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2026 Country Report - Denmark

Accompanying the document

Recommendation for a COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Denmark

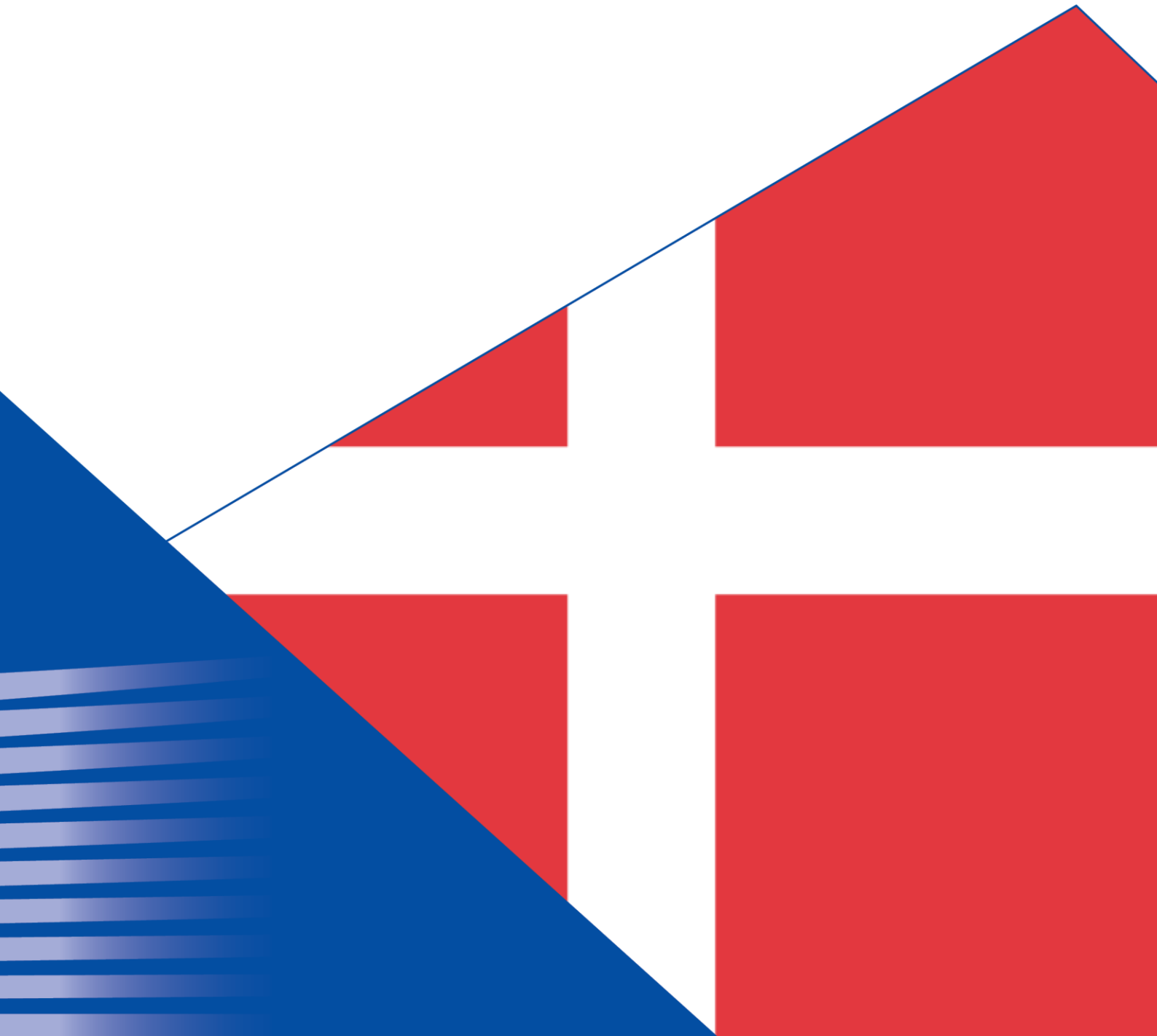
{COM(2026) 204 final}

European Commission

Economic and Financial Affairs

Denmark

2026 Country Report



ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

Solid economic growth, driven by exports and the pharmaceutical sector

Denmark's economy has grown more quickly than the European average since the end of the pandemic. This was supported by rising employment, low unemployment and a steady influx of workers from abroad. However, economic growth has been markedly uneven, with the pharmaceutical sector expanding strongly while other sectors have remained sluggish or stagnant. Net exports have been a strong demand component, whereas domestic demand has been more subdued, with private consumption held back by weak consumer confidence and investments dampened by high construction costs.

The outlook is for continued, although moderating, growth. 2026 could see GDP growth of 1.9% falling to 1.8% in 2027. This is set to be driven more by domestic demand as private consumption and investments pick up, while the growth contribution from net exports becomes broadly neutral.

Employment has expanded continuously over recent years, driven by increasing production. Due to increased economic activity over the last years, there has been a need for a larger labour force, which has brought about the highest number of people on the labour market ever. The higher number of persons in employment is largely attributable to influx of workers from abroad (other Member States as well as third countries), an increasing number of persons before and after retirement age who remain active as well as an increase in the employment rate among immigrants already living in Denmark. The unemployment rate has remained rather low and relatively stable, increasing from 6.2% in 2024 to 6.4% in 2025. The outlook is for stagnating employment and largely stable unemployment, reaching 6.5% in 2027.

Government finances are robust. Denmark has substantial general government surpluses and a gross debt ratio below 30% of GDP on a downward trajectory. An expected budget surplus of 0.9% of GDP in 2026 could fall to a surplus of 0.5% of GDP in 2027. The government sector is a sizeable net asset holder. Denmark's medium-term fiscal-structural plan implies a gradual de-consolidation of public finances over the coming years, moving towards a structural deficit of general government finances of 0.5% annually.

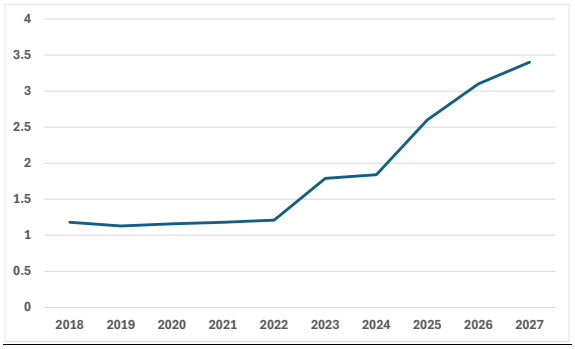
Macroeconomic challenges

Denmark is a small open economy. This comes with the associated advantages and challenges as regards trade and exchanges opportunities. It also brings potential vulnerabilities with respect to international market access and dependencies on trading partners for vital resources.

Danish households are generally financially robust, despite many households having significant gross debt. The household debt ratio is among the highest in the EU, although it has dropped by nearly a fourth over a four-year period. The robustness of households' finances is linked to the fact that gross debt is offset by very sizeable and to some extent liquid pension savings assets, as well as (largely illiquid) housing assets.

Over recent years, Denmark has had recurrent double-digit balance of payments surpluses relative to GDP, driven by exports and pensions savings. These developments have been underpinned by the expansion of the export-oriented pharmaceutical sector. The recurrent surpluses, in the order of 11-12% of GDP, have turned Denmark over time into an important foreign net creditor. While this bears witness to a strong and competitive export-driven economy, it also raises questions about whether investment in Denmark could be stronger. The decision of the social partners to build up a strong second-pillar pension system has implied a long period of sizeable contributions to the pension system. But the corresponding payouts from the system are still limited. This structural net saving in the Danish economy could be a contributing factor to the build-up of large balance of payments surpluses.

Graph 1.1: **Defence expenditure, % of GDP (2018 - 2027)**



Source: Statistics Denmark and European Commission Spring 2026 forecast

Expenditure on defence in Denmark is steadily increasing, also with additional EU support. In order to facilitate an increase in public spending on defence, the Council of the European Union has activated the national escape clause (NEC) for Denmark ([1]). Total government expenditure on defence amounted to 1.8% of GDP in 2024 and is forecast by the European Commission to be 2.2% of GDP in 2025 and 2.6% of GDP in 2026 (see Annex 2). Investment in defence is also receiving support from the EU. As part of the European Commission's ReArm Europe plan, following an assessment by the Commission of Denmark's national defence investment plan under Security Action for Europe (SAFE), the Council adopted a decision, making financial assistance available to Denmark for an amount of up to EUR 50 million for defence procurement.

Denmark exhibits some socio-economic differences between the Capital Region and the rest of the country. This is particularly true as regards income and productivity levels, with incomes ranging from 88% of the EU average in the Zealand Region to 168% of the EU average in the Capital Region ([2]). The income and productivity differences between regions have widened over recent years (see Annex 18), with the Capital Region growing significantly faster than other regions. This growth is linked to the concentration of R&D and capital-intensive businesses such as pharmaceutical companies in the Copenhagen area. The differences are mirrored in a few other dimensions that are central to growth and well-being. This is true of access to healthcare, where transport times to general practitioners or hospitals, for instance, are much longer than in the Capital Region. Likewise, proximity to major cities is also increasing the likelihood of better educational outcomes, such as completing upper secondary education.

Housing supply and affordability

In 2025, Denmark received a country-specific recommendation (CSR) to implement measures to improve the affordability of housing. The issue of housing affordability was addressed through reforms which sought not only to remove barriers to non-profit cost-based housing

([1]) The activation of the national escape clause provides Member States with budgetary flexibility to increase defence expenditure, without an immediate need to finance this increase with spending cuts or revenue-raising measures.

([2]) These two regions will be joined together on 1 February 2027. Figures could be influenced by commuting.

construction, but also to stimulate housing construction more generally.

A mismatch between applicable cost ceilings and markedly higher building costs has resulted in several years of very low new construction of non-profit housing (see Annex 16). In relation to the CSR Denmark received in 2025, several measures have been introduced – most notably raising the maximum cost threshold for non-profit cost-based housing, particularly in high-cost urban areas such as Copenhagen and Aarhus, alongside enhanced support schemes under the Fund for Mixed Cities.

After a decline in 2023, nominal house prices increased in 2024 and have continued to rise in 2025. Nominal house prices increased by 6.0% in 2025 compared with 2024. Price increases remain uneven across regions, with particularly strong price increases for apartments in the largest cities, especially in the Copenhagen area, indicating that demand for housing continues to outpace supply. The Systemic Risk Council notes that, while credit growth has so far remained moderate, the housing burden in Copenhagen is at high levels, and expectations of capital gains as well as fear of higher prices are increasingly influencing first-time buyers' housing considerations ([3]). The increasing housing demand and prices are exacerbated by tax incentives for home buyers through generous mortgage interest relief (see Annex 3) and a low taxation of property values ([4]).

Housing supply is tempered by varying local implementation of rules. National regulation shapes housing policy but approving new construction and laying down detailed regulations are done at municipal level. The differences in local rules administration contribute to varying, and sometimes lengthy, permitting timelines and complicate fast construction. This has an impact on the responsiveness of new housing supply to higher prices (see Annex 16). Issued building permits (measured in square metres per 1 000 inhabitants) were around 40% lower in 2023 and 2024 than the average of earlier years, indicating potential supply constraints. In January 2026, a political agreement was reached to change the Planning Act to allow local authorities to require up to 25% of new developments to be owner-occupied housing ([5]). This aims to increase the overall supply of homes suitable for first-time buyers and to reduce the disparity between rental and ownership opportunities, particularly in major cities. The measure is expected to help relieve upward pressure on prices and improve access for households seeking affordable purchase options. These measures on the affordability of housing are expected to be important, while the effects will take some time to fully materialise.

Economic security and competitiveness

The geopolitical situation has been a source of new vulnerabilities. First, the changes in US tariff policy constituted a major threat to Danish exports, as the largest Danish export market, the US, became less attractive for Danish export companies. However, as regards pharmaceutical products, which form the backbone of Danish exports to the US, the situation was less severe. These products are, to a high extent, already being produced within the US, and therefore, on the face of it, not subject to tariffs. Second, the US claims to Greenland, which is subject to self-government and the constitution of the Kingdom of Denmark, poses another threat. Support from the EU and other partners appears to have been instrumental in starting a constructive process towards greater mutual safety and security in the Arctic region, including Greenland.

The strong productivity growth is concentrated in the international sector.

([3]) The Systemic Risk Council, The Systemic Risk Council // 51th Meeting of the Systemic Risk Council, 2025.

([4]) OECD, OECD Economic Surveys: Denmark 2026 | OECD, 2026.

([5]) Ministry for Urban, Rural and Church Affairs, Ny aftale skal sikre flere ejerboliger til danskerne, 2026.

Productivity growth picked up in 2024 after a subdued period. However, most of this growth can be attributed to a small group of large, highly productive global companies. In contrast, small to medium sized enterprises (SMEs) productivity growth is more moderate, and SMEs in the manufacturing sector in particular are facing challenges. The concentration of productivity growth and the limited diffusion of innovation and advanced technologies to the broader economy call economic resilience into question. Tackling challenges in commercialising research, securing scale-up financing, and increasing involvement of small to SMEs in innovation and technology adoption, could help diversify and expand the country's innovation base.

Further aligning decarbonisation and competitiveness objectives is important. Denmark is a front runner in the green transition. However, electrification could be further supported as a powerful lever for reducing emissions and enabling energy consumers to benefit from low-cost renewable generation. In this context, addressing current electricity network constraints and growing electricity demand and system-flexibility needs remains a key priority. Denmark also faces long-standing challenges in the circular economy and waste management. Structurally, the country remains largely dependent on imports for a range of critical raw materials, intermediate products and high-tech components (see Annex 5). That said, the recent reopening of the Tyra gas field has made Denmark self-sufficient in natural gas, while its dependence on oil imports remains limited. Finally, sustained efforts will be needed to advance the transition of the agricultural sector towards more sustainable practices.

EU funding instruments provide considerable resources to Denmark. They support investments and structural reforms to increase competitiveness, environmental sustainability, skills, social fairness and security, while helping to address challenges identified in the CSRs. Key instruments include the Recovery and Resilience Facility (see Box 2) and Cohesion policy funds (see Box 3). In addition, the Common Agricultural Policy (CAP) provides Denmark with an EU contribution of EUR 4.8 billion under the CAP strategic plan for 2023-2027 ([6]), while EUR 201 million are allocated under the Common Fisheries Policy (CFP). A further EUR 56.2 million are available under the Border Management and Visa Instrument (BMVI). Other EU programmes also support competitiveness in Denmark, for instance through open calls under Horizon Europe and the Connecting Europe Facility.

Box 1:

UN Sustainable Development Goals (SDGs)

Denmark performs well on all SDGs related to competitiveness (SDGs 4, 8 and 9) and on those linked to macroeconomic stability (SDGs 8, 16 and 17).

It also performs well on, or is progressing towards, most SDGs related to environmental sustainability (SDGs 2, 6, 7, 9, 11, 12, 13 and 14), but lags slightly behind the EU average on SDG 15 (Life on land). Denmark performs well or is progressing on most SDGs related to social fairness (SDGs 3, 4, 5, 7, 8 and 10), although it is moving away from SDG 1 (No poverty) despite still performing above the EU average on most related indicators.

Overall, Denmark performs above the EU average on most SDGs, with particularly strong results on SDG 7 (Affordable and clean energy), SDG 9 (Industry, innovation and infrastructure) and SDG 10 (Reduced inequalities).

([6]) An overview of Denmark 's formally approved strategy to implement the EU's common agricultural policy nationally can be found at https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/denmark_en.

Box 2:

Key achievements of the recovery and resilience plan

Denmark's recovery and resilience plan (RRP) represents **a total budget of EUR 1.6 billion**, corresponding to **0.4% of GDP**. It is aimed at supporting reforms and investments contributing to the green and digital transitions, strengthening economic resilience and addressing long-standing structural challenges identified in the European Semester. As of 4 May 2026, **EUR 1.3 billion** (around **78% of the total allocation**) **has been disbursed** to Denmark following the **satisfactory fulfilment of 63 milestones and targets**. Implementation has progressed steadily, with a growing number of reforms and investments already fulfilled and delivering tangible results on the ground.

The Recovery and Resilience Facility is estimated to increase Denmark's GDP by EUR 4.4 billion between 2020 and 2030, more than double the size of its own national recovery and resilience plan's budget. Spillover effects, estimated at EUR 2.4 billion, account for more than half of the total impact. The wholesale trade, construction, manufacturing of machinery and equipment and IT sectors are the largest beneficiaries of direct and spillover effects ([7]).

Highlights and impact of the plan

- **Green tax reform**. Several thousand companies benefited from tax subsidies covering 116-130% of green investment costs, modernising enterprises and delivering measurable reductions in energy consumption and greenhouse gas emissions.
- **Reform to reprioritise the registration tax of vehicles and low electricity tax on charging electric vehicles**. A reduction in registration taxes for low- and zero-emission vehicles has driven the uptake of more than 300 000 cleaner cars on Danish roads and led to four out of five new cars registered being electric cars (2025 data).
- **Access to the high-speed broadband network**. More than 3 000 additional households or businesses have been covered by high-speed internet, contributing to an overall coverage of approximately 98% of households and businesses.
- **Digitalisation in businesses**. More than 1 400 SMEs have received subsidies to digitalise their business (expected).
- **Energy efficiency and decarbonisation in buildings**. Reduced fossil fuels and energy consumption by replacing 27 500 oil burners or gas furnaces with district heating or heat pumps, and by renovating 10 500 residential dwellings (expected).
- **Green upskilling**. At least DKK 187 million (approx. EUR 25 million) for upskilling activities (expected).

([7]) See more in the analysis available at the following link: Economic impacts of the Recovery and Resilience Facility: The Case of Denmark - Reforms and Investments.

Box 3:

Contribution of cohesion policy funds

EU cohesion policy funding is supporting Denmark's efforts to boost competitiveness, environmental sustainability, as well as skills and social fairness. In the 2021-2027 programming period, EU cohesion policy funds ([8]) are providing EUR 456 million (amounting to EUR 929 million paired with national co-financing) to Denmark. The value of selected projects corresponded to 84.8% of the total allocation as of March 2026, with additional calls for projects in the pipeline.

- **Innovation, business environment and productivity**. EUR 130 million is allocated to research and innovation, SME competitiveness and to the regions most affected by the transition away from carbon-intensive activities. More than 7 000 firms are already receiving support.
- **Decarbonisation, energy affordability and sustainability**. Nearly EUR 157 million is dedicated to clean transition projects. This is primarily delivered through support of SME innovation in green hydrogen and power-to-X, brown biorefining and pyrolysis, and carbon capture and storage. Related investments in skills development represent approximately 30% of green investments.
- **Skills, quality jobs and social fairness**. Over EUR 65 million is allocated to the re- and upskilling of workers, EUR 22.9 million to education and training and EUR 3.4 million to addressing homelessness. The European Social Fund Plus (ESF+) is also improving opportunities for entrepreneurship and for the development of social innovation. More than 17 000 people have already taken part in regional education and training projects.

The mid-term review ([9]) reinforced the cohesion policy's contribution to emerging strategic priorities, reallocating EUR 65 million. The mid-term review will strengthen competitiveness through support for SME innovation in Strategic Technologies for Europe Platform (STEP) technologies and relevant skills. In addition to cohesion policy funding, Denmark will allocate over EUR 324 million under the Social Climate Fund over 2026-2032 to help mitigate the social impact of the new emissions trading system (ETS2), supporting vulnerable households and small businesses.

([8]) European Regional Development Fund (ERDF), European Social Fund Plus (ESF+), Cohesion Fund (CF) and Just Transition Fund (JTF).

([9]) The mid-term review is carried out halfway through the 2021-2027 programming period. It is a formal assessment process required under Article 18 of the Common Provisions Regulation that aims to assess the implementation of programmes and, where necessary, propose adjustments to improve their performance, ensure their relevance in light of new and emerging needs and keep them aligned with other EU policies.

INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

In 2025, Denmark received a country-specific recommendation (CSR) to address the productivity gap between large and small companies and boost innovative businesses by further improving access to venture capital and private equity financing, and by improving the framework conditions for initial public offerings. Denmark has taken steps to strengthen productivity of small to medium-sized enterprises (SMEs) and advance capabilities in innovation and technology adoption. Key measures include enhanced advisory and innovation programmes, deeper and broader collaboration between knowledge/research institutions and businesses (see Annex 4), and more targeted business support schemes (see Annex 5). While positive, these measures have not yet yielded visible results. Progress on improving access to financing, however, remains limited – though with venture investment activity reaming robust (see Annex 6).

Pick-up in productivity led by the pharmaceutical sector

Denmark has one of the highest levels of labour productivity in the EU. Denmark's labour productivity remains above the EU average, as evidenced by its high GDP per hour worked (133.2% of the EU average) and GDP per employed person (113.5% of the EU average). This can be attributed to the country's robust human capital, cutting-edge digital infrastructure and significant R&D expenditure, which surpasses the EU average as a percentage of GDP, driven by substantial investments from both the public and private sectors. To maintain this high productivity level, focus must be directed towards the challenges faced by the Danish research and innovation system to uphold its outstanding long-term excellent performance (see Annex 4).

Labour productivity in Denmark increased again after a long period of slow growth. In 2024, labour productivity increased by 3%. However, the 10-year (2014-2024) annualised growth rate stands at only 0.9%. This is partly due to cyclical factors and to the disruptions caused by the COVID-19 pandemic. At the sectoral level, labour productivity growth has been strongest in manufacturing, information and communication, wholesale and retail trade, and professional and scientific services. Conversely, labour productivity growth has been weak in energy, construction and some administrative and support services. Productivity remains a key driver of further economic growth, especially given the country's already very high employment levels and an ageing population, which limit the scope for growth expansion through increases in labour supply.

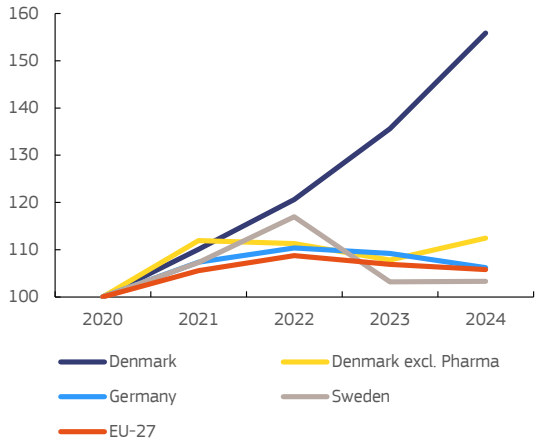
Manufacturing productivity recorded a strong increase, largely driven by the pharmaceutical industry. Despite sluggish labour productivity growth across the broader economy, productivity in the manufacturing sector rose by an average of 11.7% per year between 2020 and 2024, far exceeding previous periods ([10]). Over three quarters of this growth is attributable to higher total factor productivity ([11]) – reflecting more efficient use of labour and capital through globalised production and greater adoption of technological advances – while increased capital and labour intensity accounted for the

([10]) Danmarks Statistik, NEW: Large increase in industrial productivity - Statistics Denmark, 2025.

([11]) Total factor productivity is a measure of the efficiency and effectiveness with which different labour and capital inputs are used.

remainder. The pharmaceutical industry is the primary driver of this increase. In recent years, a large and growing share of pharmaceutical production and value creation took place abroad, including through merchanting and processing. This significantly boosted value creation in Danish pharmaceutical companies without a corresponding rise in domestic labour input, which translates in practice into a substantial productivity gain. Internationally, growth in Denmark's manufacturing productivity has far outpaced the EU-27, and neighbours Germany and Sweden. However, excluding the pharmaceutical sector, growth is only marginally stronger than in the EU-27, Germany and Sweden (Graph 2.1).

Graph 2.1: **Labour productivity in manufacturing (index: 2020=100)**



(1) 2023 and 2024 are provisional data
Source: Danmarks Statistik

The high productivity growth in the manufacturing sector masks very different developments across firms. A small group of large, highly productive global companies accounts for most of the growth in labour productivity, reflecting their highly globalised operations. This highlights a widening gap in productivity performance, with a small number of large firms driving overall growth, while the rest of the business sector is progressing much more slowly ([12]). Productivity generally rises with firm size as large firms can exploit increasing returns to scale ([13]). They also tend to adopt new technologies more quickly than smaller firms. However, this advantage does not always apply to new or young firms ([14]). This concentration of productivity growth, while partly cyclical, raises questions about economic resilience and increased regional GDP disparities (see Annex 19), as growth performance becomes dependent on a narrow segment of firms ([15]). It also suggests limited diffusion of advanced technologies and management practices to smaller and domestically oriented firms. Ensuring sustained long-term growth would benefit from policies that strengthen domestic investment, promote technology adoption across sectors and regions, and improve the absorptive capacity of SMEs.

A business environment conducive to growth and productivity

Despite productivity differences, competitiveness performance remains strong thanks to an overall favourable business environment. Denmark maintains a strong position in global competitiveness. This is driven by efficient business practices, favourable regulations and a well-developed digital and transport infrastructure. Denmark's highly skilled workforce and strong innovation performance, together with continuous efforts to improve the business environment, support its competitiveness (see Annex 5). Business dynamics, reflected by the number of firms entering and exiting the market and the proportion of high-growth companies, exceeds the EU average. This dynamic environment indicates support for the efficient reallocation of resources towards more productive

([12]) Dansk Industri, 20 virksomheder står for næsten hele produktivitetsvæksten - DI, 2025.

([13]) Returns to scale is an economic concept measuring how much a firm's output changes when all inputs are increased proportionally.

([14]) OECD, Compendium of Productivity Indicators 2025, https://doi.org/10.1787/b024d9e1-en OECD Publishing, Paris, 2025.

([15]) OECD Economic Surveys: Denmark, 2026.

activities and is supported by a competition-friendly regulatory framework.

Despite business-friendly regulation, business surveys suggest further simplification of regulation and reporting requirements could support business performance. According to the EIB Investment Survey ([16]), Denmark has the lowest share of businesses that report regulation as an obstacle to investment. Nevertheless, despite ongoing work to simplify and automate business reporting, most companies rank public reporting obligations as their heaviest administrative burden (see Annex 7). Further simplification of reporting requirements could reduce administrative burdens and costs, especially on smaller firms, and complement innovation and financing efforts to support business growth. Recent evidence also points to a rise in late payments by public authorities (see Annex 5). While public financial management is generally robust, these late payments can strain the liquidity of SMEs, which often have limited financial buffers. Timely payments by public authorities could thus enhance the business environment.

Excellent research and innovation, but uneven diffusion

Denmark continues to be a leader in research and innovation, but there are some signs of stagnation. The 2025 European Innovation Scoreboard highlighted Denmark's leadership with a score of 135% of the EU average on the Summary Innovation Index. R&D expenditure, supported by both public and private investments, remains above the EU average as a share of GDP. A well-performing public science base, strong international research collaborations, and robust research activity in sectors, such as pharmaceuticals and biotechnology, further underpin Denmark's innovation strengths, mainly driven by large businesses. At the same time, on several indicators, the long-term excellent performance in research and innovation shows some signs of stagnation, following a period of very strong performance. This includes the proportion of Danish scientific publications ranking among the world's top 10% of most-cited publications, and the share of employment in high-growth companies (see Annex 4). Moreover, despite the growing expenditures on R&I, public Danish research institutions are also failing to achieve an increase in the commercialisation of research results as indicated by several indicators, including patent applications and new inventions ([17]).

Policy measures to strengthen research and innovation collaboration exist, but challenges remain. In line with the CSR to support SMEs to innovate and adopt new technologies, recent policy measures reinforce the framework for research and innovation. These include the introduction of multiannual funding for strategic research and innovation priorities, the streamlining of innovation support schemes for SMEs and the political agreement to strengthen collaboration and transfer of knowledge and technology between research institutions and businesses. While these measures represent important progress, further efforts could help enhance the diffusion of innovation and the uptake of advanced digital technologies across firms of different sizes, sectors and regions. In particular, the complexity of the innovation support framework with multiple national and regional actors, can create administrative burdens and complicate innovation and scale-up, especially for SMEs. Challenges include a fragmented innovation support system, different eligibility criteria across support schemes, and difficulties navigating application procedures and reporting requirements. This highlights a need for further harmonisation of rules and a more comprehensive review of existing measures. Furthermore, some administrative *ex ante* uncertainty about the eligibility of projects for

([16]) European Investment Bank, EIB investment survey, 2025.

([17]) The Danish Agency for Higher Education and Science, Kommercialisering af forskningsresultater — Uddannelses- og Forskningsstyrelsen.

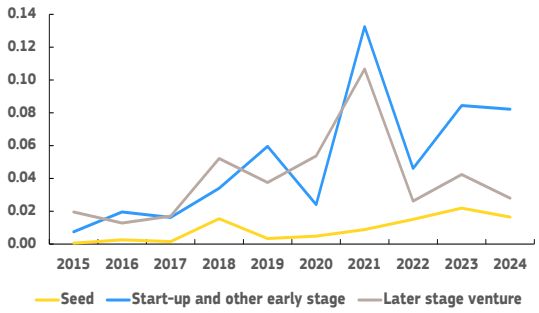
R&D tax incentives may also discourage SMEs from making use of these improved schemes. Geographically, R&D expenditure remains concentrated in regions hosting the country's largest universities, indicating potential to further strengthen innovation capacity across the whole country (see Annex 18).

Innovation procurement offers additional opportunities to support growth and scaling. Public procurement represents an important share of aggregate demand in Denmark, and overall performance in this area is strong (see Annex 5). However, a national plan, covering all national sectoral policies and engaging actors across all levels of governance, to leverage procurement for promoting innovation and deploying innovative solutions in the public sector is still at an early stage (see Annex 4). Advancing such a framework could help the public sector to provide early revenue streams to innovative SMEs and facilitate scale-up through reference contracts. Moreover, financial incentives for R&D procurements in key technologies and sensitive sectors could help boost strategic autonomy in certain sectors such as AI, cyber security and quantum technology.

Early-stage financing is robust, but scale-up financing remains more limited

Denmark remains one of Europe's leading venture capital markets relative to GDP, with a stable investment activity in recent years. Newest data from the Export and Investment Fund of Denmark (EIFO) show that venture investment activity has been stable from 2024 to 2025, mainly due to a strong venture investment activity in the last 3 months of 2025. According to EIFO, EUR 1.1 billion in venture capital was invested in Danish companies in 2025 compared to EUR 1.2 billion in 2024. ([18]). Denmark's venture capital market continues to outperform the EU average, with total investments over the period 2022–2024 exceeding 0.36% of GDP, placing it third in Europe behind Estonia (0.74% of GDP) and the UK (0.40% of GDP). Biotech continues to dominate investment volumes together with Enterprise solutions and Fintech, underscoring Denmark's strengths in both deep-tech innovation and scalable digital business models.

Graph 2.2: **Venture capital investments (percentage of GDP)**



Source: OECD

Scale-up financing remains a challenge, particularly for companies transitioning from early-stage growth to later-stage expansion. While Denmark performs well in seed and early-stage financing (0.27% of GDP in the period 2022-2024), access to scale-up capital remains more limited (0.10% of GDP in the period 2022-2024). This can encourage some firms to relocate to larger international markets where deeper capital pools are available. To address this, Denmark has introduced measures under the 2024 entrepreneurship strategy aimed at improving framework conditions for investment and firm growth. Measures include changes to capital gains taxation, simplified equity crowdfunding regulations and better access to venture debt financing (see Annex 6). Over time, these measures are expected to strengthen Denmark's attractiveness for scale-ups and initial public offerings (IPOs) ([19]). Continued efforts to expand late-stage financing, deepen capital markets and strengthen links with international investors could further support the growth of high-potential firms and help

([18]) EIFO, https://eifo.dk/media/w44pdfzw/ventureanalysen-2025.pdf, March 2026.

([19]) An initial public offering refers to the process of launching the sale or distribution of a company's shares to the public for the first time.

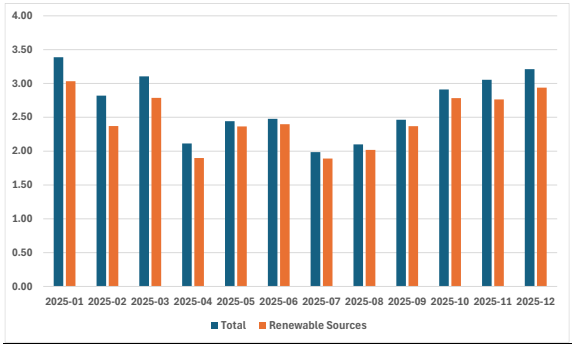
retain scale-ups within Denmark. In this context, encouraging greater institutional participation in Danish listed companies and refining the preferential stock savings account to make it more attractive could help enhance market liquidity and support IPO activity.

DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

In 2025, Denmark received a country-specific recommendation (CSR) to support clean and efficient energy production and use, accelerate electrification, incentivise electricity network upgrades and promote clean flexibility solutions. Denmark was also recommended to reduce the intensity of agricultural and farming activities and to strengthen the circular economy and waste-management policies. Considerable financial and political support has been secured to deploy additional renewable energy capacity. Denmark is phasing in a new emissions taxation system that incentivises further industrial decarbonisation, while ensuring the availability of transitional support for energy-intensive companies. The electricity tax has been temporarily reduced, providing welcome relief to household consumers. Given the high proportion of low-cost renewables in Denmark's electricity generation mix, electrification emerges as a cost-effective enabler of both decarbonisation and energy affordability – one that could be further supported by policy. However, electricity grids are under severe strain following a surge in connection requests. Action is being taken, but this issue warrants continued close attention. Despite some positive developments, clean flexibility solutions, such as energy storage and demand response, remain essential to decarbonisation, competitiveness and energy affordability. Finally, Denmark is delivering on its national strategy for sustainable agriculture and is making some progress on the circular economy and waste management.

Powering an affordable and low-carbon future

Graph 3.1: **Net electricity generation 2025 - total vs renewable sources (TWh)**



Source: Eurostat

Denmark set an historic record in 2025, generating 92% of its domestic electricity from renewables. Following a setback in its offshore wind development plan, and in light of growing electricity demand, Denmark received a CSR in 2025 to support the production of clean, efficient energy. Implementation has advanced significantly. In November 2025, new tenders for 2.8 GW of offshore wind capacity were announced, backed by a political agreement guaranteeing state support to wind farm developers for 20 years and capped at DKK 44.2 billion (approx. EUR 5.9 billion) ([20]). On 26 January 2026, Denmark and Germany signed a joint declaration of intent on the Bornholm Energy Island project, which will connect 3 GW of

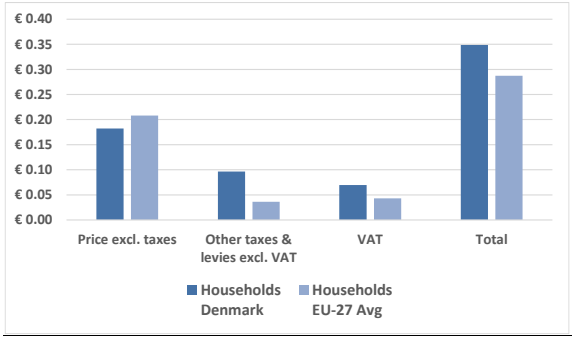
([20]) See the official communication at the following link: The Danish Energy Agency opens tenders for three new Danish offshore wind farms. See also: Agreement on tenders' framework for three offshore wind farms (*Aftale om udbudsrammer for tre havvindmølleparker*), 19 May 2025. State support is provided through a two-sided, capacity-based contract-for-difference model.

offshore-generated electricity to both countries' national grids ([21]). The project is supported by a EUR 645 million grant from the EU's Connecting Europe Facility. Further enabling measures have been put in place in response to recommendations by the National Energy Crisis Team (NEKST), which is supported by EU funds through the Recovery and Resilience Facility (RRF) (see Annex 9).

