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Recommendation for a  
**COUNCIL RECOMMENDATION**  
**endorsing the national medium-term fiscal-structural plan of Denmark**

Recommendation for a

## COUNCIL RECOMMENDATION

### endorsing the national medium-term fiscal-structural plan 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 thereof,

Having regard to Regulation (EU) 2024/1263, and in particular Article 17 thereof,

Having regard to the recommendation from the Commission,

Whereas:

#### GENERAL CONSIDERATIONS

- (1) A reformed EU economic governance framework entered into force on 30 April 2024. Regulation (EU) 2024/1263 of the European Parliament and of the Council on the effective coordination of economic policies and on multilateral budgetary surveillance<sup>1</sup>, together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure<sup>2</sup>, and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States<sup>3</sup> are the core elements of the reformed EU economic governance framework. The framework aims at ensuring public debt sustainability and sustainable and inclusive growth through reforms and investments. It promotes national ownership and has a medium-term focus, combined with an effective and coherent enforcement of the rules.
- (2) The national medium-term fiscal-structural plans that Member States submit to the Council and to the Commission are at the centre of the new economic governance framework. The plans are to deliver on two objectives: i) ensuring that, by the end of the adjustment period, general government debt is on a plausibly downward trajectory, or stays at prudent levels, and that the government deficit is brought and maintained below the reference value of 3% of GDP over the medium term, and ii) ensuring the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the EU.

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<sup>1</sup> 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 (OJ L, 2024/1263, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1263/oj>).

<sup>2</sup> Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1264/oj>).

<sup>3</sup> Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: <http://data.europa.eu/eli/dir/2024/1265/oj>).

To that end, each plan is to present a medium-term commitment to a net expenditure<sup>4</sup> path, which effectively establishes a budgetary constraint for the duration of the plan, covering four or five years (depending on the regular term of legislature in a Member State). In addition, the plan should explain how the Member State will ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations (including those pertaining to the macroeconomic imbalances procedure (MIP), if applicable), and how the Member State will address the common priorities of the Union. The period for fiscal adjustment covers a period of four years, which may be extended by up to three years if the Member State commits to delivering a set of relevant reforms and investments that satisfies the criteria set out in Regulation (EU) 2024/1263.

- (3) Following the submission of the plan, the Commission is to assess whether it complies with the requirements of Regulation (EU) 2024/1263.
- (4) Upon a recommendation from the Commission, the Council is to then adopt a recommendation to set the net expenditure path of the Member State concerned and, where applicable, endorses the set of reform and investment commitments underpinning an extension of the fiscal adjustment period.

## **CONSIDERATIONS CONCERNING THE NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLAN OF DENMARK**

### **Process prior to the submission of the plan**

- (5) On 20 September 2024, Denmark submitted its national medium-term fiscal-structural plan to the Council and to the Commission.

### **Process prior to the submission of the plan**

- (6) Prior to the submission of its plan, Denmark requested technical information<sup>5</sup>, which the Commission provided on 21 June 2024, and published on 20 September 2024<sup>6</sup>. The technical information indicates the level of the structural primary balance in 2028 that is necessary to ensure that the general government deficit is maintained below 3% of GDP over the medium term and that the general government debt remains below 60% of GDP over the medium term, in the absence of further budgetary measures beyond the 4-year adjustment period. The medium term is defined as the ten-year

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<sup>4</sup> Net expenditure as defined in Article 2 of Regulation (EU) 2024/1263, namely government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on Union programmes 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.

<sup>5</sup> Prior guidance transmitted to the Member States and Economic and Financial Committee includes technical information i) without and with an extension of the adjustment period (covering 4 and 7 years, respectively), and ii) with and without the deficit resilience safeguard. It also includes the main initial conditions and underlying assumptions used in the Commission's medium-term government debt projection framework. The reference trajectory was calculated on the basis of the methodology described in the Commission's *Debt Sustainability Monitor 2023* ([https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023\\_en](https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en)). It is based on the European Commission Spring 2024 Forecast and its medium-term extension up to 2033, and long-term GDP growth and ageing costs are in line with the joint Commission-Council *2024 Ageing Report* ([https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070\\_en](https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en)).

