Council of the European Union

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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
No. prev. doc.:	9842/25
Subject:	COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of Denmark

Delegations will find attached the above-mentioned draft Council Recommendation, as revised and agreed by the Employment Committee and the Social Protection Committee, based on the Commission Proposal COM(2025) 204 final.

Recommendation for a

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Denmark

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(2) and Article 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97[1], and in particular Article 3(3) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

[1] OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj.

Whereas:

General considerations

(1) Regulation (EU) 2024/1263, which entered into force on 30 April 2024, specifies the objectives of the economic governance framework, which aims at promoting sound and sustainable public finances and sustainable and inclusive growth and resilience through reforms and investments, and preventing excessive government deficits. The Regulation stipulates that the Council and the Commission conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the TFEU. The European Semester includes, in particular, the formulation, and the surveillance of the implementation of country-specific recommendations. The Regulation also promotes national ownership of fiscal policy and emphasises its medium-term focus, combined with more effective and coherent enforcement. Each Member State must submit to the Council and the Commission a national medium-term fiscal-structural plan, containing its fiscal, reform and investment commitments, over 4 or 5 years, depending on the length of the national legislative term. The net expenditure[2] path in these plans has to comply with the Regulation's requirements, including the requirements to put or keep general government debt on a plausibly downward path by the end of the adjustment period, or for it to remain at prudent levels below 60% of gross domestic product (GDP), and to bring and/or maintain the general government deficit below the 3%-of-GDP Treaty reference value over the medium term. Where a Member State commits to a relevant set of reforms and investments in accordance with the criteria set out in the Regulation, the adjustment period may be extended by up to three years.

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[2] Net expenditure as defined in Article 2, point (2), of Regulation (EU) 2024/1263: 'net expenditure' means government expenditure net of (i) interest expenditure; (ii) discretionary revenue measures; (iii) expenditure on programmes of the Union fully matched by revenue from Union funds; (iv) national expenditure on co-financing of programmes funded by the Union; (v) cyclical elements of unemployment benefit expenditure; and (vi) one-offs and other temporary measures.

(2) Regulation (EU) 2021/241 of the European Parliament and of the Council[3], which established the Recovery and Resilience Facility (the 'RRF'), entered into force on 19 February 2021. The RRF provides financial support to Member States for implementing reforms and investments, delivering a fiscal impulse financed by the Union. In line with the priorities of the European Semester for economic policy coordination, the RRF fosters economic and social recovery while driving sustainable reforms and investments, in particular promoting the green and digital transitions and making Member States' economies more resilient. It also helps strengthen public finances and boost growth and job creation in the medium and long term, improve territorial cohesion within the Union and support the continued implementation of the European Pillar of Social Rights.

(3) Regulation (EU) 2023/435 of the European Parliament and of the Council[4] (the 'REPowerEU Regulation'), which was adopted on 27 February 2023, aims to phase out the Union's dependence on Russian fossil-fuel imports. This helps achieve energy security and diversify the Union's energy supply, while increasing the uptake of renewables, energy storage capacities and energy efficiency. Denmark added a new REPowerEU chapter to its national recovery and resilience plan in order to finance key reforms and investments that will help achieve the REPowerEU objectives.

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[3] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17, ELI: http://data.europa.eu/eli/reg/2021/241/oj).

[4] Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1, ELI: http://data.europa. eu/eli/reg/2023/435/oj).

(4) On 30 April 2021, Denmark submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of that Regulation, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines set out in Annex V. On 13 July 2021, the Council adopted its Implementing Decision approving the assessment of the recovery and resilience plan for Denmark[5], which was amended under Article 18(2) on 9 November 2023 to update the maximum financial contribution for non-repayable financial support, as well as to include the REPowerEU chapter[6]. The release of instalments is conditional on the adoption of a decision by the Commission, in accordance with Article 24(5), stating that Denmark has satisfactorily achieved the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory achievement requires that the achievement of preceding milestones and targets for the same reform or investment has not been reversed.

