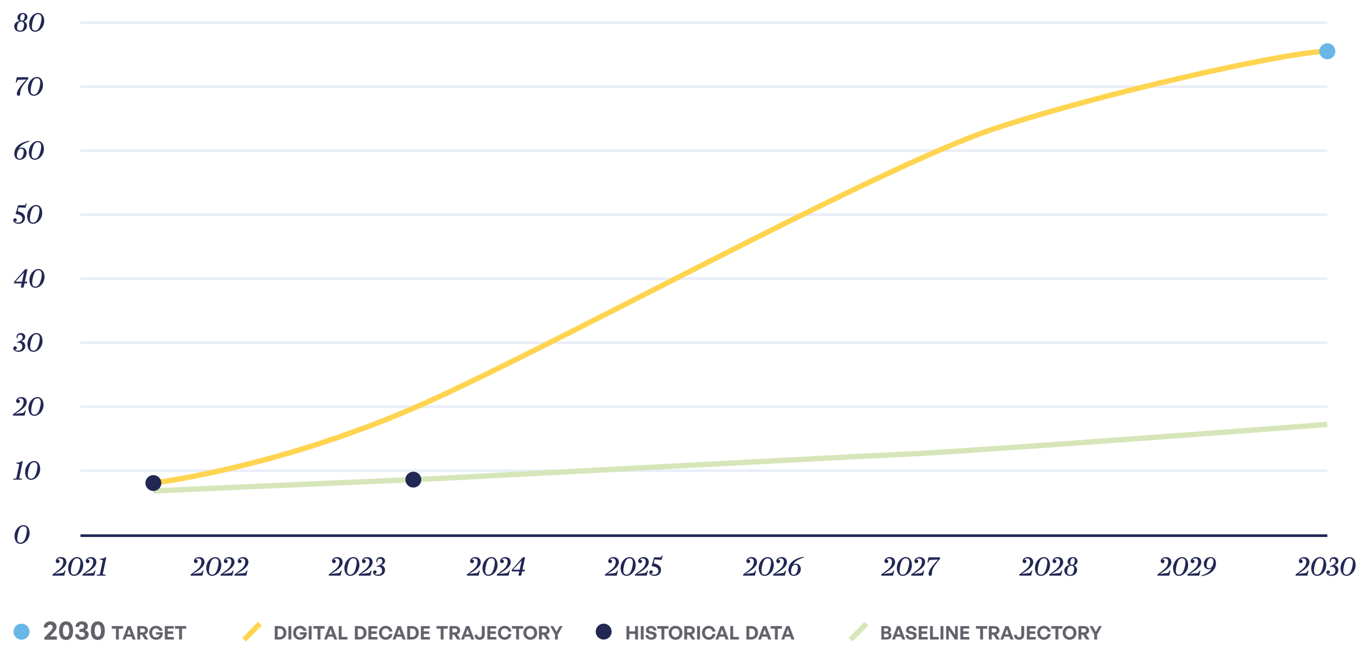
However, spending on research is far from what experts deem is needed for the EU to catch up with other regions of the world. By 2030, we can expect the EU to have made significant progress in commercialising research, but breaking the dominance of US and Chinese tech giants will remain out of reach.

The EU's vision for digital transformation of its economy is ambitious and progress remains patchy. While advances have been made in a limited number of areas, including big data take-up and 5G coverage, widespread adoption of most emerging technologies is lagging. Nowhere is this more evident than in AI. The rate of adoption of AI by EU businesses is currently just 11%—a staggeringly low figure compared to the 75% target for 2030. The slow take-up of AI means Europe is falling behind global competitors.

To address these delays, member states need to ensure that AI, data analytics and high-speed connectivity become more widely accessible, in line with the EU's Digital Decade policy programme. The programme looks to increase strategic investments at EU and national level, with lagging regions being especially targeted to create a more balanced digital landscape.

Yet, even with increased investment, AI uptake is unlikely to accelerate quickly enough to meet the EU's ambitions. By 2030, there will have been some progress in digital transformation, but the gap between policy aspirations and real-world adoption may still be substantial.

