FOLKETINGET

EU DK 2025 Parliamentary Dimension

Background note: Sustainable Growth and Energy

The geopolitical and economic realities in which Europe finds itself today mean that strengthening competitiveness and security are at the heart of the European agenda. Most recently, at the European Council on 23–24 October 2025, the EU's Heads of State and Government affirmed that: *"Enhancing the Union's competitiveness, bolstering its resilience and advancing the green transition are mutually reinforcing objectives that must be pursued together."*[1]

Clean and affordable energy can boost the EU's competitiveness, promote decarbonisation and improve security of supply. The transition is not without its obstacles, but the President of the Commission Ursula von der Leyen was clear in her State of the Union Address 2025: *"We know what brings prices down: Clean, homegrown energy"*[2].

Guiding Questions for the Discussion in the session:

- Affordable energy bolsters EU competitiveness and benefits both citizens and businesses. Is there a contradiction between the desire for affordable energy and security of supply and decarbonisation, or do these objectives go hand in hand?
- What are the main obstacles in terms of ensuring sufficient, affordable and clean energy produced within the EU? And are there any tangible solutions?
- How can sufficient incentives be ensured for the development and financing of clean energy, including large-scale projects that do not necessarily benefit the host country directly? Should the state be directly involved or simply ensure favourable framework conditions?

Decarbonisation as a growth driver

Enrico Letta's report on the single market[3] and Draghi's report on the future of European competitiveness[4] both highlight decarbonisation as a driver of European growth, as well as the need for more affordable energy. At the same time, the European Investment Bank states that – while temporarily high energy prices pose a serious obstacle to growth – decarbonisation remains Europe's most promising path towards more affordable energy in the longer term, enhanced energy security and industrial leadership in clean-tech and improved public health[5].

[1] Meeting of the European Council (23 October 2025) Conclusions

[2] President of the Commission Ursula von der Leyen, "State of the Union Address," 2025

[3] Enrico Letta, "Much More Than A Market,"2024

[4] Mario Draghi "The Future of European Competitiveness," 2024

[5] The European Investment Bank "Energy Sector Orientation," 2025

Based on the recommendations contained within the Draghi Report, the European Commission has launched a Competitiveness Compass, a Clean Industrial Deal, and an Affordable Energy Action Plan. A recurring theme throughout all of these initiatives is decarbonisation as a means of bolstering EU competitiveness, resilience and security of supply – with clean and affordable energy playing a key role in achieving this.

According to the Commission, if energy costs are to be reduced, the EU needs to accelerate the transition to clean, EU-produced energy, electrification, a fully integrated energy market and energy efficiency[6].

Affordable, clean, homegrown energy Electricity prices in the EU fluctuate more than in the USA. At the same time, average electricity prices in the EU are currently 2.5 times greater than in the US, and the price of gas is approximately four times higher[7]. A major reason for this lies in the EU's reliance on imported fossil fuels. Russia's invasion of Ukraine and its weaponisation of gas supply[8] have made this vulnerability clear. However, there are also barriers internally within the EU, such as insufficient integration of the European electricity system, lengthy approval processes, and rising system costs[9].

The EU's limited capacity for energy self-sufficiency makes Europe more vulnerable to price shocks, and Russia's invasion of Ukraine has highlighted the importance of the EU's energy independence. At the same time, more than 46 million European citizens are affected by energy poverty, with the most vulnerable groups being hit the hardest.[10]

Renewable energy can strengthen the EU's energy independence, and since the marginal cost of electricity production from renewables is close to zero, it can be expected – according to the European Central Bank – that a power system primarily based on renewable energy will lower electricity prices[11]. This is also emphasised by other experts, including Letta, who argues that the EU's industrial electricity prices will remain higher than those in the US, for example, until the marginal price is predominantly determined by renewable and low-carbon electricity sources, rather than gas[12].

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[6] The European Commission "The Clean Industrial Deal," 2025

[7] The European Central Bank "Europe's Road to Renewables," 2025

[8] The European Commission "The Clean Industrial Deal," 2025

[9] The European Commission "Action Plan for Affordable Energy," 2025

[10] The European Commission "Action Plan for Affordable Energy," 2025

[11] The European Central Bank "Europe's Road to Renewables," 2025

[12] Enrico Letta, "Much More Than A Market,"2024

A recent study estimates that if the European countries reach their targets for solar and wind energy, prices could drop by more than 25% by 2030 and also become less volatile[13].

However, there are challenges to clean energy reducing energy prices in the short and medium term. These include rising costs, insufficient financial incentives for investors, supply chain challenges, a lack of investments in grid infrastructure and energy storage, as well as the need for the further integration of the European energy system, increased digitalisation, and streamlined approval processes[14].

Stepping up the effort
In October 2025, the European Heads of State and Government called for an urgent stepping up of efforts to secure the supply of affordable and clean energy and build a genuine Energy Union before 2030, including by leveraging the new Energy Union Task Force. The Heads of State and Government emphasised at the same time that this will require ambitious electrification and investment in grids, storage and interconnections at national and EU level. With reference to the negative impact of high energy prices on the competitiveness of European industries, on the Union's strategic autonomy and on European households, the Commission is urged to accelerate efforts aimed at lowering energy prices and supporting sustainable energy production in the Union[15].

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[13] Navia Simon, D. and Diaz Anadon, L. "Power Price Stability and the Insurance Value of Renewable Technologies," 2025

[14] The International Energy Agency "World Energy Investment," 2025

[15] Meeting of the European Council (23 October 2025) Conclusions