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5 Council Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Denmark (10154/2021).

6 Council Implementing Decision of 9 November 2023 amending the Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Denmark (14473/2023).

(5) On 21 January 2025 the Council, upon the recommendation of the Commission, adopted a recommendation endorsing the national medium-term fiscal-structural plan of Denmark[7]. The plan was submitted in accordance with Article 11 and Article 36(1), point (a) of Regulation (EU) 2024/1263, covers the period from 2025 until 2028 and sets a budgetary constraint in the form of a maximum net expenditure growth rate over four years.

(6) On 26 November 2024, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2025 Alert Mechanism Report, in which it did not identify Denmark as one of the Member States for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area and a proposal for the 2025 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area[8] on 13 May 2025 and the Joint Employment Report on 10 March 2025.

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[7] Council Recommendation of 21 January 2025 endorsing the medium-term fiscal-structural plan of Denmark, OJ C/2025/654, 10.2.2025.

[8] Council Recommendation of 13 May 2025 on the economic policy of the euro area (OJ C, C/2025/2782, 22.5.2025, ELI: http:// data.europa.eu/eli/C/2025/2782/oj).

(7) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the EU's global competitiveness over the next five years. It identifies the three transformative imperatives of sustainable economic growth: (i) innovation; (ii) decarbonisation and competitiveness; and (iii) security. To close the innovation gap, the EU aims to foster industrial innovation, support the growth of start-ups through initiatives like the EU Start-up and Scale-up Strategy, and promote the adoption of advanced technologies like artificial intelligence and quantum computing. In pursuit of a greener economy, the Commission has outlined a comprehensive Affordable Energy Action Plan and a Clean Industrial Deal, ensuring that the shift to clean energy remains cost-effective, competitiveness-friendly, particularly for energy-intensive sectors, and is a driver for growth. To reduce excessive dependencies and increase security, the Union is committed to strengthening global trade partnerships, diversifying supply chains and securing access to critical raw materials and clean energy sources. These priorities are underpinned by horizontal enablers, namely regulatory simplification, deepening of the single market, financing competitiveness and a Savings and Investments Union, promotion of skills and quality jobs, and better coordination of EU policies. The Competitiveness Compass is aligned with the European Semester, ensuring that Member States' economic policies are consistent with the Commission's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.

(8) In 2025, the European Semester for economic policy coordination continues to develop alongside the implementation of the RRF. The full implementation of the recovery and resilience plans remains essential for delivering on the policy priorities under the European Semester, as the plans help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent years. These country-specific recommendations remain equally relevant for the assessment of amended recovery and resilience plans in accordance with Article 21 of Regulation (EU) 2021/241.

(9) The 2025 country-specific recommendations cover the key economic policy challenges that are not sufficiently addressed by measures included in the recovery and resilience plans, taking into account the relevant challenges identified in the 2019-2024 country-specific recommendations.

(10) On 4 June 2025, the Commission published the 2025 country report for Denmark. It assessed Denmark's progress in addressing the relevant country-specific recommendations and took stock of Denmark's implementation of the recovery and resilience plan. Based on this analysis, the country report identified the most pressing challenges Denmark is facing. It also assessed Denmark's progress in implementing the European Pillar of Social Rights and in achieving the Union's 2030 headline targets on employment, skills and poverty and social exclusion reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

Assessment of the Annual Progress Report

(11) On 21 January 2025 the Council recommended the following maximum growth rates of net expenditure for Denmark: 5.0% in 2025, 5.7% in 2026, 3.8% in 2027, and 2.9% in 2028, which correspond to the maximum cumulative growth rates calculated by reference to 2023 of 12.6% in 2025, 18.9% in 2026, 23.5% in 2027, and 27.1% in 2028. On 30 April 2025 Denmark submitted its Annual Progress Report[9], on the adherence to the recommended maximum growth rates of net expenditure and the implementation of reforms and investments responding to the main challenges identified in the European Semester country-specific recommendations. The 2025 Annual Progress Report also reflects Denmark's biannual reporting on the progress made in achieving its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241.