UPTAKE OF ARTIFICIAL INTELLIGENCE (EUROPEAN UNION) (% EU BUSINESSES)



Source: Eurostat, table ISOC_EB_AI: Artificial intelligence

Perhaps the EU's most pressing challenge is its reliance on external actors for digital infrastructure and technology. At present, an estimated 80% of the technologies and services underpinning the EU's digital transformation are designed and manufactured outside the member states.

The implications of this dependence extend beyond competitiveness; reliance on foreign technologies represents a strategic vulnerability. It complicates efforts to combat disinformation on social media, raises concerns about potential backdoors in digital infrastructure for foreign governments, and poses risks if supplying countries decide to withhold critical technologies. The US — traditionally an ally—now aggressively attacking EU tech laws is just the latest proof that the EU must build and support its own tech giants.

To mitigate these risks, the EU is taking a multi-pronged approach. Diversifying supply chains, securing access to critical raw materials, and leveraging trade defence mechanisms are all key components of this strategy. The Economic Security Strategy, published in January 2025, is a foundation for conducting risk assessments and implementing countermeasures in critical technological areas.

By 2030, this strategic shift should bear fruit, but the EU is unlikely to achieve full technological self-sufficiency. Instead, it will likely emerge as a more resilient player, with a diversified supply chain. While it may still rely on foreign technology in some areas, it may well become less vulnerable to external shocks than it is today.

The EU's digital and technology ambitions are bold, but achieving them will require sustained effort, investment, and policy coordination. By 2030, the Union will likely have closed some of its innovation gap, harmonised digital transformation across member states to a degree, and strengthened its technological sovereignty. However, challenges will remain.

Innovation may see a boost, but creating a truly self-sustaining tech ecosystem equivalent to the US or China is an uphill battle. The next five years will be critical in determining whether Europe emerges as a global tech leader or continues to play a supporting role in the digital revolution.

Savings and Investments Union

Challenges for 2030

- Making significant progress on the Savings and Investments Union (SIU)
- Ensuring the additional savings made available through the SIU are channelled into investment in the EU economy

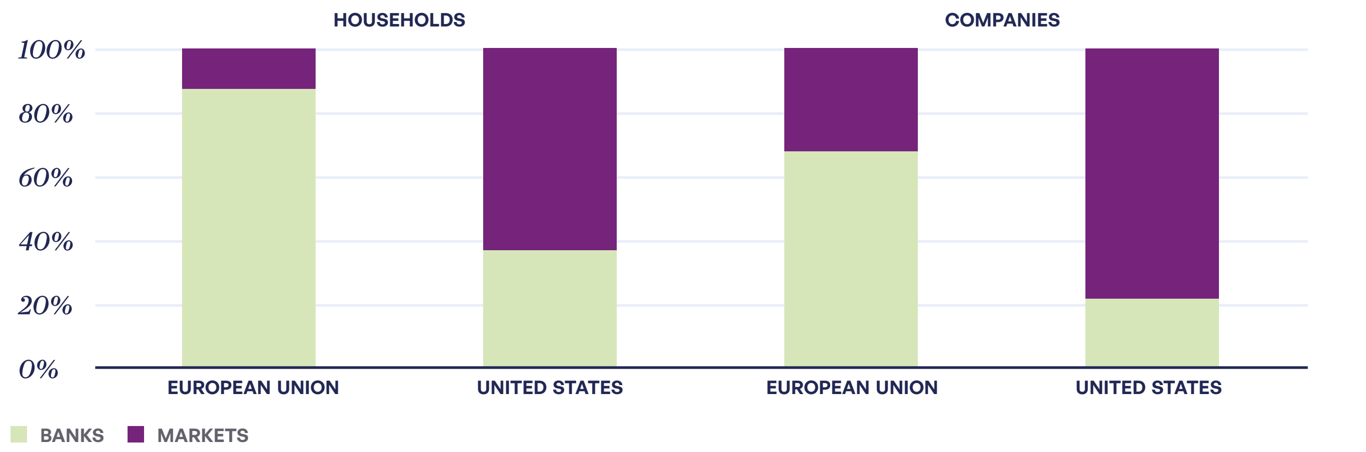
Chances of Success

- By 2030, the EU will have made significant progress towards further integration of EU capital markets
- Full integration of markets for savings and investment products will not be attained

President von der Leyen has made the Savings and Investment Union (SIU) one of her main priorities for her second mandate. The SIU builds on the work that the EU has done since the 2008 financial crisis to create a Banking Union and a Capital Markets Union (CMU). The aim of the Banking Union was to establish a genuine single market for banking services in the EU while the CMU aimed to create a functioning EU-wide market for capital. Work on CMU has made less progress than on the Banking Union. Banking Union is almost complete apart from agreement on EU-wide deposit insurance and resolution for failing banks.