Tax policy has been an important instrument in Denmark's industrial decarbonisation efforts; the cornerstone of these efforts is the green tax reform. This multi-annual reform, supported by EU financing from the RRF, has been implemented in several stages. Shortly after the COVID-19 pandemic, Danish businesses benefited from three tax policy incentives: (i) a time-limited 116% tax deduction for business investment (except for fossil-fuel-driven machinery and vehicles); (ii) a time-limited 130% tax deduction rate for R&D investments; and (iii) a substantial permanent increase in the ceiling for minor investments eligible for immediate full tax depreciation ([22]).

The tax incentives were accompanied by a credible commitment to introduce substantially higher emissions taxes, which are currently phased in. This sequencing enabled businesses to factor rising energy and carbon costs into their investment decisions, encouraging a shift toward energy efficiency and emissions reduction. Higher energy taxes were subsequently introduced, and an expert group developed a framework for significantly higher emissions levies, which came into force in January 2025 (see Annex 8). The reform stands as an ambitious model for combining post-pandemic economic recovery with strong incentives for low-carbon business investment. To complement the new taxation system, Denmark has also established a transition support framework for energy-intensive industries (see Annex 8).

Graph 3.2: **Electricity prices for households (€/kWh) - 1H-2025**



Source: Eurostat

Electrification offers a powerful pathway to further reduce emissions while enabling consumers to benefit from low-cost renewable generation. In 2025, Denmark received a CSR to accelerate electrification across sectors. A significant step was taken on 1 January 2026, when the electricity tax was cut from 72.7 øre to just 0.8 øre per kilowatt-hour. This is a welcome development for households, whose electricity bills in 2025 remained above the EU average and were heavily influenced by taxation (see Annex 9 and Graph 3.2). However, the reduction is temporary – valid only until the end of 2027 – and is unlikely to stimulate further electrification in industry, where electricity taxes were already recoverable for industrial consumers (see Annex 9). Electrification in the transport sector, which remains the greatest source of CO_2 emissions in the country (see Annex 8), is progressing well, particularly in the passenger car fleet. The RRF has significantly contributed to this development via a reduced registration tax for low- and zero-emission vehicles and lower electricity taxes for electric vehicle charging. Denmark's high share of low-cost renewables in its electricity generation mix means electrification could serve as a cost-effective lever for both decarbonisation and energy affordability. To fully exploit this potential, Denmark would benefit from adopting a comprehensive electrification strategy, including clear 2030 or 2035 targets and sectoral sub-targets.

([21]) See the official communication at the following link: Energy Highways: Germany and Denmark agree on joint development of the Bornholm Energy Island offshore wind project.

([22]) A tax policy that allows businesses to deduct the entire cost of a qualifying asset in the year it is purchased, rather than spreading the deduction over the asset's useful life through standard depreciation schedules.

Meeting network and flexibility needs to sustain the energy transition

Despite substantial grid investments, Denmark's electricity network remains under severe strain from unprecedented demand for new connections. In 2025, Denmark received a CSR to address increasing electricity demand needs by incentivising network upgrades. By end-2025, the value of electricity infrastructure projects under construction at Energinet – the national electricity transmission system operator – had grown nearly sevenfold since 2020, reaching almost DKK 100 billion (approx. EUR 13.4 billion). However, Energinet reported that the total demand for new consumption capacity directly on the electricity transmission grid was around 33.5 GW (peak electricity consumption in the country is approximately 7 GW). Two thirds of this was added in 2025 alone, mainly due to data centres, power-to-X and battery projects ([23]). As a result, Energinet temporarily paused new grid connection agreements in March 2026 and extended processing times for projects in the screening and maturity phases ([24]).

Several measures have been implemented or announced to address existing grid constraints, though capacity is likely to remain limited in the medium term. In February 2026, Energinet replaced its 'first come, first served' approach to grid connection application screening with a new model giving priority to more mature production or consumption projects (see Annex 9). Building on this, Energinet's March 2026 emergency package sought to further strengthen prioritisation, free up short-term capacity and accelerate investment decisions for new network development. At the political level, in January 2026, the government reached an agreement on measures to ensure a transparent and accelerated expansion of the electricity grid ([25]). These steps are welcome, but the underlying challenge remains acute. Network development projects take several years to complete, and a striking indicator of growing systemic pressure is Energinet's finding that average processing times for environmental approvals by competent authorities have increased more than sevenfold – from around 100 days in 2020 to approximately 750 days in 2025. In March 2026, the National Audit Office reported that by mid-2025 approximately 70% of network expansion projects initiated by Energinet were delayed and stated that Energinet's management of the expansion of the electricity grid was 'very unsatisfactory' ([26]).

Denmark remains exposed to electricity price spikes, highlighting the importance of clean flexibility solutions. In 2025, Denmark received a CSR to promote clean flexibility (demand response, storage and other solutions). When renewable energy production is low, the limited availability of non-fossil flexible resources means that more costly fossil-based power plants are likely to set marginal prices at high levels. This drives price volatility, with average price spreads in Denmark reaching EUR 109/MWh in 2025 – an 8% increase compared with 2024. Despite several positive developments (see Annex 9), clean flexibility remains key to decarbonisation, competitiveness and energy affordability. Denmark would benefit from prioritising clean flexibility over fossil-based

([23]) See the official communication at the following link: Energinet ready for external investigation: Framework must reflect the new reality. Power-to-X is the conversion of electric power – typically surplus electric power generated from renewable energy sources during periods when generation exceeds load – to another form of energy (such as hydrogen, methane or methanol) for storage and reconversion to electric power, to an alternative form of energy (such as gas or synthetic fuel), or to another useful product (such as ammonia or other chemical feedstocks).

([24]) See the official communication at the following link: Energinet introduces temporary pause in new grid connections and turbocharges emergency package.

([25]) Agreement on a transparent and rapid expansion of the power grid (*Aftale om en transparent og hurtig elnetudbygning*), 26 January 2026.

([26]) National Audit Office, *Report on Energinet's expansion of the electricity grid*, March 2026, page 3.

flexibility in its upcoming national flexibility needs assessment ([27]).

Delivering Denmark's landmark green tripartite agreement for sustainable agriculture

Denmark is taking steps to reduce the environmental and climate impact of the agricultural sector. In 2025, the country received a CSR to reduce the intensity of agricultural and farming activities. Agriculture dominates land use in Denmark and remains a major source of emissions ([28]). Intensive practices lead to excessive nutrient leaching and run-off from fields, particularly of nitrogen and phosphorus. This has serious repercussions for soil health, nature and aquatic environments (see Annex 10). To address these challenges, a comprehensive political agreement on a 'Green Denmark' was reached in November 2024, paving the way for a historic transformation of land use in the country ([29]).

In 2025, progress was made in delivering on the 'Green Denmark' agreement. By the end of the year, all 23 local tripartite bodies ([30]) had approved a comprehensive conversion plan for reducing nitrogen in water bodies. The conversion plans also aim to reduce nitrogen impact on nature and provide the opportunity to connect fragmented nature and develop new nature. Furthermore, a sub-agreement was reached on a new model to regulate the discharge of nitrogen in fields. This cap-and-trade model allocates discharging quotas to farmers across the country and is expected to lead to a reduction in nitrogen discharge of approximately 7 900 tonnes ([31]) (see Annex 10). As part of the sub-agreement, an additional DKK 345 million (approx. EUR 46 million) was allocated to support nature projects ([32]). Building on these positive steps, swift implementation of the agreed measures is crucial to ensure that the climate and environmental targets set out in the 'Green Denmark' agreement are met by 2030. Denmark would also benefit from exploring synergies with the actions to be included in the national nature and biodiversity act and several obligations in the nature restoration plan such as restoring nature, take out from agricultural production and rewet carbon rich lowlands and the shared goal on planting three billion trees in the EU by 2030.

Further improving waste management and the circular economy

Progress has been observed on the circular economy and waste management. In 2025, Denmark received a CSR to strengthen the circular economy and waste-management policies. The Danish economy remains highly dependent on primary resources and imported materials (see Annexes 5 and 8). Per capita food waste, municipal waste and packaging waste volumes

([27]) The revised EU Electricity Market Regulation adopted in 2024 introduces mandatory national flexibility needs assessments. Member States must submit the first national flexibility needs assessment by July 2026.

([28]) Emissions from the agriculture and forestry sector (including energy consumption) are estimated to account for 47% of Denmark's total CO_2 emissions in 2030. Klimaprogram 2025, *Ministry of Climate, Energy and Utilities*, page 152.

([29]) Agreement on a Green Denmark (*Aftale om Implementering af et Grønt Danmark*), 18 November 2024. The agreement largely mirrors the commitments outlined in the tripartite agreement of 24 June 2024 between the government and key sectoral and environmental organisations.

([30]) Bodies composed of representatives of municipalities, farmers' organisations, local nature protection associations and the Danish Nature Agency. They play a key role in implementing the measures contained in the Agreement on a Green Denmark.

([31]) 7 900 tonnes out of a technically adjusted reduction need of 14 800 tonnes (not taking future land retirement into consideration).

([32]) Six projects have already been selected for their potential to link existing natural areas by removing agricultural land from production and designating new protected nature zones. See at the following link: Work on six large nature areas is now underway - Ministry of Green Tripartite.

remain among the highest in the EU (see Annex 8). Denmark has introduced a material-based separate collection system for municipal waste across all municipalities. Of the 129 initiatives included in the national action plan for the circular economy (CEAP) (2020–2032), 107 have been implemented and 5 are in the pipeline. The upcoming reassessment and revision of the CEAP provides an opportunity to identify new initiatives. This could include incentives for more circular packaging and product design and for increased use of secondary materials. Further integrating circular economy principles into public procurement could also be beneficial. Finally, an extended producer responsibility framework for packaging entered into force in October 2025. However, affected companies claimed that the scheme has resulted in higher-than-expected costs and the former government has therefore taken steps to reduce producers' fees ([33]).

Denmark incinerates more municipal waste per capita than any other EU country, reflecting the central role of waste-to-energy in supplying its well developed district heating network. Around half of municipal waste – and a quarter of total waste – is incinerated for electricity and heat (see Annex 8). The 2025 reform introduced competition into the sector and set a medium-term objective of reducing incineration capacity to match the volume of incinerable waste generated domestically from 2030 onwards (bringing to zero the amount of incinerable waste imported from abroad). However, the reform's impact on actual incineration volumes remains uncertain ([34]): the ceilings granted to operators through 2030 are relatively permissive, and a substantial shift may not materialise without further policy action. Moving up the waste hierarchy – prioritising prevention, reuse and recycling – will be essential to reducing the country's reliance on incineration.

([33]) See the official announcement at the following link: Nyt lovforslag skal skære op til 30 procent af gebyr på glasemballage - Miljø- og Ligestillingsministeriet.

([34]) According to the latest projections from the Danish Energy Agency, incineration capacity is expected to decline over the next few years, reaching a plateau in 2031 when it is anticipated that the capacity will be roughly equivalent to the domestic incineration requirements. See: Monitoring of waste incineration capacity in Denmark.

SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

In 2025, Denmark received a country-specific recommendation (CSR) to address skills shortages, including by stepping up action to tackle attainment inequalities in education and training and to ensure the provision and acquisition of the necessary green and digital skills. Continued job creation has ensured a steady demand for workers with a variety of skills. Some skills shortages persist, notably as regards ICT specialists, health and care workers as well as some other skilled workers, including those relevant for the green transition.

Robust labour market, but youth and geographical divides persist

The labour market has seen steadily increasing employment and stable unemployment figures. In recent years, Denmark has achieved an employment rate that exceeds its 2030 target, remaining well above the EU average (see Annex 11). The inflow of foreign workers and the tendency for individuals to stay in employment longer before and after reaching retirement age have helped to boost the workforce. However, at 6.4%, Denmark's unemployment rate ([35]) is slightly higher than the EU average and the proportion of part-time workers is significantly higher than the EU average. At the same time, Denmark's active labour market policies are considered effective.

Young people in rural areas are more likely to struggle with education and employment than their peers in urban areas. Although the proportion of young people who are not in employment, education or training (NEET) in Denmark is below the EU average, NEET rates are markedly higher in rural areas (11.5%) than in cities (7%) (see Annexes 11 and 18) and there is concern that these young people remain at risk of social exclusion. The NEET group faces complex challenges that are difficult to address, including the transition from education to work, somatic and mental health issues, and difficult economic and social circumstances. To tackle this, in 2024 Denmark concluded a political agreement, *Ungeløftet* (The Youth Commitment)([36]). The implementation of this initiative started in 2025 and involves partnerships bringing together municipalities, businesses, and civil society to create tailored opportunities to help young people aged 15-29-years old move into employment and education. The effects have not yet been identified.

Aligning skills with labour market needs to promote fairness and competitiveness

Adult learning in Denmark is well established and advanced. Participation in learning activities by the adult population is higher than the EU average, but Denmark is still falling behind the target for 2030 agreed by all EU Member States in the context of the Pillar of Social Rights (see Annex 13). However, the active labour market policy, 'Right to Educational Boost with 110 pct. unemployment benefit', which combines up- and reskilling with an increased amount of

([35]) National register-based unemployment figures suggest an unemployment rate of 3.0% (March 2026).

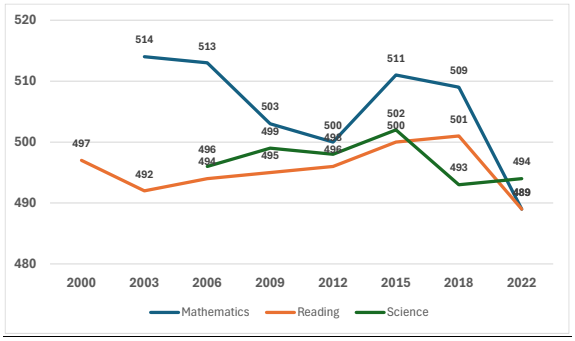
([36]) See Aftale om Ungeløftet for the political agreement between the government and three of the parties in the *Folketing;* see also the dedicated website Ungeløftet for more information on the detailed implementation.

unemployment benefit, had a positive outcome, with high participation rates, and has now become a permanent measure.

Skills shortages in strategic sectors underscore the need to strengthen vocational education and training (VET) and boost talent in science, technology, engineering and mathematics (STEM). In Denmark's highly digitalised and innovation-oriented economy, sectors such as engineering, ICT and those tied to the green transition report persistent difficulties in finding suitably skilled workers. Consequently, Denmark received a CSR in 2025 on improving the provision and acquisition of the skills for the green and digital transition, while addressing attainment inequalities in education and training. A comprehensive reform of the education and training sector, 'Prepared for the Future' ([37]), aims to enhance alignment of the educational offer with market needs, through the targeted expansion of the offer in strategic sectors and reforms in technical and vocational fields. However, enrolments in initial VET and STEM fields in higher education remain below the EU average, with notable gender gaps (see Annex 13). Vocational professions with large shares of unfilled vacancies will in coming years face increasing numbers of retiring workers. The shortage of skilled labour in these areas is therefore likely to increase further. The effect of the recent reforms is yet to be assessed. However, sustaining robust stakeholder engagement and nurturing STEM and VET talent from an early age would support Denmark's continued success in innovation and sustainable development.

Rising early school leaving and declining basic skills pose risks for long-term competitiveness and social cohesion. While Denmark maintained its position as one of the best performing EU Member States in the OECD's Programme for International Student Assessment (PISA) 2022, a worsening trend was registered across all areas, particularly regarding shares of top-performing 15-year-olds in reading and mathematics. Underachievement in basic skills is particularly high among students with a migrant background, with 42.1% struggling in mathematics, compounded by gender gaps. Meanwhile, the rate of early leavers stood at 10% in 2025, exceeding the EU average, with particularly large disparities between cities and rural or suburban areas (see Annex 13). To counter these challenges, Denmark already tracks attendance, wellbeing, and performance in view of identifying at-risk pupils, although this data could be more systematically used to direct additional support to vulnerable schools or areas. Strengthening preventive and remedial support could help cultivate a more inclusive and effective educational environment.

Graph 4.1: **Danish students' PISA results, 2000-2022**



Source: OECD

Denmark faces growing difficulties in attracting and retaining teachers, which has an impact on the quality of education. Teacher shortages stem from challenges associated with attracting graduates in the field of education to the state-school sector, as around half opt for other career paths. Consequently, reliance on non-qualified staff has risen above 15%, among the highest in the EU, undermining the effectiveness of education spending. While Danish teachers report comparatively high career satisfaction in the OECD's Teaching and Learning International Survey 2024, the demands of increasingly diverse classrooms

([37]) See the following link: Prepared for the future – Ministry of Higher Education and Science. It is a comprehensive reform covering six areas: (i) university, master's level, June 2023; (ii) *folkeskole*, March 2024; (iii) vocational education, health and care sectors, January 2024; (iv) vocational education, green transition, June 2024; (v) upper secondary level, vocational baccalaureate, February 2025; (vi) bachelor's level, including STEM, March 2025.

and insufficient support from educational specialists diminish the profession's appeal. Despite having high participation rates in early childhood education and care, quality disparities – linked but not limited to staff shortages – persist. As Denmark prepares to revise its Inclusive Education Act in 2026, directing more resources to disadvantaged learners and establishing staffing benchmarks for multi-disciplinary teams would better support diverse classrooms and ease teachers' workloads. Strengthening structured induction and mentoring programmes for new teachers could help to retain educated teachers within the profession. Additionally, fast-track educational pathways for non-qualified staff could help improve the overall quality of education provision.

Addressing disparities to maintain the high level of social inclusion

Despite Denmark's high level of social protection, some disparities are putting vulnerable groups at risk. While Denmark has a relatively stable rate of people at risk of poverty and social exclusion, there are noticeable regional differences, with urban residents facing a higher risk than those in smaller towns and rural areas. This pattern is mirrored in housing costs, where city households experience greater financial strain than rural ones. Vulnerable groups also encounter challenges related to transport affordability, making it more difficult for them to afford a car. In contrast to the broader EU trend, the rate of severe material deprivation among children has risen, albeit from a very low level. The country is significantly behind its 2030 poverty reduction target, indicating a need for comprehensive measures to reduce the risk of poverty in line with the EU's anti-poverty strategy.

Denmark's healthcare system performs well overall but faces income-based inequalities in access to services. The Danish health and care system is characterised by universal health coverage. It is primarily organised at regional level and mainly funded publicly based on taxes. Patients' own contributions are the largest for pharmaceuticals and dental care. Uneven, income-related disparities are particularly pronounced for services such as dental care, hearing aids and vision aids (see Annex 15). This leads to inequality in the uptake of health and care services, with the wealthier segment of the population being in a position to make greater use of the system. In 2024, over 9% of people in Denmark reported unmet dental care needs, rising to 23% among those at risk of poverty (see Annex 15). At the end of 2025, the former Danish government reached a political agreement on adult dental care that envisages the introduction of an annual dental allowance for all individuals aged 21 and above and the provision of free dental care for certain groups, including individuals receiving cash benefits. Denmark's advanced healthcare digitalisation is under constant development, but uptake is lower among people with lower education levels, highlighting room for more inclusive use of such systems.

The healthcare system also suffers from geographical disparities in service distribution. There are significant differences in the supply of health professionals, as some rural areas (in particular West-Zealand and North-Jutland) have much fewer general practitioners and reduced hospital services available for patients than urban areas. A recent political agreement on a reform of the healthcare system ([38]) is expected to improve and streamline health and care provision by increasing the supply of general practitioners in understaffed areas, shifting treatments from hospital care to local clinics, and improving the connection between health treatments and subsequent care provision. In addition, the provision of psychiatric treatment is set to be improved. The reform is ambitious and centralises the responsibility for healthcare by shifting tasks from the 98 municipalities to 17 newly created health councils and now 4 regions. Implementation is expected to be finalised in 2027; results remain to be assessed.

([38]) See Aftale om sundhedsreform 2024 | Indenrigs- og Sundhedsministeriet that was reached in November 2024 between the government and four of the parties in the *Folketing*.

KEY FINDINGS

In areas **covered by existing CSRs**, Denmark would benefit from:

- **continuing to boost innovation and technology adoption by small to medium-sized enterprises (SMEs)** by providing more accessible support instruments, improving further knowledge diffusion between research institutions, large firms and SMEs and strengthening the national innovation procurement framework;

- **improving scale-up financing** by strengthening growth equity, improving conditions for initial public offerings and mobilising domestic savings by putting in place better conditions for household equity investment and institutional investor participation;

- **supporting electrification** as a key decarbonisation and energy affordability lever by means of a comprehensive national electrification strategy;

- **addressing growing electricity demand and price spreads** by incentivising electricity network upgrades and clean flexibility solutions;

- **accelerating the transition to more sustainable agriculture and the restoration of natural ecosystems** through continued swift implementation of the agreement on a 'Green Denmark';

- **strengthening circular economy and waste management policies**, by promoting circular packaging and product design, expanding the use of secondary materials, and reducing reliance on waste incineration;

- **sustaining job creation** by tackling skills shortages, raising basic skills proficiency, increasing the share of qualified teachers in schools and lowering rates of early leavers, especially in vocational education and training.

In **other areas**, Denmark would benefit from:

- **increasing housing supply** by simplifying planning procedures and reviewing land-use planning rules. Implementing measures to contain house price increases including reviewing mortgage credit incentives.

ANNEXES

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Table A1.1: **2025 CSR implementation and Commission assessment**

Denmark faces challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs). Denmark was recommended, among other things, to boost SME innovation and access to finance, accelerate the green transition through cleaner energy, electrification and better grid flexibility, strengthen circular economy and sustainable agriculture, and address skills shortages while improving education outcomes and housing affordability.

The Commission has assessed the degree of implementation of the 2025 CSRs considering the policy action taken by Denmark to date*. To do so, the Commission has taken into account the information provided by Denmark in its Annual Progress Report as well as other information sources. This annex provides summary information on the policy actions taken or planned by Denmark for each CSR. More detailed information on these actions is included in the relevant chapters and other annexes of the report.

**CSR 2 is not assessed in CeSaR. RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.*

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
1.1 Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025.	Total general government defence expenditure in 2026 is projected at 2.6% of GDP, corresponding to an increase of 0.8 ppt. compared to 2024.	Total general government defence expenditure in 2027 is projected at 2.8% of GDP, corresponding to an [increase/decrease] of 1.0 ppt. compared to 2024.	Substantial progress
1.2 Adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, while making use of the allowance under the national escape clause for higher defence expenditure.	A budget surplus of 2.9% of GDP and 0.9% of GDP is recorded in 2025 and projected for 2026, respectively. Cumulated deviation in 2025 amounted to –0.6% of GDP. Cumulated deviation in 2026 projected to –0.1% of GDP.		Full implementation
3.1 Address the productivity gap between large and small companies by supporting SMEs to innovate and adopt new technologies, notably in sectors with emerging potential.	Political agreement on multiannual R&I funding incl. new separate funding for innovation. Political agreement on strengthened knowledge and technology transfer from university to business. Strategic reconfiguration and refocus of the 2025–2028 Innovation Cluster Programme		Some progress
3.2 Boost innovative businesses by improving access to venture capital and private equity and the framework conditions for initial public offerings.	By law no. 1781 of 29 December 2025, Denmark has extended the employee share scheme to include more small and medium-sized enterprises. From 1 January 2026 an increased progression threshold for returns on shares and dividends and an increased deposit limit on the "Aktiesparekonto" (preferential stock savings account).		Limited progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
	The Export and Investment Fund of Denmark received in 2025 a DKK 2 billion capital injection to expand its capacity for venture and acceleration/growth investments, including investments in green technologies.		
4.1-2 Reduce reliance on fossil fuels by supporting clean and efficient energy production and use[...]	New broad CO2 taxation regime across sectors phased in 2025. For non-ETS industries a tax of 750 DKK per ton of CO2 has been phased in 2025. Industries within the ETS have a reduced tax of 375 DKK per ton of CO2. Denmark also introduced a Green Transition Support Scheme (Omstillingsstøtten), under which approximately DKK 2 billion has been allocated to support industrial decarbonisation projects in energy-intensive companies. Several initiatives covered by NEKST REPowerEU measure (Milestone 79 and 81 of the national recovery and resilience plan) November 2025 launch of new offshore tenders for 2.8 GW under improved terms (20-year state support under a contract-for-difference model) Approved state loan support for the construction of a hydrogen pipeline connecting Denmark to Germany (project development subject to minimum booked capacity in upcoming auctions) As of 1 February, the national TSO Energinet depart from a "first come, first served" approach to a maturity-based one when screening grid connection requests.	May 2025, KEFM, Danske Regioner, and KL reached an agreement to improve the energy efficiency of public buildings October 2025 political agreement on the designation of 11 industrial parks (PtX, CCUS, life sciences, biotech, clean tech) October 2025 agreement containing 21 initiatives to accelerate RE deployment February 2026 government proposal for a 2035 climate target of 82% emissions reduction compared to 1990 levels On 26 January 2026, Germany and Denmark reached an agreement on cost-sharing for the Bornholm Energy Island project.	Substantial progress
4.3 [...], and by accelerating electrification across sectors.	As of 1 January 2026, the electricity tax has been reduced to the EU minimum level. However, this is a temporary measure (2 years). December 2025 Law extending reimbursement scheme for charging of corporate electric cars. Biofuels (liquid or gaseous fuels produced from biomass) are exempted from CO_2 tax (with a few exceptions). Record share of electric vehicles in		Some progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
	newly registered vehicles in 2025, especially in passengers cars fleet.		
4.4-5 Address increasing demand and flexibility needs by providing incentives to make the electricity network upgrades needed at transmission and distribution level, and by promoting demand response, energy storage and other clean flexibility solutions.	*On the network element*: In July 2025 an investment of over DKK 12.5 bn for electricity network running from Trige near Aarhus to Kassø near Aabenraa was approved. As of 1st January 2026, underground cables dimensioned for voltages above 100 kV, as well as associated substation facilities, are exempted from an environmental screening decision; expropriation and other rules have also been amended in a view to speed up grid construction projects. As of 1st February 2026, Energinet departed from a "first come, first served" approach when screening grid connection requests. Moreover, Energinet and the country's distribution network companies have set up a fast-working group. *On the flexibility element*: In 2025, there has been a boom in grid connection demand, and the long pipeline also includes battery projects. No major dedicated initiatives were observed but works are ongoing on a national flexibility needs assessment to be delivered by the national designated entities by July 2026.	*On the network element*: On 26 January 2026, a new political agreement has been reached to discuss urgent measures for a transparent and rapid expansion of the electricity grid. On 5 February 2026 another agreement has been signed. The parties endorse Energinet's new proposal for alignment from Aarhus-Aabenraa and enable a major adjustment in South Zealand with an expansion of the grid acceleration area so that local wishes can be met. An extended zone is now being created where neighbours of 400 kV overhead lines on the two new lines are offered the purchase of their homes on expropriation-like terms out to 80 metres. *On the flexibility element*: The October 2025 agreement containing 21 initiatives to accelerate RE deployment will also partly contribute to storage and flexibility efforts.	Some progress
4.6 In line with planned measures, reduce the intensity of agricultural and farming activities.	The state is contributing to the land conversion efforts by strategically buying land at market prices. By the end of 2025, all 23 local tripartite configurations reached an agreement on a comprehensive conversion plan for nitrogen reductions in water bodies. Work is ongoing establishing the necessary "backbone" for the CO2e tax on livestock emissions from 2030, which is a first of its kind world-wide.	On 3 December 2025, the government and the parties behind the Agreement on the Implementation of a Green Denmark have entered into an agreement on the distribution of agricultural nitrogen emissions and how farmers should be compensated for reducing their emissions (cap-and-trade model with discharge quota). The new model is expected to be enshrined in a law. Timeline for this is subject to formation and orientation of the new government.	Some progress
4.7 Strengthen the circular economy and waste management policies by	As of October 2025, a new Extended Producers Responsibility framework was introduced in the country but		Some progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
promoting waste prevention and the reuse of municipal and other waste, increasing recycling rates, reducing food waste and shifting away from the incineration of municipal waste for heat generation to using cleaner sources.	both stakeholders and the ministry acknowledged that the implementation has been complicated so far. The outgoing government proposed new legislation to reduce producers' fees. On incineration, reforms introduced in 2024/2025 aimed to increase competition in the waste-to-energy sector, with the objective of reducing incineration capacity over time and limiting imports of waste generated abroad. However, it remains uncertain whether incineration volumes will decline, as relatively high incineration ceilings have been granted to operators up to 2030-2035.		
5.1 Address the skills shortages to meet labour market needs, including by stepping up action to tackle attainment inequalities in education and training and to ensure the provision and acquisition of the skills needed for the green and digital transition.	In 2025, a considerable number of reforms have been put in place for primary and secondary education covering educational subjects and adding practical aspects and traineeships in companies, changing the range of baccalaureates adding a vocational dimension. A university reform covering the geographical spread of study places, the range of subjects, intake of foreign students, and increasing the focus on STEM. Purpose is to ensure future provision of skilled labour across the labour market. In addition, measures have been put in place to reduce the share of early school leavers and young people not in education, employment or training.	Full implementation of the school reform until 2030. Full implementation of the higher education reform until 2028. Full implementation of the youth commitment by 2028.	Some progress
5.2 Implement measures to improve the affordability of housing.	Temporary increase in the allowable construction cost ceilings for non-profit housing of 4% nationwide (1% + inflation-adjustment of 2.88%) and a first additional 10% for the major cities of Copenhagen and Aarhus. Improved support schemes in the Fund for Mixed Cities for cheapest non-profit housing including 150 million DKR temporary rent support.	A legislative proposal for a second additional 10% increase in the cost ceiling for non-profit housing for the high-cost areas of Copenhagen and Aarhus to be put forward (backed by majority political agreement in December 2025). Political agreement 27 January 2026 to change the Planning Act to allow local authorities to require that up to 25% of new developments be owner-occupied housing.	Substantial progress

Source: Denmark's reporting and Commission assessment

ANNEX 2: FISCAL DEVELOPMENTS AND DEBT SUSTAINABILITY

This annex discusses selected topics in public finance and developments in fiscal-structural country-specific recommendations (CSRs) addressed to Denmark in July 2025. These CSRs include a call to strengthen defence spending and readiness while implementing a fiscal strategy in line with the Council Recommendation of 21 January 2025. On 21 January 2025, the Council of the European Union adopted the Recommendation endorsing Denmark's medium-term fiscal-structural plan ([39]). At the same time, the Council also activated the national escape clause for Denmark in order to enable it to boost public spending on defence ([40])([41]).

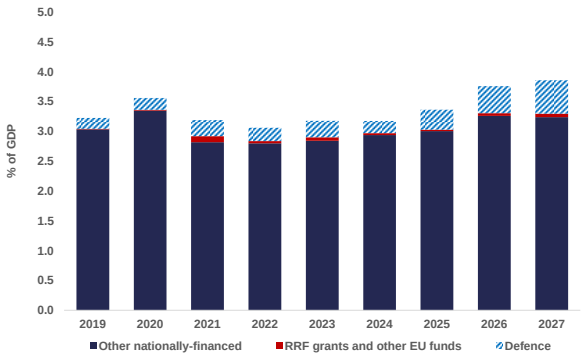
Developments in the government balance, debt and public expenditure ([42])

Denmark's government surplus amounted to 2.9% of GDP and the government debt-to-GDP ratio amounted to 27.9% at the end of 2025. Based on the Commission Spring 2026 Forecast, Denmark's government surplus is projected to decrease to 0.9% of GDP in 2026 and to 0.5% of GDP in 2027. The decrease in the surplus is set to be driven both by Denmark's falling revenue to GDP ratio and rising general government expenditure, which reached 44.0% of GDP in 2025. Expenditure is expected to increase over the forecast horizon and reach 44.9% of GDP in 2027, remaining above the EU average.

Rising public investment is contributing to the falling government surplus in Denmark. Public investment was preserved during the pandemic, and is expected to reach 3.8% of GDP in 2026, up from 3.2% in 2019 (see Graph A2.3). It is set to rise to 3.9% in 2027 despite the reduced support from the Recovery and Resilience Facility thanks to higher investment financed by national budgets, including on defence. Denmark is projected to spend more on nationally financed investment in 2027 than it did before the COVID-19 pandemic.

Rising public investment is improving the quality of expenditure in Denmark. Public investment is expected to reach X% of GDP in 2026, up from 3.2% in 2019 (see Graph A2.2). It is set to increase further in 2027 despite the lower support from the Recovery and Resilience Facility (RRF) thanks to greater investment financed by the national budget, mainly on defence.

Graph A2.1: **Public investment evolution and composition (% of GDP)**



Source: AMECO

The type of expenditure that has a greater impact on GDP had remained broadly stable over two decades in Denmark but has slightly increased since 2019. Since 2019, public expenditure on social protection and defence has increased by less than expenditure on other functions, as a share of total spending (See Graph A2.3), with the rise in defence spending reflecting recent security developments. Spending on health and R&D has increased more modestly since 2019.

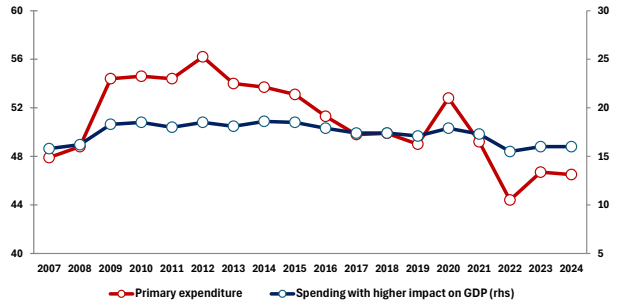
([39]) OJ C, C/2025/654, ELI.

([40]) OJ C, C/2025/3963, ELI.

([41]) Compliance by Denmark with the maximum growth rates of net expenditure recommended by the Council is assessed in COM(2026)200.

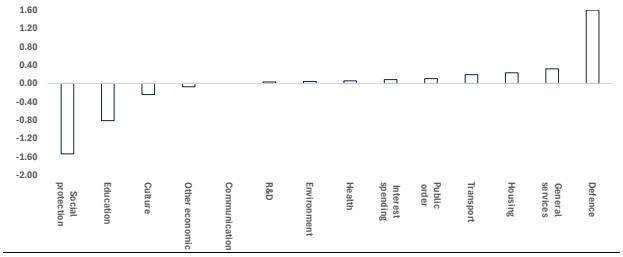
([42]) Figures underpinning fiscal surveillance (net expenditure growth) are provided in the Fiscal Statistical Tables (SWD(2026)200) providing background data relevant for the assessment of the budgetary policies of the Member States.