<sup>6</sup> [https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/national-medium-term-fiscal-structural-plans\\_en#denmark](https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/national-medium-term-fiscal-structural-plans_en#denmark)

period after the end of the adjustment period. The technical information was prepared and transmitted to the Member State under two scenarios: a scenario including consistency with the deficit resilience safeguard<sup>7</sup>, in line with Article 9(3) of Regulation (EU) 2024/126, and a scenario without this safeguard. The technical information for Denmark sets out that, in order to comply with the applicable fiscal rules over an adjustment period of 4 years, and based on the Commission's assumptions, the structural primary balance should amount to at least -1.4% of GDP at the end of the adjustment period (2028; scenario without the deficit resilience safeguard), as per the following table. For information, considering also the deficit resilience safeguard, the structural primary balance should amount to at least -1.1% of GDP at the end of the adjustment period (2028). However, the deficit resilience safeguard is not a requirement for Denmark, which is eligible for technical information.

**Table 1: Technical information provided by the Commission to Denmark**

Final year of the adjustment period	2028
Minimum value of the structural primary balance (% of GDP), scenario without the deficit resilience safeguard	-1.4
<i>For information only:</i> Minimum value of the structural primary balance (% of GDP), scenario with the deficit resilience safeguard	-1.1

Source: Commission's calculations

- (7) In line with Article 12 of Regulation (EU) 2024/1263, Denmark and the Commission engaged in a technical dialogue in September 2024. The dialogue centred on the net expenditure path envisaged by Denmark and its underlying assumptions (in particular potential growth and the output gap as well as discretionary measures including one-off measures), as well as the envisaged reforms and investments responding to the main challenges identified in the context of the European Semester and the common priorities of the Union in fair green and digital transition, social and economic resilience, energy security and the build-up of defence capabilities.
- (8) According to the information provided by Denmark in its plan, a consultation process with relevant national stakeholders (including social partners) prior to submission as foreseen in Article 11(3) of Regulation (EU) 2024/1263 did not take place, in line with the transitional provisions foreseen in Article 36(1), point (c), of Regulation (EU) 2024/1263.
- (9) The plan asserts that Denmark's Economic Councils continuously monitor compliance with fiscal targets and assess the sustainability of fiscal policy, as well as economic policy more generally, although it offers no details on their substantial contribution nor on how this effort materialised into the plan.
- (10) The plan was presented to the national parliament following submission.

<sup>7</sup> The deficit resilience safeguard established in Article 8 of Regulation (EU) 2024/1263 establishes that the annual improvement in the structural primary balance is of 0.4 percentage points of GDP (or 0.25 percentage points of GDP in case of an extension of the adjustment period) until the structural deficit is lower than 1.5% of GDP.

## Other related process

- (11) On 21 October 2024, the Council addressed to Denmark a series of country-specific recommendations (CSRs) in the context of the European Semester<sup>8</sup>.

## SUMMARY OF THE PLAN AND THE COMMISSION'S ASSESSMENT THEREOF

- (12) In line with Article 16 of Regulation (EU) 2024/1263, the Commission assessed the plan as follows:

### Context: macroeconomic and fiscal situation and outlook

- (13) Economic activity in Denmark grew by 2.5% in 2023, driven by exports and private consumption. According to the European Commission Autumn 2024 Forecast, the economy is expected to grow by 2.4% in 2024, on the back of net exports and both private and government consumption. In 2025, real GDP is set to increase by 2.5%, as private and government consumption and investment gain additional momentum and increasing inventories provide a positive contribution to growth. In 2026, real GDP is expected to increase by 1.8%, as the positive trends for private consumption and investment continue. Over the forecast horizon (i.e., 2024-2026), potential GDP growth in Denmark is expected to decrease from 2.1% to 1.7%, driven by a decrease in the contribution from potential labour originating from a decrease in the number of employed persons. The unemployment rate stood at 5.1% in 2023, and is projected by the Commission to amount to 5.8% in 2024<sup>9</sup> and 5.8% in 2025 and 5.8% in 2026. Inflation (GDP deflator) is projected to increase from -3.8% in 2023 to 1.6% in 2024, and to reach 2.2% in 2025 and 1.9% in 2026.
- (14) Regarding fiscal developments, in 2023 Denmark's general government surplus amounted to 3.3% of GDP. According to the European Commission Autumn 2024 Forecast, it is set to reach 2.3% of GDP in 2024 and to decline further to 1.5% of GDP in 2025 and, on a no-policy change basis, to 0.9% in 2026. The European Commission Autumn 2024 Forecast includes Denmark's draft budget for 2025 that the government proposed to the national parliament in August 2024. General government debt was 33.6% of GDP at end-2023. According to the European Commission Autumn 2024 Forecast, the debt ratio is expected to decline to 31.0% of GDP at end-2024. It is projected to decline to 29.3% of GDP at end-2025 and 28.3% at end-2026. The fiscal forecast by the Commission does not consider the policy commitments in the medium-term plans as such until they are underpinned by credibly announced and sufficiently specified concrete policy measures.

### Net expenditure path and main macroeconomic assumptions in the plan

- (15) Denmark's national medium-term fiscal-structural plan covers the period 2025-2028 and presents a fiscal adjustment over four years.
- (16) The plan contains all information required by Article 13 of Regulation (EU) 2024/1263.
- (17) The plan commits to the net expenditure path indicated in Table 2, corresponding to average net expenditure growth of 4.4% over the years 2025-2028. The technical information (assuming a linear adjustment path) is consistent with an average net

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<sup>8</sup> Council Recommendation on economic, budgetary, employment and structural policies of Denmark, not yet published.

<sup>9</sup> The rise in the unemployment rate in 2024 is mainly driven by a changed methodology for the labour force survey.

expenditure growth of 5.8% over the adjustment period (2025-2028). The net expenditure path committed to in the plan is reported to lead to a structural primary balance of 0.5%<sup>10</sup> of GDP at the end of the adjustment period (2028). This is higher than the minimum level of the structural primary balance of -1.4% of GDP in 2028 provided by the Commission in the technical information on 21 June 2024<sup>11</sup>. The plan assumes potential GDP growth to increase from 2.1% in 2024 to 2.6% in 2025 before decreasing to 0.9% by 2028. In addition, the plan expects the growth rate of the GDP deflator to increase by 2.1% annually on average over 2025-2028 and converge to 2.0% by 2028.

**Table 2: Net expenditure path and main assumptions in Denmark’s plan**

	2024	2025	2026	2027	2028	Average over the period of validity of the plan 2025-2028
Net expenditure growth (annual, %)	7.2	5.0	5.7	3.8	2.9	4.4
Net expenditure growth (cumulative, from base year 2023, %)	7.2	12.6	18.9	23.5	27.1	n.a.
Potential GDP growth (%)	2.1	2.6	1.2	1.3	0.9	1.5
Inflation (GDP deflator growth) (%)	2.0	1.7	2.6	2.0	2.0	2.1

Source: Medium-term fiscal-structural plan of Denmark and Commission calculations.

### **Implications of the plan’s net expenditure commitments for general government debt**

(18) If the net expenditure path committed to in the plan and the underlying assumptions materialise, general government debt would, according to the plan, gradually increase from 32.8% in 2024 to 35.6% of GDP at the end of the adjustment period (2028), as per the following table. After the adjustment, over the medium term (i.e. until 2038), the debt ratio is expected to gradually increase further, according to the plan, reaching 44.4% of GDP in 2038.

<sup>10</sup> This figure corresponds to the structural primary balance calculated following commonly agreed methodology. The structural primary balance reported by Denmark in the plan is not directly comparable to the technical information as it is based on different technical and conceptual assumptions, as explained in the plan, Box 2.2.

<sup>11</sup> In the scenario without the deficit resilience safeguard.

**Table 3: General government debt and balance developments in Denmark's plan**

	2023	2024	2025	2026	2027	2028	2038
Government debt (% of GDP)	33.6	32.8	31.4	32.7	33.9	35.6	44.4
Government balance (% of GDP)	3.3	1.9	1.0	0.4	0.3	-0.1	-0.8

Source: Medium-term fiscal-structural plan of Denmark

Thus, according to the plan, general government debt would stay below the Treaty reference value of 60% of GDP over the medium term. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for debt as set out in Article 16(2) of Regulation (EU) 2024/1263.