The focus of the SIU is to channel the huge savings of EU citizens into investments that can help the EU achieve its green and digital transitions. According to Mario Draghi's report on EU competitiveness, the EU needs €750-800 billion in investment a year to achieve green and digital transformations of its economy and to achieve its social and political goals. The Commission Communication on the SIU says that EU citizens have around €10 trillion in savings in bank deposits. If part of this money could be channelled into capital-markets products and made

BANKS AND CAPITAL MARKETS AS A SHARE OF HOUSEHOLD AND CORPORATE FUNDING (EU AND UNITED STATES, 2022)



Source: Oliver Wyman, based on data from Eurostat, AFME and SIFMA available for European businesses to expand, the EU would have gone a long way towards addressing its investment needs. According to a study from the ECB, if EU citizens put their savings in market-based products to the same extent as US citizens, this would generate up to €350bn a year in investment capital.

As the Commission's Communication highlights, achieving a Savings and Investment Union requires action both at EU and at national level. While the Commission can help in driving forward a single market for savings to turn them into productive investment, there is also a lot of work for member states to do to remove barriers at national level that deter citizens from investing in other EU countries' savings products.

The International Monetary Fund estimates that internal barriers within the EU to cross-border investment are equivalent to a 100% tariff, i.e. legal and administrative costs double the cost of buying a cross-border investment product.

The Commission has set out actions that the member states need to carry out themselves if progress is going to be made on an SIU by 2030.

There are several measures that member states can take to encourage EU citizens to invest in long-term financial products. These include making shareholding more attractive and establishing employee-savings plans and supplementary employer-funded pension-savings plans which could become fully portable within the Single Market. In its Communication on the SIU, the Commission is aiming to promote these solutions by encouraging auto-enrolment as well as removing differences in national taxation procedures.

EU leaders endorsed the Commission's strategy at their March 2025 European Council meeting, saying in the conclusions that they would "give priority" to "mobilising private savings to unlock necessary investment in the EU economy".

However, observing the slow progress on the most difficult aspects of the Banking Union and the Capital Markets Union in general, it seems unlikely that there will be rapid and substantial progress on the SIU over the next four years. Member states retain full or major control over the policy areas that have the most impact on savings and investment, i.e. taxation, company law and pensions. There are some encouraging signs such as, for example, the arrival as German Chancellor of Friedrich Merz, a former chairman of US investment company Blackrock. His leadership gives hope that Germany might be less resistant to financial market reform over the next four years than it has been. On the less positive side, the strength of right-wing, nationalist and populist parties across the EU suggests that some member states will be reluctant to loosen controls over their citizens' savings and the tax revenues that they generate.

To give one example of how the political dynamic between the EU level and member states work, the role of the European Securities and Markets Authority is a major factor in the building of a single market for investment products. ESMA, which is based in Paris, has few direct supervisory powers. Instead, its role is to ensure consistent application of EU legislation across the 27 member states.

Attempts to expand the powers of EMSA in order to boost the effectiveness of its supervisory role have been opposed by member states which fear a loss of control. Luxembourg, with its large financial services sector, has led the pushback against attempts to expand ESMA's powers and has had support from Ireland and Central and Eastern European member states. In the March European Council conclusions, EU leaders took a cautious approach, asking the Commission to assess the conditions for "enabling the European Supervisory Authorities to effectively supervise the most systemic relevant cross-border capital and financial market actors".

Healthcare

Challenges for 2030

- Complete negotiations on the revision of the General Pharmaceuticals Legislation (GPL)
- Tackle workforce shortages
- Manage introduction of AI into healthcare
- Shortages and the Critical Medicines Act

Chances of Success

- GPL will be agreed with a more pro-industry outcome than originally expected
- There is little the EU can do to address workforce challenges, despite this being a major concern
- The Critical Medicines Act will not be agreed quickly

Over the next four years, the EU faces several critical priorities in healthcare. Some commentators imagined the end of the COVID-19 pandemic would mean a return to "business as usual", i.e. a very minimal role for the EU in healthcare, bar the regulation of the pharmaceutical sector.