(12) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission recommended to activate the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant increase in defence spending and this proposal was welcomed by the European Council of 6 March 2025. Following the request of Denmark on 30 April 2025, on [date] the Council, upon the recommendation of the Commission, adopted a recommendation allowing Denmark to deviate from, and exceed, the recommended maximum growth rates of net expenditure[10].

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9 The 2025 Annual Progress Reports are available on: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports_en

10 Council Recommendation allowing Denmark to deviate from, and exceed, the recommended net expenditure path (Activation of the national escape clause), OJ C/2025/xxx, x.x.2025.

(13) Based on data validated by Eurostat[11], Denmark's general government surplus increased from 3.3% of GDP in 2023 to 4.5% in 2024, while the general government debt fell from 33.6% of GDP at the end of 2023 to 31.1% at the end of 2024. According to the Commission's calculations, these developments correspond to a net expenditure growth rate of 3.3% in 2024. In the Annual Progress Report, Denmark estimates the net expenditure growth in 2024 at 5.1%. The Commission estimates that the net expenditure growth was lower than in the Annual Progress Report. The difference between the Commission's calculations and the estimates of national authorities is due to a higher Commission estimate of the cyclical component of unemployment benefit expenditure. The difference is explained by methodological differences, as Denmark uses a national method (rather than the commonly agreed method) relying on other data than the Labour Force Survey. Based on the Commission's estimates, the fiscal stance[12], which includes both nationally and EU financed expenditure, was contractionary, by 0.5% of GDP, in 2024.

(14) According to the Annual Progress Report, the macroeconomic scenario underpinning the budgetary projections by Denmark expects real GDP growth at 2.3% in 2025, while HICP inflation is projected at 2.0% in 2025. The Commission Spring 2025 Forecast projects real GDP to grow by 3.6% in 2025 and 2.0% in 2026, and HICP inflation to stand at 1.6% in 2025 and 1.5% in 2026.

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11 Eurostat-Euro Indicators, 22.4.2025.

12 The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

(15) In the Annual Progress Report, the general government surplus is expected to decrease to 0.8% of GDP in 2025, while the general government debt-to-GDP ratio is set to decrease to 30.0% by the end of 2025. These developments correspond to net expenditure growth of 8.2% in 2025. The Commission Spring 2025 Forecast projects a general government surplus of 1.5% of GDP in 2025. The decrease of the surplus in 2025 mainly reflects higher net nationally financed primary expenditure, including defence expenditure, and lower revenue, including pension yield tax revenue. According to the Commission's calculations, these developments correspond to net expenditure growth of 10.0% in 2025. These higher projections of net expenditure growth than in the Annual Progress Report are due to different assumptions concerning the cyclical component of unemployment benefits as well as base effects. The difference between the general government surplus projected by the Commission and Denmark is due to a lower Commission estimate for government expenditures, notably defence expenditures, where the spending profile is not yet fully specified. Based on the Commission's estimates, the fiscal stance, which includes both nationally and EU financed expenditure, is projected to be expansionary, by 2.6% of GDP, in 2025. The general government debt-to-GDP ratio is set to decrease to 29.7% by the end of 2025.

(16) General government expenditure amounting to 0.0% of GDP is expected to be financed by non-repayable support (“grants”) from the Recovery and Resilience Facility in 2025, compared to less than 0.1% of GDP in 2024, according to the Commission Spring 2025 Forecast. Expenditure financed by Recovery and Resilience Facility non-repayable support enables high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance and debt of Denmark.