### **Implications of the plan's net expenditure commitments for the general government balance**

- (19) Based on the plan's net expenditure path and assumptions, the general government surplus would gradually fall over the adjustment period, towards a deficit of 0.1% of GDP by 2028. Thus, according to the plan, the general government balance would not exceed the 3% of GDP reference value at the end of the adjustment period (2028). In addition, in the ten years following the adjustment period (i.e. until 2038), the government deficit would not exceed 3% of GDP. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for deficit as set out in Article 16(2) of Regulation (EU) 2024/1263.

### **Macroeconomic assumptions of the plan**

- (20) The plan is based on a set of assumptions which differs from the Commission's assumptions transmitted to Denmark on 21 June 2024. In particular, the plan uses different assumptions for eight variables, namely the starting point (structural primary balance in 2024), potential GDP growth, GDP deflator growth, real GDP growth, nominal interest rate, fiscal multiplier, stock-flow adjustments and one-offs. An assessment of these differences in assumptions is provided below. The differences in assumptions with the most significant impact on average net expenditure growth are listed below, together with an assessment of each difference considered in isolation.

- The plan assumes the structural primary balance in 2024 to be lower than the Commission's assumptions. This contributes to lowering the expenditure ceiling, i.e. the net expenditure growth path over the adjustment period in the plan compared to the Commission's assumptions. The less favourable assumption in the plan can be explained by the plan's reliance on a national concept of output gaps that differs from the commonly agreed methodology and implies a higher cyclical contribution. Whereas the national assessment of the output gap conceptually deviates from the commonly agreed methodology, it is to some extent corroborated by other estimates of labour market tightness and capacity pressures in the economy. Moreover, the August 2024 national forecast is based on more recent data which is in line with the

European Commission Autumn 2024 Forecast. Consequently, this more demanding assumption is deemed to be duly justified.

- The plan assumes potential GDP growth to be higher than the Commission's assumptions. This contributes to higher average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. This more favourable assumption in the plan than the Commission's assumptions can be explained by the plan's reliance on national estimates conceptually different from the ones from the commonly agreed methodology. The plan is based on a national estimate of a positive output gap in 2024, whereas the commonly agreed methodology suggests a negative output gap. In order to reach closure of the output gap the potential growth over the adjustment period is higher in the plan. The higher potential GDP growth rates over the adjustment period are compensated by lower potential GDP growth rates at the lower end of the projections horizon. As a result, the Danish estimates are more stable than the ones resulting from the Commission medium-term government debt projection framework, while the cumulated growth over the projections horizon remains slightly lower than the results of that methodology. Consequently, in accordance with the transitional provisions for the first national medium-term fiscal structural plans as set out in Article 36(1), point (f) of Regulation (EU) 2024/1263, this assumption is deemed to be duly justified.
- The plan assumes GDP deflator growth to be lower than the Commission assumptions. This contributes to lower average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. The more cautious assumption in the plan can be explained by the plan's reliance on the August 2024 national forecast based on more recent data. Consequently, this assumption is deemed to be duly justified.
- The plan assumes stock-flow adjustments to be on average higher than the Commission's assumptions. This contributes to higher average debt ratio growth over the adjustment period in the plan and thus a lower average net expenditure growth over the adjustment period than according to the Commission's assumptions. The more cautious assumption in the plan can be explained by government lending to social housing entities classified outside the government sector and by the use of more recent data, in line with the August 2024 national forecast. Consequently, this assumption is deemed to be duly justified.
- The plan assumes one-offs to be higher than the Commission's assumptions. This contributes to higher average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. The more favourable assumption in the plan can be explained by the plan's use of outturn data for the repayment of excessively collected housing tax. Consequently, this assumption is deemed to be duly justified.