But a return to that earlier era looks unlikely. Member states resist attempts to extend the powers of the EU into healthcare due to the high proportions of national spending devoted to health and social care. Fiscal demands ensure they always will. But the COVID-19 pandemic was existential: it demonstrated to citizens and governments the benefits of the EU playing a larger role in healthcare. In future, the EU needs a perspective which regards healthcare in Europe being more than only ever "national".

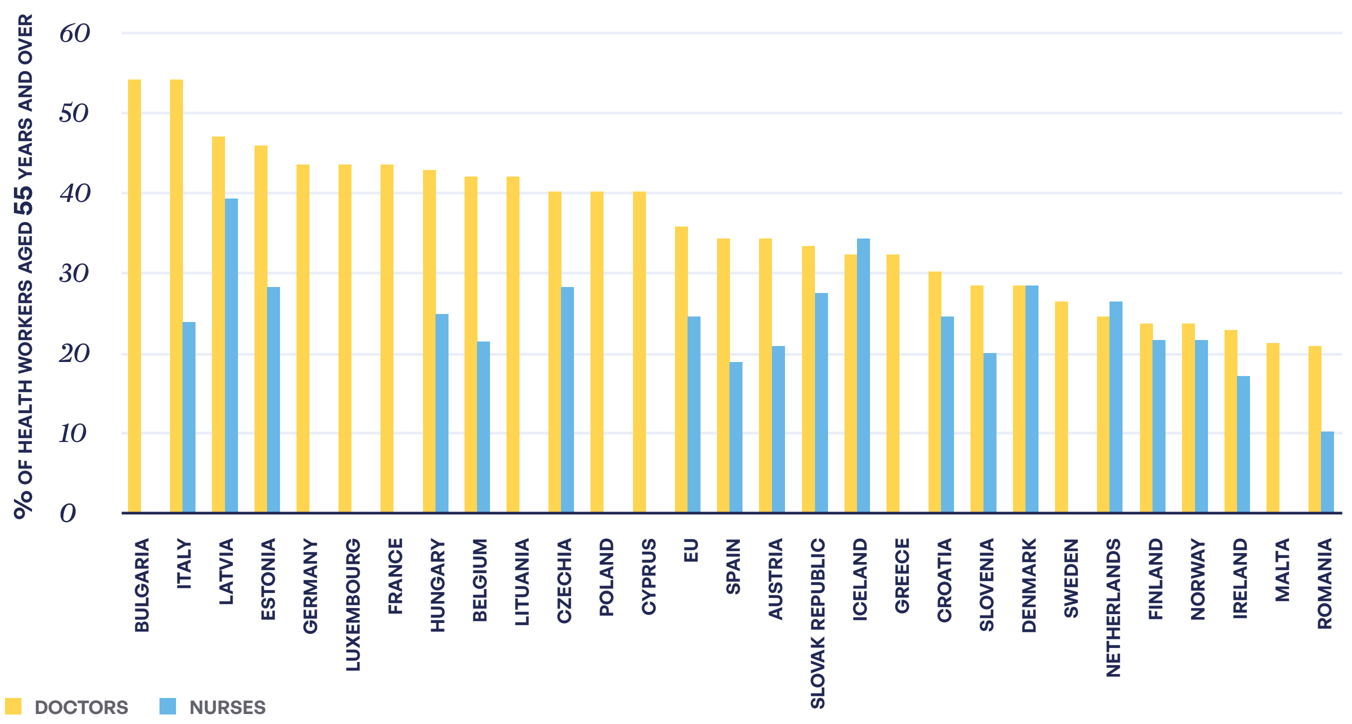
The first priority for the EU will be to finalise the negotiations between member states and the European Parliament on the reform of the EU's General Pharmaceutical Legislation (GPL). The Commission presented its proposals during President Ursula von der Leyen's first mandate. Whereas the previous Commissioner for health, Stella Kyriakides, stressed the need for fairer access to innovative medicines across the EU, clashing with the interests of industry, it is likely that the current health Commissioner, Olivér Várhelyi, and the current Parliament, will be more favourable to industry and will support its case to increase competitiveness. Also, two out of three forthcoming countries that will hold the rotating Council presidencies in 2025 and 2026 (Denmark and Ireland, home to major pharmaceutical companies) are usually more pro-industry than others. Indeed, the threat of Trump's possible actions also helps position the industry more positively than ever in Europe.