(17) General government defence expenditure in Denmark amounted to 1.2% of GDP in 2021, 1.2% of GDP in 2022 and 1.8% of GDP in 2023[13]. According to the Commission Spring 2025 Forecast, expenditure on defence is projected at 2.1% of GDP in 2024 and 3.0% of GDP in 2025. This corresponds to an increase of 1.8 percentage points of GDP compared to 2021. The period when the national escape clause is activated (2025-2028) allows Denmark to reprioritise government expenditure or increase government revenue so that lastingly higher defence expenditure would not endanger fiscal sustainability in the medium term.

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[13] Eurostat, government expenditure by classification of functions of government (COFOG).

(18) According to the Commission Spring 2025 Forecast, net expenditure in Denmark is projected to grow by 10.0% in 2025 and 13.6% cumulatively in 2024 and 2025. Based on the Commission Spring 2025 Forecast, the net expenditure growth of Denmark in 2025 is projected to be above the recommended maximum growth rate, corresponding to a deviation[14] of 2.1% of GDP in annual terms. When considering 2024 and 2025 together, the cumulative growth rate of net expenditure is also projected to be above the recommended maximum growth rate, corresponding to a deviation of 0.5% of GDP. However, the projected deviation is within the flexibility of the national escape clause based on current projections for defence spending.

(19) The Annual Progress Report does not include budgetary projections beyond 2025. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2025 Forecast projects a general government surplus of 0.6% of GDP in 2026. The decrease of the surplus in 2026 mainly reflects growth in expenditures, including defence expenditures. These developments correspond to net expenditure growth of 5.4% in 2026. Based on the Commission's estimates, the fiscal stance, which includes both nationally and EU financed expenditure, is projected to be expansionary, by 0.7% of GDP, in 2026. The general government debt-to-GDP ratio is projected by the Commission to decrease to 29.4% by the end of 2026.

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[14] From 2026 these figures will appear in the control account that is established in Article 22 of the Regulation (EU) 2024/1263.

Key policy challenges

(20) In accordance with Article 19(3), point (b), of Regulation (EU) 2021/241 and criterion 2.2 of Annex V to that Regulation, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. These are expected to help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations. Within this tight timeframe, finalising the effective implementation of the recovery and resilience plan, including the REPowerEU chapter, is essential to boost Denmark's long-term competitiveness through the green and digital transitions, while ensuring social fairness. The systematic involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to ensure broad ownership for the successful implementation of the recovery and resilience plan.

(21) The implementation of cohesion policy programmes, which encompass support from the European Regional Development Fund (ERDF), the Just Transition Fund (JTF) and the European Social Fund Plus (ESF+), has accelerated in Denmark. It is important to continue efforts to ensure the swift implementation of these programmes, while maximising their impact on the ground. Denmark is already taking action under its cohesion policy programmes to boost competitiveness and growth while enhancing social cohesion. Yet, there is scope to further upskill the workforce and improve regional competitiveness, also considering the disparities between urban and rural areas. In accordance with Article 18 of Regulation (EU) 2021/1060, Denmark is required – as part of the mid-term review of the cohesion policy funds – to review each programme taking into account, among other things, the challenges identified in the 2024 country-specific recommendations. The Commission proposals adopted on 1 April 2025[15] extend the deadline for submitting an assessment – for each programme – of the outcome of the mid-term review beyond 31 March 2025. They also provide flexibilities to help speed up programme implementation and incentives for Member States to allocate resources to five strategic priority areas of the Union, namely competitiveness in strategic technologies, defence, housing, water resilience and energy transition, and to investments in skills in priority sectors while maintaining the focus on persons in most vulnerable situations in ESF+ programmes.

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15 Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review - COM(2025) 123 final.

(22) The Strategic Technologies for Europe Platform (STEP) provides the opportunity to invest in a key EU strategic priority by strengthening the EU's competitiveness. STEP is channelled through 11 existing EU funds. Member States can also contribute to the InvestEU programme supporting investments in priority areas. Denmark could use these initiatives to support the development or manufacturing of critical technologies, including clean and resource-efficient technologies.

