

A New European Union Budget Framework

Will it accelerate Poland's low-carbon energy modernisation?

ANALYSIS

Negotiations on the EU's next Multiannual Financial Framework (MFF) for 2028–2034 are now underway. At the same time, Poland has initiated preparing its National and Regional Partnership Plan (NRPP), which will determine how future EU resources are programmed and distributed domestically. The stakes extend well beyond the overall size of the budget. The key question is whether, in a context of fiscal constraints and revised national programming rules, EU funds will be channelled into long-term, system-critical investments or diverted toward projects that are easier to implement or less contentious politically. Poland's future economic growth will depend on the coherence of its investment framework and the accompanying reforms. Together, these factors will determine whether EU funding accelerates the energy transition and strengthens long-term competitiveness. Poland's National Energy and Climate Plan (NECP)¹ should serve as the primary reference point for programming. Alignment between the MFF and the NECP will be decisive in turning EU funds into an instrument of real economic transformation, rather than a mechanism for short-term spending.

Context: What's at stake in the energy transition

The MFF, which sets annual ceilings for the EU budget, remains one of the key instruments for financing energy modernisation and decarbonization, including investments that underpin competitiveness and energy security. Its design will shape both the pace and the scale of investment across Member States. For Poland, the implications are particularly significant, as the recently updated NECP sets out the scale of investment required to deliver the transition.

Poland published its revised NECP in December 2025, as the last EU Member State to do so. The document sets out two transition pathways to 2030, with a perspective to 2040: a more ambitious scenario (WAM) and a baseline scenario (WEM). It is the central reference point for public policy choices and investment decisions linked to the delivery of EU climate and energy objectives. Annex 5 of the NECP quantifies investment needs and sets out the structural shifts required in the energy sector. A coherent and credible transition plan can reduce system-wide costs, target public support more effectively, and increase predictability for investors. Transition spending should therefore be treated not simply as a budgetary cost, but as an investment in Poland's economy, jobs, and long-term competitiveness.

The next MFF period may also be the last in which Poland remains the EU's largest net beneficiary. At the same time, Poland's starting point differs markedly from that of many Member States. In 2023, fossil fuels accounted for 85.2% of Poland's primary energy consumption, including 40.8% from coal². The transformation challenge, therefore, includes the security of supply, energy price stability, the modernisation of grids and buildings, and the deployment of new generation capacity. In other words, the required investment is substantial. At the same time, the pace of the energy transition is increasing, driven not only by climate targets but also by geopolitical pressures, including the security situation on the eastern border. Together, these dynamics create a clear development momentum that Poland can leverage. **The NECP should therefore serve as the main reference point for programming EU and national resources, providing the basis for an investment plan backed by a coherent financing strategy. At present, however, this alignment remains largely theoretical.**

¹ Ministry of Energy, *Draft of the National Energy and Climate Plan to 2030 with a perspective to 2040*, December 2025, <https://www.gov.pl/web/energia/projekt-krajowego-planu-w-dziedzinie-energii-i-klimatu-do-2030-r-z-perspektywa-do-2040-r---wersja-opracowana-przez-me-do-zatwierdzenia-rzadowego> <https://www.gov.pl/web/energia/ministerstwo-energii-opublikowalo-projekt-krajowego-planu-w-dziedzinie-energii-i-klimatu-do-2030-i-2040-roku-to-kluczowy-dokument-dla-polskiej-energetyki-i-polskiej-gospodarki>.

² Forum Energii analysis based on Eurostat data, <https://www.forum-energii.eu/transformacja-energetyczna-polski-edycja-2025>.

A new budget logic

In 2025, the European Commission presented its proposal for the next MFF, introducing significant changes to the way the EU budget operates³. The aim is to shift the focus away from the redistribution of funds towards a stronger link between spending and clearly defined reforms and policy objectives. The proposal reflects a broader shift in the EU's approach to economic policy, including the diagnosis presented in Mario Draghi's report on European competitiveness⁴. The report highlights the EU's widening investment and technological gap with the United States and China. It also emphasises that without better coordinated long-term financing, supported by public funding and accompanied by adjustments to the EU budget framework, Europe risks losing ground in strategic sectors, including clean technologies.