The remaining differences do not have a significant impact on average net expenditure growth compared to the Commission's assumptions. Taken together, they contribute to lower average net expenditure growth in the plan than implied by the technical information. Overall, all the differences in assumptions taken together lead to an average net expenditure growth in the plan that is lower in the plan than the average net expenditure growth implied by the technical information. Moreover, in its plan, Denmark commits to a net expenditure path that is lower than this ceiling. The Commission will take into account the above assessment of the plan's assumptions in future assessments of compliance with the net expenditure path.



## **Fiscal strategy of the plan**

- (21) According to the indicative fiscal strategy in the plan, the commitments on net expenditure are consistent with increased government expenditure, notably prioritisation of citizen-oriented public services, ensuring that funding adjusts in response to changes in the demographic composition, including the increasing number of the elderly. Denmark intends to bolster defence capabilities, ensuring that defence and security expenditures constitute at least 2 percent of GDP. Furthermore, the government aims at reducing personal income taxes resulting in lower tax revenue, with a phasing-in of the personal income tax reform from 2025 onwards. The specification of the policy measures to be adopted is to be confirmed or adjusted and quantified in the annual budgets. The budget that the government tabled in the national parliament in August 2024 for 2025 specifies the policy measures through which the net expenditure commitment for 2025 will be achieved.

## **Reform and investment intentions in the plan responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the Union**

- (22) The plan describes policy intentions concerning reforms and investments to respond to the main challenges identified in the context of the European Semester, especially the CSR, and to address the common priorities of the EU. The plan includes 91 measures, of which 11 are supported by the RRF, and 5 are funded by the cohesion policy funds.
- (23) Concerning the common priority of a fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119, the plan includes a consistent set of reforms and investments. Over 30 measures contribute to the environmental objectives. Measures on climate change mitigation include a green tax reform on industry (included in the recovery and resilience plan (RRP)), an increase in the diesel tax and reforms and investments on carbon capture and storage to enhance the regulatory framework and increase uptake of the technology (included in the RRP). The plan also includes measures on the decarbonisation of transport (CSR on transport in 2019), both for road transport and aviation. Measures on the transition to a circular economy (CSRs in 2022 and 2023) include a new action plan on plastic waste, extended producer responsibility for packaging and single-use plastics. Measures on pollution prevention and control include reforms to increase regulation of biocide chemicals, pesticides and PFAS. They are complemented by measures to address emissions from agriculture (CSR on environmental policy and resource management in 2024). These include an agreement on a green Denmark, with a tax reform for CO<sub>2</sub>-equivalents in agriculture, as well as investments in land conversion into natural areas and improvements of agricultural practices (some of which are included in the RRP). Together with the updated Marine Plan, these measures contribute to the protection and restoration of biodiversity and ecosystems. The plan includes 9 measures to support the digital transition (CSRs on budgetary framework and fiscal governance in 2020, 2021, 2022 and 2023). These include a digitalisation strategy comprising 61 initiatives (included in the RRP), investments in the digitalisation of public services and the development of advanced technologies for the public sector, support for the digital transformation of companies (some included in the RRP and others supported by cohesion funds) and investments to improve broadband coverage (included in the RRP).
- (24) Concerning the common priority of social and economic resilience, including the European Pillar of Social Rights, the plan includes over 40 initiatives. The main

priorities of the plan in this area are bolstering Danish businesses and employment. Measures to support businesses (CSR on research and innovation (R&I) issued in 2019) include a large increase in funds to support businesses, an entrepreneurship package, and reforms to increase the tax deduction for R&I (included in the RRP). The plan has a strong focus on policies to support employment, including a reform of the personal income tax, several changes to the assistance system, making permanent the right to educational boost at 110 percent unemployment benefits, as well as reforms to increase access to international labour. The plan also includes a range of initiatives on equal opportunities and access to the labour market. Measures on education and training (CSR in 2019) include reforms on primary school and higher education and investments to improve VET and adult learning, especially for the green transition (included in the RRP) (CSR on skills in 2023). The plan includes a range of initiatives on fair working conditions, such as reforms to improve the working environment. The plan includes a range of initiatives on social protection and inclusion, with a Children's Act reform to increase the rights of children, simplification of the sickness benefit system and the permanent extension of the social exemption card as of 2025. On healthcare (CSR in 2020), the plan includes a reform of the local healthcare system to better distribute healthcare personnel and resources across Denmark, investments in psychiatry, emergency care and hospital infrastructure. This is complemented with a reform of the long-term care sector and training of staff to cater for people with disabilities. Measures on housing (CSRs in 2022 and 2023) include a housing tax reform which entered into force in 2024 and investments in social housing.