Graph A2.2: **Primary spending evolution and composition (2007-2024)**



Source: Eurostat

Graph A2.3: **Compositional change (% total spending) in primary spending (2019-2024)**



(1) Based on economic literature, the categories considered to have a greater growth impact include education, R&D, health, transport and communication (See Barbiero and Cournede (2013), Gemmel et al. (2016), Lupu et al. (2018), Cepparulo and Mourre (2020) and OECD (2025)).
Source: Eurostat

Denmark has a high level of tax compared with EU peers but a balanced tax system overall. Denmark's total tax revenues as a percentage of GDP (including compulsory social contributions security) amounted to 45.4% in 2024, compared with an EU average of 39.5%. Total tax revenues are projected to remain at 45.4% of GDP in 2025 and fall to 45.3 % of GDP in 2026 according to the Autumn 2025 Forecast ([43]). The split of the tax mix in Denmark between taxes on labour, consumption and capital is similar to the EU average (see Graph A3.1). Labour tax revenues as a percentage of GDP are the highest among all Member States, while consumption taxation is broad-based with no use of reduced rates. Denmark maintains one of the EU's highest tax deductions for mortgage interest, thereby incentivising debt-financed property ownership and likely increasing house prices (see Annex 3).

([43]) Data retrieved from the AMECO database (https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/ameco-database_en).

The costs of ageing

Total ageing-related spending in Denmark is projected to rise by about 1.5 pps of GDP between now and 2040, to around 26% of GDP, with a further 2.5 pps increase between 2040 and 2070 (see Table A2.3). The overall increase is mainly the result of a projected rise in long-term care spending, with a smaller contribution from healthcare, and an expected decline in pension spending.

Public pension spending as a share of GDP is projected to remain stable in the coming decades but decline in the longer term. Overall, between now and 2070, public pension outlays are projected to fall by 2 pps of GDP, to around 7% of GDP, which would be substantially lower than the projected EU average of around 12%.

Supplementary pension schemes can make the pension system more resilient by diversifying retirement income sources. In Denmark, the uptake of these supplementary schemes is significant. By the end of 2024, private pension assets amounted to around 207% of GDP and participation covered around 70% of the working-age population ([44]). This coincides with stable public-pension spending pressures and forecasts for a slight increase in the replacement rate by 0.1 pps between 2025 and 2040 (Tables A2.2 and A2.3) ([45]).

Public healthcare expenditure is projected to reach 7.1% of GDP in 2025 (above the EU average of 6.6%) and is expected to increase by 0.3 pps of GDP between now and 2040 and by a further 0.4 pps between 2040 and 2070 ([46]). Public expenditure on long-term care is projected to be 3.2% of GDP in 2025 (well above the EU average of 1.7%) and is expected to

([44]) Source: OECD Pension Market in Focus 2025. The highest participation rate in at least one supplementary pension plan is reported.

([45]) The (gross) replacement rate refers, depending on data availability, to both public and private pensions. It is based on projections from the 2024 Ageing Report.

([46]) Key performance characteristics, recent reforms and investments of the Danish healthcare system are discussed in Annex 15.

Table A2.1: **Supplementary pension schemes – Scope for expansion**

	Assets in 2024 (% GDP)	Gross replacement rate at retirement: (pps change 2025-2040)	Participation in 2024 (% working-age population)	
DK	206.4	*0.1*	67.7	**DK**
EU	32.4	*-2.8*	55.9	EU

Source: European Commission.

Table A2.2: **Fiscal governance databse indicators and public accounting maturity**

Country Fiscal Rule Strength Index (C-FRSI)	11.49	14.81
Medium-Term Budgetary Framework Index (MTBFI)	0.62	0.72
2025 Public accounting maturity of general government	76%	65%

(1) The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on: i) the legal base, ii) how binding the rule is, iii) monitoring bodies, iv) correction mechanisms, and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on: i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength.
The score for public accounting reflects the degree of maturity in relation to the International Public Sector Accounting Standards (IPSAS). Countries with an accounting maturity of 70% or more in relation to IPSAS are deemed to apply accrual accounting. For more information, see the report on public accounting in the EU (COM(2025)746 and accompanying Staff Working Document SWD(2025)396).
Source: Fiscal Governance Database, European Commission

increase by 1.5 pps of GDP between now and 2040 and by a further 1.5 pps of GDP between 2040 and 2070 ([47]).

National fiscal framework

Denmark employs best practices for its spending reviews. The Danish Ministry of Finance operates a system of spending reviews known as 'special studies' in close cooperation with line ministries. The spending-review system runs annually and is part of the budget preparation process.

The long-standing Danish Economic Councils (DECs) have a remit that goes beyond the tasks of the typical independent fiscal institution (IFI). They also fulfil the roles of productivity board, general economic council, and environmental-economic council.

On the IFI tasks, the DECs have a relatively broad mandate, covering both: (i) the assessment forecasts and compliance with national fiscal rules; (ii) and carrying out long-term sustainability analysis. The DECs' access to information is covered by the Danish Public Administration Act. The DECs report strong medium-term concerns regarding resources, as they are subject to an annual requirement to reduce their budget by 2% in real terms.

Denmark uses best practices for planning, selecting and budgeting investment projects in the road/railway and IT sectors. The Denmark Forward - Infrastructure plan 2035 is a 14-year strategic mobility plan, covering roads and railways, and integrating climate considerations ([48]). Standardised appraisal and selection methods and external quality assurance (for projects above DKK 350 million (approx. EUR 47 million)) are in place for all projects included in the plan ([49]).

([47]) The adequacy and quality of the Danish long-term care system are covered in Annex 12.

([48])https://fm.dk/media/hduprait/danmark_fremad_infrastrukturplan_2035_a.pdf.

([49])Zerjav, V., Welde, M., and Volden G. (2026), "Governance frameworks for major public projects. International practices and experiences" (Eds), Country Chapter on Denmark, Wiley.

Table A2.3: **Projected change in ageing-related expenditure in 2025-2040 and 2025-2070**

	ageing-related expenditure	change in 2025-2040 (pps GDP) due to:					ageing-related expenditure	
		pensions	*healthcare*	*long-term care*	*education*	*total*		
DK	24.7	*-0.1*	*0.3*	*1.5*	*-0.1*	***1.6***	26.3	**DK**
EU	24.3	*0.5*	*0.3*	*0.4*	*-0.3*	***0.9***	25.2	EU

	ageing-related expenditure	change in 2025-2070 (pps GDP) due to:					ageing-related expenditure	
		pensions	*healthcare*	*long-term care*	*education*	*total*		
DK	24.7	*-2.0*	*0.7*	*3.0*	*-0.6*	***1.1***	25.8	**DK**
EU	24.3	*0.2*	*0.6*	*0.8*	*-0.3*	***1.3***	25.6	EU

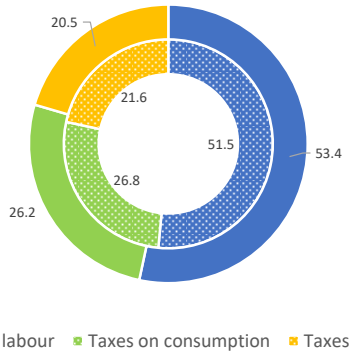
Source: 2024 Ageing Report (EC/EPC).

These governance models could be extended to other sectors in Denmark such as energy infrastructure. The total budget cost of large projects is approved up-front by the Danish Parliament which creates a stable framework for financing multi-annual projects.

This annex provides an indicator-based overview of Denmark's tax system. It includes information on the tax mix, on competitiveness and fairness aspects of the tax system, and on tax collection and compliance.

Denmark has the highest tax revenues as share of GDP in the EU in 2024, 5.8 percentage points (pps) above the EU average. Denmark's total tax revenue stood at 45.2% of GDP in 2024, up from 44.0% in 2023, compared to the EU-27 average of 39.4%. Budget projections indicate this ratio will remain elevated through 2025-2026, though declining budget surpluses are expected ([50]) ([51]).

Graph A3.1: **Tax revenue by economic function in 2024, DK (outer ring) and EU-27 (inner ring)**



Source: Taxation Trends Data, DG TAXUD

Denmark may abandon uniform VAT taxation for some products. Consumption taxes accounted for 11.8% of GDP in 2024 (EU-27: 10.6%), with VAT at 9.3% of GDP (EU-27: 7.1%). Denmark's 25% standard VAT rate applies uniformly to goods and services throughout 2024 and 2025, with no reduced rates. As part of the political budgetary agreement for 2026, it was expected that books would be exempted from VAT, and century-old excise duties on coffee, chocolate, and sugar would be phased out. However, due to parliamentary elections in March 2026, the draft bill has been repealed. Whether the envisaged amendments will be introduced will depend on the new government.

Denmark's environmental tax revenue equals the EU average but applies significantly higher carbon pricing. Environmental taxes stood at 2.1% of GDP in 2024, matching the EU-27 average, down from 3.3% in 2019. However, Denmark's effective carbon rate of EUR 101.7 per tonne significantly exceeds the EU-27 average of EUR 84.8.

Denmark is implementing comprehensive carbon pricing reforms from 2025-2030. A new CO_2 tax on industry became effective in January 2025, reaching DKK 750 (ca. EUR 100) per tonne for non-ETS companies (i.e., not covered by the EU Emissions Trading System) and DKK 375 (ca. EUR 50) for ETS companies (i.e., covered by the EU Emissions Trading System) by 2030. The broader green tax reform package is expected to reduce emissions by 4.3 million tonnes ([52]). Denmark will also implement the world's first agricultural emissions tax in 2030 at an effective rate of DKK 120 (EUR 16) per tonne (after a 60% deduction), rising to DKK 300 (EUR 40) by 2035 ([53]). An enhanced deduction (108% of acquisition cost) supports green investments through 2026 ([54]).

New property taxes remain above the EU average but face implementation challenges. Total property taxes stood at 1.9% of GDP in 2024 (EU-27: 1.8%), with recurrent taxes on immovable property at 1.4% (EU-27: 0.9%). The reformed system that entered into force in January 2024 benefits 78% of homeowners with lower taxes through reduced rates, a refined valuation model, and a precautionary principle ([55]). Final property valuations however remain delayed through 2026, creating fiscal uncertainty. Taxation in 2024-2026 relies on preliminary 2023 assessments, with retroactive adjustments to 2022 creating uncertainty for property owners. Denmark maintains one of the EU's highest mortgage-interest deductions, incentivising debt-financed

([50]) European Commission, 'Economic forecast for Denmark', Winter 2025.

([51]) Preliminary Eurostat data point to a tax-to-GDP ratio of 44.5% in 2025.

([52]) Government of Denmark, 'Agreement on Green Tax Reform for Industry'.

([53]) Government of Denmark, 'Denmark introduces CO2 tax on agriculture'.

([54]) Denmark, 'Fiscal and Structural Policy Plan 2024', submitted to European Commission.

([55]) Danish Tax Authority, 'Introduction to property in Denmark'.

Table A3.1: **Taxation indicators**

		Denmark					EU-27				
		2019	2022	2023	2024	2025	2019	2022	2023	2024	2025
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	47.3	42.1	44.0	45.2	44.5	39.9	39.7	39.0	39.4	
By tax base	Taxes on labour (% of GDP)	23.5	22.3	24.0	24.1		20.6	20.1	19.9	20.3	
	of which, social security contributions (SSC, % of GDP)	0.0	0.1	0.1	0.1		13.0	12.7	12.7	13.0	
	Taxes on consumption (% of GDP)	13.7	12.3	11.9	11.8		11.2	10.9	10.5	10.6	
	of which, value added taxes (VAT, % of GDP)	9.7	9.4	9.3	9.3		7.1	7.4	7.1	7.1	
	Taxes on capital (% of GDP)	10.1	7.5	8.1	9.3		8.1	8.7	8.5	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	27.0	23.5	25.3	26.4		9.6	9.4	9.3	9.6	
	Corporate income taxes (CIT, % of GDP)	3.2	3.4	3.7	4.2		2.6	3.2	3.2	3.1	
	Total property taxes (% of GDP)	2.7	2.3	2.3	1.9		2.2	2.1	1.9	1.8	
	Recurrent taxes on immovable property (% of GDP)	2.0	1.7	1.7	1.4		1.2	1.0	0.9	0.9	
	Environmental taxes (% of GDP)	3.3	2.3	2.1	2.1		2.6	2.1	2.1	2.1	
	Effective carbon rate in EUR per tonne of CO_2 equivalents	na	na	101.7	na		na	na	84.8	na	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	32.4	32.8	32.8	32.9	32.4	32.4	31.6	31.5	31.5	31.6
	Tax wedge at 100% of average wage (single person) (*)	36.3	36.4	36.4	36.6	36.1	40.1	39.7	39.9	39.9	40.0
	Corporate income tax - effective average tax rates (1) (*)	19.4	19.4	19.5	21.2		20.0	19.2	19.0	19.3	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	11.3	11.0	10.3	10.5		7.8	8.0	7.9	7.8	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)	12.3	13.0	13.2	na		31.8	32.6	30.7	na	
	VAT gap (% of VAT total tax liability, VTTL) (**)	11.2	7.9	8.9	8.0		10.5	7.3	8.2	na	

(1) Forward-looking effective tax rate (KPMG).
(2) A higher value indicates a stronger redistributive impact of taxation.
(*) EU-27 simple average.
(**) Forecast value for 2024. EU-27 refers to the median value. For more data on tax revenues as well as the methodology applied, see the Data on Taxation Trends webpage
Source: European Commission, OECD, ISORA.

property ownership and pushing up property prices ([56]).

Denmark provides a stable corporate tax framework with rates close to EU averages. The statutory corporate income tax rate stood at 22.0% in 2025, unchanged since 2016 and slightly above the EU average of 21.2%. Likewise, the average effective corporate tax rate stood, at 21.2% in 2024, slightly above the EU average of 19.3%. Denmark offers a range of tax incentives, notably through deductions for certain types of capital investment, including a choice between immediate expensing of R&D-related capital expenditure and depreciation over five years. In January 2025, the 'entrepreneur tax' was abolished by exempting dividends on tax-exempt portfolio shares (holdings below 10% in unlisted companies) and the progressive threshold for the higher rate of capital gains taxation on shares was raised from DKK 63 300 (ca. EUR 8 500, 2025 level) to DKK 83 100 (ca. EUR 11 100, 2025 level) from the 2025 income year onwards.

Denmark's tax-benefit system is highly redistributive and reduces income inequality more than the EU average. In 2024, taxes and transfers lowered the Gini coefficient by 10.5 pps, compared with 7.8 pps in the EU-27 ([57]). Progressivity of labour taxation, as measured by the difference in the tax wedge between high-income earners (167% of the average wage) and low-income earners (50% of the average wage) is at 8.6 pps, clearly below the EU average of 12.5 pps ([58]).

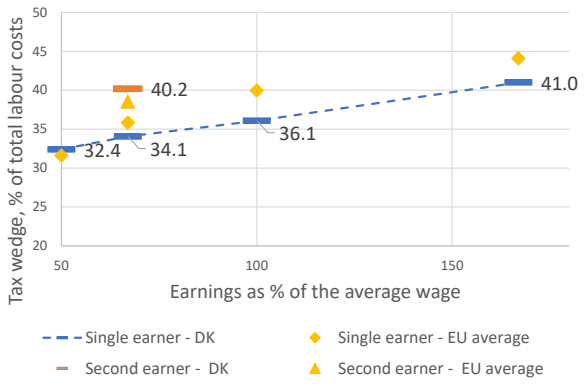
([56]) IMF, 'Denmark: Staff Concluding Statement of the 2025 Article IV Mission', 12 May 2025.

([57]) The Gini coefficient measures the extent to which the distribution of income within a country deviates from a perfectly equal distribution. A coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income.

([58]) The tax wedge is an indicator of the tax burden on labour that can be assessed at various levels of earnings. It is defined as the sum of personal income taxes, employee and employer social-security contributions and other mandatory contributions, expressed as a percentage of total labour costs (composed of the net wage, personal income tax, social security contributions, and other mandatory contributions). Tax wedge data in the 2026 country reports are calculated by the Joint Research Centre of the European Commission and based on the EUROMOD model, while in the past country reports they were based on the OECD's tax and benefit model. While the underlying methodology is very similar, differences in the assumptions can lead to different results between both models.

Denmark's labour tax burden is generally lower than the EU average across much of the income distribution. In 2025, the labour tax wedge for single individuals earning 50% of the average wage was above the EU-27 average (32.4% compared with 31.6%), while it was below the EU average for single individuals at 67% of the average wage (34.1% compared with 35.8%), at the average wage level (36.1% compared with 40.0%) and at 167% of the average wage (41.0% compared with 44.1%). The tax wedge for second earners at 67% of the average wage with a spouse earning the average wage was higher than the EU average in 2025. Also, the gap between the tax wedges of second earners and single earners at this income level was wider than in the EU on average, implying weaker work incentives for second earners, who are often women.

Graph A3.2: **Tax wedge for single and second earners as a% of total labour costs, 2025**



Note: The second earner tax wedge shows a household's tax wedge resulting from the wage that a second earner taking up a job at 67% of the average wage receives. It does not show the total tax wedge of the household. The household is assumed to have a first earner at 100% of the average wage and no children. For the methodology of the tax wedge for second earners, see OECD (2024), Taxing Wages 2024.
Source: European Commission

A recent personal income tax (PIT) reform lowers labour taxation for low- and- average income earners and increases the tax burden for the highest-income earners. According to JRC simulations using EUROMOD, PIT-related tax expenditures in Denmark reduce PIT revenues by around 5% (fourth lowest in the EU) and raise average disposable income by about 3%, but slightly increase inequality, as benefits accrue mainly to higher-income households. A personal income tax reform that entered into force as of 2026 introduced: a new 5% top-up tax on incomes above DKK 2 818 152 (around EUR 336 000); a new intermediate bracket lowering marginal rates for incomes between DKK 696 956 and DKK 845 543; and a higher employment allowance, notably for single parents. Overall, the reform is expected to reduce labour taxes by around DKK 10 billion (EUR 1.3 billion) per year on a net basis.

Denmark reports a large number of tax expenditures, but does not have a standardised process for the regular evaluation of tax expenditures. A total of 122 tax expenditures is identified, with combined foregone revenues of about DKK 75.8 billion (around EUR 10 billion, and around 2.7% of GDP). More than half of this amount relates to personal income tax measures (around DKK 48.6 billion, or EUR 6.5 billion), such as the employment allowance and the personal allowance. The remainder mainly concerns business-related measures, including R&D incentives. Denmark publishes an official Tax Economic Report (*Skatteøkonomisk Redegørelse*) approximately every two years, providing in-depth analysis of the tax system, its fiscal implications and selected topical issues. Although a structured framework for systematic tax expenditure evaluation and impact assessment could not be identified, Denmark publishes detailed analytical reports that often assess the effectiveness of specific measures. More recently, Denmark has undertaken a review of all business-related tax expenditures to assess their economic rationale.

Denmark demonstrates strong tax collection performance with arrears at 13.2% versus the EU average of 30.7%. Outstanding tax arrears stood at 13.2% of total revenue in 2023, significantly below the EU-27 average of 30.7%, supported by Denmark's digital tax collection system ([59]).

The VAT gap improved to 8.0% in 2024 but remains a compliance challenge. The VAT gap decreased from 8.9% in 2023 to 8.0% in 2024 (forecast), close to the EU-27 median of 8.2% in 2023 ([60]). The 2022-2023 increase was attributed to consumption shifts toward non-compliance-prone services and business bankruptcies after COVID-19 support ended. Denmark's VAT rate gap of 0.7% remains among the EU's lowest (EU

([59]) Statistics Denmark, 'Economy of the general government sector'.

([60]) EU VAT Gap Report.

average: 12%) due to its uniform 25% rate. The Danish reform, implementing mandatory e-invoicing for domestic B2B (business-to-business) transactions from 1 January 2026, is expected to improve VAT compliance.

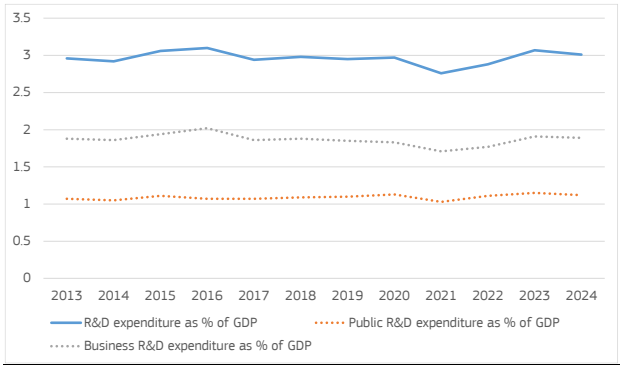
While Denmark does not publish PIT and CIT compliance gap estimates, evidence from JRC shows a relatively small CIT compliance gap ([61]). Denmark estimates both the personal income tax (PIT) and corporate income tax (CIT) gaps, but does not publish the results. According to the OECD 2024 Tax Administration Report, PIT gap estimation relies on both top-down (two methods) and bottom-up approaches (five methods), with the latter based on random audit data, and includes a detailed decomposition by taxpayer behaviour and error type. Denmark is therefore recognised for having sophisticated tax gap estimation practices. The Commission estimates based on a top-down methodology developed by the JRC suggest that Denmark's CIT compliance gap amounted to around 2% of collected CIT revenues in 2017, the lowest among Member States with available estimates, compared with an unweighted average of 10.9% across 23 Member States.

Denmark is among the EU leaders in the digitalisation of tax administration. It records full e-filing uptake across all tax types and has a digital transformation strategy in place, with digitalisation contributing to high levels of voluntary compliance. The Danish tax administration makes use of advanced technologies, including artificial intelligence for risk analysis and behavioural nudging, enabling a more efficient allocation of resources, and provides a wide range of online services to support taxpayer compliance. Some scope remains to further reduce compliance burdens, notably through the expansion of pre-filling facilities for VAT.

([61]) European Commission, Directorate-General for Taxation and Customs Union, *Mind the gap - 2025 report*.

Denmark remains an innovation leader, yet its research and innovation (R&I) performance is stagnating. A key challenge it faces is enhancing the capability of small and medium-sized enterprises (SMEs) to innovate and adopt new technologies. The 2025 European Innovation Scoreboard recognises Denmark as an 'innovation leader' achieving 135% of the EU average on the Summary Innovation Index, but its score has decreased from 2024 to 2025 by 4.9 percentage points. Denmark's growth rate on the index since 2018 is slightly below the average EU growth rate ([62]). Denmark's R&D intensity ([63]), at 3.01% for 2024, has slightly decreased from its 2023 record, with the decrease in both the public and private components. R&D activities are concentrated among a few large companies, mainly in the pharmaceutical and biotechnology sector, and high growth businesses account for a decreased proportion of employment. In terms of digital technology adoption, while Denmark performs well overall, there are notable differences among business sizes: uptake of advanced digital technologies is pronounced mostly in larger firms, while smaller firms are lagging behind. The 2025 country-specific recommendation on addressing the existing productivity gap between large and small companies highlighted the need for enhanced support for SMEs to get them more involved in innovation activities, adopting new technologies and thereby broadening the innovation base.

Graph A4.1: **R&D expenditure as % of GDP (2013-2024)**



Source: Eurostat

([62]) European Commission, 2025, European Innovation Scoreboard (EIS), country profile: Denmark.

([63]) Defined as expenditure on R&D as a percentage of GDP.

Excellent science

Denmark has a well-funded and globally appealing public science base, yet its performance ([64]) shows signs of erosion. After reaching its peak in 2023 at 1.15%, Denmark's public R&D intensity slightly declined in 2024 to 1.12%, although it remains the highest in the EU. The Danish public science base also benefits from strong international linkages, as evidenced by the high proportion of international scientific co-publications among the total number of publications, which steadily increased from 52.41% in 2007 to 69.49% in 2024 and is considerably higher than the EU average (57.24% in 2024). However, turning to scientific performance, the key indicator, the proportion of Danish publications ranking among the world's top 10% of most-cited publications, has been on a slightly declining trend since 2016 (14.78%), standing at 13.06% in 2022. As broader analyses also show ([65]), the Danish R&I system is currently facing challenges in sustaining its long-term excellent performance.

Research performance assessment is being reformed. Acknowledging the important role of evaluation practices in enhancing the quality and integrity of Danish research, the Independent Research Fund Denmark has initiated a reform of the performance assessment based on the European Agreement on Reforming Research Assessment ([66]). The action plan ([67]) developed in 2024 seeks to broaden the scope of research assessment to better encompass the various contributions of researchers, thereby fostering a more inclusive and impactful research environment.

([64]) Indicator-based analysis (middle- to long term): measured by `Scientific publications within the 10% most-cited scientific publications worldwide as % of total scientific publications of the country`.

([65]) Danish Centre for Studies in research and research policy, Aarhus University, 2023: The scientific impact of Danish research 1980-2020.

([66]) Action plan by the EC for the implementation of the Agreement on Reforming Research Assessment (ARRA)

([67]) Independent Research Fund Denmark CoARA Action Plan 2024 - 2027.

The Danish government introduced multiannual funding for R&I strategic priorities. Following the recommendations from the Danish Research and Innovation Policy Council ([68]), Denmark has made a significant shift in its R&I funding policy ([69]). In November 2025, a broad political agreement was reached on introducing multiannual funding for strategic priorities within R&I for the years 2026-2029. This aims to offer longer-term strategic focus and stable funding, as well as to strengthen research in areas like security, health, climate and critical technologies. It supports basic research as a foundation for future scientific breakthroughs and promotes innovation and entrepreneurship. Over four years, the agreement together with the Finance Act allocate more than DKK 19 billion (approx. EUR 2.5 billion) for strategic investments in R&I ([70]). Additional annual negotiations will address new priorities to maintain flexibility.

Business innovation

Denmark benefits from significant business R&D investment: however, this tends to be concentrated in large enterprises in the pharmaceutical and biotechnology sector. While business R&D intensity (1.89% vs an EU average of 1.49% in 2024) and the number of researchers employed by business (10.10 vs an EU average of 5.9 in 2024) are significantly above EU averages, both indicators slightly decreased between 2023 and 2024 ([71])([72]). Denmark´s private R&D investment is primarily driven by the health industry, highlighting the country's strengths in pharmaceuticals and biotechnology (Annex 15) but also a significant sectoral concentration of R&D activities. Spending on R&D by the pharmaceutical industry reached DKK 13.2 billion (approx. EUR 1.76 billion) in 2023, around 25% of Danish firms´ R&D expenses ([73]).

SMEs face significant challenges in undertaking innovation activities. The Horizon Policy Support Facility ([74]) review of Denmark's R&I system, followed by a three-year study ([75]) of the Danish Council for R&I Policy, highlighted the challenges faced by SMEs in knowledge-based innovation. This has been reflected in the country-specific recommendation for 2025 on supporting SMEs to innovate. In response, Danish authorities have taken several actions. First, the cluster programme ([76]) has been revised to include several improvements, such as a stronger focus on clusters' ability to attract private financing, prioritisation of deeper collaboration over broad networking activities, and consolidation of its management under the Danish Board of Business Development. Secondly, Innovation Fund Denmark is being revised as part of the new strategic R&I funding plan starting in 2026. This includes updating programmes (e.g. Innobooster ([77]) and Grand Solutions ([78]) to bolster innovative and collaborative research projects, particularly between SMEs and knowledge institutions. While positive, these incremental steps are expected to have only minor impact, and there has still been no thorough review of existing measures to support innovation in SMEs.

Planned reforms of R&D tax incentives might help to increase SME engagement in R&D. In 2020, Denmark introduced tax credits for R&D spending, featuring accelerated depreciation, a higher ceiling for depreciation, and a deduction for R&D investment of up to 130%, capped at DKK 50 million (approx. EUR 6.7 million). Further policy developments are planned for 2026 (including gradually increased rates for the enhanced tax allowance on R&D capital) and for 2027 (raised ceiling of R&D tax credit for deficit-related R&D

([68]) The Danish Council for Research and Innovation Policy, Annual report 2024.

([69]) Strategic Priorities for Research and Innovation 2026-2029 and press release on the political commitment.

([70]) Research and Innovation areas — Uddannelses- og Forskningsministeriet.

([71]) Business expenditure on R&D (BERD) as % of GDP declined from 1.91 in 2023 to 1.89 in 2024.

([72]) Researchers (FTEs) employed by business per thousand active population declined from 10.20 in 2023 to 10.10 in 2024.

([73]) OECD Economic Surveys: Denmark 2026.

([74]) Peer review of Danish R&I system, Horizon 2020 Policy Support Facility, 2019 (p. 30-34) PSF Denmark Final report.

([75]) DFIR: Innovative SMEs — rich and resilient societies have smart businesses — English.

([76]) DFIRbrief 50: Strengthening Denmark's Cluster Program — English.

([77]) Innobooster.

([78]) Grand Solutions.

expenses ([79]). These initiatives might help to increase SMEs' engagement in R&D activities. Because of the challenges in broadening the innovation base, the OECD pointed out that the effectiveness and accessibility of public support to business R&D should be continually monitored, evaluated, and improved ([80]).

There is room to strengthen collaboration between knowledge institutions and SMEs. The percentage of Denmark's public-private scientific co-publications relative to the total number of publications remains well above the EU average (7.62%) at 13.25% in 2024. However, Denmark's contract research (as measured by public expenditure on R&D financed by business enterprises as a percentage of GDP) is significantly below the EU average (0.03% in 2023 vs 0.06% in the EU) ([81]). While Danish universities are actively involved in knowledge transfer and the commercialisation of research with technology transfer offices (TTOs), innovation hubs ([82]), and cross-cutting initiatives such as Open Entrepreneurship ([83]) and SPARK ([84]), there is room to strengthen the innovation capacities of SMEs as well as universities' efforts through further developing public-private knowledge sharing and cooperation. In November 2025, the Danish governmental taskforce for strengthening knowledge and technology transfer proposed recommendations ([85]) to standardise and improve the organisation of technology transfer at Danish universities for the benefit of businesses and entrepreneurs. In January 2026, a political agreement on implementing the task force's recommendations was reached. The taskforce also highlighted the need for a cultural and policy shift within universities to foster innovation ([86]). This is reflected in the new strategic plan for R&I funding, which allocates substantial resources to universities' innovation activities ([87]).

Danish SMEs have made significant strides in digital adoption, but disparities by company size persist. In 2025, 92.45% of Danish SMEs had at least a basic level of digital intensity, showing an annual progression of +10.8% between 2023 and 2025. The adoption of advanced digital technologies has also accelerated, with 67.57% of Danish enterprises adopting cloud solutions, 59.99% using data analytics and 42.03% adopting artificial intelligence (AI). However, a digital divide remains between large and small enterprises. While 91.49% of large firms have adopted cloud computing, only 66.80% of small businesses have done so. Similarly, AI adoption stands at 74.52% among large companies but drops to 40.99% for small enterprises. To bridge this gap, several national and local initiatives are supporting SMEs' digitalisation. The SME:Digital initiative has offered grants to help Danish SMEs accelerate their digital transformation. Throughout 2024 and 2025, multiple funding schemes were launched, including the SME:Robot programme, which enables smaller companies to test robotic automation solutions before making full-scale investments. The third and final robot pool opened in January 2026, with DKK 5 million (approx. EUR 670 000) funding. A recent impact report (June 2025) shows that SMEs receiving support in 2019, 2020 and 2021 have seen higher growth in both revenue and employment ([88]). However, it is important to note that, while SME:Digital formally continues to exist, its scope and funding have been significantly reduced starting 2026. In addition, the European digital innovation hubs (EDIHs) continue to support SMEs by providing technical expertise, training and access to test facilities. Denmark's EDIHs are expected to receive renewed support from EU funding and national co-financing in 2026, particularly to scale-up AI solutions. The government also launched a strategic approach to AI (2024-2027) ([89]) to promote the responsible development and use of AI in both the private and public sectors. The results of this initiative remain to be seen.

([79]) Enhanced Tax allowance on R&D capital details - Denmark | INNOTAX Portal.

([80]) OECD Economic Surveys: Denmark 2026.

([81]) In Denmark private foundations play a significant role in funding public research.

([82]) for instance, The Kitchen at Aarhus University.

([83]) Open Entrepreneurship Denmark.

([84]) SPARKS Denmark.

([85]) Recommendations from the Task Force for Strengthening Knowledge and Technology Transfer.

([86]) as done for instance in the context of Innovation District Copenhagen.

([87]) Strategic Priorities for Research and Innovation 2026-2029.

([88]) SME:Digital Impact Report June 2025.

([89]) Strategic Approach to AI.

Entrepreneurial dynamism

Denmark is actively working to position itself as a leading nation for entrepreneurs. While high growth enterprises decreased as a proportion of employment ([90]), the Danish government presented a strategy plan in 2024 that outlines its vision and initiatives to make Denmark a 'world-class entrepreneurial nation' ([91]). The strategy's goals include improving access to capital and reducing taxation, activating more talents, increasing diversity among entrepreneurs and supporting entrepreneurs across the country. In December 2024, Denmark amended its tax framework (effective from January 2025) to abolish the 'entrepreneur tax' by ending the taxation of dividends on 'tax-exempt portfolio shares' (i.e. holdings of less than 10% of the shares in an unlisted company, held by a company) and increase the threshold of progression for income tax on capital gains of shares progressively, starting in the income year 2025. Another initiative aims at reducing the capital deposit requirements for establishing a private limited company by half ([92]). The IMF pointed out that monitoring and evaluating all the initiatives tied to the new entrepreneurship strategy, along with strengthening policies that help startups stay and grow in Denmark, will be key to further boosting business innovation ([93]).

Denmark is a regional leader in venture capital (VC) and private equity investment. Total VC investment as a percentage of GDP increased from 0.09% in 2020 to 0.16% in 2023, before dropping to 0.12% in 2024. Despite this decrease, this remains well above the EU average of 0.06%. Denmark continues to be one of Europe´s leading VC markets, with over EUR 3 billion invested from 2022 to 2024 ([94]). Between 2018 and 2023, 42.2% of total domestic VC investment was dedicated to health tech startups, followed by the ICT sector (34.5%) ([95]).

The policy framework for innovation procurement is incomplete. In the European benchmarking study ([96]) on national innovation procurement policy frameworks, Denmark ranks 21st. Denmark has completed only 26% of the necessary steps to create a comprehensive national policy framework for innovation procurement. Despite improving from 19% in the previous study (2020), Denmark's performance is still well below the European average of 33.05%. This means there is considerable scope to significantly strengthen this framework in the field of policies and financial incentives for R&D procurement in key technologies, as well as transparency to unlock the full potential of public procurement to foster innovation and entrepreneurship ([97]).

Skills in the domain of R&I are relatively strong and continue to increase. Denmark is characterised by 6.9 full-time researchers employed by the public sector per thousand of the active population in 2024, compared to the EU average of 4.3. In 2024, Denmark´s proportion of new graduates in science and engineering per thousand of the population is 19.74%, which is significantly higher than the EU average of 16.82% (2024) and has slightly increased from the previous year. Similarly, the proportion of graduates in the field of ICT rose from 5.79% in 2022 to 6.32% in 2023 but fell down to 5.81% in 2024, still above the EU average of 3.48% (2024). The proportion of employed ICT specialists within total employment has remained steady in recent years, reaching 5.8% in 2024. This figure is slightly above the EU average of 5.0% ([98]).

Entrepreneurship education is well embedded across education levels, with strong national

([90]) Employment share of high-growth enterprises measured as % of employment has declined from 1.17 in 2022 to 0.94 in 2023.

([91]) Ministry of Industry, Business and Financial Affairs, 2024, Strategy for Entrepreneurship (in Danish).

([92]) Ministry of Foreign Affairs of Denmark, Invest in Denmark, New Government Strategy Priorities Improvement of Business Framework Conditions and International Talent Acquisition, 2024.

