

# An MFF Fit for the Clean Transition

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This briefing draws on insights gathered during a series of roundtables convened by the IIEA between November 2025 and February 2026, with expert input from Irish and European stakeholders and policymakers. The IIEA would like to thank the stakeholders who contributed their time and expertise to these discussions, and the European Climate Foundation for its support in enabling this project.

## Executive Summary

This briefing examines the EU's proposed 2028-2034 Multiannual Financial Framework (MFF), in the context of the Irish Presidency of the Council of the European Union, from 1 July to 31 December 2026. The briefing analyses how the next MFF, or EU 'budget', could be used to finance the clean transition, with a focus on the possible role of the Irish Presidency in advancing key negotiations and legislative files.

As a result of an increasingly complex global environment, the European discourse has increasingly framed the MFF debate in binary terms – one in which increased spending on geopolitical imperatives must inevitably come at the expense of the EU's climate ambitions. However, this need not be the case, and this briefing examines how best to marry the clean transition with other key EU priorities, such as its overarching competitiveness agenda.

Instruments which could be used to realise this agenda include the Clean Industrial Strategy (connected to the European Competitiveness Fund), the Connecting Europe Facility (CEF), The EU's Grids Package (TEN-E regulation and a permitting directive) and the Performance Regulation. This paper explores the question of how these instruments could be used or integrated horizontally through the EU's Competitiveness agenda, to support a clean transition.

Key Themes explored within this paper are:

1. The relationship between the clean-industrial strategy and competitiveness
2. The relationship between public finance as well as blended financial tools.
3. Demand-side investment gaps
4. Regional fairness and merit-based allocation in the ECF
5. The relationship between the Performance Regulation and greenwashing

## Introduction

The European Union (EU) finds itself in a state of geopolitical flux. In March 2026 the European Council President António Costa noted that “2026 must become the year of European competitiveness” while at the same time reconciling this with the fact that Europe is in an “era of instability with global tensions rising, competition intensifying, and the international rules-based order under pressure” (European Commission, 2026).

As a result of this complex environment, the European political discourse has tended to frame the MFF debate in binary terms – one in which an increased focus on security and other pressing issues, must inevitably come at the expense of the EU’s climate ambitions. Indeed, a consensus has emerged that the EU and its Member States need more funding to deal with the pressing issues of security, migration and competitiveness, and within this triangle of compounding pressures climate specific spending has fallen lower on the agenda, especially in areas such as nature restoration, the just transition, and social protections in the context of decarbonisation.

However, this need not necessarily be the case: the EU’s toolbox treats security and climate as interconnected issues, and the EU’s Climate Change and Defence roadmap sets out that climate change is seen as a “threat multiplier” for the continent (European Commission, *Climate Change and Defence Roadmap*, 2025). Thus, the key question to ask is whether there are policy instruments and levers available to the EU and its Member States to advance the critical climate, competition and security agendas in parallel, rather than at the expense of one or the other.

## The Irish Presidency and the Multiannual Financial Framework 2028-2034

The Irish Presidency of the Council of the European Union will take place from 1 July 2026 to 31 December 2026. Importantly, this will be the first of a new ‘trio’ of Presidencies, with Ireland’s six-month term followed by Lithuania and Greece. This trio will set the policy agenda for Europe for 18 months. While the specific Irish priorities for its EU presidency will not be published until summer 2026, shortly before Ireland takes over the presidency from Cyprus, its broad contours are already known: according to Minister of State for European Affairs, Thomas Byrne, Ireland will be guided by the wider EU Strategic Agenda 2024-2029, and its three strategic pillars: **values and democracy, competitiveness and security** (Byrne, 2026). While each of these is equally important, the cross-cutting issue of competitiveness will have a particular resonance for a small open economy such as Ireland, and is a key focus of this briefing.

In this regard, it is important to note that the Irish Presidency will coincide with critical negotiations on the EU’s next MFF (2028–2034), which in turn will determine how the EU funds important, interlinked initiatives such as the Clean Industrial Deal (CID); how it strengthens European competitiveness; and how it invests in critical energy infrastructure (CEI) (European Commission, 2025).