Main pillars of the proposed EU budget reform

The Commission's proposal foresees a substantial restructuring of the EU budget. The objective is to improve the planning of public spending, strengthen the competitiveness of European economies, and simplify decision-making processes between the EU level and the Member States. These changes are expected to be implemented through two main instruments: NRPPs and the European Competitiveness Fund (ECF).

1. National and Regional Partnership Plans and greater flexibility for Member States

The Commission proposes introducing the NRPP for all Member States, managed under a model similar to the Recovery and Resilience Plans. A key new element is stronger conditionality. Disbursements would be linked to the implementation of agreed reforms and milestones. In cases of breaches of the rule of law, payments could be partially or fully suspended, similar to the mechanism applied under the Recovery and Resilience Facility. This approach would ensure that EU funds are disbursed not simply when they are spent, but when Member States deliver agreed upon reforms linked to shared EU objectives. In the energy sector, such a mechanism could address many of the barriers that have slowed modernisation over the past decade.

- After 2027, the NRPP will become the main framework for the national programming of EU funds, bringing together policy areas that have so far been managed through separate funding envelopes. This means moving away from fragmented allocations towards a single integrated instrument and giving Member States greater flexibility to allocate resources across regions and priorities. It could also allow "hard" investments to be combined with supporting measures within the same financing stream, including advisory support. Such flexibility is particularly important for decentralised energy transition efforts at the local level, where many investments require public acceptance and often involve citizen participation.
- According to the Commission's proposal, Poland could receive around €123 billion (including resources from the Social Climate Fund), the largest national envelope among the Member States.

³ European Commission, *The 2028–2034 EU budget for a stronger Europe*, 2025, https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/eu-budget-2028-2034_en.

⁴ European Commission, *The Draghi report on EU competitiveness*, 2024, https://commission.europa.eu/topics/competitiveness/draghi-report_en.

- At the same time, the proposal maintains earmarking for agriculture and expands the scope of the budget to include, among other areas, support for the defence industry. For climate and environmental spending, however, no dedicated funding envelopes are foreseen. Instead, the Commission assumes that 43%⁵ of allocations under the Partnership Plans should contribute to climate objectives, in line with the EU's horizontal budget tracking methodology⁶. Energy-related investments largely fall under the climate mitigation objective.
- In addition, one quarter of the allocation would remain flexible and could be used to respond to crises and shifting priorities, which may prove particularly important for Poland. Notably, the Commission's current proposal does not include the Just Transition Fund (JTF), of which Poland is currently the largest beneficiary (€3.85 billion).
- The absence of a dedicated instrument in the MFF to address the social and economic impacts of the phasing-out of coal means that Poland will need to secure such resources within its national NRPP envelope and allocate them across all coal regions. This will require close cooperation between the central and regional authorities, as well as comprehensive development strategies for the affected areas. These strategies should include plans for future investment, economic diversification, and the rehabilitation of post-industrial and degraded sites. Support for local communities will also be essential, including reskilling programs for workers in the mining sector, employment activation measures, and initiatives to strengthen skills and develop new competencies in coal regions.

2. European competitiveness fund

Another major component of the Commission's proposal is the creation of a European Competitiveness Fund, with €234 billion allocated under a new budget heading. The fund would bring together 14 existing EU programmes into a single instrument supporting strategic sectors, such as industrial transformation and decarbonisation, digital technologies, and the defence and space industries⁷.

Funding would be open to all Member States, making the criteria for project selection particularly important. From Poland's perspective on energy modernisation, the fund could play an important role in supporting projects of European relevance that extend beyond national borders, including industrial decarbonisation and energy infrastructure development⁸. However, experience from the Innovation Fund⁹ suggests that instruments based on competitive project selection and high investment thresholds tend to favour countries with the strongest project pipelines and industrial ecosystems. Since the launch of the Innovation Fund, 37% of total funding has been allocated to three Member States—Germany, Spain, and Sweden. Moreover, 10 of the 60 large-scale projects receiving the highest levels of support are in Germany.