([93]) IMF Country Report 25/ 165, 2025 and Export and Investment Fund EIFO Annual review From Startup to Scaleup 2025.

([94]) OECD (2025), Benchmarking government support for venture capital: A comparative analysis, OECD Publishing, Paris.

([95]) See also Annexes 5 and 6.

([96]) Denmark country profile – Benchmarking of national policy frameworks for innovation procurement 2024.

([97]) OECD Studies on SMEs and Entrepreneurship (2022), Promoting Start-Ups and Scale-Ups in Denmark's Sector Strongholds and Emerging Industries.

([98]) Source: Eurostat.

coordination and clear ambitions. Entrepreneurship education is taught as a cross-curricular area in basic education, while in upper-secondary education, several elective subjects incorporate innovation and entrepreneurship as core learning components. In higher education, entrepreneurship is increasingly promoted through dedicated degree programmes, elective courses, incubator-linked learning and university-based innovation hubs. The Danish Foundation for Entrepreneurship is the national knowledge centre entrusted with developing and implementing entrepreneurship education policy, backed by a cross-ministerial partnership between the Ministry of Business, the Ministry of Children and Education, the Ministry of Higher Education and Science and the Ministry of Culture. The Foundation's 2025–2030 strategy ([99]) sets a national participation target of engaging 30% of all pupils in practical entrepreneurial experiences by 2030, while strengthening the quality, relevance and inclusiveness of entrepreneurial learning. Strengthening teacher training on entrepreneurship - so far only provided on an ad-hoc basis - is also a key goal under the strategy. Denmark also provides a visa scheme aimed at allowing talented entrepreneurs to grow high-impact startups or branches in Denmark ([100]).

([99]) Foundation for Entrepreneurship, 2025. Entrepreneurship Strategy 2025-2030 (in Danish).

([100]) The Startup Denmark programme.

Table A4.1: **Key innovation indicators**

Denmark	2010	2015	2020	2022	2023	2024	2025	EU average (1)	US
Headline indicator									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	2.91	3.06	2.97	2.88	3.07	3.01	:	2.24	3.44
Science and innovative ecosystems									
Public expenditure on R&D as % of GDP	0.94	1.11	1.13	1.11	1.15	1.12	:	0.72	0.64
Scientific publications of the country within the top 10% most-cited publications worldwide as % of total publications of the country	14.64	14.03	12.79	13.06	:	:	:	9.44	12.31
Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population	5.1	6.3	6.3	7.3	7	6.9	:	4.3	:
International co-publications as % of total number of publications	54.85	59.41	67.57	67.76	68.07	69.49	:	57.24	:
R&D investment & researchers employed in businesses									
Business enterprise expenditure on R&D (BERD) as % of GDP	1.95	1.94	1.83	1.77	1.91	1.89	:	1.49	2.69
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	:	0.53	0.49	:	0.43	:	:	0.47	0.30
Researchers employed by business per thousand active population	8.1	8.9	8.9	10.3	10.2	10.1	:	5.9	:
Innovation outputs									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	4.73	4.69	4.97	4.04	:	:	:	2.81	2.20
Employment share of high-growth enterprises measured in employment (%)	:	:	:	1.17	0.94	:	:	0.87	:
Digitalisation of businesses									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	75.33	:	92.45	71.39	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	49.49	:	59.99	39.85	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	66.16	:	67.57	46.69	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	15.17	27.58	42.03	19.95	:
Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	12.45	12.12	12.88	13.14	13.64	13.25	:	7.62	:
Public expenditure on R&D financed by business enterprises (national) as % of GDP	0.03	0.03	0.03	:	0.03	:	:	0.06	0.02
Public support for business innovation									
Total public sector support for BERD as % of GDP	:	0.08	:	:	0.13	:	:	0.21	:
R&D tax incentives: foregone revenues as % of GDP	0	0.02	0.09	0.1	0.06	:	:	0.10	:
BERD financed by the public sector (national and abroad) as % of GDP	:	0.06	:	:	0.07	:	:	0.11	:
Financing innovation									
Venture capital (market statistics) as % of GDP (calculated as a 3-year moving average)	0.04	0.03	0.09	0.140	0.160	0.12	:	0.06	:
Seed-stage funding share (% of GDP)	0	0	0.01	0.01	0.02	0.02	:	0.01	:
Start-up stage funding share (% of GDP)	0.02	0.02	0.04	0.07	0.09	0.07	:	0.03	:
Later stage funding share (as % of GDP)	0.02	0.01	0.05	0.06	0.06	0.03	:	0.03	:
Innovative talent									
New graduates in science & engineering per thousand population aged 25-34	:	17.05	18.92	19.5	19.95	19.74	:	16.82	:
Graduates in the field of computing per thousand population aged 25-34	:	4.87	5.75	5.79	6.32	5.81	:	3.84	:

(1) EU average for the last available year or the year with the highest number of country data. * break in series

Source: Eurostat, OECD, DG JRC, Science-Metrix (Scopus database), Invest Europe, European Innovation Scoreboard.

Denmark's strong competitiveness performance is supported by a favourable business environment. The 2025 country-specific recommendations called for measures *to address the productivity gap between large and small companies*. Denmark's recovery and resilience plan contributed to further improving the business environment, in particular through support for digitalisation and innovation of small to medium-sized enterprises (SMEs), expanded high-speed broadband and streamlined administrative and permitting procedures. Denmark maintains a strong position in global competitiveness thanks to its high business efficiency and favourable business regulation, well-developed digital and transport infrastructure, highly qualified workforce and strong performance in innovation. While productivity levels are among the highest in the EU, productivity growth is increasingly driven by large and international firms. Denmark is a front runner in life sciences and net-zero technologies, notably in wind energy and carbon capture and storage, but it is also particularly dependent on imported raw materials.

Business dynamics

Denmark has a highly developed, export-oriented economy with a strong position in life sciences and cleantech. Services account for about 72% of GDP and include, for example, logistics and transport services as well as business services. Industry (without construction) accounts for about 22% of GDP. Denmark's main export products include pharmaceuticals (about 16% of exported goods, machinery (including wind turbines, about 13%), electrical and electronic equipment (about 8%) and mineral fuels (about 4%) ([101]). Denmark's major export partners include Germany (16% of Denmark's total), Sweden (9%), the Netherlands (7%), Norway (6%) and the US (6%). Despite some volatility in 2025, export momentum remained positive, showing Denmark's continued strength in life sciences and advanced manufacturing and underlining the resilience of key sectors even amid global trade headwinds.

Denmark features a dynamic start-up ecosystem, including in technology-driven fields. The number of new businesses has increased by about 9% in 2025 ([102]). Start-up activity seems to be particularly concentrated in technology-driven fields, such as cleantech, green innovation, fintech, life sciences, biotech and software (see Annex 4). Starting a business ([103]) is considered easy, thanks to efficient digital public services and moderate registration costs. Business dynamics, as indicated by the sum of firms entering and exiting the market and the rate of high-growth firms, is well above the EU average, suggesting that the business environment supports the efficient reallocation of resources to more productive activities.

Denmark has a persistent productivity gap between large firms and SMEs. While Denmark's overall productivity level remains high in international comparison, productivity growth is increasingly driven by a relatively small number of large, highly productive and international firms, reflecting advantages in scale, digitalisation, R&D, management capacity and internationalisation. In response, policymakers have intensified efforts to support SME productivity. SME advisory and innovation programmes ([104]) have been strengthened and efforts have been made to simplify access to support schemes and accelerate disbursement. For example, about DKK 1 billion (approx. EUR 134 million) was committed in 2025 ([105]) to help SMEs implement digital solutions, advance the green transition and enhance competitiveness. The Danish Board of Business Promotion allocated about DKK 312 million (approx. EUR 42 million) to projects supporting SME digitalisation, sustainability and export readiness ([106]). The Danish Cluster Programme has been consolidated. For the 2025-2028 period, the Board will select up to 14 cluster organisations, with total funding of approximately DKK 720

([101])Statistics Denmark, 2026, Imports and exports of goods and services.

([102])Datahub, 2026, Erhvervsdemografi | Virksomhedsguiden.

([103])Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.

([104])Danish Board of Business Promotion, 2025, Erhvervsfremmebestyrelse.

([105])Ministry of Industry, Business and Financial Affairs, 2025, Business Development Denmark, 2025, https://www.em.dk/.

([106])Ministry of Industry, Business and Financial Affairs, 2025, https://erhvervsfremmebestyrelsen.dk/.

million (approx. EUR 95.5 million) ([107]). These measures contribute to the 2025 country-specific recommendation on *addressing the productivity gap* (see Annex 4 and Annex 18).

Business sentiment in Denmark continued to recover in 2025, but remains moderate. Business sentiment in Denmark remained moderate in 2025, with the composite business confidence indicator rising slightly but manufacturing confidence still below long-term averages, indicating cautious optimism among firms rather than a strong rebound. In April 2026, Denmark's manufacturing confidence index rose to 100.7, surpassing the long-term average of 100 for the first time in eight months and reaching its highest level in a year ([108]).

Business investment remained subdued in 2025, although still above the EU average. Investment ratios in 2025 continued below long-run levels, with total investment (gross capital formation) as a share of GDP estimated at around 21-22%. Business investment remained subdued in 2025, held back by high financing costs and global uncertainty, but is still above the EU average. A number of policy measures aim to support business investment, including the 2024-2027 strategy for business promotion ([109]), incentives for R&D investment and support for SMEs and innovation ecosystems, e.g. through export and investment funds, designed to help address structural bottlenecks in venture financing and scale-up financing (see Annex 4 and Annex 6).

Uncertainty about the future and lack of skilled staff are highlighted by firms as main investment obstacles. According to the European Investment Bank (EIB) Investment Survey 2025, the main long-term barriers to investment reported by Danish firms are uncertainty about the future (73%, 2024: 56%) and the availability of skilled staff (67%, 2024: 71%) ([110]). The availability of skilled staff remains a key concern, though pressures have eased over the last years (see Annex 11). 37% of businesses identified energy prices as an issue in 2025, compared with 45% in 2024, as electricity and gas prices decreased substantially from their peak in 2022 (see Annex 9).

Denmark remains an attractive location for foreign direct investment. Over the past years, Denmark saw significant surges in investment in high-tech areas like digital, cleantech and life sciences. According to the Danish Central Bank, the stock of foreign direct investment (FDI) in Denmark grew by about 6% from 2022 to 2024, driven primarily by European investors ([111]). FDI stocks are mostly owned by the US, Sweden, the UK, Norway, France and Germany ([112]). The 2024-2027 strategy for attracting foreign investments provides the framework for Denmark's efforts to attract, retain and develop FDI ([113]).

Insolvencies seem to be moving towards stabilisation, but late payments from public authorities have increased. After a spike in 2023, insolvencies declined in 2024 to their lowest level since 2020-2021, suggesting a return towards pre-pandemic conditions. Early 2025 data showed mixed trends across sectors. The business-to-business payment gap has decreased since 2024, reaching an average of 15 days in 2025, below the EU average of 17.4 days. By contrast, public-sector payment delays have increased above the EU average, standing at 14.5 days in 2025, compared with 13.6 days in the EU (see Graph A5.1). Late payments ([114]) may weigh on liquidity-constrained SMEs, particularly in the construction, trade and services sectors. Moreover, studies indicated considerable variations in late payments among municipalities in Denmark ([115]).

([107]) European Cluster Collaboration Platform, 2025, Country factsheet Denmark.

([108])Statistics Denmark, 2026, Sentiment indicators for business, dst.dk.

([109])Danish Board of Business Promotion, 2024, Virksomhedsudvikling i hele Danmark 2024-2027.

([110])European Investment Bank, 2025, EIB investment survey.

([111])Ministry of Foreign Affairs of Denmark, 2026, https://investindk.com/.

([112])Statistics Denmark, 2026, Direct investments.

([113])Ministry of Foreign Affairs of Denmark, 2024, Invest in Denmark Strategy 2024-2027.

([114])Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.

([115])Dinero 2025, https://dinero.dk/.

Business environment

Danish firms benefit from business-friendly regulation and good framework conditions. IMD's 2025 Global Competitiveness Index ([116]) again places Denmark first in the EU and fourth internationally for global competitiveness. This is thanks in particular to Denmark's high degree of business efficiency, excellent digital and transport infrastructure, highly qualified workforce and favourable regulatory framework conditions. According to the EIB Investment Survey ([117]), Denmark has been the EU Member State with the lowest share of businesses that report regulation as an obstacle to investment. Denmark is a front runner in digital public services and administrative procedures are designed as 'digital by default'. Denmark's corporate tax rate of 22.0% is slightly below the OECD average of 23.9% and the tax system does not seem overly complex ([118]). Recent initiatives, such as the strategy to improve business framework conditions ([119]), the business development strategy 2024-2027 ([120]) or the support for biosolutions ([121]) illustrate Denmark's commitment to further improving the business environment. Particularly noteworthy is the initiative on automatic business reporting, which facilitates digital bookkeeping and streamlines reporting to authorities, resulting in an expected burden relief of up to DKK 21.5 billion (approx. EUR 2.9 billion) ([122]). Denmark's recovery and resilience plan also included relevant measures, notably support for SME digitalisation and innovation and expanded high-speed broadband. It also contributed to streamlining administrative and permitting procedures (see Annex 7).

Denmark performs strongly in both the deployment and use of digital connectivity infrastructure. In 2024, fixed very high-capacity network coverage reached 96.82% of households (EU: 82.49%), while fibre-to-the-premises (FTTP) coverage stood at 87.19% (EU: 69.24%). Denmark's rollout pace also exceeded the EU average in rural areas (91.52% versus 58.78%). The country has already achieved full 5G coverage. Regarding take-up, Denmark continues to see a shift towards high-speed connections, with growing fibre subscriptions and declining xDSL and cable subscriptions. In 2024, 86.36% of fixed broadband subscriptions offered speeds of at least 100 Mbps, up from 81.83% in 2023 and above the EU average (71.88%). Gigabit subscriptions also increased, reaching 33.69% in 2024, compared with 28.72% in 2023. In this context, telecom operators are increasingly focusing on simplifying the fibre customer journey to ensure that deployed networks are fully utilised. Some have started to advertise '5G internet to the home' as a competitive alternative to fixed broadband ([123]).

Access to finance for SMEs in Denmark is generally favourable compared with the EU average. The share of SMEs who consider access to finance to be an obstacle to investment is below the EU average ([124]). Danish firms have a strong preference for equity investment and other sources of finance. Only 41% prefer bank loans for expanding their business (EU average: 63%) ([125]). Access to finance for SMEs is supported through a range of loan and guarantee schemes, often in partnership with the European Investment Fund (EIF) and the European Investment Bank (EIB) under the InvestEU programme. Additionally, the Export and Investment Fund of Denmark provides targeted financing and guarantees to spur investment, especially in sustainability and digital projects (see Annex 6).

Denmark is an attractive location for start-ups, but small and innovative companies often struggle to scale up. Denmark has one of the highest shares of green start-ups ([126]) and high-growth firms ([127]) in the EU. However, access

([116])IMD, 2025, World Competitiveness Ranking 2025.

([117])European Investment Bank, 2025, EIB investment survey.

([118])European Commission, 2022, Tax compliance costs.

([119])Ministry of Foreign Affairs of Denmark, Invest in Denmark, 2024, https://investindk.com/.

([120])Ministry of Industry, Business and Financial Affairs, 2024, https://erhvervsfremmebestyrelsen.dk/.

([121])Ministry of Industry, Business and Financial Affairs, 2026, DKK 100 million for Danish biosolutions.

([122])Ministry of Industry, Business and Financial Affairs 2026, Erhvervsministeriet.

([123])European Commission, 2025, Digital Decade 2025: Country reports.

([124])European Investment Bank, 2025, EIB investment survey.

([125])European Central Bank, European Commission, 2025, Survey on the access to finance of enterprises.

([126])OECD, 2025, The New Green Economy, oecd.org.

([127])European Central Bank, European Commission, 2025, Survey on the access to finance of enterprises.

to growth capital and recruiting qualified staff are crucial challenges for start-ups and often determine whether they stay in Denmark or relocate elsewhere. Venture capital financing is less pronounced than in some other Nordic countries but has improved and is better than the EU average (see Annex 4). Business associations emphasise that while Denmark has strong talent and innovation potential, the continued decline in new business registrations suggests a need to further improve conditions for start-ups, including by reducing the number of regulatory barriers and improving access to markets and capital ([128]).

Single Market

Denmark is well integrated into the Single Market and global trade networks. Denmark is closely integrated into the Single Market and its trade integration for both goods and services is above the EU average (see Graph A5.1). Around 70% of Denmark's total exports go to the Single Market, especially Germany and Sweden, underlining the importance of the Single Market for Denmark regarding growth and resilience.

Denmark performs well overall in transposing EU Single Market directives into national law and handling infringement proceedings. Denmark's transposition and conformity deficits ([129]) for Single Market directives are better than the EU averages. For these criteria, Denmark ranks first and tenth respectively, out of 27 Member States. The transposition deficit (which measures the percentage of all directives that are not transposed into national law) is in line with the target proposed in the Single Market Act and the conformity deficit (the percentage of directives not correctly transposed) is close to it (see Table A5.1). The number of pending infringement cases is considerably below the EU average (13 compared with the EU average of 25). However, the delay in transposing Single Market directives and the length of infringement proceedings are both above the EU averages (see Table A5.1), indicating some room for improvement. In 2025, Denmark resolved 80.6% of the SOLVIT cases it handled as the lead centre (the EU average was 84.6%) ([130]).

Denmark has a competition-friendly regulatory framework. According to the OECD's Product Market Regulation indicators, Denmark has a competition-friendly regulatory framework and is among the best performers in terms of product market regulation. Its licensing and permitting system is aligned with international best practices, making Denmark one of the top performers in this respect within the EU ([131]). With regard to regulated professions, regulatory restrictiveness ([132]) is in line with the EU average except for estate agents, for whom restrictiveness is above the EU average. This is partly because estate agents manage the property transaction process in Denmark, while this task is typically handled by notaries or lawyers in other Member States. Lawyers are subject to legal form and shareholding requirements, incompatibility rules and multidisciplinary restrictions.

Compliance of products circulating in the Single Market ([133]) is key to ensuring a level-playing field for law-abiding companies and the safety of consumers. In Denmark, the number of market surveillance investigations has increased compared with 2019. In 2025, national authorities reported in the EU system for market surveillance (ICSMS) a total of 87.9 investigations per one million inhabitants, which is lower than the EU median of 136.2. The number of notifications remains limited in absolute terms, which may also be the result of insufficient IT national interoperability to the ICSMS system. The upcoming revision of the Market Surveillance Regulation will upgrade ICSMS to a fully interoperable EU digital platform.

([128])Dansk Erhverv, 2026, Press release on new business registrations.

([129])Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.

([130])European Commission, 2026, Single Market and Competitiveness Scoreboard.

([131])OECD, 2025, Product Market Regulation (PMR) indicators, Denmark PMR country note.

([132])Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.

([133])Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.

With the pace of technological transformation accelerating, the European Standardisation System relies on National Standardisation Bodies being able to engage a sufficiently broad and skilled expert base. Denmark should enhance the capabilities of Danish Standards Foundation to sustain its capacity and maintain the active participation of a critical mass of stakeholders in the standardisation work. For Denmark, such efforts are essential to ensure a resilient and future-ready standardisation system, while preserving its influence within the European and international standardisation system, ensuring that businesses can fully benefit from the opportunities of the Single Market.

Denmark performs relatively well overall with respect to public procurement, but its e-procurement landscape is fragmented. Procurement is conducted primarily at the local level. Each contracting authority is responsible for its own procurement but can use framework contracts managed by the main central purchasing body. The share of single bid procurements is below the EU median, which is an indicator for effective competition, but the share of direct awards exceeds the EU median (see Table A5.1). Moreover, Denmark's fragmented e-procurement landscape and data quality issues highlight the need for interoperable systems, common standards and stronger data governance. Given Denmark's decentralised e-procurement service, which has between 6 and 12 separate procurement services in operation, economic operators must use several systems to access all public procurement procedures, creating complexity and barriers to participation. The once-only principle is only partially implemented at national level and buyers across the EU still lack digital access to relevant evidence. Denmark is not utilising its e-procurement tools as the government's source for public procurement data analytics. Therefore, the Danish system would benefit from a dedicated public procurement data collection and analysis service within the government to support data-driven oversight of the procurement lifecycle (see also Annex 7) ([134]).

Businesses' views on corruption risks in public procurement are below the EU average. In Denmark, 44% of companies (EU average: 58%) consider tailor-made specifications for particular companies in public procurement procedures, and 36% (EU average: 51%) involvement of bidders in the design of specifications to be a 'very' or 'fairly widespread' practice. Among companies that have experience of and have participated in a public procurement procedure, 11% think that corruption has prevented them from winning a public tender or a public procurement contract in practice (EU average: 25%) ([135]). 44% of businesses perceive the level of independence of the public procurement review body (the Complaints Board for Public Procurement) to be 'very' or 'fairly good' when it is reviewing public procurement cases ([136]).

Industry and economic security

Denmark is a front runner in net-zero technologies, notably in wind energy. Its wind technology manufacturing contributes about 14-19% of the EU's total wind manufacturing capacity (around 7.4 GW of total wind capacity and over 50% of electricity generation from wind in 2024), with expansion plans targeting significantly increased capacity by 2030. Denmark is also building up electrolyser and head pump manufacturing capacity. Denmark's operational electrolysis capacity has reached key milestones (around 100 MW installed), and the national power-to-X strategy reflects ambitions to scale green hydrogen production (see Annex 9).

Denmark supports the development of net-zero technologies manufacturing. In 2024, Denmark launched a DKK 1 billion (approx. EUR 134 million) investment support scheme under the EU's temporary crisis and transition framework to support the establishment and expansion of production capacity for wind technologies and electrolysers ([137]). This scheme has been continued in 2025 with a budget of about DKK 650 million (approx. EUR 87 million). In parallel, Denmark is

([134])European Court of Auditors, *Public Procurement in the EU. Less competition for contracts awarded for works, goods and services in the 10 years up to 2021*, 2023, https://www.eca.europa.eu/.

([135])European Commission, Flash Eurobarometer 557, p. 133.

([136])European Commission, 2025, Justice Scoreboard.

([137])Ministry of Industry, Business and Financial Affairs, 2024, https://www.em.dk/.

strengthening access to green risk capital through the Danish Export and Investment Fund, with a DKK 1 billion (approx. EUR 134 million) capital injection in 2025, rising to DKK 2 billion (approx. EUR 268 million) annually from 2026 onwards, to support green start-ups and scale-ups ([138]). Other recent support measures include an accelerated depreciation scheme for climate-friendly investments in 2025-2026 ([139]), special guarantee schemes for green SME and mid-cap investments ([140]), the creation of a one-stop shop for Net-Zero Industry Act manufacturers ([141]) and the designation of industrial parks with access to key infrastructure ([142]).

Denmark continues to be a key player in carbon capture and storage (CCS) technologies and has actively supported the development of a European CCS value chain. The most advanced example is Project Greensand ([143]), which has progressed from pilot to full commercial development. This project is on track to become the first operational offshore CO_2 storage facility in the EU. The project facilitates cross-border cooperation with neighbouring countries, reinforcing Denmark's role as a regional CO_2 storage hub. Denmark has established three separate funds for the capture, storage and utilisation of both fossil and biogenic CO_2 ([144]) (see Annex 8). It features seven strategic projects under the Net-Zero Industry Act, mostly related to CCS technologies and infrastructure ([145]) (see Annex 8).

Danish firms are actively engaged in important projects of common European Interest. Projects focus in particular on the hydrogen value chain, leveraging European support frameworks for innovation, large-scale deployment and cross-border integration of hydrogen technologies. This includes development frameworks to boost electrolyser uptake, integrated hydrogen production and PtX facilities, and supportive infrastructure development to strengthen EU-wide hydrogen value chains. While these developments reinforce Denmark's competitive position in low-carbon technology manufacturing, the industry continues to navigate challenges related to scaling production, securing skilled labour and investment, and managing complex project financing.

Although Denmark has put in place policies to support the decarbonisation of industry, there is room for further electrification. The electrification rate in Denmark is still slightly below the EU average. Analysis shows that up to 92% of the national industry's thermal energy consumption could be electrified, underlining the potential for further electrification, also considering the high share of electricity from renewable sources ([146]). Energy-intensive industries account for about 13% of gross value added, covering areas such as building materials, food and beverages as well as mineral products (see Graph A5.1). Denmark has introduced two support schemes for energy-intensive industries alongside a new CO_2 taxation system, with a total budget of approximately DKK 2 billion (approx. EUR 268 million) for 2026-2035 ([147]). The investment support pool provides grants up to 60% of eligible costs, while the operating support pool allocates subsidies through competitive bidding based on the lowest cost per tonne of CO_2 reduced. Denmark's industrial electricity prices are competitive but above the EU average (see Annex 8 and Annex 9).

([138])Ministry of Industry, Business and Financial Affairs, 2025, Nu ruller milliarderne til danske iværksættere.

([139])Ministry of Taxation, 2025, https://skm.dk/.

([140])Export and Investment Fund of Denmark (EIFO), 2025, eifo.dk/en/our-solutions/special-schemes.

([141])Danish Business Authority, 2025, Establishing production facilities.

([142])Ministry of Industry, Business and Financial Affairs, 2025, Danmark får 11 nye industriparker.

([143])Greensand project, 2026, https://greensandfuture.com/.

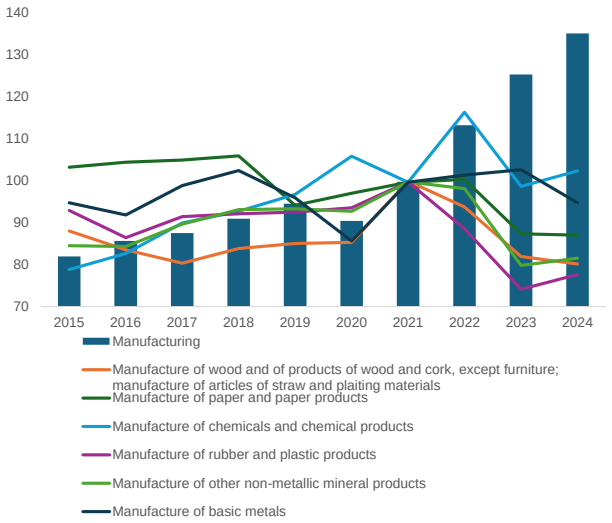
([144])Danish Energy Agency, 2026, CCS tenders and other funding for CCS development.

([145])European Commission, 2026, Overview of strategic projects under NZIA.

([146])Green Power Denmark, 2025, https://greenpowerdenmark.dk.

([147])The Danish Energy Agency, 2025, https://ens.dk/.

Graph A5.1: **Manufacturing industry production: total and selected sector, index (2021=100), 2015-2024**



Source: Eurostat

The Danish economy continues to have a higher dependence on imported materials than the EU average. With 42.8% of material inputs stemming from imports (EU average: 22.4%), Denmark is particularly vulnerable to supply chain disruptions (see Table A5.1). Surveys indicate that Danish manufacturing companies are actively taking measures to reduce strategic dependencies and strengthen supply chain resilience, e.g. by increasing inventories and the number of suppliers ([148]). Further improving circularity would also contribute to reducing dependence on volatile raw materials markets. Although Denmark's import concentration for a basket of critical raw materials remains slightly below the EU average, dependencies persist for a broad range of inputs needed for the green transition. Further progress on circular economy performance could help reduce import reliance and supply risks (see Annex 8).

([148])Danish Industry, 2025, Virksomhedspanel.

Table A5.1: **Single Market and Industry**

Denmark								
POLICY AREA	**INDICATOR NAME**		**2021**	**2022**	**2023**	**2024**	**2025**	**EU-27 average**
Business environment and investment								
Productivity and investment	Labour productivity (GDP per hour worked in PPP terms), % of EU27[1]		139.1	139.8	132.8	134.7	134.1	100.0
	Business investment (share of GDP)[1]		15.0	15.3	15.9	16.2	14.7	12.6
	Public investment (share of GDP)[1]		3.2	3.1	3.2	3.2	3.4	3.9
Business environment and simplification	Impact of regulation on long-term investment, % of firms reporting business regulation as a major obstacle[2]		5.3	6.5	2.8	9.7	10.0	34.0
SME liquidity	EIF Access to Finance for SMEs index - loans[3]		0.23	0.18	0.16	0.29	-	0.43
	EIF Access to Finance for SMEs index - equity[3]		0.43	0.20	0.54	0.21	-	0.19
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment[4]		12.1	11.3	15.7	18.1	15.0	17.4
	Payment gap - public sector, difference in days between offered and actual payment[4]		9.7	13.9	15.2	13.2	14.5	13.6
	Share of SMEs experiencing late payments, %[5]	from private entities in the previous or current quarter	-	-	-	36.2	43.0	47.1
		from public entities in the previous or current quarter	-	-	-	12.0	12.0	15.9
Single Market								
Integration	EU trade integration, average(intra-EU imports + intra EU exports)/GDP, %[1]		27.8	31.8	32.4	31.2	31.8	40.7
	EEA Services Trade Restrictiveness index[6]		0.041	0.041	0.041	0.040	0.040	0.050
Public procurement	Single bids, % of total contractors[7*]		17	23	16	23	23	27
	Direct awards, % of negotiated procedures[7*]		6	5	6	10	1	6
Compliance	Transposition deficit, % of all directives not transposed[8]		0.4	0.5	0.9	0.5	0.5	1
	Conformity deficit, % of all directives transposed incorrectly[8]		1.1	1	0.9	0.7	0.8	1.1
	SOLVIT, resolution rate per country, %[8]		95.45	91.7	91	92.7	80.6	84.6
	Number of pending infringement proceedings[8]		18	15	16	14	13	25
Industry and economic security								
Energy-intensive industries	Electricity prices for non-household consumers[1]		0.0957	0.1563	0.0999	0.0887	0.0962	0.1462
	Electrification (electricity as a share of total energy consumption in industry)[1]		31.5	32.1	32.8	-	-	32.7
	Share of energy from renewable sources (renewable energy generation as a share of overall energy consumption)[1]		41.5	41.4	43.7	46.5	-	25.2
Critical raw materials	Material import dependency, %[1]		39.2	39.5	42.6	42.8	-	22.4
	Circular material use rate[1]		8.4	9.1	9.3	9.4	-	12.2
Operational cleantech manufacturing capacity in 2025[9]	- Solar PV (c: cell, w: wafer, M:module), GW		0.044 (m)		- Electrolyzer, GW		0.500	
	- Heat pump assembly		-		- Battery, GW		-	

Source: (1) Eurostat, (2) EIB Investment Survey, (3) EIF SME Access to Finance Index, (4) Intrum Payment Report, (5) SAFE survey, (6) OECD, (7) data up to 2024: Single Market and Competitiveness Scoreboard, 2025: Commission calculation based on TED data, accessible at the Public Procurement Data Space (PPDS) (*) the value represented here under EU average is the median, (8) Single Market and Competitiveness Scoreboard, (9) European Commission calculations.

Table A6.1: **Savings and Investments Union summary diagnostic**

Topic	*Main features*	*Relative EU positioning*
Asset-backed pension schemes	Assets at 206.4% of GDP (32.3% in the EU) 10-year real return of 1.8% (1.4% in the EU)	Pension assets, which are very high in volume, yield a high real return.
Households' financial assets	EUR 244 400 per capita (EUR 85 100 in the EU) o/w 7.5% in listed shares and bonds (7.6% in the EU) o/w 7.3% in investment funds (11.1% in the EU) o/w 25.5% in life insurance (13.4% in the EU) o/w 14.6% in pension claims (13.6% in the EU)	Households own a very high volume of financial assets, a very high share of which is invested in equity and in capital markets.
Venture capital (VC) **Private equity (PE)**	VC at 0.121% of GDP (0.064% in the EU) PE at 0.647% of GDP (0.487% in the EU)	Very high venture capital and high private equity investments.
Capital taxation	Realised capital gains tax of 42%, preferential regimes based on continuous yearly gains for pension assets (15.3%) and savings and investment accounts (17%). Special regime for investment companies.	Very high rates on capital gains outside the widely used preferential regimes. The high degree of complexity in the tax system is an obstacle to investment planning. No anti-equity bias.
1-3 **4-10** **11-17** **18-24** **25-27**	Colours indicate the country's relative ranking based on five groups, ranging from the three best to the three worst performers. The relative ranking as regards an SIU diagnostic topic derives from a consistent cross-country comparison, the starting point of which is the average of the underlying main features.	

Source: OECD (pensions), Eurostat (households' financial wealth), FISMA CMU dashboard (VC and PE), national sources (capital taxation).

Denmark stands out as one of the most advanced countries along the main indicators of progress with the policy goals of the Savings and Investments Union (see Table A6.1). Within a business landscape that relies heavily on medium-sized enterprises, Danish companies, despite carrying more debt as a percentage of national GDP than their EU peers, finance a relatively smaller part of their balance sheets with debt. The domestic listed equity market is one of the most developed in the EU, while the deep debt markets channel savings mostly to mortgage institutions, in particular through the very developed covered bonds market. The high level of household participation in equity markets is supported by large asset-backed pension schemes, the preferential stocks investment account introduced in 2019, and a high degree of financial literacy. However, the standard tax treatment of unrealised capital gains may discourage long-term investment. Corporate lending by the well capitalised, liquid and highly profitable banking sector withstood well the recent period of higher interest rates. Insurance companies, which manage the well-endowed asset-backed pension schemes, have an equity-focused investment portfolio, as do Denmark's sizeable investment funds. Despite a very active venture capital ecosystem, the business environment in Denmark shows a low retention capacity for growing companies, which highlights the need for improvements in the tax and regulatory environment. Initiatives in "The Entrepreneurship Package" have been implemented in 2024-2026 and are expected to have a positive impact in terms of the 2025 country-specific recommendation (CSR) to 'boost innovative businesses by improving access to venture capital and private equity and the framework conditions for initial public offerings.

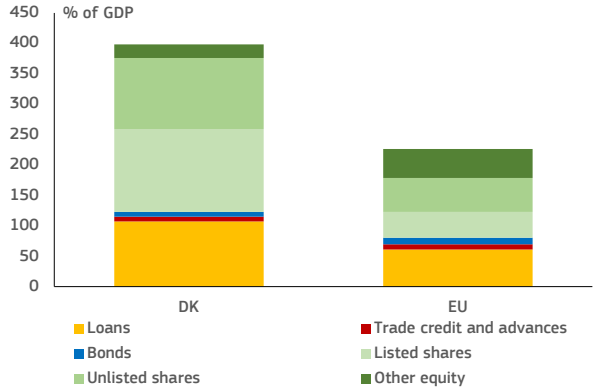
Business landscape and company funding

In comparison with the EU average, the Danish economy, in terms of structure and size, relies more on medium-sized companies than it does on smaller companies. While in Denmark the relative significance of large businesses is about the same as the EU average, medium-sized companies play a stronger role in the structure of the Danish economy, at the expense of micro and small companies (see Annex 5 and Annex 4 for more details). This has concrete implications for the corporate sector's demand for funding.