Indeed, Ireland’s Presidency could be central to shaping how these instruments are embedded and refined within the next MFF and could play a significant role in prioritising an MFF that aims to marry decarbonisation and competitiveness, and which is fit for the clean transition. In this context, Ireland could act as a bridge-builder among Member States, industry, and the citizenry by focusing on three mutually reinforcing priorities:

- (1) a Clean Industrial Strategy (CIS) anchored in strategic net-zero technologies and demand-side investment,
- (2) electrification and grid modernisation as core infrastructure of Europe’s clean-energy infrastructure, and
- (3) A just transition that embeds social safeguards and regional fairness across the MFF and Connecting Europe Facility (CEF) Energy .

## The MFF timeline and Ireland’s Presidency

Ireland will take over the European Council Presidency from Cyprus in July 2026, inheriting an ambitious negotiation schedule and a crowded legislative agenda. Cyprus aims to deliver both qualitative and quantitative guidance before handing over. The MFF negotiations are particularly complex, however, and it remains to be seen what will ultimately be handed over to the Irish Presidency on 1 July. As such, the below MFF and Irish Presidency timelines should be viewed as indicative only.

## Key milestones for the MFF package (indicative):

<b>February–June 2026</b>	Council working party and ministerial discussions on sectoral files under the Cyprus Presidency, culminating in a partial general approach with indicative figures feeding into the MFF negotiating box.
<b>July–December 2026</b>	Ireland’s Presidency drives consolidation of the Council position and brokers a European Council political agreement on the MFF package (target: December 2026).
<b>2027</b>	Consent procedure with the European Parliament and technical trilogue negotiations on sectoral legislation, aiming for final adoption of the MFF and sectoral regulations by end-2027.
<b>From 1 January 2028</b>	Implementation of the new MFF and programmes.

Source: Own compilation.

## Irish Presidency approach (July–December 2026):

<b>Before July 2026</b>	Ireland works to insert its national priorities into the MFF “negotiating box” and into key sectoral files (including energy, grids and CEF-Energy) while it is still a regular Member State.
<b>From July 2026 onwards</b>	Once holding the chair, Ireland must step back from solely representing national interests and act as an honest broker on the MFF and major energy files.

**Key deliverable:** Steer CEF-Energy through trilogues to final agreement during the Irish Presidency, capitalising on the significantly expanded 2028–2034 envelope for cross-border energy infrastructure.

**Broader goal:** Advance a balanced MFF compromise that can underpin a leaders’ package deal across values, competitiveness (including clean transition), and security priorities, with a view to securing political agreement by December 2026 and allowing sectoral legislation to be finalised through 2027.

Source: Own compilation.

## Where could the Irish Presidency Make an Impact?

The following builds upon three themes which emerged from the research and stakeholder roundtables which fed into this work:

- (1) how the EU industrial-policy levers under the Clean Industrial Deal (CID) and European Competitiveness Fund (ECF) can be aligned with a clean and fair transition;
- (2) how grid infrastructure and the CEF-Energy could shape the viability of that strategy; and
- (3) how questions of a just transition, regional fairness and “green “spending rules under the Performance Regulation will ultimately determine who benefits, who carries the risks, and whether the MFF 2028-2034 is fit for a clean transition.

These elements are examined in more detail below, before concluding with recommendations.

## 1. A Clean Industrial Strategy under the ECF and Clean Industrial Deal

This section examines how the EU industrial policy levers can be aligned with a clean and fair transition. It looks at how these levers are designed financially and then discusses how an evidence-based industrial strategy could be built around them.