(23) Beyond the economic and social challenges addressed by the recovery and resilience plan and other EU funds, Denmark faces several additional challenges related to innovation and growth, the decarbonisation and sustainability of the economy, skills shortages and mismatches, and housing.

(24) Productivity levels in Denmark are among the highest in the EU. However, there is a widening productivity gap between large companies and small and medium-sized enterprises (SMEs). This points to weaknesses in the rate of diffusion of technological advances. In addition, R&D investments are concentrated in a few large companies. Facilitating the diffusion of technologies and increasing cooperation between large and small firms and research institutions, particularly in sectors with emerging potential such as quantum computing, space technologies and defence, has the potential to involve more companies in research and innovation activities and raise productivity across companies of all sizes. Despite recent progress, improving access to venture capital and private equity, along with improving framework conditions for initial public offerings, could help boost investment in innovative companies and support the scaling up of activities.

(25) Denmark has committed to achieving ambitious climate and energy targets. The country is a frontrunner in the uptake and production of net-zero technologies, particularly wind power and carbon capture and storage technologies. Denmark has an outstanding penetration rate of renewables in its electricity generation mix: in 2024, 88% of Denmark's electricity was generated from renewable sources, with wind accounting for 58%. Despite these achievements, two recent tenders for a combined 6 gigawatts of additional offshore wind capacity failed to attract interest from developers. This highlights the need for a supportive environment for companies in the sector and a potential redesign of the tender terms. In this context, a political agreement on 'tender frameworks for three offshore wind farms' was announced on 19 May 2025, envisaging upcoming offshore wind tenders for at least 3 GW of additional capacity to qualify for state support. Additionally, Denmark would benefit from swiftly acting on the recommendations issued by the National Energy Crisis Team (NEKST) to streamline and expedite permitting and administrative procedures for deploying wind and solar energy on land.

(26) Electricity accounted for approximately one fifth of the country's final energy consumption in 2023, a share that has remained relatively stable over the past decade. The high proportion of renewables in Denmark's electricity generation mix means there is significant potential for further electrification across sectors to help reduce overall greenhouse gas emissions and enable consumers to reap the benefits of affordable renewable generation. Higher domestic demand for electricity also strengthens the long-term business case for developers to expand renewable-energy capacity, thereby driving further investment and growth in the clean energy sector. To achieve higher electrification and renewable energy penetration rates, it is necessary to upgrade the electricity grid and promote both demand- and supply-side clean flexibility solutions, such as storage, distributed renewable generation, and demand response. In December 2024, a thematic NEKST working group issued recommendations to accelerate expansion of the electricity grid. A political agreement was reached on some of those recommendations identifying three areas where permitting procedures for electricity infrastructure could be simplified. While the commitments contained in the agreement are a positive step forward, swift implementation of a wider set of NEKST recommendations remains crucial to ensure that grid management is able to meet the future needs with higher installed renewable capacity and higher demand for electricity. In terms of flexibility, Denmark could further promote energy storage owned by end consumers and market participation in distributed energy resources and in balancing and flexibility services.

(27) The Danish agricultural sector is one of the main sources of the country's greenhouse gas emissions covered by the Effort Sharing Regulation[16]. Intensive agricultural practices are also causing excessive nutrient leaching and run-off from fields, with serious repercussions on soil health and on aquatic and marine ecosystems. Making the agri-food sector more sustainable is therefore key to achieving climate objectives, as well as to restoring degraded biodiversity and ecosystems. On 18 November 2024, the government reached a broad political agreement on a 'Green Denmark' with most opposition parties. The measures outlined in the agreement, complemented by other initiatives under Denmark's common agricultural policy strategic plan and the recovery and resilience plan, aim to improve sustainable land use and management in the country. Swift implementation and enactment of the agreed measures is now key to meet the ambitious climate and environmental objectives set out in the agreement, as well as to ensure competitiveness and social fairness.