The debt of Danish companies – expressed as a share of national GDP – is greater than the equivalent metric for its EU peers, but strong balance sheets mean that Danish companies rely comparatively less on debt finance to fund their activities. Financial borrowing by non-financial corporations (NFCs) in Denmark amounted to 112.4% of GDP in 2024, which is significantly higher than the EU average of 71.6 % (see Graph A6.1). However, given the overall much larger size of the aggregate balance sheet of Danish NFCs, which reached 390% of GDP at end-2024 (versus 226% in the EU), the relative share of financial borrowing in their aggregate funding structure (28.8%) was slightly lower than the EU average (31.7%). Danish NFCs' funding through

listed and unlisted shares significantly exceeds the EU average, in part due to the persistence of some traditional features, i.e. the family ownership of many large Danish companies. In 2024, Danish companies reported that about 23% of their investment was funded externally (vs 25% in the EU), with the proportion of financially constrained companies among the lowest in the EU, despite a high proportion of companies considering external finance as too costly ([149]). At the same time, 22% of companies in Denmark believe they invested too little in the last three years, as opposed to only 12% in the EU. This suggests a high perceived investment gap in the country.

Graph A6.1: **Composition of non-financial companies' funding**



Source: Eurostat. End-2024.

Size and structure of the financial sector

The Danish economy stands out as having one of the deepest domestic capital markets in Europe. Based on ECB data, the market capitalisation of listed equity issued by Danish companies ([150]) reached 155% of GDP at end-2024, which is the second highest in the EU after Ireland (see Graph A6.2). NFCs accounted for 89% of that capitalisation, which reflects the extent to which equity markets are geared towards funding the non-financial segment of the Danish economy. Nasdaq Copenhagen ([151]) is Denmark's leading marketplace for equities, bonds and mutual funds. 124 companies are listed on the main stock exchange, and 39 on the First North growth market. Recent volatility in the equity market index has been driven by the stock price of Novo Nordisk, the capitalisation of which was as large as the next nine companies in the index before its sizeable decline ([152]). The outstanding volume of debt securities on Danish markets reached 177% of GDP at end-2024, which is one of the highest national scores in the EU. Bonds issued by the banks accounted for 83% of the total. This reflects the specificity of mortgage lending in Denmark, where most mortgages are funded through marketable covered bonds, which enjoy very high liquidity and strong demand, including from foreigners ([153]). As the Danish government has been running budgetary surpluses since 2016, the volume of general government bonds declined from 40% of GDP at end-2020 to less than 20% at end-2024. Euronext Securities Copenhagen ([154]) is the only central securities depository (CSD) in Denmark. There is no central clearing counterparty (CCP) in Denmark.

Even though the financial sector in Denmark remains dominated by banks, non-bank financial intermediaries are also strong. After peaking at 402% of GDP in 2020, the size of the banking sector declined to 322% of GDP in 2024. Nevertheless, this still remains significantly above the EU average of 251% and makes the Danish banking sector the third largest ([155]) in the EU, after Luxembourg (1 822%) and France (416%). Foreign presence in the banking market is limited and accounts for about 7% in terms of assets. Banking concentration in Denmark appears to be

([149])See the 2025 EIB Investment Survey.

([150])This figure is a proxy for the degree of development of the Danish stock exchange, given that: (i) Danish companies can be listed abroad; and (ii) foreign companies can also be listed in Denmark.

([151])Nasdaq Copenhagen belongs to the Nasdaq group, which in the EU operates other trading venues in Sweden, Finland, Denmark, Lithuania, Estonia and Latvia.

([152])As of mid-September 2025, Novo Nordisk represented 47% of the index market capitalisation.

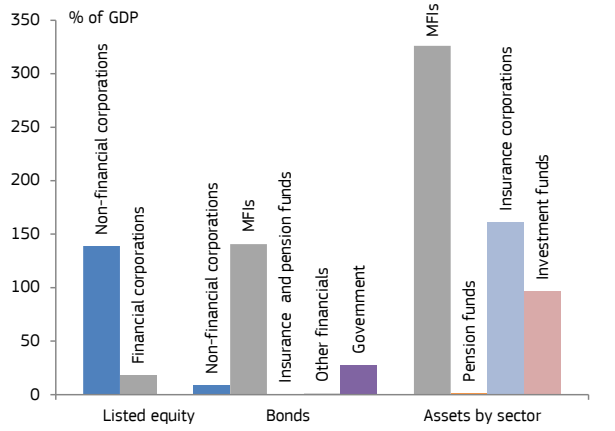
([153])In the Danish model, mortgage banks provide exclusively market-funded mortgages for up to 80% of the property value. Commercial banks may step in for up to 15%, after 5% of self-financing by the purchaser.

([154])It belongs to Euronext Group, which operates CSDs also in Italy, Portugal and Norway, and a network of exchanges and CSDs.

([155])However, if the market-funded mortgage credit institutions are excluded, the size of the remaining commercial banking sector is estimated at about 125% of GDP, after consolidation.

higher than on average in the EU, with the top five banks controlling 64% of the sector. The insurance sector, with total assets equivalent to almost 160% of GDP at end-2024, dominates non-bank intermediation and is the second largest in the EU (after Luxembourg at 382% of GDP). Its very large size is due to the size of asset-backed pension schemes, which are set up by insurance companies under the Solvency II Directive, instead of as pension funds under the IORP Directive. Accordingly, the pension fund sector was reported to have total assets of only 1.4% of GDP at end-2024. Investment funds, after several years of contraction, expanded significantly in 2024 to reach 96.2% of GDP.

Graph A6.2: **Capital markets and financial intermediaries**

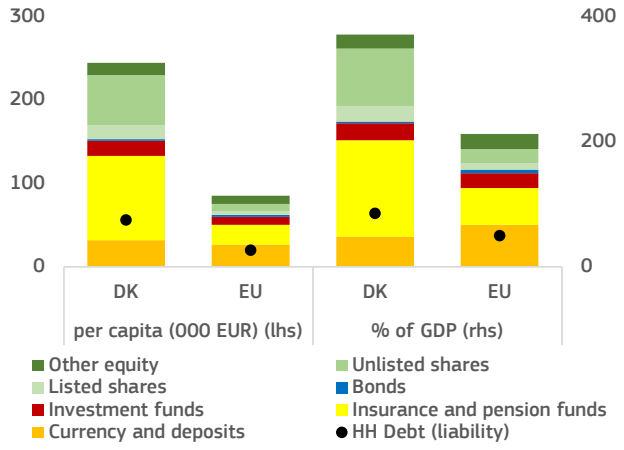


Source: ECB, EIOPA, AMECO. End-2024.

Households' participation in capital markets

Danish households hold the highest relative volume of financial assets in the EU (excluding cash, deposits, and unlisted equities), at approximately 209% of GDP ([156]). Danes' total financial wealth reached 366.3% of GDP at end-2024, versus an EU average of 212.2%. As of end-2024, 87% of Danish households' financial wealth was invested in non-cash items (see Graph A6.3), against 68% on average in the EU ([157]). In per capita terms, on average each Dane holds financial assets worth EUR 244 400, which is almost three times greater than the EU average of EUR 85 100. Nearly every second Dane owns shares directly, which is also one of the highest rates in Europe, while most Danes hold shares indirectly through either the widespread – albeit not mandatory – asset-backed pension schemes or their private holdings in investment funds.

Graph A6.3: **Composition of households' financial assets**



Source: Eurostat. End-2024.

Retail participation in the equity markets is also supported by the preferential stock savings account, introduced in 2019. The *Aktiesparekonto* (ASK) is a tax-efficient savings account introduced in 2019 to encourage Danish residents to invest in publicly traded stocks, equity-based investment funds, and ETFs ([158]). Private equity, unlisted shares and bonds are not eligible. The ASK offers a preferential tax rate of 17% on the overall return, which is lower than the usual tax rates of 27% or 42% in regular investment accounts. As of 2025, the total contribution limit to each ASK, limited to one per person, was of DKK 166 200 (approx. EUR 22 000). Since its inception, the ASK has grown in popularity, with 490 000 registered accounts by the end of 2024, following an increase of 135 000, or 38%, in comparison to 2023. While the availability of preferential investment savings accounts has contributed to engaging retail investors in Denmark from a young age, the standard tax rate of 42% on capital gains

([156])See the AFME 2024 Capital Markets Union Key Performance Indicators.

([157])See also the Overview of CMU Indicators.

([158])For a comparative review of the various features of preferential savings and investment accounts in Member States, see the dedicated Commission staff working document SWD(2025) 6800.

may discourage long-term investment and hamper the international and regional competitiveness of the Danish economy.

The very high level of financial literacy of the Danish population contributes to its strong retail participation in financial markets. Danish society recognises that financial literacy is crucial for both fostering retail investors' participation in capital markets and familiarising SMEs with alternatives to bank financing. Since 2015, a school programme for students aged 13 to 15 enables young people to become proficient with the fundamentals of finance. A dedicated digital platform allows every person to run complete individualised simulations on their actual personal asset-backed pension rights. As a result of these educational efforts, the 2023 Eurobarometer on monitoring financial literacy in the EU ranked Denmark third in the EU for financial knowledge. It showed that 40% of Danes have a high level of financial knowledge (vs 26% in the EU), while only 15% have a low level of financial knowledge (24% in the EU). Moreover, only 8% of Danish respondents (23% in the EU) declared that they felt some degree of discomfort with using digital financial services.

The banking sector: resilience and financing of the economy

The Danish banking sector appears strongly resilient to risks, has a low exposure to vulnerabilities, and is thus not constrained in its role of funding the economy. As of Q3 2025, the overall capitalisation of Danish banks stood at 22.7%, well above the EU average of 20.2%, although below the 2023 peak of 23.4% (see Table A6.2) ([159]). As of end-2024, the aggregate MREL level (minimum requirement for own funds and eligible liabilities) stood at 39.4%, which is 7.4 percentage points above the required level ([160]). With a return-on-equity of 11.8% as of Q3 2025, profitability remains persistently high and above the EU average of 9.6%, partly supported by a stable and low ratio of non-performing loans of 1.2%, below the EU average of 1.9%. However, banks' asset quality outlook is subject to increased global uncertainty and its likely impact on energy prices and economic growth. Danish banks maintain very strong liquidity positions. As of end-2024, at the aggregate level, the net stable funding ratio of Danish banks stood at 124.2%, while the liquidity coverage ratio was close to 200%. When recalculated only for commercial banks (which alone are exposed to a liquidity funding risk as mortgage banks do not owe deposits), the aggregate loan-to-deposit ratio stood at 63.7%, well below the EU average.

Although demand for corporate lending had resisted the trend of rising interest rates better than households, this trend now appears to be reversing. As of mid-2025, loans to NFCs were equivalent to 53.2% of GDP, well above the EU average of 29.2%. Corporate lending in Denmark is driven by mortgages, which accounted for more than two thirds of bank loans to NFCs in 2024. In the context of rising interest rates, commercial bank loans to NFCs have been stagnating since the summer of 2022. The short-lived rebound in 2024, notably by 11.2% on a yearly basis in the last quarter, reversed in the first half of 2025. However, mortgage loans to companies have been growing more steadily. Supported by the fall in interest rates, the 2024 rebound in corporate lending benefited all sectors, and specially manufacturing, where outstanding loans increased impressively by 45.5% during 2024. Despite tighter credit standards since then, companies do not report significant borrowing constraints. Nevertheless, bank lending to NFCs contracted slightly, by 0.9% on a yearly basis, as of Q3 2025 (see Table A6.2). But after contracting in 2022 and 2023, lending to households expanded by 0.8% in 2024 and accelerated its growth to 3% on a yearly basis as of Q3 2025.

Role of non-bank financial intermediaries

Relative to the size of its economy, Denmark has the largest occupational assets-backed pension system in the EU. Participation in

([159])The higher capital level is due in part to the 7% sectoral systemic risk buffer on exposures related to real estate development companies, in place since mid-2024.

([160])See the latest MREL Dashboard published by the EBA. For further information on the bail-in mechanics in Denmark, see the dedicated publication by the Danish Financial Stability Authority.

pillar 2 pensions is mandatory for most wage-earners through widespread collective bargaining agreements, and wage-earners' average contribution rate is 12% of their salaries (rates typically range between 10% and 17%). Most pension investment vehicles are industry-wide, although company-specific pension funds also exist ([161]). Danish pension funds were set up as defined-benefits pension schemes under the Solvency II Directive and offer an ETT tax profile ([162]). A reform in the early 2000s introduced the defined-contribution principle and strengthened both ownership rights and investment flexibility. Rights accumulated in defined-contribution plans, which as of end-2024 represented about half of the asset-backed pension schemes, are inheritable ([163]). As of end-2024, total assets accumulated by the Danish asset-backed pension schemes amounted to the equivalent of EUR 754 billion, which was equivalent to 190% of GDP or EUR 126 205 per capita.

The Danish insurance sector, which manages the asset-backed pension schemes, is thriving. Based on data ([164]) from EIOPA, insurance companies' total assets were equivalent to almost 161.3% of GDP as of end-2024, which makes Denmark the second largest national insurance market in the EU after Luxembourg and more than three times larger than the European average (see Table A6.2). The total assets of non-life insurers represented less than 6% of the sector's total assets. Following a significant revaluation-driven decline in total assets-to-GDP of almost 20 percentage points in 2022, the sector has managed to recover half of that contraction since then. In nominal terms, the rebound has even surpassed pre-2022 levels, and assets reached the equivalent of EUR 597 billion in 2024 ([165]). In terms of asset allocation, at the end of 2024, 35% were held in collective investment undertakings, 25.3% in equity, 22.4% in corporate bonds and 10.1% in government bonds. Property and mortgages together represented 3.7% of pension fund assets. The strong recent investment performance was due to the sector's strategic investment policy shift away from fixed-income securities and towards a greater emphasis on stocks and equity.

Danish insurance companies show excellent solvency and profitability indicators. The sector's solvency ratio ([166]) remained robust at 293.2% as of end-2024, significantly above its level of 241.1% in 2022 and the EU average of 236.2%. Non-life insurance is expected to remain highly profitable, as suggested by its combined ratio ([167]) of 85%, which is well below the EU average of 96% and among the lowest in the EU. EIOPA's protection-gap assessment indicates that Denmark faces a low-to-medium wildfire risk, medium risks of flooding and coastal flooding, and a high risk of windstorms. However, with insurance penetration rates exceeding 75% for these risks, EIOPA deems the current protection gap in Denmark as not significant.

In addition to insurance companies, asset management is another very significant and well-developed segment of the Danish financial sector. Total assets under management expanded by an impressive 17% in 2024 and reached EUR 548 billion or 138% of GDP, thus putting Denmark third in the EU, after the Netherlands (187%) and France (181%) ([168]). Assets under management were distributed between investment funds (EUR 382 billion) and discretionary mandates (EUR 167 billion). Investment funds' assets were primarily invested in equity (39%), bonds (27%), and other assets (33%), with cash accounting for only 1%. With 38% in equity and 46% in bonds, discretionary mandates appear to follow a more conservative

([161])For further details on the assets-backed pension schemes in Denmark, see the Country profiles published by the OECD and the Country fiches of the latest report on ageing published by the European Commission.

([162])The ETT feature means that: (i) contributions are tax-exempt; (ii) investment returns are taxed; and (iii) pay-outs are taxed.

([163])For further historical and numerical details on asset-backed pension schemes in Denmark, with useful take-aways for the reform of pension systems in other countries, see the recent DN analysis, The road to more risky assets in the Danish pension sector.

([164])EIOPA insurance data, as described in the paragraph, appears to underestimate the actual size of asset-backed pension schemes in Denmark, by as much as 30% of GDP.

([165])See EIOPA Insurance Statistics.

([166])For insurance companies, the solvency ratio indicates the extent to which the eligible own funds cover the solvency capital requirement.

([167])The combined ratio indicates whether an insurance company earns more revenues from its collected premiums than it pays out claims (loss ratio) and business expenditures (expense ratio).

([168])See the 2025 Asset Management Report published by the EFAMA.

investment approach. Retail investors held 56% of all assets under management, which illustrates the high level of household participation in capital markets.

Venture capital ecosystem

Even though the Danish authorities are committed to improving the business conditions for retaining venture capital investments in the country, recent developments show signs of stagnation in this area. Venture capital (VC) investments in Denmark averaged 0.121% of GDP in 2022-2024, significantly above the EU average of 0.064% ([169]). Private equity (PE) investments amounted to 0.647% of GDP in 2022-2024, also above the EU average of 0.487%, although in strong decline in comparison with previous years. Danish asset-backed pension schemes raised 21% of all funds committed to VC and PE in the country between 2007 and 2023, which is the third largest presence of these funds in VC and PE after Sweden (30%) and Finland (28%) and above the 15% EU average ([170]). Even though Denmark stood out as the sole country among the top 10 VC ecosystems in Europe to experience growth in 2023, total investments of about EUR 1.6 billion were still lower than in 2022 (EUR 1.9 billion) and well below the 2021 record of EUR 3.9 billion. In comparison, after stagnating in 2024, with deals totalling only EUR 1.3 billion ([171]), activity rebounded marginally in 2025, with expected total deals of about EUR 1.6 billion. For the last five years prior to 2023 the main sectors of VC investment were health (26%), company software (15%), and fintech (14.7%). Denmark has demonstrated a persistently strong capacity for company creation to the point of gaining the reputation of being a 'unicorn factory' ([172]), although there is a pressing need for capital to help companies scale up.

With 9 of the 13 'unicorns' founded in Denmark having moved their headquarters out of the country, the business environment in Denmark shows a low retention capacity for innovative firms. It is estimated that 69% of Danish 'unicorns' are leaving the country after certain level of development against only 9% in Sweden. Improved access to foreign talent, better conditions for successful IPOs, and a stronger framework for rewarding risk-taking, (especially through more opportunistic use of stock-options and reduced tax, regulatory and bureaucratic burden on entrepreneurs) are identified as the most important factors for improving capital retention and creation. The 2024-2026 government strategy to support entrepreneurship includes: (i) various tax-related measures; (ii) plans to set up a legal framework for equity crowdfunding of private limited companies; (iii) plans to introduce a framework for the simplified management of private pensions; (iv) plans to halve the capital requirement for setting up limited liability companies; (v) plans to ease access to a basic bank account for businesses; (vi) plans to ease access to financing from the Export and Investment Fund of Denmark; and (vii) plans to broaden access to free government-provided data. The initiatives in "The Entrepreneurship Package" implemented in 2024-2026 are expected to have a positive impact in terms of the 2025 country-specific recommendation (CSR) to 'boost innovative businesses by improving access to venture capital and private equity and the framework conditions for initial public offerings.

([169])See the updated Overview of CMU indicators.

([170])See ECMI - Closing the gaping hole in the capital market for EU start-ups – the role of pension funds.

([171])See data published by Dealroom.

([172])See the dedicated report by the Danish Chamber of Commerce, covering the period 2000-2022. While comprehensive, the report is partially incomplete, as it does not include the older companies 3Shape and Netcompany or newer companies, e.g. Flatplay and Shine.

Table A6.2: **Financial sector indicators**

		2018	2019	2020	2021	2022	2023	2024	2025-Q3	EU
Banking sector	Total assets of MFIs, % of GDP	351.0	385.8	401.5	363.5	347.5	346.0	326.2	307.0	246.1
	Common equity Tier 1 ratio	17.8	18.0	19.1	18.7	18.7	19.8	19.4	18.8	16.8
	Total capital adequacy ratio	21.6	22.4	23.2	22.8	22.5	23.4	23.1	22.7	20.2
	Overall NPL ratio, % of all loans	2.3	1.9	1.9	1.8	1.5	1.3	1.3	1.2	1.9
	NPL ratio, loans to NFCs	3.8	3.0	3.2	2.5	1.9	1.8	1.7	1.6	3.5
	NPL ratio, loans to HHs	2.0	1.8	1.8	1.9	1.7	1.5	1.5	1.4	2.1
	Return on equity ratio[1]	8.0	8.7	4.5	8.2	3.8	11.7	12.6	11.8	9.6
	Loans to NFCs, % of GDP	53.4	54.4	55.6	54.3	53.3	56.0	56.8	53.7	29.3
	Loans to HHs, % of GDP	107.4	106.3	106.9	99.8	89.6	90.4	86.5	85.2	43.6
	NFC credit growth rate, %	4.1	3.2	1.9	6.5	8.3	3.2	5.7	-0.9	2.5
	HH credit growth rate, %	1.3	1.7	1.2	2.8	-0.4	-0.4	0.8	3.0	2.6
Non-banking sector	Stock market capitalisation, % of GDP	-	-	161.4	180.3	150.4	175.5	156.9	117.4	69.9
	Initial public offerings, % of GDP	0.47	0.04	0.33	0.40	0.03	0.06	0.00	-	0.06
	Market funding ratio	41.1	40.3	39.5	37.4	34.9	33.3	33.2	-	49.7
	Private equity, % of GDP	0.707	0.776	0.702	0.763	0.783	0.928	0.647	-	0.487
	Venture capital, % of GDP	0.057	0.079	0.095	0.144	0.139	0.161	0.121	-	0.064
	Financial literacy, composite index	-	-	-	-	-	51.0	-	-	45.5
	Bonds, % of HHs' financial assets	0.9	0.7	0.7	0.5	0.5	0.9	0.8	-	2.8
	Listed shares, % of HHs' financial assets	4.8	5.5	6.5	7.0	6.9	7.2	6.7	-	4.8
	Investment funds, % of HHs' financial assets	6.9	7.1	7.2	7.3	6.7	6.9	7.3	-	11.0
	Insurance/pension funds, % of HHs' financial assets	47.5	47.7	46.7	42.3	40.8	41.4	41.4	-	27.8
	Total assets of insurers, % of GDP	142.8	163.0	171.3	170.0	150.4	159.5	161.3	-	53.9
	Pension assets, bn EUR	-	-	-	785.1	745.6	745.7	810.0	-	5813.8
	Pension assets, % of GDP	-	-	-	228.7	195.9	199.3	206.4	-	32.3
	10y real return average of pension assets, %	-	-	-	-	-	2.5	1.8	-	1.4
	Pension funds assets, ECB (% of GDP)	-	-	-	-	-	-	-	-	-
	1-3 / 4-10 / 11-17 / 18-24 / 25-27	Colours indicate performance ranking among the 27 EU Member States.								

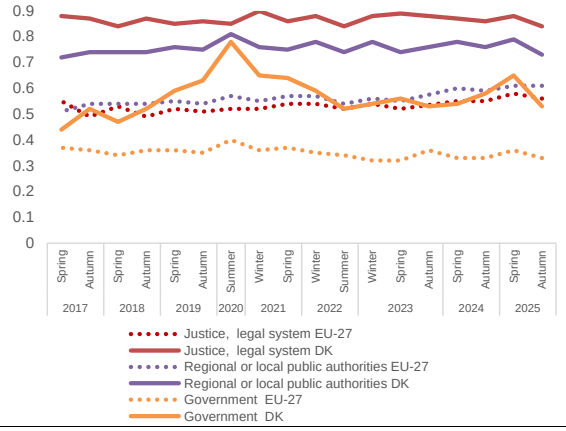
(1) Annualised data. EU data for credit growth and pension funds refer to the EA average.

Source: ECB, Eurostat, European Insurance and Occupational Pensions Authority, DG FISMA CMU dashboard, AMECO.

An effective institutional framework is essential for competitiveness. This means public trust built on integrity, high-quality legislation, simplification of regulation and efficient services to business and people.

Public trust

Graph A7.1: **Trust in the justice system, regional / local authorities and in government**



(1) EU-27 since 2019; EU-28 before
Source: European Commission, Standard Eurobarometer surveys

Denmark enjoys high levels of trust in its government, legal system and local authorities, ranking among the highest in the EU (Graph A7.1). Trust in government (53%), the legal system (84%) and regional and local authorities (73%) is among the highest in the EU and has been relatively stable since 2017. Additionally, both businesses and people are confident that the public administration handles their data securely and responsibly ([173]).

Quality of lawmaking and implementation

Denmark's rules on lawmaking show limited alignment with selected good practices to reduce the regulatory burden and ensure effective implementation (Table A7.1). For example, a number of shortcomings hinder the government's ability to monitor how legislation is implemented: when developing new primary laws, there is no formal requirement either to design a methodology for measuring progress towards the law's objectives, or to identify enforcement mechanisms and assess compliance levels. Oversight of better-regulation tools is also weak. There are no publicly available assessments of whether regulatory impact assessments lead to changes in proposals, nor whether *ex post* evaluations improve the regulatory stock. Nor is there an external body to review the quality of *ex post* evaluations

Denmark's regulatory impact assessments may not be comprehensive enough to encompass the full complexity of legislation for businesses. When developing legislation, regulators are required to assess the costs on businesses and people ([174]). Additionally, Denmark is one of the few Member States that requires systematic assessment of policy goals, though this is mandatory only for primary laws. Despite the strong focus on assessing costs to businesses, and the assessments of policy goals, an increasing proportion of companies think that administrative procedures are complex (39% in 2022 and 49% in 2025), and that legislation and policies change fast (30% in 2022 and 42% in 2025) ([175]). This might mean that current assessments, which focus on certain proposals and are not as developed for subordinate legislation, are not systematic enough to be able to encompass all the complexity of legislation and costs to businesses.

The legislative process is inclusive, with a smooth-running public consultation system in place. Overall, the legislative process is inclusive, and the rules have been amended to give Parliament more time to consider legislative proposals. Public consultation functions well, coordinated through a central portal (*Høringsportalen*), which improves participation

([173])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([174])OECD, 2025, Better Regulation Practices across the European Union 2025, https://doi.org/10.1787/6f007516-en.

([175])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

Table A7.1: **Denmark. Selected indicators on better regulation practices for primary legislation**

Tools for smart legislation:	
Share of possible impacts assessed for all primary laws when developing legislation	●
Regulators are required to identify and quantify the benefits of a new primary law	●
Regulators are required to identify and assess the impacts of alternative non-regulatory options	●
Tools for effective implementation: when developing laws, regulators are required to:	
Assess the level of compliance	●
Identify and assess potential enforcement mechanisms	●
Specify the methodology of measuring progress in achieving the law's goals	●
Oversight of better regulation:	
There is an external body responsible for reviewing the quality of RIAs and of ex post evacuations	●
There are publicly available assessments of the effectiveness of RIA in modifying regulatory proposals	●
There are reports on the level of compliance by government department with the requirements of RIA	●
There are indicators on the percentage of ex post evaluations that comply with guidelines	●
The effectiveness of ex post evaluations in improving the regulatory stock has been assessed in the last five years	●

● High / yes / for all primary laws ● Medium / in part / for major primary laws ● Low / for some primary laws ● Very low / no / never

Source: OECD (2025), Regulatory Policy Outlook 2025 and Better Regulation across the European Union 2025

rates. However, consultation times are sometimes shorter than the recommended period ([176]).

A number of major structural reforms are being implemented at the same time, putting significant pressure on municipalities' capacity. Municipalities are facing a number of major reforms between 2025 and 2027 that significantly change the division of tasks between national, regional and local authorities ([177]). These reforms are placing an unprecedented strain on the municipalities' capacity creating a more urgent need for multilevel governance and cooperation between levels of government. For example, the Government, the Association of Danish Regions and Local Government Denmark have published an agreement concerning the health reform that provides for a partnership to coordinate implementation ([178]).

The 2026 Agreement on the Municipalities' Finances attempts to address potential gaps in implementation capacity through a temporary financing grant for municipalities ([179]). In the context of shifting responsibilities, and municipalities being granted more freedom in a range of sectors, the national audit office found state supervision of municipalities and regions to be 'unsatisfactory' ([180]), a challenge that may become harder to overcome with increasing tasks. (see Annex 18).

Public service delivery and digitalisation

Despite high satisfaction rates, companies and people in Denmark still face challenges with administrative services. 52% of companies and 70% of people say they are satisfied with administrative services, higher than the EU averages of 42% and 45% respectively ([181]). For companies, the most time-consuming aspects of interacting with public administrations are understanding the applicable legislation and processing time. In the case of people, those aspects are processing time and identifying the correct service and where to request it (Graph A7.2). Most people (58%) say that they need more correspondence than they initially expected to

([176])European Commission, 2025, Rule of Law Report, https://commission.europa.eu/publications/2025-rule-law-report-communication-and-country-chapters_en.

([177])Major reforms include healthcare reform, transferring care tasks to regions; employment reform abolishing mandatory job centres and giving municipalities more organisational freedom and reform of care for the elderly.

([178])Dansker Regioner, 2025, Forårsaftale 2025 om implementering af sundhedsreformen.

([179])Ministry of Finance & Kommunernes Landsforening, 2025, Aftale om kommunernes økonomi for 2026.

([180])National Audit Office, 2025, Beretning om Ankestyrelsens tilsyn og brug af reaktioner ved lovbrud.

([181])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

Table A7.2: **Digital Decade key performance indicators: availability of digital public services**

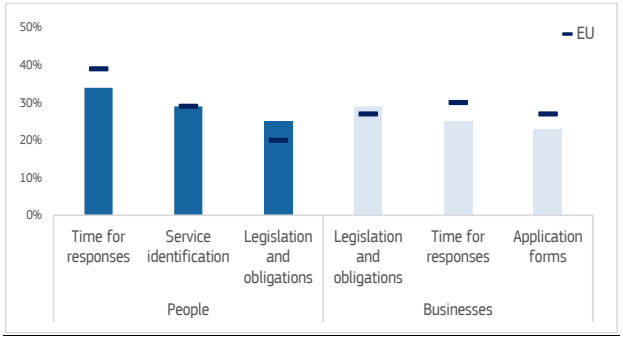
	Denmark			EU-27
	2023	2024	2025	2025
Digital public services for citizens (0 to 100)	**84**	**84**	**79**	**82**
Digital public services for businesses (0 to 100)	**89**	**89**	**88**	**86**
Access to electronic health records (0 to 100)	**96**	**98**	**98**	**83**

(1) Digital Decade target by 2030: 100. (2) Publishing year, data was collected in the previous year
Source: European Commission, State of the Digital Decade report 2025

receive administrative services, which is below the EU average of 69%.

Perceptions of service delivery have not changed significantly since 2023 ([182]). 40% still describe public administration as playing a central role in people's lives; 38% see it as complex and burdensome, 2 percentage points lower than in 2023; 27% see it as fast and effective, 16 pps higher; and 18% see it as slow, 10 pps lower. Administrative challenges have a detrimental impact on 44% of companies (EU: 51%), mostly owing to delays and increased operational costs.

Graph A7.2: **Most time-consuming aspects of service delivery**



Source: European Commission. Flash Eurobarometer 567 / 568 on satisfaction with administrative services (2026)

Denmark remains a digital leader, exceeding the EU average in key areas. The availability of digital public services to the public has decreased (Table A7.2), falling below the EU average ([183]). The drop is attributable to a data correction ([184]). Access to cross-border services now stands at 59 (down from 69 in 2023), well below the EU average of 71. In terms of the technical deployment of electronic health records Denmark performs very strongly, with a score of 98 in 2024 (unchanged form 2023), well above the EU's score of 83. To reach full maturity and fulfil the 2030 target of 100 by 2030, Denmark needs to make medical images digitally accessible to people.

Denmark continues to progress with its digital transformation; the vast majority of the population use online services, though some groups still face digital barriers. The proportion of e-government users has increased slightly to reach 98% of the population, well above the EU average of 76%. The proportion of people using electronic identification (eID) rose to 99% (EU: 52%) ([185]), accompanied by a steady increase in monthly transactions ([186]). Alongside this high uptake is one of the EU's highest proportions of people with basic digital skills (DK: 81%; EU: 60%) ([187]). However, 16.5% of people aged 15-89 either do not use or experience challenges using digital public services, with wide differences between age groups ([188]). For example, most people without an active eID are aged 75 and above. The Agency for Digital Government has established principles for digital inclusion to improve accessibility ([189]). Additionally, 33% of people stated that digital services either increase or do not reduce the time and effort needed to obtain administrative

([182])European Commission, 2023, Flash Eurobarometer survey 526 : Understanding Europeans' views on reform needs.

([183])European Commission, Digital Decade 2025: Country reports.

([184])Some websites that were previously counted as compliant were later found not to have a cross-border eID system; more details in Denmark's 2025 Digital Decade Country Report, European Commission, Directorate-General for Communications Networks, Content and Technology.

([185])European Commission, Eurostat, 2025, Use of electronic identification (eID).

([186])Danish Agency for Digital Government, 2025, MitID.

([187])European Commission, Eurostat, 2025, Share of individuals having at least basic digital skills.

([188])Ministry of Digital Affairs, 2026, Redegørelse om Danmarks Digitale Udvikling 2026.

([189])Agency for Digital Government, 2025, Principles for Digital Inclusion in the Public Sector.

services, which suggests that improvements could be made to their user-friendliness ([190]).

Digital public services for companies are widely available in Denmark, but cross-border service accessibility for companies is around the EU average (Table A7.2). The availability of digital public services for companies also fell slightly in 2024 (from 89 to 88) ([191]), remaining above the EU average (86). This drop mirrors the correction made for services for people, adjusting the assessment of the cross-border online availability of certain services. Cross-border service accessibility now stands at 75 (down from 77 in 2023), slightly above the EU average of 74. This means that even key services such as starting a business lack sufficient cross-border accessibility ([192]). Despite high online availability, only 60% of companies report that digital services either significantly or somewhat reduce the time and effort needed to access administrative services ([193]).

A new digital strategy has been launched to improve support and administrative efficiency for people. The new joint government digital strategy 2026-2029 focuses on increasing the consistency and user-centric nature of digital solutions, and on embracing new technologies such as AI ([194]). The objective is to i) ensure a user-friendly and inclusive digital public sector, ii) increase the use of technology to support the public sector, iii) increase the interconnection between digital systems, creating a more coherent digital public sector and iv) increase digital sovereignty.

Streamlining data governance across government agencies can help strengthen Denmark's economic competitiveness. The first ever mapping of reporting requirements, published in May 2025, found that Danish businesses have to navigate 1 874 separate state-reporting platforms to complete over 200 million annual submissions ([195]). The study notes that this is a conservative estimate, as authorities handling one third of platforms were unable to report how many submissions they received. The Confederation of Danish Industry's July 2025 analysis quantified the cost: 41 million hours and DKK 23.5 billion (approx. EUR 3.1 billion) per year, with 64% of their members ranking government reporting as their heaviest administrative burden ([196]). The Danish Business Authority is actively working on automating business reporting ([197]). However, making meaningful progress requires broader reform of cross-agency data governance, which, if achieved, would be a major boost to Denmark's competitiveness.

Denmark took steps to speed up industrial permitting, but the initiative has limited scope. Denmark set up a 'red carpet' for manufacturers (*Rød løber for produktionsvirksomheder*) in July 2025 to standardise and simplify the permitting process for large-scale industrial facilities ([198]). The red carpet set up a one-stop-shop in the Danish Business Authority ([199]), which assigns each eligible company a dedicated coordinator to draw up a consolidated approval plan across all relevant state and municipal authorities. It also set legally binding processing deadlines of 12–18 months. However, eligibility is restricted to i) manufacturers in sectors covered by the EU Net-Zero Industry Act or the Critical Raw Materials Act, ii) projects requiring permits from both the state and the municipality, iii) investments above DKK 100 million (approx. EUR 13.4 million), and iv) firms located in one of the 11 state-designated industrial parks ([200]).

([190])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([191])European Commission, 2025, Digital Decade 2025: Country reports.

([192])European Commission, forthcoming, Simplification of key life events.