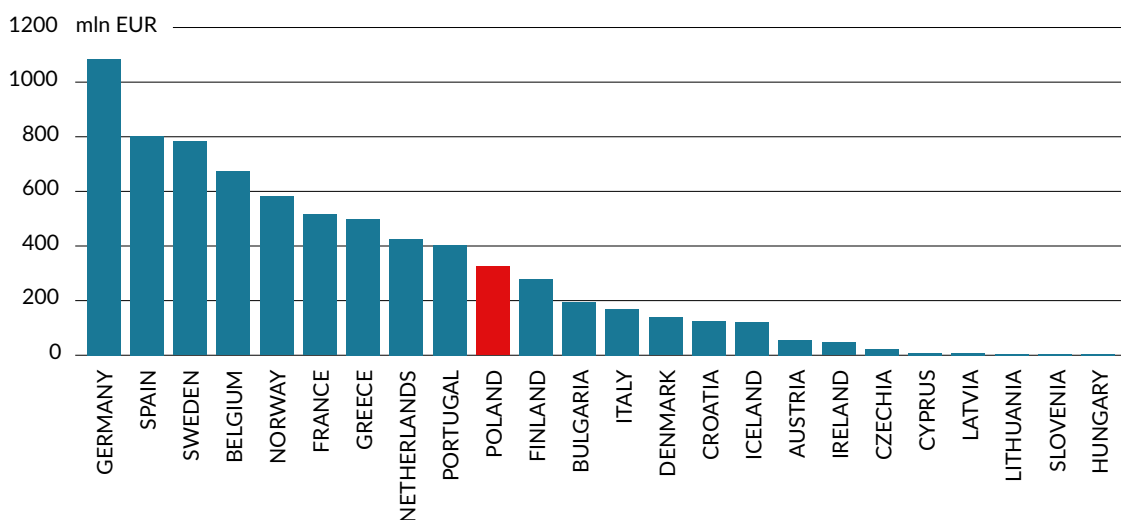
5 European Commission, Directorate-General for Budget, *Europe's budget – National and regional partnership plans*, 2025, <https://data.europa.eu/doi/10.2761/9109969>.

6 European Commission, *Proposal for a Regulation of the European Parliament and of the Council establishing a framework for monitoring budgetary expenditure and the budget performance framework, as well as other horizontal provisions for Union programmes and activities*, COM(2025) 545 final, 2025, https://eur-lex.europa.eu/resource.html?uri=cellar:bb24b1ec-62fc-11f0-bf4e-01aa75ed71a1.0021.02/DOC_1&format=PDF.

7 Euractiv, *The MEPs shaping the EU's next budget*, January 2026, <https://www.euractiv.com/news/the-meps-shaping-the-eus-next-budget/>.

8 European Council on Foreign Relations, *It's not easy being green: Breaking Europe's climate spending deadlock*, October 2025, <https://ecfr.eu/publication/its-not-easy-being-green-breaking-europes-climate-spending-deadlock/>.

9 European Commission, *2025 Annual Knowledge Sharing Report of the Innovation Fund – De-risking innovative low-carbon technologies*, July 2025, <https://op.europa.eu/webpub/clima/innovation-fund-2025/en/>.

TOTAL SUPPORT FROM THE INNOVATION FUND BY MEMBER STATE 2020–2024


Source: European Commission, *2025 Annual Knowledge Sharing Report of the Innovation Fund – De-risk innovative low-carbon technologies*, July 2025 <https://op.europa.eu/webpub/clima/innovation-fund-2025/en/>.

In practice, this means that funding tends to flow primarily to countries that already have well-developed project pipelines and technical capacity, rather than supporting the development of new technologies and supply chains across the Union. The ability of Member States to clearly define their industrial and technological priorities becomes, therefore, crucial. Poland should identify key sectors and segments of the clean technology value chain that could become the basis of the country's economic decarbonisation. Forum Energii is currently conducting an analysis of the development potential of selected cleantech segments in Poland. Without such strategic direction, there is a risk that ECF funding will not contribute to building new industrial capacity in Poland but will instead reinforce existing production in other Member States.

What comes next in the negotiations?

