Executive brief: Policy and political forecasts

Executive summary:

1. EU policy agenda

Competitiveness and security remain the two driving factors of the EU agenda:

- Environment: EU Water Resilience Strategy, Chemicals package, New climate targets
- Agriculture: Third omnibus on agriculture
- Energy & transport: Review of CO2 standards for cars
- Industrial policy: Omnibus simplification packages, Clean Industrial Deal
- Budget: Draft budget for 2026, MFF
- Digital policy: Digital package, European Democracy Shield, Digital Networks Act
- Health: Critical Medicines Act
- Defence: Fifth omnibus on defence, ReArm Europe Plan/Readiness 2030
- Economy: Communication on a Savings and Investments Union
- Trade: Trade relations with US, Mercosur and Mexico deals

Which files are likely to advance the most by the end of the year from the new proposals:
- Omnibus packages on: sustainability (due diligence and reporting directives), investment simplification, small mid-caps, agriculture, defence.
- New initiatives: Water resilience strategy (Communication), Critical Medicines Act (Regulation), New EU climate target (amending the European Climate Law).

From pending files in trialogues: Screening of foreign investments in the Union, Pharmaceutical package

2. Political developments

- Institutional updates: State of the Union.
- France & Germany: Political challenges and instability.
- Upcoming elections: Netherlands and Czechia.

3. AI tools optimised for public affairs

Risk → Unprofessionalised AI can repeat bias, invent missing facts, and confuse PR messaging with real positions.

Solution → Enforce a rigorous AI pipeline:

- curated, verifiable data sources;
- evidence-first instructions comparing votes/amendments/statements
- standardized reports with clear criteria, citations, and confidence levels.

1. EU policy agenda

Environment

1) **EU Water Resilience Strategy**: published by the Commission. Member States expected to adopt Council conclusions in October.

   - **Nordics will request tougher PFAS rules** and **strict conditions to access funding for water resilience**.

   - **CEE and Italy** expected to **push back** against the Nordics' suggestions. They also oppose repurposing funds from CAP/cohesion for water investments as the Commission proposed.

2) **Chemicals package** (part 1): published by the Commission, ENVI lead committee.

Further ahead:

   - **EPP and Renew are divided on health & environment vs competitiveness approach**. See position of MEPs [here](#).

   - Council is also split on the issue. **Nordics support strict restrictions** on chemicals and packaging, while **CEE countries oppose** fearing increased costs for their industries.

     Czechia, Slovakia, Hungary, Romania, Italy, Spain, the Netherlands, and France also **push for an EU Critical Chemicals Act to provide new funding** to the chemical sector for decarbonisation.

   - Commission to launch in Q4 2025 (see Commissioners' views on chemicals [here](#). Ribera and Roswall tend to be more supportive of environmental and health safeguards):
     - **revision of the REACH regulation;**
     - implementing act under the Single-Use Plastics Directive.

3) **New EU climate target** to be included in the European Climate Law of a 90% reduction in emissions by 2040: published by the Commission. **Both EP plenary and Council expected to adopt their positions in September**.

Further ahead:

- Report was assigned to Ondrej Knotek (PfE, Czechia) → EPP was not keen on letting the centre-left lead the file on climate targets again.

- To undermine the PfE rapporteur, the centre-left proposed an **accelerated committee schedule** to hold the plenary vote before October.

- **Knotek had to submit his draft within a tight deadline** => forced him to file a simple rejection report instead of a fully developed proposal.

- **Outcome in the EP will depend on EPP's position**. Historically, EPP is more aligned with the center-left on environmental legislation and has pledged to support the European Climate Law.

  However, recent statements → group is **likely to push for greater flexibility** in achieving the target, including the preservation of emissions trading (ETS), investment in carbon capture technologies, and use of climate credits. See MEP's positions here.

- **Council is also split**. Nordics, including the Danish presidency, Germany, and Spain support the 90% figure.

  On the other side, France pushes for more investment tools, and stronger guarantees for technology neutrality.

  CEE countries are the most sceptical of new targets, especially such a high cut.

Agriculture

1) **Third Omnibus on agriculture**: was published by the Commission, AGRI lead committee.

Further ahead, likely tension on: removing environmental standards in the CAP.

2) **German EPP pushes the Commission to also revise the Nature Restoration Law, Anti-Deforestation Regulation, and Industrial Emissions Directive** before the end of the year.

Energy & Transport

1) **Review of CO2 standards for cars**: consultation is open until 10th of October. Commission's proposal expected in Q2 2026.

Further ahead:

- **EP and Council split** over **accelerating the revision by end of 2025**, and making it more industry friendly by including an **exemption for biofuels vehicles from the ICE ban** (the public consultation focuses only on e-fuels).

- Will **EPP form coalitions with right-wing groups** as on the deforestation law to push for deeper revision **or centre-left**?