([193])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([194])Agency for Digital Government, 2025, Den fællesoffentlige digitaliseringsstrategi. The strategy is a collaboration between the government, the National Association of Municipalities (KL) and Danish Regions.

([195])Agency for Digital Government, 2025, MinVirksomhed – lettere indberetning til det offentlige.

([196])Dansk Industri, 2025, Bøvl og byrder bremser væksten i hver tredje virksomhed.

([197]))Danish Business Authority, 2025, Digital Administration and Reporting.

([198])Retsinformation, 2025, Lov om én indgang for produktionsvirksomheder og statslig udpegning af industriparker.

([199])Erhvervsstyrelsen, 2025, One stop shop for etablering af produktionsanlæg.

([200])Regeringen, 2025, Danmark får 11 nye industriparker.

Additionally, environmental impact assessments fall outside the statutory processing deadlines ([201]), which means that the reform focuses solely on coordinating administrative permitting rather than the environmental review processes that are often responsible for extending project timelines.

Denmark is not yet ready to enable the cross-border exchange of data and documents between authorities through the EU once-only technical system ([202]). When the services ([203]) supported by this system become accessible, people and businesses will no longer have to search, download and upload information across e-government portals in different Member States. Danish authorities still have to identify the types of documents and data to exchange through the system and explore ways to shift from the submission of documents to exchange of structured data.

Civil service

Denmark's public administration boasts a highly educated workforce, with a significant proportion having completed post-secondary education and participating in adult learning. The ratio of staff aged 25-49 to staff aged 50-64 has increased, indicating that the civil-service workforce is getting younger. Denmark's administration is significantly younger than the EU average (Denmark 1.8; EU 1.5) ([204]). Additionally, civil-service staff are younger than in the economy as a whole (ratio of staff aged 25-49 to 50-65: 1.7). The proportion of civil servants with post-secondary education has steadily increased since 2021 and is well above both the EU average (Denmark 67%; EU 55%) ([205]), and the economy as a whole (51%). The proportion of civil servants participating in adult learning has dipped slightly but remains 16 points above the EU average (Denmark 35%; EU 19%) ([206]). Denmark made dramatic improvements in gender parity at senior-management level for the second year in a row: the proportion of women in senior-management positions increased from 30% in 2023 to 44% in 2025 ([207]).

Integrity

The perception of corruption when doing business in Denmark and the reported level of experienced corruption are both very low. Only 18% of companies consider that corruption is widespread, significantly below the EU average of 63%, and 46% consider that overly close links between business and politics lead to corruption (EU: 76%). 11% of businesses consider that corruption is a problem when doing business (EU: 35%) ([208]). Foreign bribery, the pharmaceutical industry and the energy sector have been identified as high-risk areas for corruption in Denmark ([209]). In terms of actual experience of corruption, fewer companies than the EU average report being asked or expected to offer gifts or extra payments for permits, services or procurement (Denmark 3%; EU: 10%). Significantly more believe that bribery of senior officials is appropriately punished (Denmark 44% vs EU 33%). Overall, this suggests both limited pressure of corruption and perception of strong enforcement ([210]).

While measures are in place to facilitate the detection of corruption, no progress has been made regarding the prevention of corruption. Although rules on whistleblowing have been

([201])Erhvervsministeriet, 2024, Rød løber for produktionsvirksomheder.

([202])European Commission, *Once-Only Technical System Acceleratormeter*, Ec.europa.eu.

([203])Procedure types under Annex II of the SDGR (2018/1724/EU) and directives 2005/36/EC, 2006/123/EC, 2014/24/EU and 2014/25/EU

([204])European Commission, Eurostat, Employed persons by economic activity (NACE Rev. 2) (2008-2026).

([205])European Commission, Eurostat, 2026, European Union Labour Force Survey, Employees by educational attainment level and NACE Rev. 2 activity (2008-2026).

([206])European Commission, Eurostat, 2026, European Union Labour Force Survey, Participation rate of employees in education and training (last 4 weeks) by NACE Rev. 2 activity (2008-2026).

([207])EIGE, 2025, National administrations: top two tiers of administrators by function of government.

([208])European Commission, 2025, Flash Eurobarometer survey 557 on Businesses' attitudes towards corruption in the EU.

([209])European Commission, 2025, Rule of Law Report.

([210])European Commission, 2025, Flash Eurobarometer survey 557 on Businesses' attitudes towards corruption in the EU.

implemented, the number of whistleblowing reports has been on the rise since 2022 ([211]). Integrity safeguards for Parliament are lacking. There is no code of conduct and no mechanism to register external activities and financial interest of Members of Parliament is available ([212]).

Denmark has taken measures to report more effectively on the prosecution of corruption. The authorities provided data from all 13 police districts in 2024 on the number of reports, charges and judgments regarding corruption offences. While the number of ongoing investigations into complex or cross-border cases remains low, the police recorded 42 reports of bribery in the public and private sectors in 2024 (considerably lower than the 2023 figure of 156) ([213]). There were 129 judgments on bribery-related charges in 2024.

Justice

The justice system is performing efficiently. The time taken to reach a decision in civil and commercial cases in first-instance courts decreased slightly from 265 days in 2023 to 250 days in 2024 ([214]). There is still no available overview of the efficiency of the judicial system in administrative cases due to a persistent lack of disaggregated data on court proceedings. Denmark is performing well in terms of digitalising its justice system, but improvements are needed to conduct and follow criminal and administrative proceedings through digital tools. Denmark performs well in digital solutions to initiate and follow proceedings in civil/commercial and administrative cases ([215]), and in online access for the general public to published judgments ([216]). However, the country lags behind regarding arrangements for producing machine-readable judicial decisions ([217]).

([211])European Commission, Directorate-General for Justice and Consumers, 2025, Rule of Law Report.

([212])Ibid.

([213])Ibid.

([214])European Commission, Directorate-General for Justice and Consumers, 2025, EU Justice Scoreboard, figure 5; European Commission, 2026, EU Justice Scoreboard (upcoming). 2024 data collected in cooperation with the group of contact persons on national justice systems.

([215])Ibid, figure 45.

([216])Ibid, figure 47.

([217])Ibid, figure 48.

Denmark is advancing with industry decarbonisation and reducing its effort sharing emissions, but it faces challenges in the shift to a circular economy and in waste management. Denmark has expanded its policy toolkit to promote the decarbonisation of manufacturing and it leads on clean road transport. In 2025, Denmark received a country-specific recommendation to strengthen the circular economy and waste management policies ([218]).

Greenhouse gas emissions from industry

Denmark's manufacturing industry is among the least emission-intensive in the EU ([219]). In 2024, manufacturing emitted just 53 g CO_2eq per euro of gross value added, which is among the lowest levels in the EU ([220]). As a result, manufacturing generated only 4% of all emissions in 2024 against the EU average of 17%. Manufacturing emissions fell by 22% between 2019 and 2024.

Policies to promote industry decarbonisation

Denmark's main policy lever to drive industrial decarbonisation is a new CO_2 tax. Following the green tax reform for industry adopted by Parliament in 2022, Denmark has applied a new CO_2 tax to fossil fuel use in industrial activities since 1 January 2025. The new emission tax and the restructured current CO_2 tax mean that tax on CO_2 emissions will reach about EUR 49 per tonne of CO_2 emitted for companies covered by the EU emissions trading system (EU ETS) and about EUR 98 per tonne for others by 2030. The reform also allows companies to claim a deduction for the CO_2 they capture and store.

Alongside the new CO_2 tax regime, Denmark has put in place a transition support framework (*omstillingsstøtte*) for the most affected companies. The framework combines investment funding and operational support for companies facing high decarbonisation costs due to structural emissions ([221]). The programme is designed to roll out funding over 2025–2035, in line with criteria that focus on long-term emission reductions and competitiveness safeguards for Danish industrial firms. This mechanism aims to facilitate the shift to electrification, fund process efficiency upgrades and adopt breakthrough technologies such as electrified heat processes and low-carbon fuels in sectors of the manufacturing industry.

In parallel, Denmark uses large-scale public funding to accelerate carbon capture and storage for hard-to-abate industrial emissions. The Danish Energy Agency implements Denmark's carbon and capture fund, with about EUR 3.8 billion available. In May 2025, 10 companies were selected to compete for funding. In 2026, the tender process advanced with two final bids submitted, and the authorities indicated that contract award is expected in April 2026 (subject to the tender process and approvals). The expected emission savings will be confirmed after contract award but expected to be lower than initially anticipated. The Danish Energy Agency implements two additional support schemes in this sector ([222]).

([218]) Council of the EU. Council recommendation on the economic, social, employment, structural and budgetary policies of Denmark.

([219]) This Annex discusses the transition of Denmark's manufacturing industry, specifically its energy-intensive industries, to low-carbon and net-zero modes of production, which is key to preserving competitiveness on the path towards climate neutrality as mandated by the European Climate Law. A broader perspective on the current competitiveness challenges facing Denmark's manufacturing industry is provided in Annex 5. For a more detailed description of greenhouse gas emissions from industry, see European Commission (2025), 2025 Country Report - Denmark, Commission staff working document, SWD (2025) 205 final, Brussels, 4.6.2025, Annex A7. Clean industry and climate mitigation.

([220]) Data on the manufacturing sector exclude the NACE division C19 – manufacture of coke and refined petroleum products, for better match of the sectoral data from Eurostat (gross value added) with those from the UNFCCC under the Common Reporting Format. Also see further indicators on industry decarbonisation, as well as the annotation for further information, in table A8.1 at the end of this Annex.

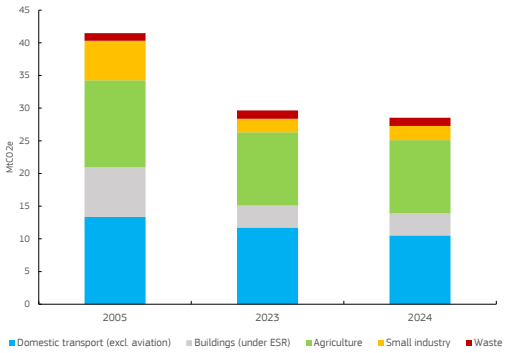
([221]) Restructuring aid for industry.

([222]) CCS tenders and other support for the development of CCS.

Reduction of effort sharing emissions

Compliance with effort sharing limits with domestic measures

Graph A8.1: **Greenhouse gas emissions in the effort sharing sectors, 2005, 2023, and 2024**



Source: European Environment Agency.

Denmark is projected to overachieve its 2030 effort sharing target ([223])**.** In 2024, greenhouse gas emissions from Denmark's effort sharing sectors are expected to have been 28.8% below 2005 levels. By 2030, with current and planned policies and measures, these emissions are expected to decrease by 50.9%, resulting in a surplus of 0.9 percentage points relative to the 2030 target, a 50% reduction. Denmark is projected to exceed its effort sharing emission limits temporarily in the 2021-2030 period but could cover the gap with unused annual emission allocations from other years to achieve compliance with the Effort Sharing Regulation. Domestic road transport is the second largest source of effort sharing emissions in Denmark, generating 37% of these emissions in 2024 ([224]).

Sustainable transport

Denmark leads the EU on clean road transport. In 2025, battery-electric vehicles made up 69% of new passenger cars, 31% of vans, 69% of buses and 12% of trucks ([225]). The number of charging points is also increasing steadily. However, further growth in electric vehicle use is slowed by delays in grid upgrades and long waiting times to connect to the electricity network.

Rail use in Denmark remains below the EU average, especially for freight. Only 8% of freight is transported by rail against the EU average of 16% ([226]). Denmark has a relatively limited rail network and only 35% of railway lines are electrified, well below the EU average of 58%. Progress on rail electrification has been slow. However, the government has decided to electrify the entire railway system, and major works are now underway.

The government supports measures to convert the ferry fleet to electricity. Under the investment aid scheme for CO_2-intensive industries, in 2025 the ferry operator *Molslinjen* received EUR 24 million to replace three diesel-powered fast ferries on the Aarhus–Odden route with three battery-electric catamarans. From 2028, EUR 13.3 million is planned for a subsidy scheme to co-finance technical investments in local ferry routes, such as engine replacement, major renovations and vessel replacement.

([223])The national GHG emission reduction target is set out in Regulation (EU) 2018/842 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling), road transport, agriculture, waste and small industry (known as the effort sharing sectors). The emissions from effort sharing sectors for 2024 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections about the impact of current policies ('with existing measures', WEM) and additional policies ('with additional measures', WAM) as per Denmark's 2025 reporting under Article 17 of Regulation (EU) 2018/1999 (the Governance Regulation). Also see European Commission (2025), Climate Action Progress Report 2025 – Technical Information, Commission staff working document, Brussels, Chapter 9 (pp. 111ff.), and in particular Tables 25 and 26.

([224])See Graph A8.1 below and Table A8.1 at the end of this Annex. The largest source of emissions in the effort sharing sectors is agriculture, which generated 39% in 2024. Denmark is addressing this through the Green Denmark Agreement, which includes a CO_2-equivalent tax on cattle (see Annex 10).

([225])European Alternative Fuels Observatory, accessed 08.4.2026.

([226])Statistical pocketbook 2025. EU Transport in figures.

Sustainable industry

Circular economy industry

Denmark is implementing policies to support the transition to a more circular economy. The national action plan for the circular economy of 2020-2032 (CEAP) focuses on making the value chains for biomass, construction and plastics more circular ([227]). In total, 107 initiatives out of 129 were completed and 5 are still to be completed. The rest were dropped or will be transferred to the revised action plan ([228]). The initiatives on end-of-waste criteria and future landfilling practices are delayed due to a lack of resources. The upcoming assessment of the CEAP is an opportunity to identify the specific actions required to attain the ambitious goals such as the 2030 targets for removing plastics from incinerable waste in the agricultural sector (80%) and in the construction industry (75%). The Danish Council on Climate Change notes that it is unclear how and when these goals will be followed up ([229]).

Despite almost full implementation of the action plan, further measures are needed to use resources efficiently. The Danish economy depends on primary resources to a higher degree than the EU average. Not enough secondary materials are used to replace raw materials, as illustrated by the following indicators:

- raw material consumption is 23 tonnes per capita, almost double the EU average of 14 tonnes per capita in 2024 by analogy to past years ([230]);
- the circular material use rate is 9.4%, below the EU average of 12.2% in 2024 and it has never attained the EU average ([231]);
- the municipal waste recycling rate is within the range of the EU average but the volume of municipal waste generated is one of the highest per capita in the EU with roughly half incinerated for district heating and electricity. Around one quarter of all waste produced was converted into energy through incineration ([232]).

Raw material imports remain slightly below the EU average but the overall material import dependency rate (42.8%) was almost double the EU average of 22.4% in 2024. It has been above the EU average for over two decades and still increasing ([233]) (see Annex 5). On the upside, resource productivity has increased and is within range of the EU average at EUR 2.38 generated per kg of material consumed in 2024 ([234]).

Initiatives to stimulate greater use of secondary raw materials could be more impactful. In 2021, the country filed five patents related to secondary raw materials and recycling out of a total of 325 patents issued in the EU ([235]). The share of people employed in circular economy sectors was one of the lowest in the EU in 2023 ([236]). Denmark could consider the need for measures to promote job creation, improve the sector's attractiveness to workers, and/or adjust vocational and higher education curricula to better align with circular economy requirements.

([227])Ministry of the Environment, *Handlingsplan for cirkulær økonomi*, July 2021, https://mim.dk/media/s0rpgnej/handlingsplan-for-cirkulaer-oekonomi.pdf.

([228])European Semester mission, 15.1.2026.

([229])The Danish Council on Climate Change, *Statusrapport 2026*, https://klimaraadet.dk/en/node/674.

([230])Eurostat, *Material footprint*, https://ec.europa.eu/eurostat/databrowser/view/env_ac_rme/default/table?lang=en, accessed 2.2.2026.

([231])Eurostat, *Circular material use rate*, https://ec.europa.eu/eurostat/databrowser/view/env_ac_cur/default/table?lang=en, accessed 2.2.2026.

([232])Environmental Protection Agency, *Affaldsstatistik 2023*, https://mst.dk/publikationer/2025/august/affaldsstatistik-2023.

([233])Eurostat, *Material import dependency*, https://ec.europa.eu/eurostat/databrowser/view/cei_gsr030/default/table?lang=en, accessed 20.2.2026.

([234])Eurostat, *Resource productivity*, https://ec.europa.eu/eurostat/databrowser/view/env_ac_rp/default/table?lang=en, accessed 18.2.2026

([235])Eurostat, *Patents related to recycling and secondary raw materials*, https://ec.europa.eu/eurostat/databrowser/view/cei_cie020__custom_20152252/default/table, accessed 17.2.2026.

([236])Eurostat, *Persons employed in circular economy sectors*, https://ec.europa.eu/eurostat/databrowser/view/cei_cie011__custom_20041825/default/table?lang=en, accessed 9.2.2026.

The Danish government sees public procurement as a major driver of the circular economy. The indicators suggest that further action is needed to achieve circularity. The CEAP includes procurement-focused initiatives, a number of which are incentives or take the form of guidance. It also includes a measure to create a digital tool for calculating total cost of ownership for procurement and an objective to have all public procurement eco-labelled by 2030 – both have yet to be completed. Nevertheless, Denmark is one of the six best performing countries in terms of EU Ecolabel awarded products and licences ([237]).

Denmark implements the extended producer responsibility (EPR) schemes designed to improve circularity and reduce waste. Several collective schemes in the country ensure compliance with the EPR rules on behalf of businesses that have joined these schemes ([238]). In Denmark, EPR rules apply to electronics, batteries, vehicles, fishing gear, single-use plastics and packaging waste ([239]). A mandatory deposit-return system is in place for certain beverage containers; it is very efficient with 93% disposable containers returned and 99.7% recycled in 2024. Collecting reusable containers is the obligation of businesses ([240]). In addition, businesses may choose to set up take-back schemes - an example is ReturnPen for used injection pens ([241]).

The EPR scheme for packaging in Denmark was launched in October 2025. The volume of packaging waste in Denmark was among the highest in the EU, at 192 kg per capita in 2023 and increasing ([242]). While Denmark had the second-best recycling rate of 87% of wooden packaging waste in the EU in 2023, the recycling rates of the main types of packaging waste – paper, cardboard and plastics – were among the lowest at 72% and 28% respectively in the EU ([243]) ([244]) ([245]). The recycling rate of the third main type of packaging waste – glass – was 69%, below the EU average of 75% ([246]). For metals, although Denmark recycled more aluminium packaging per capita (78%) than the EU average, the recycling rate for ferrous packaging at 61.7% was among the lowest in the EU in 2023 ([247]). Denmark is considered at risk of not meeting the 2025 recycling targets for ferrous (70%) and plastic (55%) packaging ([248]).

([237])European Commission, EU Ecolabel facts and figures, https://environment.ec.europa.eu/topics/circular-economy-topics/eu-ecolabel/businesses/ecolabel-facts-and-figures_en, accessed 15.4.2026.

([238])Dansk Producent Ansvar, *Collective schemes in Denmark* https://producentansvar.dk/en/products-and-responsibility/organising-your-producer-responsibility/compliance-schemes/.

([239])Environmental Protection Agency, *Producentansvar*, https://mst.dk/erhverv/groen-produktion-og-affald/affald-og-genanvendelse/producentansvar.

([240])Environmental Protection Agency, *Pant- og retursystem*, https://mst.dk/erhverv/groen-produktion-og-affald/affald-og-genanvendelse/producentansvar/pant-og-retursystem?id=143250, accessed 11.2.2026.

([241])Returpen TM, https://returpen.dk/.

([242])Eurostat, *Packaging waste by waste management operations*, https://ec.europa.eu/eurostat/databrowser/view/ENV_WASPAC__custom_20040890/default/table?lang=en, accessed 9.2.2026.

([243])Eurostat, *Wood packaging waste recycling rate*, https://ec.europa.eu/eurostat/databrowser/view/env_waspac__custom_20117515/default/table?lang=en. *Wood packaging waste generated*, Link, accessed 13.2.2026.

([244])Eurostat, *Paper and cardboard packaging waste recycling rate*, https://ec.europa.eu/eurostat/databrowser/view/env_waspac__custom_20105584/default/table?lang=en. *Paper and cardboard packaging waste generated*, https://ec.europa.eu/eurostat/databrowser/view/ENV_WASPAC__custom_20117550/default/table?lang=en, accessed 13.2.2026.

([245])Eurostat, *Plastic packaging waste recycling rate*, https://ec.europa.eu/eurostat/databrowser/view/env_waspac__custom_20041845/default/table?lang=en. *Plastic packaging waste generated*, https://ec.europa.eu/eurostat/databrowser/view/ENV_WASPAC__custom_20117553/default/table, accessed 13.2.2026.

([246])Eurostat, *Glass packaging waste recycling rate*, https://ec.europa.eu/eurostat/databrowser/view/env_waspac__custom_20117583/default/table?lang=en. *Glass packaging waste generated*, https://ec.europa.eu/eurostat/databrowser/view/ENV_WASPAC__custom_20117577/default/table?lang=en, accessed 13.2.2026.

([247])Eurostat, *Aluminium packaging waste recycling rate*, https://ec.europa.eu/eurostat/databrowser/view/env_waspac__custom_20291023/default/table?lang=en. *Aluminium packaging waste generated*, Link. *Ferrous packaging waste recycling rate*, Link. *Ferrous packaging waste generated*, https://ec.europa.eu/eurostat/databrowser/view/ENV_WASPAC__custom_20291063/default/table?lang=en, accessed 26.2.2026.

([248])European Environmental Agency, *Early warning assessment related to the 2025 targets for municipal waste and packaging waste – Country Reports – Denmark*, 2022, https://www.eea.europa.eu/en/analysis/publications/many-eu-member-states/early-warning-assessment-related-to-the-2025-targets-for-municipal-waste-and-packaging-waste.

Businesses, however, claim that the EPR rules for packaging imply additional costs and tasks. A new business forum was set up to analyse the situation and in February 2026, the forum submitted recommendations to the Ministry of Environment to simplify compliance with the rules ([249]). Denmark intends to reduce the fees that producers must pay for waste collection, in particular for glass packaging waste ([250]). The aim of environmental fee modulation is to encourage the use of circular materials and designs over those that are difficult to recycle.

Denmark has improved waste management, but waste generation is still a challenge. Denmark's per capita food and municipal waste generation is among the highest in the EU. In 2023, at 261 kg per capita, the volume of food waste was more than double the EU average of 129 kg per capita, and the data suggest an upward trend ([251]). Denmark's Food Waste Strategy 2024-2027 aims to reduce food waste at all stages of the food value chain ([252]). The country also has a mandatory separate material-based collection system for household waste and a harmonised pictogram for all 10 waste streams. All waste fractions for all housing types were fully implemented in 91 out of 98 municipalities by 2025 ([253]). Despite the separate collection system, the volume of municipal waste at 755 kg per capita remained well above the EU average of 517 kg per capita in 2024 ([254]). The volume was similar to that of the preceding year when it accounted for 36% of all waste ([255]). At the same time, the municipal waste recycling rate has remained within the range of the EU average – in 2024, it was 46%, close to the EU average of 48% ([256]). A well implemented pay-as-you-throw (PAYT) system could result in higher recycling rates. Denmark's municipal waste collection policy allows the system, but not all municipalities apply it. The economic incentives for using bins for recyclables instead of residual waste bins are unclear ([257]). In 2023, the highest share (33%) of all municipal waste was residual waste, followed by biodegradable waste (20%), paper and cardboard packaging (12%) and food waste (9%) ([258]).

Denmark's district heating system relies on the incineration of (municipal) waste. In 2024, similarly to earlier years, Denmark incinerated the highest volume of municipal waste in the EU, 386 kg per capita, more than double the EU average of 135 kg per capita ([259]). A slight decrease in domestic household waste suitable for

([249]) Environmental Protection Agency, *Miljøstyrelsen afholder første møde i Virksomhedsforum for producentansvar på emballage den 10. december*, https://mst.dk/nyheder/2025/december/miljoestyrelsen-afholder-foerste-moede-i-virksomhedsforum-for-producentansvar-paa-emballage-den-10-december, 9.12.2025. *Virksomhedsforums anbefalinger til justering af regler er nu afleveret*, https://mst.dk/nyheder/2026/februar/virksomhedsforums-anbefalinger-til-justering-af-regler-er-nu-afleveret, 26.2.2026.

([250]) Ministry of Environement and Gender Equality, *Nyt lovforslag skal skære op til 30 procent af gebyr på glasemballage*, https://mim.dk/nyheder/pressemeddelelser/2026/februar/nyt-lovforslag-skal-skaere-op-til-30-procent-af-gebyr-paa-glasemballage.

([251]) Eurostat, *Food Waste*, https://ec.europa.eu/eurostat/databrowser/view/cei_pc035/default/table?lang=en, accessed 20.2.2026.

([252]) Ministry for Food, Agriculture and Fisheries, *Strategi for madspild*, https://fvm.dk/arbejdsomraader/foedevarer/madspild/strategi-for-madspild-2024-2027.

([253]) 10 waste streams: food, paper, cardboard, glass, metal, plastics, food and drink cartons, textiles, hazardous waste and residual waste. Environmental Protection Agency, *Kortlægning af kommunale affaldsordninger for husholdningsaffald*, https://mst.dk/borger/affald-og-forurening/sortering-af-affald/kortlaegning-af-kommunale-affaldsordninger-for-husholdningsaffald, accessed 9.2.2026. According to the Danish authorities all municipalities have implemented the system, European Semester mission, 15.1.2026. This information is not available online.

([254]) Eurostat, *Municipal waste generated*, https://ec.europa.eu/eurostat/databrowser/view/env_wasmun/default/table?lang=en, accessed 27.3.2026.

([255]) Environmental Protection Agency, *Affaldsstatistik 2023*, https://mst.dk/publikationer/2025/august/affaldsstatistik-2023.

([256]) Eurostat, *Recycling rate of municipal waste*, https://ec.europa.eu/eurostat/databrowser/view/cei_wm011/default/table?lang=en, accessed 27.3.2026.

([257]) European Environmental Agency, *Early warning assessment related to the 2025 targets for municipal waste and packaging waste – Country Reports – Denmark*, 2022, https://www.eea.europa.eu/en/analysis/publications/many-eu-member-states/early-warning-assessment-related-to-the-2025-targets-for-municipal-waste-and-packaging-waste.

([258]) Environmental Protection Agency, *Affaldsstatistik 2023*, https://mst.dk/publikationer/2025/august/affaldsstatistik-2023. The amount of residual waste has declined due to improved sorting of municipal waste and resulted in an increase in recyclable waste such as food waste.

([259]) Eurostat, *Municipal waste incineration with energy recovery*, https://ec.europa.eu/eurostat/databrowser/view/env_wasmun/default/table?lang=en, accessed 27.3.2026.

incineration resulted in increased waste imports, instead of less incineration capacity in 2023 ([260]). Denmark intends to reduce its waste incineration capacity to match the volume of incinerable waste generated domestically from 2030 onwards. The waste incineration sector was liberalised in 2025 to achieve this ([261]). Since January 2025, Denmark has strengthened waste inspections to prevent the incineration of recyclable commercial waste ([262]). While waste-to-energy incineration remains at a high level, the share of landfilled waste 1-2% is very low ([263]). Landfill is subject to a high tax, significantly above the EU average, and landfilling biodegradable waste is prohibited ([264]). Denmark also applies taxes to waste-to-energy incineration, composed of incineration and CO_2 taxes ([265]). The regulation of CO_2 taxes in the incineration sector is handled in connection with the Agreement on Green Tax Reform. This is the reason for discontinuing the CEAP initiative on analysing taxes that support the circular economy.

The volume of textile waste is on the rise, and it is partly incinerated. The largest share (59%) of all textiles purchased in 2021 waste was sent to incineration plants and 12% for recycling ([266]). In 2023, over 30% of textile waste generated by industries was collected for incineration and a high share of textile waste was exported. Households generated the highest volume of textile waste ([267]). Separate collection of textiles has been mandatory since January 2025 in the EU ([268]). The 2025 Finance Law earmarked EUR 5.4 million for a national action plan for textiles to promote more circular production, consumption and recycling in Denmark ([269]) ([270]).

Electronic waste could be used more efficiently as a source of critical raw materials. Denmark collected 59% of electronic waste in 2023, against the target of 85% ([271]). The country's reuse and recycling rate for end-of-life vehicles was 83.2% in 2023 – the second lowest in the EU and below the EU average of 88.3% ([272]). As the automotive sector transitions to battery-electric vehicles and the renewable energy sector expands, it would be especially important to maximise the reuse of critical raw materials.

Construction and demolition waste (CDW) is the largest waste category in Denmark. It accounted for 41% of all waste collected in the

([260])Environmental Protection Agency, Affaldsstatistik 2023, https://mst.dk/publikationer/2025/august/affaldsstatistik-2023.

([261])The Danish Government, *Bred politisk aftale sikrer grøn affaldssektor i 2030*, https://regeringen.dk/aktuelt/nyheder/2020/bred-politisk-aftale-sikrer-groen-affaldssektor-i-2030/, 16.6.2020. The Danish Energy Agency, Monitorering af affaldsforbrændingskapaciteten 2025, https://ens.dk/forsyning-og-forbrug/monitorering-af-affaldsforbraendingskapaciteten-i-danmark. Ministry of Climate, Energy and Utilities, *Planen er lagt: Klimaprogram 2025 viser vejen til 2030-målet*, https://www.kefm.dk/aktuelt/nyheder/2025/sep/planen-er-lagt-klimaprogram-2025-viser-vejen-til-2030-maalet-, 30.9.2025.

([262])European Environmental Agency, *Affaldstilsyn*, https://mst.dk/erhverv/groen-produktion-og-affald/affald-og-genanvendelse/affaldstilsyn.

([263])Eurostat, *Municipal waste - landfill*, https://ec.europa.eu/eurostat/databrowser/view/env_wasmun__custom_20742000/default/table, accessed 27.3.2025.

([264])European Environment Agency, Economic instruments and separate collection systems — key strategies to increase recycling, Link, 8.6.2023. EUR 64/tonne. Ministry of Taxation, *Affalds- og råstofafgiftsloven*, https://skm.dk/tal-og-metode/satser/satser-og-beloebsgraenser-i-lovgivningen/affalds-og-raastofafgiftsloven.

([265])European Environmental Agency, *Early warning assessment related to the 2025 targets for municipal waste and packaging waste – Country Reports – Denmark*, 2022, https://skm.dk/tal-og-metode/satser/satser-og-beloebsgraenser-i-lovgivningen/affalds-og-raastofafgiftsloven.

([266])Energy Agency, *Global afrapportering 2023*, https://ens.dk/analyser-og-statistik/danmarks-globale-klimapaavirkning-global-afrapportering.

([267])The growth in textile waste may be due in part to improved waste sorting. Environmental Protection Agency, Affaldsstatistik 2023, https://mst.dk/publikationer/2025/august/affaldsstatistik-2023.

([268])Directive 2008/98/EC, Article 11(1), https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02008L0098-20251016.

([269])Ministry of Finance, *Finanslov for finansåret 2025*, https://fm.dk/udgivelser/2025/februar/finanslov-for-finansaaret-2025/, 27.2.2025.

([270])Ministy of Environment and Gender Equality, *Ny milepæl: Sekretariat for tekstilhandlingsplan valgt*, https://mim.dk/nyheder/pressemeddelelser/2025/september/ny-milepael-sekretariat-for-tekstilhandlingsplan-valgt, 30.9.2025.

([271])Eurostat, *Waste electrical and electronic equipment*, https://ec.europa.eu/eurostat/databrowser/view/env_waseleeos__custom_20202622/default/table, accessed 27.3.2026.

([272])Eurostat, *End-of-life vehicles*, Link, accessed 20.2.2026.

country in 2023 ([273]). The rate of recycling and preparation for reuse of the CDW was relatively low (34%) compared with the backfilling rate, 62% in 2022 ([274]). One measure to increase the rate of recycling and preparation for CDW reuse, for example, is the selective demolition of buildings. In Denmark, this is mandatory for buildings exceeding 250 m^2 as of July 2025, but it is not fully applied by industry or by municipalities ([275]). Since January 2025, the Environmental Protection Agency is responsible for waste classification, no longer the municipalities. Centralising this task ensures consistency in waste management practices and thereby improves waste sorting and recycling ([276]). Preparatory work is ongoing for the national strategy on raw materials to support sustainable extraction of sand and gravel and to increase the rate of recycling of building materials.

Bioeconomy industry

Denmark is a global leader in bio-based chemicals and plastics, driven by world-class enzyme production and large-scale biorefineries ([277]). Bioeconomy value added has grown faster than domestic GDP in recent years ([278]). At the same time, overall employment in the bioeconomy sector has shown limited growth, with only bio-based chemicals and plastics registering higher growth in employment between 2018 and 2023 (2.1%) among the bioeconomy sub-sectors ([279]). Labour productivity in the bioeconomy – measured as value added per person employed – was 118.1% of the national average, up from 98.3% in 2018 ([280]). In addition, research and development (R&D) business expenditure from bioeconomy-relevant sub-sectors is estimated to have grown at a significantly faster pace than overall R&D business expenditure in Denmark (by 7.2% compared with 3.9% on average between 2018 and 2023) ([281]).

Zero-pollution industry

Denmark has made considerable progress in reducing air pollution, which is now decoupled from GDP growth. Denmark has met its emission reduction commitments for 2020-2029 for air pollutants and also aims to meet the commitments for 2030 onwards ([282]). Emissions of several air pollutants have decreased significantly since 2005 ([283]) and the overall air quality is good. Industrial emissions to air are among the lowest in the EU. The main contributors are the energy sector (including refineries and gasification) and the mineral sector ([284]). Nonetheless, 1 299 deaths in Denmark could be attributed to air pollutants in 2023 ([285]). Recent research finds that in Denmark,

([273])Environmental Protection Agency, *Affaldsstatistik 2023*, https://mst.dk/publikationer/2025/august/affaldsstatistik-2023.

([274])Eurostat, *Treatment of waste by waste category, hazardousness and waste management operations*, https://ec.europa.eu/eurostat/databrowser/view/ENV_WASTRT__custom_20497420/default/table.

([275])Environmental Protection Agency, *Autorisation på nedrivningsområdet for selektiv nedrivning,* https://mst.dk/erhverv/groen-produktion-og-affald/affald-og-genanvendelse/affaldshaandtering/affaldsfraktioner/bygge-og-anlaegsaffald/selektiv-nedrivning/autorisationsordning-for-selektiv-nedrivning.

([276])Environmental Protection Agency, *Klassificering af affald*, Link.

([277])European Commission, Denmark | Knowledge for policy, https://knowledge4policy.ec.europa.eu/bioeconomy/country/denmark_en.

([278])Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, https://datam.jrc.ec.europa.eu/datam/mashup/BIOECONOMICS/.

([279])Bioeconomy subsectors: food and beverages; bio-based textiles; wood products and furniture; bio-based chemicals and plastics.

([280])Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, https://datam.jrc.ec.europa.eu/datam/mashup/BIOECONOMICS/.

([281])Joint Research Centre, Business expenditure in Research and Development (R&D) in the EU bioeconomy, https://datam.jrc.ec.europa.eu/datam/mashup/BERD_BIOECONOMY/.