The EU aims to mobilise over €100 billion in funding for the CID, which would be used to accelerate industrial decarbonisation and increase European competitiveness, using a mix of Horizon-style grants, Innovation Fund-type support as well as InvestEU-backed guarantees (E3G, 2025). This should be viewed in conjunction with the proposed €400 billion European Competitiveness Fund, which aims to modernise grids, scale clean technologies and link these investments to cohesion policy (European Commission, 2025). However, the question emerges of how the efficiency gap can be narrowed in relation to a just transition. It is also necessary to identify the conditions under which EU-level financing can be used most effectively, particularly when allocating new funding, and to design instruments that maximise synergies between public and private investment, so that limited public resources can de-risk projects and mobilise substantially higher levels of private capital. For example, the Clean Industrial Deal (CID) aims to mobilise around €100–150 billion in public and private capital for industrial decarbonisation across the EU, notably through a new Industrial Decarbonisation Bank and strengthened EU budget instruments.

Given that current estimates suggest roughly three-quarters of the additional climate investment will need to come from private sources, instruments such as InvestEU, the CID and the European Competitiveness Fund are intentionally designed to use limited EU budget guarantees and blended-finance tools to de-risk projects and mobilise much larger volumes of private capital, rather than relying primarily on grants (European Commission, 2025).

Currently, there is an imbalance between the large pools of private capital that could, in principle, support clean-energy investment and the relatively limited, fragmented set of financial instruments available to channel and de-risk these investments, which many market actors still view as complex and high-risk. Available estimates suggest that a substantial majority of the EU's additional climate investment needs to 2030 is concentrated in demand-side sectors such as buildings, transport and industrial energy use (Climate Strategy 2025), rather than building and consolidating new generation capacity. This means the biggest shortfalls are in areas such as building renovation, heat pumps, industrial efficiency and electrification, and clean mobility, where households, SMEs and regions struggle to access affordable finance. However, this has meant that political attention, as well as many of the emerging EU instruments, have remained focused on the supply side of the transition (I4CE, 2025; EEA, 2025).

The Irish Presidency could seek to employ the EU's Clean Industrial Strategy in setting the parameters to rebalance towards the demand-side of these tools. What this means in practice is that supply is dictated by how and when energy is used by the consumer. This implies using demand-side tools (such as energy efficiency measures, market rules and platforms, or behavioural and pricing instruments) to cut the total volume of energy at peak times. If this cannot be achieved, then the EU could miss the opportunity to build a long lasting and strategic clean industry which can be anchored within real markets. (IEEFA, 2026).

Making such a shift, however, would require a clear set of targets for EU support, and this is where Horizon Europe and the EU Commission's research capacity could be usefully aligned, especially with the European Commission's Joint Research Centre (JRC) and its Clean Energy Technology Observatory (CETO). Notably, the JRC frames competitiveness as the intersection of decarbonisation, depollution and industrial strength, and that EU industry must and can be both "clean and competitive" - core issues which need to be central to the CIS.

Nonetheless, funding is key, and if the EU wishes to ensure an impact on sectors and industries where decarbonisation and depollution are key to the transition, then the future funding landscape which is provided for them cannot consist of grant funding alone (E3G, 2025). The research provided by CETO, for example, could be better used in translating the needs of public and private entities in the energy sector in order to understand the current funding gaps. CETO could support the development and implementation of an assessment at the EU level that could also include regional assessments of the supply chains for clean tech, unpacking the current strengths and weaknesses of the European energy landscape, and offering a clear strategy that addresses current and future public and private needs. This could in turn be used to develop and support a coherent industrial policy, in conjunction with InvestEU and Horizon Europe. Together these strands offer a possible outline which could form the basis of an evidence-based CIS, however they do not resolve how the benefits and challenges are shared across regions and Member States.

## 2. Connecting Europe Facility (CEF) and Strategic Interconnection

In addition to the above, we must also consider the question of energy infrastructure, as this has the potential to either enable or constrain the ECF and CID. One of the key instruments which should be explored within this policy discussion is the Connecting Europe Facility (CEF) set, which is the main concentration of European funds for energy projects and transport networks. At present there is a partial general approach on this file, which was reached at the December Council under the Danish Presidency. Compared with the current 2021–2027 MFF period, the proposed allocation for CEF-Energy rises from around €5.8-6 billion to approximately €30 billion for 2028–2034 - a roughly five-fold increase in proposed EU funding for cross-border energy projects (European Commission, 2025; Donnelly, 2026).