The conclusion of the reform package might ultimately therefore be more in tune with industry thinking than looked likely during the end of the last Commission mandate.

Today's healthcare challenges in the EU go beyond pharmaceuticals and medical devices.

Probably the most pressing issue for member states is the acute shortage of healthcare professionals across Europe. Already in 2022, most member states reported deficits of healthcare workforces, with the total shortfall estimated at approximately 1.2 million doctors, nurses and midwives. The gap is growing because of increasing demand for healthcare services from the EU's ageing population and a significant portion of the current workforce nearing retirement. Additionally, the interest in health careers among young adults is waning across member states, with a decline in nursing enrolments observed in over half of EU countries between 2018 and 2022, according to figures from Eurostat, the EU's statistical agency.

OVER ONE-THIRD OF DOCTORS AND A QUARTER OF NURSES ON AVERAGE ACROSS EU COUNTRIES WERE AGED OVER 55 YEARS IN 2022



Source: OECD Health Statistics 2024; Eurostat (hlth_rs_phys)

The Commission will need to come forward with a new skills-portability initiative if it wants to significantly support member states in attracting trained professionals from outside the EU and enhancing mobility for healthcare professionals within the EU.

In addition, right-wing and far-right parties with anti-immigration policies are having increasing electoral success in the EU. This tendency is clashing with member states' need for more immigration to address their healthcare workforce challenges.

The next big challenge is introducing AI into healthcare. While many argue that AI has the potential to revolutionise diagnostics, reduce the administrative burden for healthcare professionals and enhance patient outcomes, critics argue that its adoption requires the careful consideration of ethical implications, data privacy concerns, and the imperative for healthcare professionals to acquire new competencies.

The EU's AI Act classifies AI systems according to risk, with its use in the healthcare sector being labelled as high risk due to its potential for a direct impact on patient safety and wellbeing. The EU will need to find a balance between innovating in healthcare and AI while upholding the EU's careful approach to transparency, data usage and risk management to protect patients. There will be pressure from the US tech industry for rapid and relatively unregulated use of AI in healthcare.

A third strategic priority will be to ensure the availability of critical medicines. Recent shortages across the Union have exposed vulnerabilities in supply chains, prompting the establishment of the Critical Medicines Alliance in April 2024. In March 2025, the Commission proposed the Critical Medicine Act, which aims to enhance supply security, reduce dependencies, and build a more resilient pharmaceutical industry.

The proposed Act also significantly extends the possibility for joint procurement across the bloc. But it is fairly restrained on stockpiling as an integral component of the EU's strategy for the future.

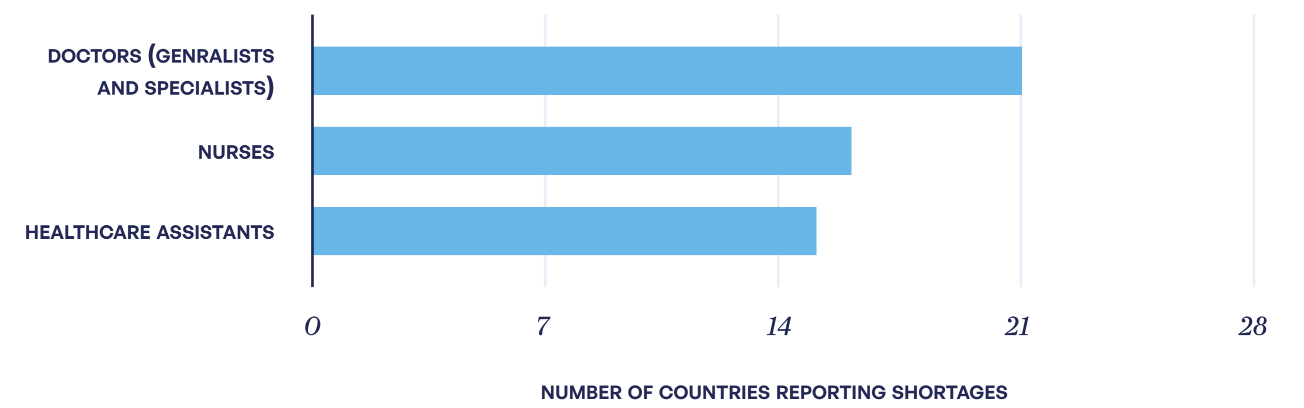
The effectiveness of collective drug price bargaining and supply was well-demonstrated during the COVID-19 pandemic and continues to serve as a model for more and better coordinated efforts in jointly securing medical supplies, despite the Commission generally lacking the executive capacity to play a role in price negotiations or drug procurement.