- See positions of Member States [here](). Automotive-heavy economies (Germany, Italy, Czechia, Slovakia etc.), and CEE call for more flexibility.

  North-Western Member States (such as Denmark, Sweden, the Netherlands, Ireland, Luxembourg, and Belgium) defend the 2035 ICE ban. France occupies a middle ground.

Industrial policy

1) Reducing regulatory burdens

a) Omnibus package on sustainability/reporting requirements which was divided in 2 parts:

  1) The first part of the package has already been adopted by the EP and Council, namely a delay of:
  - the application of the reporting directive by two years, and
  - the transposition and application of the due diligence directive by a year.

  2) The second part of the package is A DIRECTIVE to simplify:
  - **the reporting and due diligence directives when it comes to the number of companies falling under their scope**,
  - the number of data points required for sustainability reporting,
  - the obligation for companies to adopt and implement climate transition plans,
  - the civil liability regime for companies, etc.

Council agreed on its position on this directive. Remaining: In the **EP, plenary vote on this directive is expected in October**.

Further ahead:

- Council's position and EP's draft report:

  1) **push to further narrow down the scope of companies** required to comply with the reporting and due diligence directives compared to what the Commission proposed.

  2) EP and Council disagree on the obligation for companies to adopt and implement climate transition plans:

  → EP's draft report wants to remove the obligation for the companies altogether;

  → Council's position wants to remove only the implementation requirement.

  3) agree with the Commission on **limiting the scope of due diligence requirements** to only direct business partners. Left-wing groups have criticised moving away from a comprehensive risk-based approach across the entire value chain.

- In the EP, the outcome will hinge on the **level of alignment within EPP and Renew behind a deeper simplification**. See the matrix here.

- In the Council, **the pro-revision camp** is **led by Germany and France, with CEE**.

  Conversely, **a coalition of Southern** (Spain, Portugal) and **North-Western EU** (Austria, Belgium, Denmark, and Ireland) oppose further simplification.

2) **Clean Industrial Deal:**

a) A new Clean Industrial State Aid Framework - CISAF (published by the Commission, in effect until 31st of December 2030, no need to be approved by EP or Council);

b) **Industrial Decarbonisation Accelerator Act** (Q4 2025);
   - among the rumored proposals: introducing sustainability and "made-in-Europe" criteria when procuring low-carbon products.

c) more to follow: a European Competitiveness Fund, a revision of the public procurement framework (2026), etc.

Budget

1) **2026 Draft budget** (published by the Commission, EP plenary vote expected in October).
2) **Post-2027 Multiannual Financial Framework package**: first package (published by the Commission, BUDG lead committee). The second package was published by the Commission on 3rd of September.

Further ahead, likely tension on:

→ **size of MFF:** Commission proposed an increase compared to the previous MFF.

→ **priorities to fund**: Commission proposed to cut funds for CAP, increase funds for technology and digital, security and defence, and migration. There is also an increase for climate.

→ **own resources**: Commission proposed new taxes targeting electric waste, tobacco products and large companies (a net annual turnover of at least EUR 100 million).

Germans were very critical of the increase in the long-term EU budget, and additional taxes. Nordics support their position. Austria also opposes the higher tobacco taxes and a new tax on e-waste.

France is also unwilling to increase its contributions.

Agri-constituencies (CEE, Italy) lose out on the CAP.

Spain emerges as a winner, they called for higher funding and will back the climate commitments.

Digital

1) **Digital package** (Q4 2025): will propose simplification to the GDPR, the Cybersecurity Act, the AI Act, etc.

The US is exerting pressure to also revise the Digital Services Act and Digital Markets Act. Germany is opposed to concessions to the US on this issue.

2) **European Democracy Shield** (to be published by the Commission by the end of September, potential delay)

France, Germany, the Netherlands, Belgium, Cyprus, Croatia, Czechia, Denmark, Greece, Romania, Slovenia, and Spain support establishing a dedicated EU body to counter foreign interference.

Further ahead, likely tension on **the definition of "foreign interference"** and **implementation mechanisms like access restrictions, content moderation**, etc.

3) **Digital Networks Act** (Q4 2025): Greens/EFA link delay rumours to US pressure.

Further ahead, likely tension on: → Commission intends the DNA as a regulation. **Council prefers a directive**.

→ **the 'fair share' option** which would see large tech companies pay for telecom infrastructure (France, Italy, and Spain are in favour, Germany is against).

Health

1) **Critical Medicines Act**: published by the Commission, SANT Committee expected to vote in December.

Further ahead, likely tension on:

- procurement to **favor medicinal products made within the EU**,
- **the use of stockpiling**,
- **joint procurement**,
- **funding levels**.

A group of 11 health ministers (including Germany, Belgium, Spain, and Portugal) call for drug shortage plans to be funded **by the EU's new defence funds**.

Defence

1) **Fifth Omnibus on defence**: published by the Commission, SEDE lead committee.