[16] Regulation (EU) 2023/857 of the European Parliament and of the Council of 19 April 2023 amending Regulation (EU) 2018/842 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement, and Regulation (EU) 2018/1999 (OJ L 111, 26.4.2023, p. 1-14), ELI: http://data.europa.eu/eli/reg/2023/857/oj.

(28) Despite recent efforts, Denmark continues to face challenges in transitioning to a stronger circular economy and enhancing its waste management policies. According to the latest available Eurostat data, the country has the second highest volume per person of food and municipal waste generated in the EU, and its circular material use rate and municipal waste recycling rate remain below the EU average, with no clear sign of an upward trend. The move to bring in a separate collection system for all waste streams in most municipalities in Denmark and to enforce stricter commercial waste management rules as of January 2025 are positive steps forward. Moreover, Denmark's 2021 action plan for a circular economy includes a range of waste prevention and management measures along the entire circular value chain. However, additional action is needed, especially to reduce waste production and incineration, replace waste incineration with more environmentally friendly sources of heat generation in national district heating systems, and boost the collection and recycling rate of e-waste.

(29) The Danish labour market is tight and linked to some skills shortages and mismatches, potentially holding back employment and growth. The skills shortages are particularly widespread in certain healthcare professions, among ICT specialists, skilled workers in construction and other sectors, including sectors linked to the green transition. To address these shortages, Denmark has benefited from an influx of foreign workers over recent years. Further progress on tackling these skills shortages could be made by effectively addressing attainment inequalities in education and training. The share of early school leavers has been rising in recent years and is now higher than the EU average; reversing this trend could help boost labour supply and potentially reduce the skills shortages.

(30) In recent years, the construction of non-profit housing has fallen short of plans. High construction costs, high prices for owner-occupied housing, and highly regulated rental markets have led to persistent shortages in affordable housing in major urban areas and lengthy waiting times for non-profit housing. Partly as a result, a significant proportion of households, including many young people living alone, face high housing costs . The construction of non-profit housing might increase if the ceiling for construction costs were more closely aligned with market prices.

HEREBY RECOMMENDS that Denmark take action in 2025 and 2026 to:

1. Reinforce overall defence spending and readiness in line with the European Council conclusions of 6 March 2025. Adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, while making use of the allowance under the national escape clause for higher defence expenditure.

2. In view of the applicable deadlines for the timely completion of reforms and investments under Regulation (EU) 2021/241, ensure the effective implementation of the recovery and resilience plan, including the REPowerEU chapter. Accelerate the implementation of cohesion policy programmes (ERDF, JTF, ESF+), building, where appropriate, on the opportunities offered by the mid-term review. Make optimal use of EU instruments, including the scope provided by the InvestEU and the Strategic Technologies for Europe Platform, to improve competitiveness.

3. Address the productivity gap between large and small companies by supporting SMEs to innovate and adopt new technologies, notably in sectors with emerging potential. Boost innovative businesses by improving access to venture capital and private equity and the framework conditions for initial public offerings.

4. Reduce reliance on fossil fuels by supporting clean and efficient energy production and use, and by accelerating electrification across sectors. Address increasing demand and flexibility needs by providing incentives to make the electricity network upgrades needed at transmission and distribution level, and by promoting demand response, energy storage and other clean flexibility solutions. In line with planned measures, reduce the intensity of agricultural and farming activities. Strengthen the circular economy and waste management policies by promoting waste prevention and the reuse of municipal and other waste, increasing recycling rates, reducing food waste and shifting away from the incineration of municipal waste for heat generation to using cleaner sources.

5. Address the skills shortages to meet labour market needs, including by stepping up action to tackle attainment inequalities in education and training and to ensure the provision and acquisition of the skills needed for the green and digital transition. Implement measures to improve the affordability of housing.

Done at Brussels,

For the Council
The President