But the likelihood of member states resisting giving up control over procurement to a significant extent means it is highly doubtful whether the Critical Medicines Act will be approved in a form close to the Commission's proposal.

The 2019-2024 mandate saw the EU address policy around cancer treatment via the Beating Cancer Plan. For the new mandate we expect movement on cardiovascular diseases (which also featured in the EPP's election manifesto for 2024), with the Commission expected to present a Cardiovascular Health Action Plan.

Finally, the EU Regulation on the European Health Data Space has now entered into force and implementation has started, notably with the Commission releasing the open-source HealthData@EU Central Platform, enabling the secondary use of health data for research, innovation, policy-making, and public health. Over the coming mandate, the impact of the EHDS could be profound as it links health data across member states and also provides for the regulation of electronic health record systems within the EU.

MOST EU COUNTRIES REPORTED SHORTAGES OF HEALTH WORKERS IN 2022 AND 2023



Source: European Labour Authority (2024[9]), Report on labour shortages and surpluses 2023, https://data.europa.eu/doi/10.2883/973861

Agriculture and Food

Challenges for 2030

- Avoid public opposition by farmers' organisations to EU and national policies
- Striking a balance between helping EU farmers to cope with challenges including greater global competition and contributing to the net-zero goal
- Launching an ambitious reform to prepare for Ukraine joining the EU

Chances of Success

- High but the issue of decarbonisation in farming will have to be addressed at some point in the mandate

During Ursula von der Leyen's first mandate as Commission President, there was very strong opposition from farmers' groups to rules imposing environmental constraints such as reducing greenhouse gas emissions. Farmers in several EU countries demonstrated against these demands and national governments made concessions to placate the demonstrators. In The Netherlands, for example, the opposition from farmers to attempts to get them to reduce animal waste by cutting the size of their holdings led to the creation of a new political party, the BoerBurgerBeweging (BBB), or Farmer Citizen Movement, which is part of the current government.

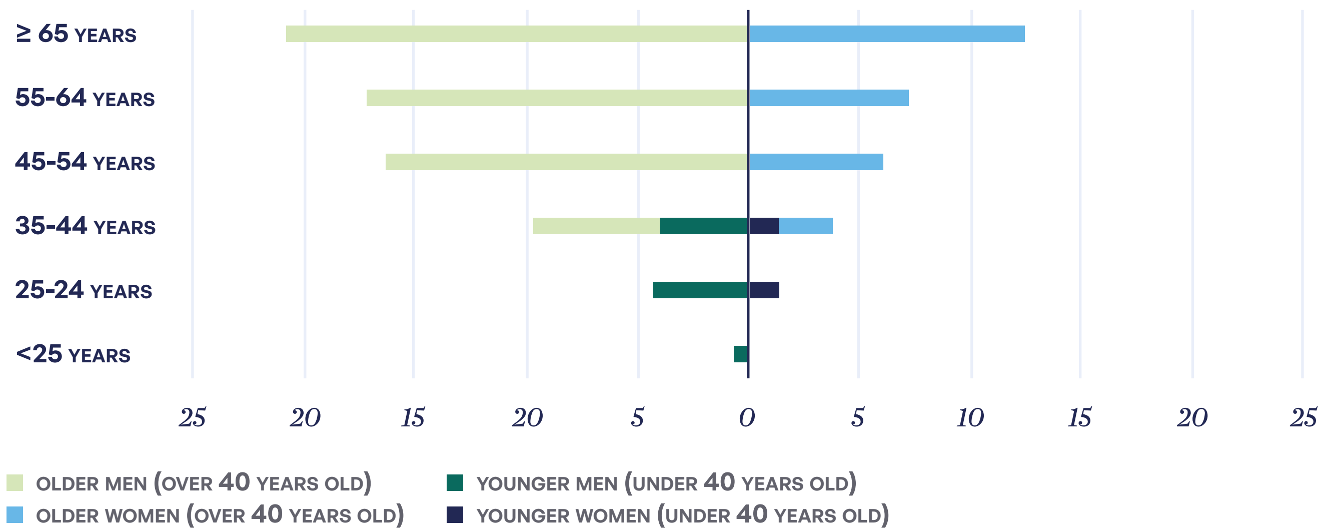
Now, during von der Leyen's second mandate, the Commission is trying to take a more balanced approach to the EU's farming sector, taking into greater account the competitive pressures on farmers including from new trade liberalisation deals like the MERCOSUR agreement with Brazil and countries from South America that are large agricultural exporters. Whereas under the last mandate, the Commission's approach looked at all the parts of the food production chain – the so-called "farm to fork" strategy – the new approach, as set out in the "Vision for Agriculture and Food" released in February 2025, puts farmers and farming firmly back in the centre of the EU's focus.