([282])Five air pollutants (NO_x, SO_2, NMVOC, NH_3 and $PM_{2.5}$) set by the National Emission Reduction Commitments Directive. European Environment Agency, *National air pollutant emissions data viewer 2005-2023*, https://www.eea.europa.eu/en/topics/in-depth/air-pollution/national-air-pollutant-emissions-data-viewer-2005-2022.

([283])Directive 2008/50/EC of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe, Link.

([284])European Commission, 2025 Environmental Implementation Review, Country Report - Denmark, SWD(2025)306, 7.7.2025.

([285])703 deaths to fine particulate matter ($PM_{2.5}$); 32 deaths to nitrogen dioxide (NO_2); and 564 deaths to ozone. European Environment Agency, *Harm to human health from air pollution in Europe: burden of disease status, 2025*, https://www.eea.europa.eu/en/analysis/publications/harm-to-

the health-related social costs of air pollution from foreign and domestic sources are estimated to reach DKK 94 billion (EUR 12.6 billion) ([286]).

Denmark had 2 470 industrial installations in 2022. Most were in the intensive poultry and pig rearing (73%) sector, with others in the waste management (14%), food, drink and milk (4%) and the energy (3%) sectors ([287]). The municipalities are responsible for granting permits for most industrial installations. The Environmental Protection Agency manages permits for over 400 of the environmentally most complex companies ([288]). A recent audit identified several shortcomings in permit management of these companies ([289]).

The Danish authorities are taking measures to improve the efficiency of permitting. A dedicated task force reviewed the outdated environmental permits of 34 companies by the end of 2025, with EUR 3.35 million allocated for this task ([290]). The task force will be expanded to develop the work on environmental permits in line with a new plan to implement the key recommendations on permitting. As of 2026, an increased fee covers 100% (up from 58%) of permitting costs ([291]). Among other aims, permits are designed to limit industrial discharges to surface waters. In Denmark, most surface waters are not in a good status (see Annex 10).

In Denmark, the main contributor to industrial emissions to water is incineration with energy recovery. Other major sources are the chemicals, food and drink sectors, which generate a considerably smaller share of emissions than waste-to-energy incineration ([292]). Based on reporting under the Industrial Emissions Directive, in Denmark, emissions of industrial heavy metals (cadmium, mercury, nickel and lead) into water have increased significantly (by 101%) since 2010. Industrial emissions of total organic carbon and nitrogen have seen less of an increase (up 11% and 9% respectively). By contrast, industrial releases of phosphorus emissions have decreased by 23% ([293]). In terms of pollution from per- and polyfluoroalkyl substances (PFAS), there are 2 161 contaminated sites in Denmark ([294]). A national action plan for PFAS aims to (1) ban these substances in clothing and shoes, (2) clean up point source pollution in soils and (3) establish a grant fund for public water suppliers to protect citizens' drinking water from PFAS ([295]).

Denmark takes measures to remove legacy pollution caused by past industrial activities. In 2020, Danish regions identified 10 large soil contamination sites to restore. Seven sites

human-health-from-air-pollution-burden-of-disease-status-2025.

([286])Edited by Peter Birch Sørensen, 2025, Green National Accounting in Theory and Practice, From GDP to Green GDP. Estimates of the pollution costs are for the year 2020 in 2023 prices and an underestimate partly due to lack of data and the precaution against double counting.

([287])European Commission, 2025 Environmental Implementation Review, Country Report - Denmark, SWD(2025)306, 7.7.2025.

([288])Ministry of Environment and Gender Equality, *Ny taskforce skal sætte tempo på revurderinger af miljøgodkendelser*, https://mim.dk/nyheder/pressemeddelelser/2024/juni/ny-taskforce-skal-saette-tempo-paa-revurderinger-af-miljoegodkendelser.

([289])Investigation results (long approval time of permits, non-compliance with rules for inspections and permit reviews) cover the period 2020-2024. The Auditors of Public Accounts, *Beretning 6/2025 om særligt forurenende virksomheder*, https://www.ft.dk/statsrevisor/20251/beretning/sb6/index.htm , 8.12.2025.

([290])Environmental Protection Agency, *Status for Miljøstyrelsens taskforce for revurdering af miljøgodkendelser*, https://mst.dk/erhverv/groen-produktion-og-affald/industri/miljoestyrelsen-virksomheder/status-for-miljoestyrelsens-taskforce-for-revurdering-af-miljoegodkendelser, accessed 9.2.2026.

([291])Ministry of Environment and Gender Equality, *Miljøminister er klar med plan for rettidige miljøgodkendelser efter kritik fra Rigsrevisionen*, Link, 8.12.2025. Miljøstyrelsen, *Miljøstyrelsen vil med ny plan sikre rettidige miljøgodkendelser*, https://mst.dk/nyheder/2025/november/miljoestyrelsen-vil-med-ny-plan-sikre-rettidige-miljoegodkendelser, 27.11.2025.

([292])European Commission, 2025 Environmental Implementation Review, Country Report - Denmark, SWD(2025)306, 7.7.2025.

([293])European Environment Agency, *Water pollutant releases changes from 2010 to 2022 for the EU Member States*, https://www.eea.europa.eu/en/analysis/maps-and-charts/water-pollutant-releases-3.

([294])European Commission: *The cost of PFAS pollution for our society,* Link. The Forever Pollution Project, *The Map of Forever Pollution*, https://foreverpollution.eu/.

([295])Government, *Aftale om en national handlingsplan for PFAS*, https://regeringen.dk/aktuelt/nyheder/2024/et-samlet-folketing-bag-national-handlingsplan-mod-pfas/. Ministry of Environment and Gender Equality, *PFAS-forurening*, https://mim.dk/kampagner/pfas: includes English version of the national action plan for PFAS.

endanger surface waters and three sites endanger groundwater. The first site expected to be cleaned by end 2027 is *Kærgård Klitplantage* in Syddanmark. The funding for studies and remediation measures for all 10 sites amounts to EUR 187 million. Additional financing is needed to carry out all the activities scheduled by 2033 ([296]).

([296])Environmental Protection Agency, *Generationsforureninger*, https://mst.dk/erhverv/rent-miljoe-og-sikker-forsyning/jord/generationsforureninger.

Table A8.1: **Key clean industry and climate mitigation indicators: Denmark**

Climate mitigation	Denmark							Trend	EU	
Industry decarbonisation	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emissions intensity of manufacturing production, g/€ [1]	122	110	120	107	86	66	53	↘	330	-
Share of energy-related emissions in industrial GHG emissions [2]	67.4	68.4	66.5	67.7	67.9	66.1	-	↘	55.5	57.9
Energy-related GHG emissions intensity of manufacturing and construction, g/€ (3)	100.2	89.2	93.2	82.6	66.5	50.9	-	↘	203.9	163.0
Share of electricity and renewables in final energy consumption in manufacturing, % (4)	41.5	42.1	41.9	40.9	40.4	42.1	43.3	↗	42.8	43.9
Energy intensity of manufacturing, GWh/€ [4]	0.60	0.55	0.60	0.55	0.44	0.36	0.31	↘	1.27	1.05
Share of energy-intensive industries in manufacturing production, % in GVA [5]	12.25	12.62	13.34	12.96	12.25	10.31	8.90	↘	-	-
GHG emissions intensity of production in sector [..], g/€ [6]										
- paper and paper products (NACE C17)	160	126	93	136	139	149	142	↗	722	619
- chemicals and chemical products (NACE C20)	86	76	83	81	74	82	77	↘	-	-
- other non-metallic mineral products (NACE C23)	1,897	1,880	2,029	1,853	1,695	2,000	1,897	↘	2,495	2,352
- basic metals (NACE C24)	257	231	235	243	199	298	297	↗	2,842	3,099
Reduction of effort sharing emissions	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emission reductions relative to base year, %				-19.0	-22.1	-25.9	-28.8			
- domestic road transport	-2.0	-3.5	-11.1	-9.6	-11.1	-12.1	-21.0	↘	-1.4	-5.6
- buildings	-41.4	-45.3	-48.7	-48.4	-54.6	-56.1	-56.1	↘	-20.3	-33.5
	2005			**2021**	**2022**	**2023**	**2024**	**Target**	**WEM**	**WAM**
Effort sharing: GHG emissions, Mt; target, gap, %	40.4			32.7	31.4	29.9	28.8	-50.0%	-50.9%	-50.9%
Sustainable road transport	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**		**2018**	**2021**
New zero-emission vehicles, electricity motor, % [7]	0.71	2.44	7.15	13.33	20.63	36.10	51.34		↗	1.03	8.96
Number of publicly accessible AC/DC charging points [8]	-	-	3547	5843	10818	23071	35869	50338	↗	446956	n/a
Share of electrified railways, % of total [9]	29.42	28.79	31.23	32.31	32.76	33.95	35.38		↗	55.47	56.49

Sustainable industry	Denmark							Trend	EU-27	
Circular economy transition	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**latest data**
Material footprint, tonnes per person	23.2	24.2	23.4	24.3	26.5	22.2	23.2	↘	14.8	13.7
Circular material use rate, %	8.0	7.6	7.5	8.4	9.1	9.3	9.4	↗	11.6	12.2
Resource productivity, €/kg	2.1	2.2	2.2	2.4	2.5	2.8	2.8	↗	2.1	3.0
Employees in circular economy	1.5	1.5	1.5	1.6	1.3	1.3	-		2.1	2.0
Patents in circular economy	5.56	7.8	5.2	4.6					12.3	12.0
Recycling rate	49.9	51.5	45.0	49.0	50.3	46.6	46.4		46.40	48.1
Plastic recyling	31%	37%	23%	21%	26%	28%	-		41%	42%
Construction and demolition waste (CDW) recovery	97	-	97						88	89
Bioeconomy industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**CAGR 2018-2023**	**2018**	**2023**
Value added, million EUR	14,602	16,689	17,298	16,553	18,668	21,165	-	6.4%	642,438	863,436
Employment, total number of people employed	168,480	165,091	166,911	167,860	171,992	172,780	-	0.4%	17,649,040	17,085,642
Productivity										
Valued added per worker, thousand EUR	86.7	101.1	103.6	98.6	108.5	122.5	-	5.9%	36.4	50.5
Valued added per worker, % of national average	98.3	113.1	113.5	100.2	102.3	118.1	-	-	62.2	70.7
R&D business expenditure										
Total bioeconomy (biomass producing and converting sectors)	1,109	1,116	1,152	1,479	1,517	1,684		7.2%	15,672	23,335
Total R&D business expenditure	5,660	5,698	5,701	5,885	6,726	7,140	-	3.9%	196,587	259,525
Zero pollution industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2021**
Damage cost for industrial pollution	2.3	2.0	1.9	2.1	-	-	-		414.9	352.7

Water industrial pollutants releases	Cd, Hg, Ni, Pb		nitrogen		TOC		Phosporus			
	2021	change (2010)	2021	change (2010)	2021	change (2010)	2021	change (2010)		
	1,539	101%	2,586,484	81%	1,451,800	21%	159,644	5%		
Water chemical status		Good	138	Good (%)	0.0		Poor	445.0	Poor (%)	6%

Source: Industry decarbonisation: All data are from Eurostat; data following the UNFCCC Common Reporting Format (CRF) are from the European Environment Agency (EEA), republished by Eurostat. (1) Sectors covered: all divisions of section C - Manufacturing - of the NACE Rev. 2 statistical classification of economic activities, except C19 (manufacture of coke and refined petroleum products). (2) GHG emissions as per UNFCCC Common Reporting Framework (CRF) categories 1.A.2 - fuel combustion in manufacturing in industries and construction (that broadly correspond to the broadly correspond to the NACE sections C - Manufacturing and E - Construction, excluding C-19), and CRF2 - industrial processes and product use. The figures shows the emissions in the 1.A.2 category as a share of the sum of CRF1.A.2. and CRF2 emissions. (3) Sectors covered: CRF 1.A.2 as described above. Gross value added (GVA) data in the denominator aligned in sectoral coverage, in 2020 prices. (4) Sectors covered: NACE section C excluding C19. (5) Nominator: NACE divisions C17, 20, 23, 24; denominator: NACE section C excluding C19 (see above). (6) GVA (denominator) in 2020 prices. Reduction of effort sharing emissions: Data source: European Environment Agency, greenhouse gas data viewer; European Commission, Climate Action Progress Report, 2025. For details, see the footnote in the "Reduction of effort sharing emissions" section. Sustainable road transport: (7) Source: Eurostat; (8) Source: European Alternative Fuels Observatory; (9) Source: Eurostat. For all climate mitigation indicators, the trend arrows compare the latest available data (year t) with the data four years earlier (t-4). Sustainable industry: Bioeconomy value added, employment and productivity: JRC, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU. Bioeconomy R&D business expenditure: JRC, Business expenditure in Research and Development (R&D) in the EU bioeconomy. Damage cost for industrial pollution: EEA, The costs to health and the environment from industrial air pollution in Europe, 2024. Water industrial pollutants releases: EEA, Industrial releases of pollutants to water and economic activity in the EU-27, 2024. Water chemical status: WISE, Surface water bodies: Chemical status, 2024 and WISE Groundwater bodies: chemical status, 2024. Other indicators: Eurostat. For circular economy indicators, the trend arrows compare the latest available data (year t) with the data two years earlier (t-2).

Denmark's 2025 country-specific recommendations (CSRs) highlighted challenges in electrification and in electricity market demand and flexibility, alongside a need to expand and upgrade the grid at both transmission and distribution levels. The recommendations also emphasised the need to encourage clean and efficient energy production and use, to support the deployment of renewable energy and energy efficiency, and to promote demand response, energy storage and other clean flexibility solutions through appropriate incentives and network modernisation.

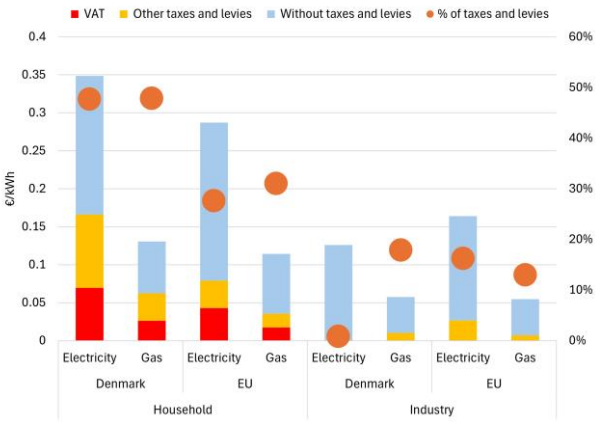
Overall, Denmark has made substantial progress towards achieving the priorities set out in the 2025 CSRs. Production of electricity from renewables reached 92.4% in 2025, and new tenders for offshore wind were launched. Cross-border interconnectivity remains very high, and progress has been made through the work of the National Energy Crisis Team (NEKST). Measures are planned or underway to ensure timely grid expansion and to further strengthen demand-side response and storage capacity, to meet growing electrification and flexibility needs.

Energy prices and costs

Despite government intervention to lower energy bills for households, gas and electricity prices remain very high and well above the EU average. Taxes and levies continue to account for a substantial share of household energy bills. During the first half of 2025, household gas and electricity prices in Denmark remained above the EU average at EUR 0.1306/kWh and EUR 0.3485/kWh respectively, with electricity prices the third highest in the EU. In the first half of 2025, the share of household electricity retail prices accounted for by taxes and levies was 47.7%, the highest in the EU, whereas practically all such taxes are recoverable for non-household consumers ([297]).

Denmark's high household energy prices contrast with its industrial energy prices, which remain below or in line with the EU average despite increasing in recent years. Conversely, industrial electricity retail prices remain well below the EU average despite increasing in recent times, as compared to gas prices which are close to the EU average.

Graph A9.1: **Electricity and gas prices for household and non-household consumers, first half of 2025**



(i) For household consumers, the consumption band is DC for electricity and D2 for gas.
(ii) For non-household consumers, the consumption band is ID for electricity and I4 for gas. VAT and recoverable charges are not displayed for non-household consumers as these are typically recovered by businesses. This also applies to the '% of taxes and levies', which is shown excluding VAT and recoverable charges for non-household consumers.
(iii) 'Without taxes and levies' indicates the retail price excluding all taxes and levies. It always includes the energy/supply and network cost components, which are not disaggregated in Eurostat's six-monthly price dataset.
Source: Eurostat

Final energy prices in Denmark remain slightly imbalanced. For large businesses, electricity was 2.2 times more expensive than gas in the first half of 2025, with taxes and levies (excluding VAT) accounting on average for 1% of electricity bills as compared to nearly 18% of gas bills. When VAT is included, taxes and levies accounted for 55% of the total cost for both energy sources, highlighting their strong impact on final prices. Excluding taxes and levies, the electricity-to-gas price ratio would have risen to 2.6, indicating that Danish fiscal measures help narrow the gap between the two. For households, taxes and levies (excluding VAT) represented over 56% of electricity bills and 53% of gas bills, a major reason why prices are above the EU average ([298]). In this regard, tax on electricity is due to be

([297])Electricity price statistics - Statistics Explained - Eurostat.

([298])It should be noted that the fiscal component of household electricity bills may change from 2026 due to legislation

cut to the EU minimum in early 2026 in order to lower household bills, which will, in turn, slightly narrow the gap with the EU average. Taxes and levies have a negligible effect on the electricity-to-gas price ratio ([299]).

Despite higher price spreads due to the intermittency of renewables and rising natural gas costs ([300]), the large share of renewable energy (92.4%) in Denmark's electricity mix meant that wholesale electricity prices averaged EUR 83/MWh in 2025 ([301]), below the EU average of EUR 85/MWh. Nevertheless, average day-ahead prices in Denmark and the surrounding region rose 17% over the course of the year. Short run marginal costs ([302]) for gas in the EU increased from EUR 96/MWh to nearly EUR 103/MWh in 2025. Although daytime prices have fallen in recent years owing to the growing incorporation of cheap solar power, Denmark remains exposed to price spikes during peak-demand hours. This is because falling solar output in the evening and early morning, combined with limited non-fossil flexibility, requires thermal plants to ramp up generation to cover supply–demand gaps. As a result, price spreads ([303]) in Denmark averaged EUR 109/MWh in 2025, an 8% increase compared to 2024.

Progress has been made towards fully deploying smart metering, promoting dynamic pricing and building further energy communities. Denmark has put in place a framework and tools to facilitate dynamic pricing. Household deployment of smart electricity meters has reached 100%, with some estimates ([304])([305]) indicating that 60-70% of households have selected a contract that involves a time-of-use component. Prices are not regulated in Denmark and consumers have access to a wide range of market-based contracts. According to recent data ([306]), in 2024 the number of energy suppliers increased by 24, to a total of 64. Furthermore, the share of consumers that switch supplier has increased from 9.45% in 2020 to 13% in 2024. In addition, Denmark has set up a framework that allows citizens to actively engage in energy communities. There are now 432 registered energy communities in Denmark.

Graph A9.2: **Low-carbon electricity generation vs. electricity wholesale prices, 2025**

Unavailable data for Cyprus and Malta. Wholesale price is given as average of day-ahead electricity prices over 2025. EU-27 average is calculated as consumption-weighted. EU low-carbon share is calculated out of total EU electricity generation. Low-carbon share by country is calculated out of total public electricity generation. Low-carbon includes renewables and nuclear.
Source: Eurostat

Flexibility and electricity grids

By taking measures at transmission and distribution level, Denmark has made

adopted by the Danish government lowering excise duty rates to the EU minimum.

([299])Analysis based on Eurostat data, Statistics | Eurostat.

([300])Fossil fuels accounted for over 7% of electricity generation in Demark throughout the year, maintaining a certain role as marginal price-setting technologies.

([301])Ember.

([302])Short run marginal costs (SRMC) are the sum of the variable costs associated with producing electricity using hard coal and fossil gas. These are fuel costs, carbon costs and variable operating and maintenance costs. Estimates are provided by Ember.

([303])Spread refers to the difference between the highest and lowest hourly day-ahead electricity prices in a single day.

([304])The crisis that normalised time-shifting: Energy flexibility, price awareness and care during the energy crisis in Denmark | Energy Efficiency | Springer Nature Link

([305])Real time pricing of electricity for households: An international survey, https://energyregulationquarterly.ca/articles/real-time-pricing-of-electricity-for-households-an-international-surv

([306])ACER Electricity Country Sheets (2025), How electricity contract choices can unlock consumer flexibility and lower bills | www.acer.europa.eu

progress towards achieving the 2025 recommendation on addressing increasing demand and flexibility needs, which will also help reinforce the grid. Denmark is highly interconnected with the EU energy market and neighbouring countries, and plans to further strengthen its interconnection capacity. Member States should ensure that a minimum of 70% of technical cross-border capacity is available for trading. Denmark is part of the Hansa ([307]) and Nordic ([308]) capacity calculation regions (CCRs). Both CCRs are designed to provide high cross-border capacity to the market. Moreover, Denmark meets the 70% target for cross-zonal electricity trading. A key aspect in ensuring smooth coordination within the region and with neighbouring countries is to establish and put into operation regional coordination centres ([309]). Denmark has plans to set up projects with a cross-border and connectivity focus (e.g. Bornholm Energy Island, which is a hybrid offshore interconnector with Germany ([310]). However, the North Sea Energy Island project has been postponed by the government.

Denmark's interconnection level surpassed the EU target and is set to remain high. According to the final version of Denmark's updated national energy and climate plan, Denmark's interconnection level is expected to reach 31.7% by 2030, well in excess of the EU's 2030 target of 15%. While interconnectivity was at 36.5% in 2025, this is expected to fall due to the rapid expansion of solar and wind energy, both of which are expected to grow at a faster rate than the build-out pace of interconnectors. Denmark is analysing the potential for further interconnections and reinvestment in cooperation with other countries and transmission system operators. It plans to become a net exporter of green energy (e.g. hydrogen and Power-to-X) and electricity by 2030.

Denmark has made progress in promoting flexibility sources and energy storage. In terms of energy storage, Denmark has a total of 15 operational projects offering 0.11 GW of storage power, and 10 projects in the pipeline which will offer 0.45 GW of storage. Denmark's operational electricity storage capacity (as reported in the final version of its updated national energy and climate plan) is around 3.9 MW (mainly chemical and electrochemical). The Danish authorities are preparing to roll out major policies and measures to incentivise the uptake of flexibility services, aggregators and demand response, such as financial rewards, faster connection permits, and use of electric vehicles and heat pumps. These measures will lessen grid expansion needs and form part of the 'Market Model 3.0' initiative, intended to develop flexible markets through specific recommendations and actions, including a potential roadmap for the development of local flexibility markets and the development of geographical tagging of bids in the balancing market.

While Denmark has made progress in areas like district heating, renewable energy integration, and energy efficiency -including limited reliance on air conditioning- its current rate of electrification in the energy system remains below the EU average and the 2030 benchmark of 32% ([311]). Electricity still accounts for a relatively low share of final energy consumption (FEC). In 2024, electricity accounted for 21.6% of Denmark's FEC (below the EU average of 23.4%), a share which has remained largely unchanged over the last decade ([312]). Electricity accounted for 21.4% and 34.8% of household and industrial FEC respectively (see Annex 8). In the transport sector, the share of FEC accounted for by electricity remained negligible at 3.0%. Further progress in electrification across sectors would help to cost-effectively decarbonise the economy and bring the benefits of affordable renewable generation to consumers. To address this, Denmark is considering initiatives to accelerate the expansion of the grid, including measures to make permitting faster. Denmark has also taken steps to reduce

([307])Hansa is the CCR which covers Denmark, Germany, the Netherlands, Norway, Poland and Sweden. A capacity calculation region (CCR) is a group of countries that calculate cross-border electricity trade flows together.

([308])Denmark, Finland, Norway and Sweden are part of the Nordic CCR.

([309])Nordic RCC and TSCNET.

([310])This project will receive EUR 645 million grant under CEF. CEF Energy supports landmark Bornholm Energy Island interconnector between Denmark and Germany - European Climate, Infrastructure and Environment Executive Agency.

([311])Introduced by the Clean Industrial Deal and the Affordable Energy Action Plan.

([312])The CAGR (compound annual growth rate) was 1.14% between 2015 and 2024. The minimum/maximum shares were 18.9% and 21.6% respectively (Source: Eurostat).

the electricity-to-gas price ratio, which is expected to help increase the rate of electrification.

Efforts continued in 2025 to promote flexibility in Denmark's energy system. The Danish Energy Agency and Energinet, the national transmission system operator, promote stakeholder engagement to boost flexibility in the Danish energy system. Denmark has a project of common interest in the pipeline for delivering advanced hydrogen-fuelled compressed air energy storage with a capacity of up to 19 GWh per cycle. Participation in demand-side response for providing balancing services saw an increase after the aggregator entry threshold was lowered to 1 MW, and legislation was adopted in 2024 enabling aggregators to participate in wholesale markets. A continuous monitoring framework and stakeholder engagement will ensure that uptake of flexibility resources matches the flexibility needs assessment up to 2027 (Market Model 3.0).

Investments in grid expansion and cross-border energy projects are underway to accommodate increased electricity demand. Denmark has achieved the 2030 interconnection target of 15% (approx. 35%). Energinet is planning to build approximately 2 700 kilometres of electricity grid by 2030 in anticipation of greater demand on the national grid. Denmark has several electricity projects of common interest underway, such as the Bornholm Energy Island interconnector between Denmark and Germany. An agreement on the project between both countries was reached at the North Sea Summit in Hamburg in January 2026 regarding joint financing of the generation component. A Connecting Europe Facility grant of EUR 645 million has been received for the works.

The second Union list of projects of common interest and projects of mutual interest adopted in December 2025 included additional electricity projects in Denmark. In terms of hydrogen projects of common interest, Denmark has a project on a single hydrogen interconnector (known as the DHBI) which links to Germany (known as the 'HyperLink III') and potential hydrogen storage projects. Moreover, the second Union list of projects of common interest and projects of mutual interest includes new electrolyser facilities.

Implementing the recommendations of the National Energy Crisis Team (NEKST) is key to making further progress on infrastructure. NEKST is partially funded by the EU through the Recovery and Resilience Facility (RRF). It published 34 recommendations in December 2024 on faster and more efficient expansion of energy infrastructure in Denmark (including 16 recommendations on energy infrastructure permitting). On 20 December 2024, a political agreement on faster and more efficient expansion of the electricity grid was signed ([313]). The parties to the agreement committed to designating three acceleration areas to ensure simpler and faster permitting for electricity infrastructure, including by exempting electricity infrastructure projects in acceleration areas from an environmental impact assessment. They also committed to implementing some of NEKST's recommendations, including on new expropriation procedures.

Denmark would benefit from prioritising coordination of electricity grid expansion and mapping bottlenecks, as challenges remain. Further electrification and greater deployment of renewables, including Power-to-X projects, could be achieved by addressing bottlenecks and long queues for grid connection. Since 1 February 2026, Energinet has moved away from its 'first come, first served' grid connection screening model to a project maturity-based model, which is a positive development ([314]). The new model prioritises more mature renewable energy projects, thus speeding up the green transition and contributing to a more efficient use of existing electricity grid capacity. Similarly, new rules have been adopted to streamline permitting processes for grid expansion, such as rules for expropriation ([315]). Curtailment of renewable energy is not currently monitored. In 2025, the Agency for the Cooperation of Energy Regulators observed 323 instances of negative prices, a 4% increase on 2024. Despite the measures adopted to accelerate the electricity network expansion and grid capacity, Energinet had to temporarily suspend the new connections to the grid and extend processing times due an unprecedent demand.

([313])Ministry of Climate, Energy and Utilities, 2024, Broad agreement ensures faster and more efficient expansion of the electricity grid.

([314])Away with "first come, first served": Prioritization to ensure faster green transition.

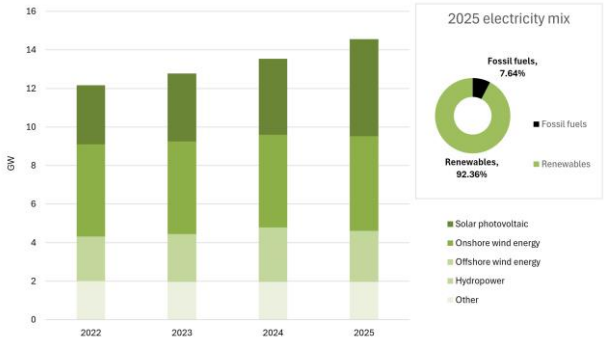
([315])Lov om ændring af lov om elforsyning og elsikkerhedsloven (Øget hastighed og styrkede borgerrettigheder i form af mulighed for tidligere overtagelse m.v. ved arealerhvervelse til det kollektive elnet).

Several grid reinforcements and buildouts are planned or under development, which will ensure sufficient grid capacity for new installations to connect to the grid. Examples of planned internal grid reinforcements in Denmark include the construction of a 400 kV west coast connection in bidding zone DK1, an upgrade to the Northern Jutland grid consisting of a new 100 km 150 kV cable, an upgrade to the current 200 km 400/150 kV east coast connection in bidding zone DK1 and a transmission grid buildout with three new lines in bidding zone DK2.

Renewables and long-term contracts

Denmark has made progress towards achieving the 2025 country-specific recommendation on supporting clean energy production, with renewables dominating electricity generation. 2025 was a record year for Denmark in terms of renewables, generating 92% of its domestic electricity from renewables (wind, solar and bioenergy). Denmark thus continues to have the highest share of renewables in its electricity mix in the European Union. Installed capacity for renewables represented 14 561 MW in 2025. The installed capacity for wind energy stalled to 7.5 GW in 2025 (compared to the same 7.5 GW in 2024) whilst installed capacity for solar increased (+28% compared to 2024), reaching 5 GW ([316]).

Graph A9.3: **Denmark's installed renewable capacity vs electricity generation mix**



Electricity mix is given as net electricity generation (gross electricity production minus consumption of power stations' auxiliary services). Electricity produced in pumped hydro plants is excluded from total net electricity production, as it was previously counted as electricity produced from another source.
"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.
Source: IRENA, Eurostat

Denmark plans to significantly increase its renewable energy share by focusing on solar and wind power generation. The final version of Denmark's updated national energy and climate plan includes projections showing that renewables will account for 73.8% of final energy consumption by 2030 and will exceed 100% in the electricity sector by as early as 2028 under existing policies. A broad political majority in Denmark has agreed on an ambition to establish framework conditions that enable a market-driven quadrupling of the electricity production from solar power and onshore wind by 2030. This ambition was first stated in the political agreement on the deployment of renewable energy from 2022 and has subsequently been reaffirmed, most recently in the agreement on the deployment of solar and onshore wind from October 2025. Renewables deployment in Denmark is market-based. In this regard, new tenders ([317]) to establish at least 2.8 GW of offshore wind power in three offshore locations were announced in 2025 and include a support scheme ([318]) to mitigate risks for project developers.

([316])International Renewable Energy Agency (IRENA) - Renewable Capacity Statistics 2026.

([317])Announcement of the tenders: The Danish Energy Agency opens tenders for three new Danish offshore wind farms.

([318])2-sided capability-based contract for difference.

Denmark continued to make good progress in 2025 on accelerating planning and permit-granting processes with a particular focus on wind and solar energy. In October 2025, the Danish government agreed further measures to facilitate the deployment of wind and solar energy projects, including the possibility to set up such projects on new types of land, new measures to gain public acceptance, or shorter time limits for judicial appeals ([319]).

Denmark has no unjustified barriers to power purchase agreements (PPAs) and is one of the top Member States for concluding PPAs. According to the final version of its updated national energy and climate plan, Denmark has no unjustified barriers to PPAs. In 2023, Denmark was one of the top 10 Member States in terms of the number of PPAs concluded ([320]). The 'pooling' of companies to finance single projects emerged as a significant trend in 2025.

Energy efficiency

Denmark made some progress on the 2025 country-specific recommendation to support efficient energy production and use. In 2024 final energy consumption (FEC) decreased by 1.6% to 13.19 Mtoe, as compared with 2023, continuing the downward trend observed since 2019. Denmark's FEC in 2024 was in line with the trajectory for meeting its expected contribution by 2030. While FEC since 2019 has decreased slightly in industry (-3.6%) and services (-2.3%), it has decrease substantially in transport (-12.9%) and in the residential sector (-9.6%).

Denmark did not set an energy saving objective under its 2020 long-term renovation strategy. However, part two of the long-term renovation strategy from 2022 contained indicative energy saving objectives for 2030, 2040 and 2050. The observed decrease in residential FEC was mostly driven by household energy savings although an increase in the number of dwellings significantly offset this decrease.

Denmark has submitted its draft national building renovation plan pursuant to the recast Energy Performance of Buildings Directive. Given that buildings are responsible for around 40% of energy use in Denmark and thus play an important role in improving energy efficiency, this plan is key to providing a clear and predictable pathway towards an energy efficient and decarbonised building stock.

Heating and cooling accounted for 82% of Denmark's residential final energy consumption in 2025, 56% of which was covered by renewables. Almost 40 000 heat pumps were sold in 2024, a decrease of 30% compared to the previous year but heat pumps continue to grow and Denmark's total stock of heat pumps is of around 675 000.

Denmark did not report any ecodesign or energy labelling checks in 2025. Such checks would be advisable to guarantee a level playing field, consumer benefits and the EU's environmental and energy goals.

Security of supply and diversification

Denmark made further progress in increasing the security of its gas supply. Gas production in Denmark increased by 20% between 2023 and 2024 ([321]). Denmark does not import gas from Russia.

By self-producing more natural gas, in particular by ramping up production from the Tyra gas field in 2025, Denmark is positively contributing to the security of supply of the Union.. Progress in developing and expanding biogas and biomethane production could support the phase out of natural gas consumption in Denmark and consequently increase supply security. In regard to European energy autonomy, renewable hydrogen from Denmark is also expected to play a role. In August 2025, the Minister for Climate, Energy and Utilities approved

([319])https://www.kefm.dk/aktuelt/nyheder/2025/okt/bred-politisk-aftale-om-mere-sol-og-vind-paa-land-og-stoerre-hensyn-lokalt-.

([320])Pexapark, 2024, European PPA Market Outlook 2024.

([321])Yearly production, injection, flare, fuel and export. Danish Energy Agency, Monthly and yearly production.

the construction of a hydrogen pipeline from Esbjerg to Germany. It will be financed by a government loan facility, subject to minimum capacity being booked in 2026 ([322]). The pipeline is planned to be commissioned by 2030 and will enable renewable hydrogen to be exported to Germany

Denmark's increasing reliance on renewable energy sources is contributing to supply security and diversification. The share of renewables in Denmark's energy mix increased further in 2025. Renewables, including biofuels, accounted for 46.3% of Denmark's energy consumption ([323]). Other sources making up Denmark's energy mix include oil and petroleum products (38.3%) and natural gas (9%), with the remainder being supplied by solid fossil fuels and non-renewable waste. Denmark would benefit from continuing this trend to counter the effects of its oil and petroleum products consumption which in 2024 remained higher than in 2021.

In response to rising energy prices following the regional crisis in the Middle East, Denmark has not introduced any national measures beyond complying with the IEA decision to release part of its oil stocks, beginning with an initial release of 252 thousand barrels. Denmark contributed to the IEA collective action to release 400 million barrels of emergency oil reserves.

Fossil fuel subsidies

In 2024, environmentally harmful ([324]) fossil fuel subsidies without a planned phase-out before 2030 represented 0.07% ([325]) of Denmark's GDP ([326]). Additionally, Denmark's 2023 Effective Carbon Rate ([327]) averaged EUR 101.68 per tonne of CO_2, above the EU weighted mean of EUR 84.80 ([328]).