Key to this debate is that European funding is traditionally used to implement projects which would not otherwise take place if relying only on national funds alone (or, at times, national interests alone). Recently, for example, severe grid congestion in Belgium has acted as a bottleneck for transmission in the region, with serious implications in particular for France, Germany, and the Netherlands. A Member State such as Belgium, acting alone, would have little incentive to strengthen its grid infrastructure if the direct benefits were not accruing to Belgium itself. And this is not the only such debate occurring at present. In Sweden, for example, proposals to reinforce grid capacity in order to facilitate the transmission of Norwegian hydroelectric power to Germany generated considerable concern, particularly because such upgrades risked increasing electricity prices for Swedish consumers (ECFR, 2025; Brugel, 2025).

These are precisely the types of cross-border bottlenecks that can be seen as exemplars for the importance of European-level funding: where infrastructure could deliver system-wide benefits for the European energy market, while improving energy prices and availability for consumers, it is reasonable that the costs should be shared collectively at the EU level.

It should also be noted, however, that at present EU funding frameworks do not always offer a clear hierarchy between the different types of climate-related investment. Because of this, needed infrastructure, such as cross-border grid interconnections, could be placed in the same investment category as less strategic 'green-spending'. (EPRS, 2025; ECFR, 2025) In many cases, existing regulatory frameworks treat these areas broadly under overarching climate spending targets, which may not distinguish sufficiently between the types of infrastructure that are most strategically important (Clays and Tagliapietra, 2026). However, a legitimate question arises as to why a Member State should contribute to strengthening grid infrastructure if the direct benefits do not accrue to the Member State itself.

A similar pattern can be observed in cohesion policy. Across many operational programmes in the EU, there has been substantial investment in renewable power generation, but significantly less in areas such as energy storage and grid expansion. This is notable because large-scale renewable power generation is increasingly competitive and can often be financed through private investment. Yet public funds are still being directed toward areas where additionality may be limited.

These examples highlight the importance of stronger qualitative prioritisation in EU funding. Ensuring that public resources are directed toward genuinely strategic infrastructure - particularly where market financing is insufficient - will be essential if we are to address challenges such as energy system integration and the functioning of data-driven energy markets.

## 3. The EU's Grids Package

The EU's Grids Package is closely linked to the CEF and the wider regulatory framework for planning and delivering grid investments. The Grids Package has the potential to become one of the most important policy files during the Irish Presidency, and is strongly linked to the above discussion around strategic investment. From an energy perspective, it consists of two legislative and two non-legislative components, and it is expected that the two legislative elements will move into trilogue negotiations during the Irish Presidency. The first is "a proposal to repeal and replace the Trans-European Networks for Energy (TEN-E) Regulation, which would also amend the ACER, Electricity, and Gas and Hydrogen Regulations<sup>1</sup>" and the second is "a proposal for a Directive aiming to accelerate permit-granting procedures through amendments of the Renewable Energy, Electricity, and Gas and Hydrogen Directives<sup>2</sup>". The overall objective is to incentivise both the deployment and more coordinated planning of grid infrastructure and interconnection across the EU. As such, it represents a significant development for the European energy system and wider landscape (ECFR, 2025).

Negotiations are currently ongoing under the auspices of the Cypriot Presidency. Part of the proposal focuses on simplification measures, particularly around permitting and exploratory permitting processes. While these provisions are intended to accelerate infrastructure deployment, there are also some reservations regarding how they will operate in practice. A key question is whether the framework can help facilitate financing agreements and provide greater

1. Proposal for a Regulation on transEuropean energy networks (recast TENE), COM(2025) 1006.

2. Proposal for a Directive amending the Renewable Energy Directive, Electricity Regulation/Directive and Gas and Hydrogen framework to accelerate permitting (part of the European Grids Package, COM(2025) 1005/1006 family).

clarity for the investment landscape surrounding interconnection and broader energy infrastructure.

As noted earlier in this paper, the MFF determines the overall funding envelope and the rules governing how EU resources can be spent. However, this legislative package should be viewed through the lens of establishing the strategic framework for Europe's energy infrastructure; in essence setting the strategic agenda which can determine where and how the EU's electricity grids should be interconnected and who should take responsibility for planning their development.