Introduces fast-track permitting for defence projects, simplifies access to the European Defence Fund, and joint procurement, etc.

2) **ReArm Europe Plan / Readiness 2030**: in August, EP filed a lawsuit at the Court of Justice to annul the SAFE regulation (funding instrument proposed as part of Readiness 2030).

Economy

1) **Communication on a Savings and Investments Union** to spur private financing for clean tech projects: published by the Commission

1) **Outcome of discussions on trade with US**

EU accepted a 15% baseline tariff on exports, but at the cost of $750B in US energy purchases and $600B in US-bound investment. While some sectors (e.g. semiconductors, pharma) are temporarily protected, others (e.g. steel and aluminum) remain hit with 50% tariffs.

EU also committed to address US concerns regarding the EU Deforestation Regulation, due diligence and reporting directives, and CBAM.

=> Result: growing political backlash in Paris and Berlin, with ratification at risk.

Later on..Trump accused EU digital rules of discriminating against U.S. tech (25th of August) → threatened tariffs on all states keeping them and announced tech export restrictions.

The Commission submitted a legislative proposal to cut the tariffs on US industrial goods to zero and reduce some agricultural tariffs (28th of August). With S&D critical of the deal with Trump, EPP might need the support of right-wing groups to pass the file.

See views of EP groups on EU-US trade.

2) **Mercosur and Mexico**

Commission: submitted the proposals for the trade agreements with Mercosur and Mexico on the 3rd of September. Šefčovič hopes to complete the approval process by the end of the year.

Each agreement has been divided into two parts: a commercial and a political agreement. The commercial part only requires approval from EP and Council (no national parliaments)—significantly expediting the process.
Council: to be adopted by the member states without an additional declaration. Poland and France softened their position.

Commission pledged:

→ safeguards (suspending tariff cuts in case of market distortions) to be temporarily activated by a single country, which was key for France.

→ €6.3 billion in the MFF budget via the "Unity Safety Net" to compensate farmers for market disruptions (including those caused by Mercosur).

→ to examine tightening rules on agricultural imports to protect EU producers.

EP: The latest vote to abandon the Mercosur agreement (early April plenary) was rejected by 30 votes (88 MEPs abstaining).

=> The vote for the ratification of Mercosur is likely to be tight.

Further ahead: Germany and France are setting up a structured dialogue on trade and economic security.

2. Political Developments

Institutional updates:

- Rumors on **von der Leyen leaving the Commission** to become German President in 2027 → denied by the Commission; unlikely CDU will give up on the Commission President position.

- **State of the Union (10 Sept)** → likely focus on security (e.g. Ukraine conflict), economy (stressing competitiveness and deeper single market integration), trade relations with US presented as a pragmatic compromise, and major files (e.g. Clean Industrial Deal) defended.

France:

- Broad opposition to the French "austerity" budget; PM Bayrou called a confidence vote on 8 September, the government expected to fall.
- Macron faces a choice between centrist continuity, left-leaning coalition with Socialists, or snap elections; instability likely with economic and political fallout.

Map on instability of governments

Germany:

- Merz positions Germany as a foreign policy leader but faces domestic unpopularity; chart on popularity of leaders
- €500bn investment plan for infrastructure, education, and defense, and hard migration line (to counter AfD rise) clash with stagnation from Trump's tariffs.
- Fragile coalition with SPD, disputes over his unilateral decision to block Constitutional Court judge nominations in July, to halt arms exports to Israel in August, and disputes over €172bn budget gap for 2027–29 period.

Upcoming elections:

Dutch elections (29 Oct).

- Among leading parties, CDA (EPP) and Timmermans' alliance exclude cooperation with Wilders' PVV
- **Implications**: elections are expected to produce high instability; broad coalition between left and right wing parties very likely.

Czech elections (3-4- Oct)

- ANO party of former PM Babis (Patriots) is leading the polls; potential majority with nationalist and communist support.
- **Implications**: ANO-led government would shift Czechia closer to Hungary and Slovakia in its stance toward Brussels and foreign policy.

3. AI tools optimised for public affairs

AI language models echo their sources. If AI models had existed in the Middle Ages, they would have said the sun orbits the earth—because that was the dominant record.

→ These systems generalize from human communication, which can diverge from factual evidence.

→ Two practical problems with "basic" AI models:

1) Missing facts → models invent plausible details ("hallucinations").
2) Biased or incomplete sources → models reproduce those flaws.

→ **Remedy**: make the pipeline rigorous end-to-end:

- Sources → curated, current, verifiable data sources with clear provenance.
- Instructions → evidence-first prompts that force comparisons across votes, amendments, and statements.
- Final mapping → positions mapped based on solid criteria, with sources and confidence levels.

→ EU Matrix policy analysis scheme applies this approach, so new proposals and stakeholder positions are assessed on reliable, checkable evidence—not speculation.

You can access some examples here.