Executive brief: Policy and political forecasts
15 January 2026

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Executive notes

Strategic context

- **Competitiveness and security** remain the two dominant drivers of the EU agenda.
- Growing **fatigue over economic stagnation, industrial relocation, outsourcing and overregulation** across core industries and electorates is reshaping policy priorities.
- This has triggered sustained pressure on political groups—most notably the European People's Party (EPP)—to **rebalance environmental ambition versus competitiveness**.

Political repositioning

- The **EPP** has emerged as the main political engine behind the simplification agenda.
    - EPP leadership has actively pressured the Commission to accelerate and deepen reviews of flagship files.
    - High-profile example: **CO2 emissions standards for cars**, where the review was brought forward despite initial Commission resistance.
- Similar dynamics are visible in the **Council**, as national leaders seek to alleviate domestic voter dissatisfaction.
    - Example: German leadership campaigning on relaxing automotive CO_2 targets.
- This political logic is expected to continue shaping negotiations on:
    - ongoing files (chemicals, environment, automotive, digital);
    - and upcoming 2026 initiatives (REACH revision, Circular Economy Act).

Sectoral priorities

- A clearer sectoral split is emerging:
    - Environment (incl. chemicals), automotive, agriculture, digital → priority on **simplification and administrative burden reduction**.
    - Energy and health → priority on **securitisation of supplies, infrastructure resilience and strategic autonomy**.

Economic security agenda

The Commission's **Economic Security Communication** consolidates the shift toward defensive and resilience-oriented policymaking:

- expanded use of anti-dumping and anti-subsidy duties;
- stricter controls on access to public procurement for high-risk third-country actors in sensitive sectors;
- targeted funding support for companies diversifying away from high-risk suppliers.

Institutional dynamics

An **ambition gap between the Council and the European Parliament** is shaping legislative outcomes:

- the **Council** is moving faster and pushing for deeper simplification, being the first to adopt their position on key omnibus packages (due diligence/reporting, chemicals, defence);
- the **European Parliament** remains more fragmented, with unstable majorities and slower progress on a case-by-case basis.

Political outlook

Political developments in several Member States—marked by low approval ratings, leadership fatigue linked to economic pressures and the war in Ukraine, and uncertainty over transatlantic relations—are adding volatility to the EU's institutional landscape.

Taken together, these dynamics point to a sustained shift toward competitiveness-driven, security-focused and politically cautious policymaking for the remainder of the mandate.

EU policy agenda

Environment

a) **Omnibus on the chemical industry**. Revision of REACH will follow in 2026.

Status of Omnibus:

- EP and Council formally adopted the **postponement of the date of entry into application** of the regulation on classification, labelling, and packaging of chemicals (CLP regulation).

- Still under discussion: **simplifying requirements** on CLP, cosmetic products, and fertiliser products.
  - Council adopted its position in November 2025 => pushes for more protections for consumers on cosmetics and fertilisers compared to Commission's proposal.
  - EP early phase. EPP and Renew are divided on health & environment vs competitiveness approach.

See position of MEPs on chemicals regulation here.

b) **Omnibus on environment** (early phase in EP and Council): reduces administrative burden across environmental (e.g. permitting, emissions standards) and circular economy legislation, including extended producer responsibility (e.g. producers placing packaging or packaged products on multiple EU markets no longer need to appoint authorised representatives in each Member State where they are not established)

c) Circular economy will remain on the radar as the Commission will publish the **Circular economy Act** in Q3 2026 which aims to establish a Single Market for secondary raw materials

March 2025: Head of the Circular Economy Unit at DG ENVI confirmed that the Circular Economy Act will follow simplification agenda

Massimiliano Salini (EPP, Italy) warned against reopening the Packaging and Packaging Waste Regulation

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Agriculture

- Omnibus on environment also has spillover effects => revises the Industrial and Livestock Rearing Emissions Directive (e.g. excludes organic poultry farms from the scope of the IED);

- **German EPP has been pushing the Commission to also revise the Nature Restoration Law.**

  Third Omnibus on agriculture was formally adopted by both EP and Council => removes environmental standards in the CAP;

Transport

Automotive package (early phase in EP and Council)

- Most awaited was the Commission's legislative proposal for reviewing the CO2 emission standards for cars

- Before review: reduce CO2 emissions by 100% (which implied a full ICE ban) compared to 2021

  Commission's review: reduce CO2 emissions by 90% compared to 2021, while the remaining 10% will allow for the use of European low-carbon steel, e-fuels and biofuels

  The target applies for each manufacturer (each manufacturer had a specific CO2 target in 2021, calculated according to a formula included in the annex of the regulation => need to reduce it by 90%)

- **Both EP and Council are polarised. In the EP**: EPP and Renew occupy more intermediate positions. Swing delegations will be key in the outcome.