EU level

The Commission's proposal is only the starting point for negotiations, and many elements may still change. The budget requires unanimous approval by Member States in the Council (at the level of finance ministers) and the consent of the European Parliament¹⁰. However, the most important political decisions are typically taken at the European Council level, which has historically meant lengthy and complex negotiations¹¹. The overall logic of the budget (based on national plans and the consolidation of instruments) is nevertheless likely to remain.

According to current plans, the negotiating package (the so-called *negotiating box*) is being prepared by the current Presidency of the Council of the EU (Cyprus). It will play a key role in 2026. The document will set out proposals on the structure of the budget and the distribution of funding. The Presidency aims to reach a political agreement by the end of 2026, allowing the legal acts to be adopted in 2027 and for the new budget to take effect in January 2028¹². Negotiations will also cover new EU own resources intended to finance both the budget and the repayment of common EU debt.

¹⁰ European Commission, *Consolidated version of the Treaty on the Functioning of the European Union, Article 312*, 2008, <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:12008E312>.

¹¹ European Parliamentary Research Service, *Timeline of the 2021–2027 MFF and NGEU negotiations*, 2020, <https://epthinktank.eu/2020/07/16/negotiations-on-the-next-mff-and-the-eu-recovery-instrument-key-issues-ahead-of-the-july-europeancouncil/timeline-of-the-2021-2027-mff-and-ngeu-negotiations/>.

¹² European Parliamentary Research Service, *Outlook for upcoming Presidency*, 2026, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2026/782590/EPRS_BRI\(2026\)782590_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2026/782590/EPRS_BRI(2026)782590_EN.pdf).

National level

In parallel with EU-level negotiations, Poland has begun preparatory work for the new financial perspective. NRPP is expected to become the main document guiding the programming of EU funds. The Partnership Plan will be based on national strategic documents, in particular the *Strategy for Poland's Development to 2035* and the *National Regional Development Strategy 2035*¹³. The current timetable outlines that strategic work is expected to be completed by the end of 2027, with the Partnership Plan to be submitted to the European Commission in early 2028. Regional governments will play a significant role in this process. According to government statements, the principle of partnership will be upheld, with regions contributing to the territorial aspect of the Partnership Plan. **The extent to which their role can be maintained within a more centralised model will likely emerge as a key point of tension in domestic negotiations. Regional authorities have expressed concerns about the potential centralisation of investment decisions. They emphasise the importance of preserving genuine partnerships and regional decision-making powers, particularly in areas such as just transition and territorial investment**¹⁴.

Conclusions and implications

The negotiation and programming period from 2026 to 2028 will be critical in determining the future direction of EU support for Poland over the next decade. This upcoming financial framework may be the last one in which Poland is the largest net beneficiary of the EU budget. Therefore, it is essential to focus on areas where public co-financing can effectively reduce the cost of capital and accelerate investments. Key priorities include modernising energy infrastructure, decarbonizing heating and industry, and initiatives to enhance economic competitiveness while protecting vulnerable consumers.

For Poland, it is crucial not only to secure a high level of funding but also to influence the regulations governing access to these resources, particularly regarding competitive instruments such as the ECF. The next EU financial framework should be viewed as a strategic tool for implementing an investment plan for energy modernization, rather than a means to finance easier projects. This requires close coordination between the MFF programming and the investment needs outlined in the National Energy and Climate Plan, ensuring coherence across national and regional governance levels.

The EU budget should not be seen as a quick fix or a magic wand to fill the investment gaps. The success of the forthcoming financial perspective will rely not only on the amount of available funding but, more critically, on the quality of its programming. It is vital that resources are strategically directed to areas where they can effectively stimulate private investment and enhance the long-term competitiveness of the Polish economy.

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¹³ Ministry of Funds and Regional Policy, *Speech by Deputy Minister Monika Sikora*, December 2025, <https://www.gov.pl/web/fundusze-regiony/prace-nad-nowa-polityka-regionalna-i-krajowa-strategia-rozwoju-regionalnego-do-2035-r>.

¹⁴ Association of Polish Regions, *Statement of the Association of Polish Regions on EU cohesion policy after 2027*, 2025, <https://polskieregiony.pl/przypominamy-stanowisko-zwiazku-wojewodztw-rp-w-sprawie-polityki-spojnosci-ue-po-2027-roku/>.