- (25) Concerning the common priority of energy security, the plan includes a consistent set of measures, which all respond to the CSRs on renewable energy, energy infrastructure and networks addressed to Denmark in 2022 and 2023. Measures to increase the availability and uptake of green heating include investments to accelerate the rollout of district heating and incentives for households to switch from gas heating to green heating (included in the RRP). On low carbon and sustainable fuels, the plan includes investments to build electrolyser capacity of 4-6 GW by 2030, investments in Power-to-X technologies supported by REACT-EU and Just Transition funds and two IPCEIs on hydrogen. Measures to increase renewable energy production include reforms to accelerate permitting through the National Energy Crisis Taskforce (included in the RRP), as well as investments to quadruple land-based renewable energy production by 2030, to increase offshore wind production, including with two energy islands. These are complemented by measures to reinforce the resilience of the electricity system, such as grid expansion and an updated framework for electricity grid companies. Measures to diversify supply sources, which cover reducing dependence on fossil fuels from outside of the Union, include investments to temporarily increase gas extraction from Danish fields in the North Sea and increase biogas production.
- (26) Concerning the common priority of defence capabilities, the plan includes a ten-year framework agreement for Danish defence in 2024-2033 which increases defence spending by DKK 190 billion over the period (corresponding to an average of 0.7% of 2023 GDP per year). In addition, Denmark allocated over DKK 60 billion for military support to Ukraine between 2023 and 2028. Altogether, this is expected to bring annual spending on defence above 2% of GDP from 2023 to the end of the framework agreement period.
- (27) The plan provides information on the consistency and, where appropriate, complementarity, with the cohesion policy funds and Denmark's RRP. There is

information on a number of measures in the plan that are included in the RRP and that contribute to the green and digital transitions. The plan also mentions measures financed through structural funds and adds some contextual information on the interplay of cohesion policy funds with the national policies addressing EU common priorities and CSRs.

- (28) The plan aims to contribute to meet the public investment needs of Denmark related to the common priorities of the EU. On fair green and digital transition, Denmark's investment needs relate to its commitment to reduce greenhouse gas emissions by 70% compared to 1990 levels by 2030 and to achieve climate neutrality by 2045. The plan also mentions investment needs related to artificial intelligence, digital skills and digitalisation of businesses. On social and economic resilience, the investment needs are related to changing demographics, increasing employment and skills as well as public service provision on welfare. The investment needs related to energy security concern phasing out of gas, independence from Russian gas and framework for new technologies like Power-to-X. On defence, the plan includes an increase in defence spending to over 2% of GDP, in alignment with NATO commitments. The table on investment needs is complemented by an extensive list of measures addressing the common priorities.

#### **Conclusion of the Commission's assessment**

- (29) Overall, the Commission is of the view that Denmark's plan fulfils the requirements of Regulation (EU) 2024/1263.

#### **OVERALL CONCLUSION**

- (30) In accordance with Article 17 of Regulation (EU) 2024/1263, the net expenditure path as set in the plan should be recommended by the Council to Denmark.

HEREBY RECOMMENDS that Denmark

1. Ensure that net expenditure growth does not exceed the maxima established in Annex I to this Recommendation.

In addition, the Council invites Denmark to ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations, and addressing the common priorities of the Union.

## ANNEX I

Maximum growth rates of net expenditure  
(annual and cumulative growth rates, in nominal terms)

Denmark

Years		2025	2026	2027	2028
Growth rates (%)	Annual	5.0	5.7	3.8	2.9
	Cumulative (*)	12.6	18.9	23.5	27.1

(\*) The cumulative growth rates are calculated by reference to the base year of 2023.

Done at Strasbourg,

*For the Council  
The President*