  See [Views of national parties represented in the EP on revision of CO2 standards for cars and vans](#).

  In the Council, dynamics are moving in favour of softening the CO_2 standards. Member States that have not yet endorsed a revision but are showing signs of flexibility—particularly France, the Netherlands, Sweden and Austria.

See [Projection: view of national governments on the revision of CO2 standards for cars and vans]()

Health

a) **Critical Medicines Act** (plenary stage in EP, Council adopted negotiated mandate)

- EP's draft committee report: wants a more centralized role on stockpiling for the Commission, and supports joint procurement (compared to the Council).

b) **Health Package** (**early phase in EP and Council**) includes:

- a Biotech Act (legislative);
- revised rules on medical and in vitro diagnostic devices (legislative);
- a Safe Hearts Plan / Cardiovascular diseases (communication).

Energy

Focus is switching to energy security (infrastructure, connectivity, dependency, efficiency) in 2026

1) **European Grids Package** (published in December 2025, early phase in EP, Council)

- introduces reforms across network planning, permitting, and grid connection frameworks, including:
    - A revised TEN-E Regulation (legislative)
    - A permitting Directive (legislative)
    - A Guidance on Grid Connections to help clear connection queues (non-legislative)

2) **Strengthening Energy Security** (legislative, scheduled for March 10th 2026)

- Addresses infrastructure threats (physical and cyber), and climate-related disruptions.

3) **Energy Union package** (scheduled for Q3 2026)

- Development of the CO2 transportation infrastructure and markets (legislative): Setting-up of the energy efficiency framework (legislative);
- Setting-up of the renewable energy framework (legislative).

Trade updates

Mercosur

- The agreement reached by Council is more protectionist than the Commission's proposal (e.g. expand the list of sensitive agricultural products to include citrus fruits).
- In January 2026, **Council approved the signature** of the Partnership Agreement and of the Interim Trade Agreement. **France** and **Poland are considering challenging the agreement in front of the Court of Justice**. **Same move in EP**: S&D, Greens/EFA, and The Left MEPs are pushing for a plenary vote next week on referring the agreement to the Court of Justice.

  See the chart with the position of each MEP on the Mercosur trade agreement: Chart.

- **Motion of censure (14th of January):** ECR, PfE and ESN have tabled a motion of censure over Mercosur.

US

- Digital regulation is now the main fault line, with U.S. officials explicitly linking tariff leverage to EU enforcement of the Digital Services Act and Digital Markets Act.
- The Commission's enforcement actions against major US tech firms, including a substantial fine against X in December 2025, have triggered direct political backlash in Washington.
- The US has threatened retaliatory measures against European firms if enforcement continues.
- **EU–US trade:** S&D and Greens—backed by parts of Renew—are pushing to delay the 26 January INTA committee vote on lifting EU tariffs on U.S. industrial goods amid rising transatlantic tensions.

Political developments in EU Member States

Low approval ratings across Europe point to a broader leadership crisis driven by economic and Ukraine war fatigue and uncertainty over relations with the US.

See chart on Net Favourability of European Leaders by Country: ***Chart***

See chart on Net Popularity of National Leaders from Europe: ***Chart***

See projected balance of power among political groups after EP 2029 elections: ***Chart***

2026 Elections in Member States

In **Hungary (April)**, the outcome is more decisive: a Fidesz victory would further strengthen the bloc's challenge to the Commission on green, migration and rule-of-law files, while a Tisza victory (polling ~45% vs Fidesz ~42%) would realign Hungary with Brussels and restore EU funding, reshaping regional dynamics despite Tisza's pragmatic positioning.

Developments in other key Member States

France

- France enters 2026 with a weakened governing bloc ahead of the 2027 presidential race. The Lecornu government remains reliant on tactical Socialist support and vulnerable during 2026 budget negotiations, while the EU–Mercosur agreement has become a destabilising sovereignty issue after France was outvoted in Council.
- The March municipal elections and September Senate renewal will test Macron's camp and RN's territorial strength.

Germany

- Merz is positioning Germany as a foreign policy leader, but domestic support remains fragile ahead of key state elections in March and September, including in eastern states where AfD support approaches 40%.

- The Union-SPD coalition lacks stable majorities, as shown by the December 2025 pension reform vote (€185 bn), which passed only after internal CDU/CSU dissent and reliance on The Left’s abstention.