One of the central questions arising from the proposed grids package concerns the level at which this planning should occur. One option under discussion is a more centralised approach, in which the European Commission would draw on modelling from the Transmission System Operators (TSOs) to develop a unified, EU-wide grid scenario. Alternatively, planning could be organised at a more regional level, for example through regional coordination structures such as those covering the North Sea or other regional electricity markets, or it could remain primarily within the remit of individual national TSOs.

Furthermore, the investment gap in energy and electricity grids represents a substantial share of EU-wide climate investment deficit, and demonstrates how much investment is still needed if the goal of modernising the EU energy system is to be realised. At present grid infrastructure is largely developed by large utilities and regulated network operators, which generally have good access to capital markets and long-term regulated revenue streams. The investment gap between the public and private sectors in this regard is sizeable, and is demonstrative of a regulatory misalignment. The Irish Presidency could prioritise measures to enable timely and needed investment in grid projects. The CEF could be used as a policy lever in which the Irish Presidency could frame this discussion.

## **4. Just Transition and Regional Fairness in the MFF**

In the context of the European Competitiveness Fund and the wider EU energy landscape, a central challenge concerns the balance between the regional distribution of funds and merit-based allocation. Member States' National Plans provide a clear geographic allocation of funding, and once EU resources are committed at national level, Member State authorities retain significant discretion in designing and implementing their programmes (SIEPS, 2025).

Within this framework, the Irish Presidency can help shape the parameters and expectations for these National Plans. However, responsibility ultimately lies with Member States to align their plans with broader EU objectives, including industrial policy and the goals of the European Competitiveness Fund. This alignment will require clear and coherent objectives, framed in terms of competitiveness, and integrated across existing policy areas such as cohesion and agricultural funding.

The key challenge for the Irish Presidency will be to broker a compromise that reconciles differing national interests while remaining consistent with the objectives of the clean transition. This involves securing political support for the overall package, including the European Competitiveness Fund, while also promoting a more efficient and merit-based allocation of funding that prioritises emerging and clean technologies.

This task is complicated by differing national circumstances and sectoral priorities. Member States vary significantly in their economic structures, investment needs, and interpretations of competitiveness. In addition, concerns persist among smaller Member States that funding may disproportionately benefit larger economies with greater capacity to absorb and deploy EU resources. Addressing these concerns will require a coordinated approach at EU level, including clearer strategic prioritisation and guidance on how funding should reflect regional needs.

In practical terms, the Irish Presidency will need to make the case that the clean transition depends on both geographical fairness in the distribution of funds and robust merit-based criteria. These criteria should prioritise projects that deliver the greatest impact in terms of decarbonisation and competitiveness, while ensuring that all Member States are able to participate meaningfully in the transition.

## **5. Performance Regulation, Greenwashing and Energy Conditionality**

The following segment looks at the EU's proposed 35% climate spending target as well as the risks of greenwashing.

In this regard, the key piece of legislation is the expenditure tracking and performance framework regulation<sup>3</sup>, as it sets two key parameters for individual funds. The first parameter is the green mainstream target of 35% for the entire budget and for individual funds, including the Climate and Environment Development Facility (CDF), meaning that more than one third of reported spending is expected to contribute to climate and environmental objectives.

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3. In full: "Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a budget expenditure tracking and performance framework and other horizontal rules for the Union programmes and activities", European Commission 2025

The Commission's MFF proposal combines climate and biodiversity into one environmental spending target. Furthermore, dedicated external-action spending targets have also been diluted, for example the NDICI-Global Europe which has been subsumed under the overall 35% benchmark. The second parameter is the implementation of the "do no significant harm principle", which ensures that economic activities or investments within the EU do not cause significant damage to environmental objectives.

These changes are to be implemented under the new horizontal performance regulation, with the aim of improving tracking by proposing a 'full mainstreaming' approach. The concern here is that the move from such quantitative targets towards qualitative goals would allow for gaps in accountability and allow non-climate issues to take precedence.