The February communication sets out a familiar list of challenges for the farming sector. Climate change is posing an ever-greater challenge to farming, with extreme weather events such as droughts and floods threatening crops and livestock production. Economic pressures are also mounting, as rising energy costs and global competition squeeze farmers' incomes. The average age of farmers continues to increase with only 12% of farmers under 40, as rural populations are less attracted to working in agriculture. Younger farmers struggle to get the capital and land they need to start and grow farm businesses.

These problems are all listed in the Commission's Vision paper. But instead of outlining bold policy measures to address these challenges, the Commission has instead proposed greater consultation on policy changes that could impact the farming sector. It pledges to "maintain a permanent dialogue with all other EU institutions and bodies, notably the European Parliament and the Council of the EU" and to "report regularly to all EU institutions on progress on delivery of the various initiatives". The main lesson drawn by the Commission from the farmers' demonstrations seems to be that the outbreak of anger was down to a lack of communication and consultation, rather than inappropriate policies.

On the thorny issue of farmers' incomes, where the Commission notes that average incomes are below those of other sectors in the EU, the Vision paper steers clear of proposing radical measures like new intervention in markets for farm goods.

AGE AND GENDER OF FARM MANAGERS
(% SHARE OF ALL FARM MANAGERS, EU, 2020)



Source: Eurostat (online data code: ef_m_farmang)

Instead, it stresses the role of "farm entrepreneurship" where farmers diversify and expand their sources of income to non-farming activities such as agritourism and carbon farming.

On climate change, the Commission uses very soft language on the contribution that farmers should make. "Policies must reward farming methods that preserve biodiversity and natural ecosystems while ensuring fair and sufficient incomes for farmers", the Vision paper states. The wish to avoid a repeat of the protests that saw hundreds of tractors descend on Brussels in protest has made the Commission much more cautious. Instead of insisting that farmers have an important contribution to make to tackling climate change, the paper says that "farming and the food sector contribute together to the EU's climate objectives" and that "stakeholders along the food chain contribute jointly to delivering these results and share transition risks". However, as the net-zero goal has not been abandoned, a debate on how to decarbonise the farm sector is bound to come back later in this Commission's mandate.

Finally, the biggest challenge is not yet being talked about and remains the most difficult one to anticipate. The EU wants Ukraine to join the EU at the earliest possible opportunity. But, as the country is a major producer and exporter of farm goods, the Union will have to prepare for a major reform of the Common Agricultural Policy either towards the end of the current mandate or the start of the next one. Member states are unlikely to agree to increase the EU's budget to much more than currently. So, there will be enormous pressure to reduce the share of the EU's spending dedicated to agriculture or, at least, to ensure that the majority of farm support continues to flow to the farm sector in the current 27 members of the EU.

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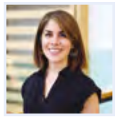

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