At present there are a lot of categories in which spending can be classified as contributing to the 35% climate target set out within the MFF budget. This is important to note as this can include projects which do not truly contribute to a just transition, such as broad transport infrastructure upgrades, but which could be classified as "green" under EU funding and taxonomy frameworks when framed as efficiency or adaptation investments.

Independent estimates note that there is a growing EU-wide climate investment gap of around €340 billion, with an estimated €460 - €630 billion needed per year to tackle current and future climate risks and adaptation (Climate Strategy, 2026). The European Commission's proposal for the 2028-2034 MFF, published in July 2025, suggested that €700 billion, or 35% of the total budget, should be spent on climate and environmental measures. Compared with the 2021-2027 MFF, there is an estimated shortfall of €100 billion for green funding once the figures are adjusted for inflation (Eichler, 2025).

There have been calls for climate mainstreaming to be reformed, as it is unclear how these coefficients align with one another, casting doubt on the overall reliability of reported climate spending in EU budgets. For example, the European Court of Auditors judged that, for the 2014-2020 period, the percentage of climate spending was only 13%, compared with the European Commission target of 20.1%. This was in part due to the funding of projects which were able to claim 40-100% of climate coefficients, even though their actual climate impact was limited.

Therefore, the performance regulation is an important mechanism which could be used to set the parameters for the EU's target of 35% green spending.

## Conclusion

Ireland will take on the EU Presidency at a critical moment. The EU is being asked to pursue a growing list of priorities with a relatively constrained budget, effectively doing more with less, and this comes against a backdrop of mounting internal and external challenges. This paper makes the case that, as proposed, the MFF architecture does have policy levers to use in support of a credible and clean transition, but this can only be achieved if the governance around that transition is made clear and transparent.

For Ireland, the Council Presidency offers a short timeframe in which to make an impact, but will be an important moment for it to use its role as an honest broker to pitch the clean transition as a European public good, in the form of system-wide grid integration as well as a fair distribution of transition costs and benefits. The recommendations below are intended to stimulate discussion as to how Ireland can frame the various competing priorities within the MFF as something other than binary choices. This would complement an approach that recognises that realising our climate ambitions does not need to come at the expense of European competitiveness, nor at the expense of other policy areas which have, as a result of geopolitical tensions, come to be seen as higher priority in recent times.

### Recommendations:

1. **Re-frame the MFF as a European-good instrument.**

The MFF discussion would ideally be steered away from a political zero-sum game and towards a narrative around financing European public good, framed as a core value for the EU's competitiveness, climate and security agenda.

2. **Tighten the performance framework to reduce greenwashing.**

The proposed horizontal Performance Regulation for the 2028–2034 MFF could be used to consolidate climate and biodiversity into a single framework which will narrow the number of interventions permitted in the field. This should be combined with more granular coefficients and disclosure requirements to inhibit the practice of misaligned investment being counted as action towards the climate transition.

3. **Refocus CEF-Energy to tackle cross-border system issues.**  
CEF-Energy should be expanded and used where there are politically difficult tensions around cross-border grid and interconnected cooperation. Here, the aim would be to deliver system-wide benefits that could not be financed through national budgets alone.
4. **Align the Grids Package with MFF investment priorities.**  
A compromise should be explored between the Grids Package in relation to central as well as regional planning platforms to ensure that cost-sharing rules can be used for cross-border projects. This would allow grid planning and the CEF/MFF funding to work together to mutually reinforce one another rather than operating in parallel.
5. **Anchor the 35% climate target in genuine additionality.**  
The European Parliament and the Council of the European Union as co-legislators should maintain the 35% climate and environment target and should work towards a requirement to demonstrate that EU-level financing can add to and not duplicate national climate funding.
6. **Apply an “efficiency-first” lens to competitiveness spending.**  
The design of the Competitiveness Fund, InvestEU and related instruments could focus more strongly on demand-side investments, in line with the ‘efficiency-first’ principle that prioritises reducing energy use and improving efficiency ahead of expanding energy supply.

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