([322])https://www.kefm.dk/aktuelt/nyheder/2025/sep/brintroeret-%e2%80%9dsyvtallet%e2%80%9d-kan-nu-overgaa-til-anlaegsfasen.

([323])Gross inland consumption (Eurostat).

([324])Explicit fossil fuel subsidies (e.g. direct transfers) and implicit fossil fuel subsidies (i.e. tax expenditures linked to forgone tax revenues that have an identifiable fiscal impact for the central budget) that support fossil fuel energy production, transmission and/or consumption.

([325])European Commission calculation based on underlying data from the *Study on energy subsidies and other government interventions in the EU – 2025 edition,* Enerdata.

([326])2024 Gross Domestic Product at market prices, Eurostat.

([327])The Effective Carbon Rate is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

([328])OECD (2024), Pricing Greenhouse Gas Emissions 2024.

Ecosystem degradation (mainly caused by agriculture) and extreme weather are ongoing challenges in Denmark. In 2025, Denmark received a CSR to reduce the intensity of agricultural and farming activities, in line with measures planned by Denmark ([329]). Denmark addresses pollution from agriculture but also from fisheries, aquaculture and wastewater plants. The results of the respective measures will take time to appear. Flooding is one of Denmark's main climate risks, but it has strong institutions and sufficient resources (especially coastal and port protection) to address them.

Climate adaptation and preparedness

Denmark is particularly exposed to coastal flooding as a result of rising sea levels. The rate of sea level rise differs across Denmark. The lowest observed increase is in North Jutland and the highest in South-West Jutland. Sea levels are projected to rise by between 30 cm and 60 cm by the end of the century ([330]). This will lead to higher water levels during storm surges, allowing them to reach further inland.

Around half of Denmark's population is exposed to storms and most cropland is exposed to heavy precipitation ([331]). By contrast, drought affects only a limited part of Denmark. In 2023, drought conditions covered 1.7% of Denmark's land area (well below the EU average of 3.6%) ([332]).

The human impacts of extreme weather events remain limited. The number of fatalities is well below the EU average ([333]) and levels of displacement are low. In 2023, storms internally displaced 523 people. No one was displaced by floods and only two people were displaced by wildfires ([334]). This corresponds to 9 displaced persons per 100 000 inhabitants (around five times lower than the EU average). A recent study estimates ([335]) that Denmark will need to invest almost EUR 1.9 billion per year until 2050 (0.4% of GDP). This is below the EU average of 0.5% of GDP. Most investment is needed in ecosystems (50% of the total), followed by infrastructure (27%) and food production (19%) ([336]). The Danish government has proposed to allocate around EUR 170 million in 2024-2027 to implement the climate adaptation plan and EUR 1.9 billion in 2029-2040 for coastal protection based on the proposed new adaptation plan.

In Denmark, municipalities are responsible for planning and approving climate adaptation actions. Landowners are responsible for protecting their own property. As a result, climate adaptation mainly happens at the local level and involves municipalities, water supply companies and landowners. These actors know local conditions best and are therefore best placed to take the right decisions. All municipalities have their own climate adaptation plans. The national government also presented a proposal for a new national climate adaptation plan in February 2026 to support coastal protection. The fact that Denmark already has a well-developed national framework means that Danish municipalities make only limited use of the EU Covenant of Mayors. In 2024, only 14% of the population was covered (one of the lowest shares in the EU).

Denmark has been active in assessing and integrating long-term climate-related macro-fiscal implications into macroeconomic analysis and policy projections. The Ministry of Finance has supported and used the GreenREFORM climate and energy-economic model, developed by the Danish Research Institute for Economic

([329])Council of the EU. Council recommendation on the economic, social, employment, structural and budgetary policies of Denmark.

([330])Danmarks Meteorologiske Institut, Ændringer i havniveau - Klimatilpasning.

([331])OECD, 2024, OECD Economic Surveys Denmark, p. 54.

([332])Eurostat, Drought impact area on ecosystems [sdg_15_42].

([333])EEA, Economic losses from weather- and climate-related extremes in Europe.

([334])Internal displacement due to extreme weather | Maps and charts | European Climate and Health Observatory Climate-ADAPT.

([335])European Commission, 2026, Assessment of adaptation investment needs, Table 25. The study estimates adaptation investment needs for the EU and Member States by type of measure, using a common methodology to ensure comparability. Detailed methods are described in four accompanying reports for transparency.

([336])Typical ecosystem investments include soil restoration, wildfire prevention, biodiversity protection and coastal restoration. Typical health investments focus on occupational safety, wastewater upgrades and wildfire response.

Analysis and Modelling, to assess the environmental and climate effects of economic policies, as well as the macroeconomic impacts of environmental, energy and climate policies. The Ministry of Finance used GreenREFORM as a central analytical tool to assess combined effects of green taxes and government support schemes.

Climate risks currently have a relatively limited impact on the Danish economy and insurance coverage remains the highest in the EU. Between 1980 and 2024, weather-related and climate-related extreme events caused an estimated EUR 9.3 billion in economic losses in Denmark ([337]). Both the frequency and severity of these events are increasing (particularly floods) and this in turn increases the likelihood of future economic losses. Insurance against weather-related and climate-related risks is not legally required, but Denmark has the highest coverage rate in the EU. Around 61% of losses from such events are insured (EU average: 19%) ([338]). To maintain high insurance coverage and to compensate damages not covered by commercial insurance, Denmark operates a national storm surge insurance scheme (*stormflodsordningen*). All homeowners contribute a fixed annual fee of around EUR 5, which is pooled to cover eligible losses. The scheme is administered by insurers and the Natural Hazards Council.

Coastal fisheries and aquaculture are economic sectors that will face significant challenges. Climate change is reshaping coastal fisheries by shifting fish distributions, reducing stocks of some cold-water species and increasing environmental stress like low oxygen events. This will make catches and incomes less predictable for small-scale fleets. Coastal aquaculture faces additional challenges from more frequent storms, which can damage installations, as well as from warmer waters that promote diseases; harmful algal blooms; and, potentially, invasive species that threaten production and food safety.

Protection measures (including climate adaptation of energy infrastructure) are part of contingency planning in the energy sector. Electricity and gas companies that are critical for energy supply must regularly assess risks and vulnerabilities in their systems (typically every three years). Based on these assessments, they must prepare contingency plans that explain how they would respond to different emergency situations. The government is strengthening preparedness in the energy sector and requires critical energy companies to take climate adaptation measures.

The transport vulnerability index of the TEN-T network to climate change has been assessed as one of the lowest in the EU. The national adaptation plan does not identify transport infrastructure as a priority action in 2024-2027. The cost of adapting transport infrastructure is expected to increase to a total of EUR 4.9 billion by mid-century. Most risks stem from rising sea level and storms, so the largest share of costs is allocated to adapting ports (EUR 3.2 billion) ([339]).

Water resilience

Substantial effort is needed to restore a good ecological and chemical status in Denmark's surface water bodies. All coastal water bodies (100%), almost all rivers (96%) and a majority of lakes (63%) have not attained a good ecological status. While most rivers (89%) have a good chemical status, almost all coastal water bodies (98%) and about one-third of lakes (27%) do not have it. The chemical status of most lakes (71%) is unknown ([340]).

Agriculture is the main reason for the deterioration in ecological status. Nutrients in

([337])EEA, 2024, Economic losses from weather- and climate-related extremes in Europe, https://www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related.

([338])EEA, 2024, Economic losses from weather- and climate-related extremes in Europe, https://www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related.

([339])European Commission, 2024. Support study on the climate adaptation and cross-border investment needs to realise the TEN-T network.

([340])Rivers are quantified by their length in kilometres. Coastal water bodies and lakes are quantified by their number. Ministry of Green Transition, Vandområdeplanerne 2021-2027 efter genbesøget, https://sgavmst.dk/vandmiljoe/vandomraadeplaner/overblik-vandomraadeplanerne-2021-2027/vandomraadeplanerne-2021-2027-efter-genbesoeget, revised in April 2026.

manure and fertilisers lead to eutrophication, causing oxygen depletion in surface water bodies. Wastewater plants, industries, unsewered properties in scattered settlements, fisheries and aquaculture are other sources of nutrients. Eutrophication is caused by excess phosphorus in lakes and nitrates in coastal waters. Data on the source and volume of metals and chemicals are limited in a large share of Danish water bodies.

The 2024 broad political agreement on implementing Green Denmark (GD) addresses the strain on the environment from agriculture ([341])**.** The aim is to:

- reduce emissions from agriculture by introducing a tax on emissions from livestock, drained peatlands and agricultural lime (see Annex 3); and
- benefit the aquatic environment and biodiversity by reducing nutrient discharges into water by 14 800 ([342]) tonnes annually, protecting 20% of land area and converting 15% of farmland to nature.

Several measures were decided under GD in 2025.

- **The local land conversion plans.** All 23 local *tripartites* ([343]) agreed on plans with agricultural areas to be converted to nature. The municipalities have approved these plans in principle. This is a voluntary measure, so farmers can agree to remove or not remove the area specified on the maps from agricultural production.
- **The new nitrogen regulation model (NNRM)** ([344]). The emission quotas to be distributed among farms from 2027 onwards will be based on the volume of nitrogen the aquatic environment can withstand ([345]). The aim is to reduce 9 600 tonnes of nitrogen annually ([346]). This is a temporary measure that will be phased out as agricultural land is converted back to nature.
- **The revision of the third river basin management plans (RBMPs)**. The revised plans are the basis for local land conversion. They implement, among other things, the agreed nitrogen reduction target and include measures for reducing phosphorus emissions (i.e. planting trees along watercourses, creating wetlands and restoring lakes) ([347]).
- **The third amendment of the common agricultural policy (CAP) strategic plan (CSP)**. It includes two new interventions compensating farmers for complying with the NNRM and for setting aside agricultural land.

Only a small area of farmland has been removed from agricultural production. This comprises 604 ha of carbon-rich low-lying land

([341])The Danish Government, Aftale om Implementering af et Grønt Danmark, https://regeringen.dk/aktuelt/publikationer-og-aftaletekster/aftale-om-implementering-af-et-groent-danmark/, 18.11.2024. This was preceded by Aftale om et Grønt Danmark, https://regeringen.dk/aktuelt/publikationer-og-aftaletekster/aftale-om-et-groent-danmark/, 24.6.2024.

([342])The GD sets the annual target for reducing nitrogen discharges to meet the Water Framework Directive's objectives. The target of 13 780 tonnes was technically adjusted to 14 800 tonnes because some baseline reductions were included in the new nitrogen regulation model. The change applies from 2027.

([343])The local tripartites consist of representatives from municipalities, agricultural and nature organisations and the Nature Agency.

([344])Ministry of Green Transition, Historisk reduktion af landbrugets udledninger af kvælstof, https://mgtp.dk/nyheder/2025/dec/ny-aftale-historisk-reduktion-af-landbrugets-udledninger-af-kvaelstof-, 3.12.2025. Øget regulering af kvælstofudledning, https://mgtp.dk/nyheder/2025/jun/oeget-regulering-af-kvaelstofudledning, 19.6.2025.

([345])This regulatory pressure is limited to a catchment-specific fallow-point threshold, equivalent to a nitrogen emission reduction that would result from using all fields in the catchment area only for spring barley with catch crops. In 2026, it will be decided on how to meet the target in the catchments where the combination of nitrogen regulation up to the fallow-point and changes in land use are not sufficient.

([346])This includes emission quotas (7 900 tonnes) and other measures (1 700 tonnes) and applies from 2027. In 2026, the existing field-based nitrogen regulation with a lower nitrogen reduction target continues to apply.

([347])Ministry of Green Transition, Vandområdeplanerne 2021 - 2027 efter genbesøget, https://sgavmst.dk/vandmiljoe/vandomraadeplaner/overblik-vandomraadeplanerne-2021-2027/vandomraadeplanerne-2021-2027-efter-genbesoeget, revised in April 2026.

and 527 ha of forests ([348]). Land withdrawal takes 4-7 years. The goal is to remove 140 000 ha of low-lying carbon-rich soils by 2030 and create 250 000 ha of new forests by 2045. The changes in land use are funded from the Green Area Fund (EUR 5.8 billion), private contributions and the CAP ([349]).

Collection and treatment of wastewater in almost all urban areas is legally compliant in Denmark. Urban wastewater is treated in 330 plants throughout Denmark before it is discharged, but wastewater is still a substantial source of pollution ([350]). Wastewater emitters are expected to be liable to pay a tax on the discharge of untreated wastewater from storm water overflows from 2027, pending on the legal implementation of a recent political agreement. 20 wastewater treatment companies must initiate measures to improve wastewater treatment capacity by end 2027. The aim is to cut 572 tonnes of nitrogen discharges per year ([351]).

Bottom trawling exacerbates oxygen depletion and impacts marine biodiversity. About 42% of the Danish marine area and about a third of the marine protected area is actively fished with bottom-contacting gear ([352]). The initiatives in the 2025 agreement on the fisheries sector include banning bottom trawling in an area covering 19% of Danish waters and a possible analysis on voluntary relocation of the existing aquaculture production away from coastal areas to reduce nitrogen discharge ([353]).

Sensitive groundwater-recharge areas are being mapped to improve protection. Only a very small area is currently protected against nitrogen agricultural fertiliser and pesticide use, which is one of the main pressures. Groundwater (GW) reservoirs are the source of drinking water (DW) in Denmark, and the country has a policy of using GW without advanced purification. Such GW treatment, if used, implies additional costs, including the added expense of waste handling, which is complicated for example for per- and polyfluoroalkyl substances (PFAS) (see Annex 8). Screening more pesticides during GW monitoring is one of the goals of the action plan on pesticides. The number of wells with detected pesticide residues has been rising. Over half (55.7%) of the sampled DW wells contained pesticide residues in 2024 ([354]). Nitrate concentration in most GW monitoring stations remains well below the permitted 50 mg/l, but a debate about lowering the limit for DW is ongoing in Denmark. This debate is partly based on a recommendation of an international expert group to introduce a significantly stricter nitrate limit value in DW to reduce the risk of colorectal cancer ([355]).

([348])Styrelsen for Grøn Arealomlægning og Vandmiljø, MARS, accessed 5.5.2026

([349])The Danish Ministry of Green Transition, About the agreements on a Green Denmark, https://mgtp.dk/groent-danmark/english-a-greener-denmark/about-the-agreements-on-a-green-denmark, Samarbejde med fonde, https://mgtp.dk/arbejdsomraader/samarbejde-med-fonde, accessed on 9.2.2026.

([350])WISE | Freshwater Information System for Europe, Denmark, https://water.europa.eu/freshwater/countries/uwwt/denmark, 2020, accessed on 4.2.2026. 330 urban wastewater treatment plants with 2000 PE (population equivalents) as reported in 2022 for the year 2020 under the Urban Wastewater Treatment Directive of 1991. With the inclusion of smaller wastewater treatment plants with at least 30 PE, the overall number amounts to 679 as stated in the revised third RBMPs.

([351])Ministry of Taxation, Ny afgift på urenset spildevand skal sikre et renere vandmiljø, https://skm.dk/aktuelt/presse-nyheder/pressemeddelelser/ny-afgift-paa-urenset-spildevand-skal-sikre-et-renere-vandmiljoe, 19.12.2025. Ministry of Environment and Gender Equality, Ny aftale for spildevand: Markant reduktion i kvælstofudledningen skal forbedre vandet i 16 fjorde og kystvande, https://mim.dk/nyheder/pressemeddelelser/2025/april/ny-aftale-for-spildevand-markant-reduktion-i-kvaelstofudledningen-skal-forbedre-vandet-i-16-fjorde-og-kystvande, 2.4.2025.

([352])Biodiversitetsrådet, Anvendelse af bundslæbende fiskeredskaber i beskyttede havområder – Notat, Link, 23.10.2024.

([353])Ministry of Food, Agriculture and Fisheries, Aftale om fremtidens fiskeri er på plads, Link, 2.7.2025.

([354])Ministry of Environment and Gender Equality, Analyse af Reguleringsmuligheder for Beskyttelse af Drikkevandet, https://mim.dk/publikationer/2026/analyse-af-reguleringsmuligheder-for-beskyttelse-af-af-drikkevandet, 29.1.2026. Ministry of Environment and Gender Equality, Sprøjtemidler, https://mim.dk/miljoe/drikkevand-og-kemi/sproejtemidler. Sprøjtemiddelstrategi 2022-2026.

([355])EU legislation allows up to 50 mg/l for nitrate concentration. The 2016-2019 reporting period: European Environmental Agency, Nitrate in Groundwater in Europe, https://www.eea.europa.eu/en/analysis/indicators/nitrate-in-groundwater-8th-eap. The data for the reporting period 2020-2023 will be available in 2026. Ministry of Environment and Gender Equality, Miljøministeren igangsætter indsats efter ekspertvurdering af grænseværdien for nitrat i drikkevandet, 9.12.2025, https://mim.dk/nyheder/pressemeddelelser/2025/december/m

Denmark does not suffer from water scarcity. Water productivity ([356]) is more than double the EU average, reflecting efficient water management practices in Denmark. The national water exploitation index plus (WEI+) ([357]) indicates low overall water stress, but a (seasonal) scarcity problem is emerging. Water availability can vary. This was illustrated by drought spells in spring 2023, when water scarcity in some regions impacted agricultural production and public water supply (the two most water-dependent sectors in Denmark) ([358]).

Nature restoration

Declining biodiversity remains a serious concern in Denmark. Agriculture and mixed-source pollution (including nutrient leaching) are the main pressures on most protected habitats and species ([359]). Eutrophication caused by atmospheric nitrogen deposition has barely improved since 2005 ([360]). Only 5% of habitats (the second lowest proportion in the EU) were reported as having a good conservation status (CS). All grassland, wetland/peatland and forest habitats protected under the Habitats Directive have unfavourable-bad/inadequate CS ([361]). The share of protected species in a good CS dropped from 32% to 20% ([362]). The common farmland birds index, which has been declining over two decades, confirms biodiversity loss in Denmark ([363]). The share of Danish forests has been increasing, but it is still among the lowest in the EU ([364]).

Further effort is needed to protect nature effectively in Denmark. The 8.9% share of land area covered by the Natura 2000 network in Denmark is the lowest in the EU (the EU average is 18.6%). The share of Denmark's entire protected land area of 15.4% is higher than the Natura 2000 share but is still below the EU average of 26.4% ([365]). By contrast, the 23.4% share of Denmark's marine Natura 2000 sites is the fifth highest in the EU and more than double the EU average of 10.5% ([366]). Further action is needed to improve the quality of conservation objectives for Natura 2000 areas due to the pending development of a condition assessment system for certain habitat types (including all forest types) ([367]).

Denmark is addressing the biodiversity

iljoeministeren-igangsaetter-indsats-efter-ekspertvurdering-af-graensevaerdien-for-nitrat-i-drikkevandet. Ministry of Environment and Gender Equality, Evaluation of the parametric value for Nitrate in drinking water – revised version, https://mim.dk/publikationer/2025/december/evaluation-of-the-parametric-value-for-nitrate-in-drinking-water, 7.1.2026

([356])At EUR 312 per million m³ of abstracted water in 2022 (EU-27 average of EUR 151 per million m³). It indicates the average economic value (GDP) a Member State creates for each unit of water it takes from nature.

([357])Total water consumption of the total renewable freshwater resources available for a given territory and period. Eurostat, Water Exploitation Index, plus. https://ec.europa.eu/eurostat/databrowser/view/sdg_06_60/default/table?lang=en.

([358])EEA, 2025, Water abstraction by economic sector, 2000-2023, https://www.eea.europa.eu/en/analysis/indicators/water-abstraction-by-source-and/water-abstraction-by-economic-sector.

([359])EEA, The dashboard on the pressures on habitats and species, https://tableau-public.discomap.eea.europa.eu/views/sonpressuresandthreats/Pressuresandthreats?%3Adisplay_count=n&%3Aembed=y&%3AisGuestRedirectFromVizportal=y&%3Aorigin=viz_share_link&%3AshowAppBanner=false&%3AshowVizHome=n.

([360])EEA, 2024, Eutrophication caused by atmospheric nitrogen deposition in Europe, https://www.eea.europa.eu/en/analysis/indicators/eutrophication-caused-by-atmospheric-nitrogen?utm_source=chatgpt.com&activeAccordion=.

([361])The 2013-2018 reporting period: European Commission, 2025, Environmental Implementation Review, Country Report – Denmark.

([362])The assessments of the 2013-2018 reporting period compared with the 2007-2012 reporting period.

([363])European Commission, Agri Sustainability Compass.

([364])FISE | Forest Information System for Europe, https://forest.eea.europa.eu/countries/eea-member-countries/denmark?activeTab=e3cb5041-a03c-49e8-9eb8-66c3ab9e36c8, 2020. Styrelsen for Grøn Arealomlægning og Vandmiljø, Skovovervågning og skovstatistik, 2023, https://sgavmst.dk/skovbrug-og-landbrug/skovbrug/skovovervaagning-og-skovstatistik

([365])Eurostat, Protected areas, https://ec.europa.eu/eurostat/databrowser/view/env_bio4/default/table?lang=en, accessed 22.1.2026.

([366])European Environmental Agency, Natura 2000 Barometer, Link. Natura 2000 land, 2024. European Commission, EU Biodiversity Strategy Dashboard, https://dopa.jrc.ec.europa.eu/kcbd/EUBDS2030-dashboard/?version=1. Natura 2000 sea, 2025.

([367])12 land habitats including all forest types, 2 freshwater habitats and 8 marine habitats.

decline. The GD target of protecting 20% of land area includes creating 21 national nature parks. One has already been officially inaugurated ([368]). New forest to be created includes 100 000 ha of protected forests in addition to the existing 75 000 ha ([369]). 10 large interconnected natural areas will be established by 2035 to reduce nature fragmentation. 6 areas have been identified based on the local land conversion plans. The selection of the precise project locations is ongoing ([370]). The national authorities are analysing the extent to which the GD measures cover the existing biodiversity challenges and what has to be addressed by other means. Synergies between the GD and the nature restoration plans required under the Nature Restoration Regulation are being identified ([371]). Parties to the GD have agreed to introduce a national Nature and Biodiversity Act. The Danish Biodiversity Council (DBC) has prepared recommendations on this act ([372]).

Pollution is costly. Recent research ([373]) indicates that the largest environmental cost item is the biodiversity crisis, which costs an estimated DKK 124 billion (EUR 16.7 billion) annually ([374]). It is DKK 13 billion (EUR 1.7 billion) for water pollution in Denmark. Green net national income is about 10% lower than conventional net national income. The absolute gap has fluctuated around a high but relatively stable level since 1990. This shows the importance of adjusting conventional net national income to reflect environmental damage costs ([375]). Denmark's economy is structurally exposed to nature loss through its dependency on ecosystem services. About 44% of gross value added (GVA) ([376]) relies directly on the ecosystem. Investing in local and nature-based measures could potentially have a higher benefit-cost ratio in reducing damages from extreme weather events than investing in grey infrastructure ([377]). Denmark does not have a national strategy for using nature-based solutions to mitigate flood risks. Municipalities have full discretion over the measures they implement. The agreed farmland conversion targets have not been integrated into the climate change adaptation policy measures (including the new coastal adaptation plan).

Sustainable agriculture and land use

Denmark's carbon removals are in line with the level of ambition needed to meet its 2030 target for land use, land-use change and forestry (LULUCF). Denmark reported net removals both in 2022 and 2023, contrary to the long-term trend of the LULUCF-sector being a net source of emissions. This positive trend is mainly due to the increasing carbon sink of forests. The latest available LULUCF projections ([378]) indicate that Denmark is on track to reach its 2030 target, with a projected surplus of around 0.57 $MtCO_2$-eq ([379]). Further investment in healthy forests and soils is key to building resilient biobased product value chains and enabling a growing and competitive EU bioeconomy. Continuing improvements in the system for monitoring net removal data and projections would play a key role in supporting timely and effective action in the

([368])The Danish Government, Aftale om Implementering af et Grønt Danmark, https://regeringen.dk/aktuelt/publikationer-og-aftaletekster/aftale-om-implementering-af-et-groent-danmark/, 18.11.2024. Ministry of Environment and Gender Equality, Naturnationalparker, https://mim.dk/miljoe/natur-og-biodiversitet/naturnationalparker.

([369])Ministry of Green Transition, Milepæl nået: 75.000 hektar urørt skov i Danmark, https://mgtp.dk/nyheder/2025/jan/milepael-naaet-75000-hektar-uroert-skov-i-danmark.

([370])Ministry of Green Transition, Nu skal arbejdet med seks store naturområder i gang, https://mgtp.dk/nyheder/2026/feb/nu-skal-arbejdet-med-seks-store-naturomraader-i-gang-#https://mgtp.dk/nyheder/2026/feb/nu-skal-arbejdet-med-seks-store-naturomraader-i-gang-, 19.2.2026.

([371])European Semester mission, 15.1.2026.

([372])Biodiversitetsrådet, Biodiversitetslov, https://www.biodiversitetsraadet.dk/biodiversitetslov, May 2025.

([373])Edited by Peter Birch Sørensen, 2025, Green National Accounting in Theory and Practice, From GDP to Green GDP. Estimates of the pollution costs are for the year 2020 in 2023 prices and an underestimate partly due to lack of data and the precaution against double-counting.

([374])Threat to biodiversity DKK 66 billion (EUR 8.9 billion) + loss of biodiversity DKK 58 billion (EUR 7.8 billion).

([375])Rising costs of climate change and biodiversity offset the falling costs of air pollution.

([376])This equals to the EU average of 44%.

([377])Organisation for Economic Co-operation and Development, OECD Economic Surveys: Denmark 2026, https://www.oecd.org/en/publications/oecd-economic-surveys-denmark-2026_3d6cb4b8-en/full-report.html.

([378])European Commission. Climate action progress report 2025.

([379])National LULUCF target in line with Regulation (EU) 2023/839.

sector.

Intensive agriculture is degrading soil health. Denmark had the fifth highest livestock density index (1.4) in the EU in 2023 ([380]) and agricultural land covering about 60% of the surface is mainly used to grow feed for livestock ([381]). 11.4% of the utilised agricultural area was fully converted to organic farming in 2020-2023 ([382]). The national goal is to reach 20% by 2030. Denmark's soils contain excess levels of nitrogen and phosphorus and are being eroded by wind and tillage. Erosion by water and harvest has a smaller impact on land area with soil degradation ([383]). Most of Denmark's peatlands have been drained, mainly for agricultural use ([384]). The Danish CSP has implemented good agricultural and environmental condition (GAEC) standard 2, which covers the protection of wetlands and peatlands, since 2023. Converting agricultural land would support ecosystem services. According to the Danish Council on Climate Change, focusing on the biodiversity and aquatic environment objectives in land-use planning would also bring significant climate benefits ([385]). The DBC reports that the GD is important for biodiversity in the sea, but with the current financing and implementation, it can only contribute to a limited extent to providing more natural areas on land, and it lacks financing to improve nature quality ([386]).

([380])Eurostat, Livestock density index, accessed 5.5.2026.

([381])Statistics Denmark, Cropland, Landbrugsarealet skrumper år for år, 27.1.2026.

([382])Eurostat, Area under organic farming, accessed 5.5.2026. The 2024 data is not available for Denmark.

([383])European Commission, Soil Degradation Dashboard.

([384])UNEP, 2022, Global Peatlands Assessment.

([385])Danish Council on Climate Change, 2024, Danmarks fremtidige arealanvendelse, https://klimaraadet.dk/da/analyse/danmarks-fremtidige-arealanvendelse.

([386])Biodiversitetsrådet, Ny rapport fra Biodiversitetsrådet: Danmark mangler mindst 162 mia. kr. frem mod 2050 til at beskytte og genoprette biodiversiteten , https://www.biodiversitetsraadet.dk/viden/mere-og-bedre-finansiering, 6.11.2025.

Table A10.1:**Key Adaptation Indicators**

Climate adaptation and preparedness:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Drought impact on ecosystems *[area impacted by drought as % of total]*	3.19	0.8	1.21	8.65	1.73	-	2.76
Forest fires burned area (1) *[burned area in ha. per year]*	80	-	230	341	134	-	354,510
Economic losses from extreme events *[EUR million at constant 2022 prices]*	-	62	-	4	169	-	40,452
Insurance protection gap (2) *[composite score between 0 and 4]*	-	-	-	1	1	1	-
Sub-national climate adaptation action *[% of population covered by the EU Covenant of Mayors for Climate & Energy]*	2	4	13	14	14	14	34

Water resilience:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Water Exploitation Index Plus, WEI+ (3) *[total water consumption as % of renewable freshwater resources]*	4.34	4.00	4.91	5.21	3.85	-	4.53
Water productivity *[EUR per m^3]*	301	295	309	312	305	-	151
Water abstraction							
Water abstraction by source (% from surface water)	23.59%	26.33%	25.27%	23.76%	23.49%		-
Water abstraction by sector	Agriculture	Electricity cooling	Manufactu-ring	Public water	Mining and	Constru-ction	
	56.13%	0.13%	1.90%	40.69%	1.15%	0.00%	

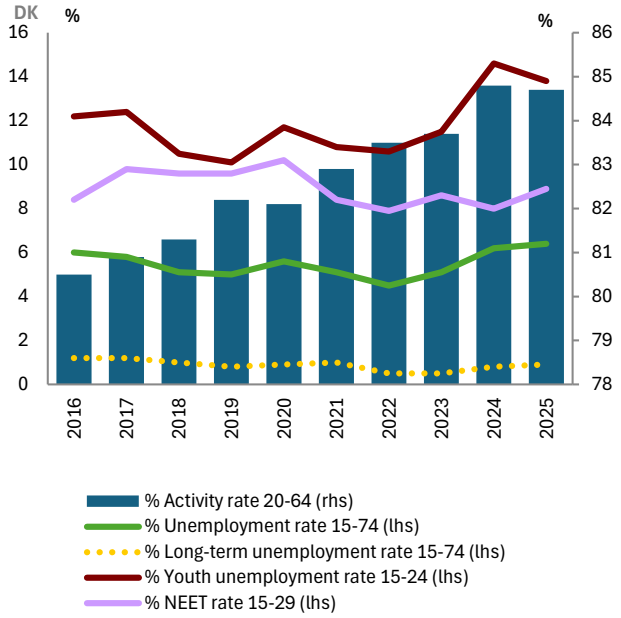
Nature restoration:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Ecosystem dependency *[% of direct dependency]*	-	-	-	44%	-	-	44%
Protected area *[% of terrestrial protected areas]*	15.3	15.3	15.3	15.3	15.4		26.4
Invasive alien species (IAS) *[number of IAS of Union concern]*	-	-	-	-	-	39	29.2
Damage cost of IAS *[EUR billion]*	-	-	-	-	0.13		1.69
Eutrophication *[AAE of area at risk of euthrophication]*				609	609		295

Sustainable agriculture and land use:							EU-27
			2012-2018		2018-2021		latest data
Yearly net land taken by Member State *[ppm of total urban surface per Member State]*			647		775		670
Land conversion in functional urban area *[% of total land taken from 2018-2021]*							
Arable land					70%		
Complex and mixed cultivation					0%		
Forests					3%		
Herbaceous vegetation associations					2%		
Open spaces with little or no vegetation					0%		
Pastures					24%		
Permanent crops					0%		
Water					1%		
Wetlands					0%		
	2019	2020	2021	2022	2023	2024	latest data
Livestock density *(number of livestock units per hectare of utilised agricultural area)*		1.59			:		0.75
Ammonia emissions *[% of total utilsed agricultural areas]*	96%	96%	96%	96%	95%	-	94%
Pesticide contamination on rivers and lakes water bodies *[% of monitoring sites with pesticides exceeding thresholds, 2018-2023]*				rivers	12%		27%
				lakes	n.d.		18%
Pesticide contamination in soil *[% of samples with a concentration over 0.5 mg/Kg^{-1}]*					92%		57%
Net greenhouse gas removals from LULUCF (4) *[$ktCO_2$-eq]*	1475.4	1227.1	150.8	-418.3	-500.4	-	-198,421

(1) EFFIS (European Forest Fire Information System). https://forest-fire.emergency.copernicus.eu/apps/effis.statistics/estimates.
(2) The climate protection gap refers to the share of non-insured economic losses caused by climate-related disasters, based on modelling of the risk from floods, wildfires and windstorms and on the insurance penetration rate. Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2025, Dashboard on insurance protection gap for natural catastrophes.
(3) This measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20% are generally considered to be a sign of water scarcity, while values equal to or greater than 40% indicate severe water scarcity.
(4) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2025 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.
Source: Eurostat, EEA and JRC

Denmark's labour market continues to adapt effectively to changing conditions while maintaining a high level of employment. Labour market outcomes have remained robust in recent years, and Denmark has surpassed its employment rate target for 2030. The 2025 country specific recommendations for Denmark highlighted the need to address the skills shortages to meet labour market needs, including by stepping up action to tackle attainment inequalities in education and training and to ensure the provision and acquisition of the skills needed for the green and digital transitions. Further unlocking of the untapped labour potential of certain groups could help tackle labour shortages and boost competitiveness.

Graph A11.1: **Key labour market indicators**



Source: Eurostat, LFS [lfsi_emp_a, une_rt_a, lfsi_neet_a, une_ltu_a]
Break in time series in 2023 for Eurostat tesem120, unemployment rate

While labour market participation is robust, high unemployment rates in cities remain a challenge. The employment rate reached 80.2% in 2024, well above the EU average of 75.8% and the national 2030 employment target of 80%. However, it decreased slightly and settled at 79.8% in 2025, still above the EU average of 76.1%. Many jobs are located in the capital area of Copenhagen (Annex 18). The activity rate of 82.3% was well above the EU average of 75.7%. The unemployment rate rose by 1.3 pps from 2023, but according to the national registered data it remained stable ([387]). The unemployment rate is substantially higher in urban areas compared to rural areas (8% vs 5.3%) The long-term unemployment rate rose from 0.5% in 2023 to 0.9% in 2025, remaining below the EU average of 1.9%. The gender employment gap widened by 1.1 pps between 2022 and 2024, but narrowed by 0.3 pps and settled at 6.2 pps in 2025, well below EU average of 9.6 pps. The share of part-time workers (23.1% in 2025) is higher than the EU average (17.1%) and represents untapped labour potential.

Unemployment and labour market slack increased in 2025. In 2025, the unemployment rate (6.4%) increased compared to 2024 (6.2%) and its pre-pandemic level (4.7%), standing above the EU average of 6%. Labour market slack ([388]) reached 10.9% in 2025 (EU: 11%), up from 10.5% in 2024. Denmark has implemented several reforms in recent years to increase the supply of labour to combat labour shortages in selected sectors (see Annex 13). The cash benefit reform, which was fully implemented in 2025, seeks to simplify the existing complex system by reducing the number of benefit types and by allowing cash benefit recipients to retain more of their income from work, thus increasing the incentives to enter employment.

Despite extensive policy support, there is scope for improving youth labour market outcomes, particularly in rural areas. The share of young people (aged 15-29) neither in employment nor in education and training (NEETs) has fluctuated between 8-10% for many years. In 2024, it stood at 8% (EU: 11.1%). However, it increased quite considerably to 8.9% in 2025 (EU: 10.9%). NEET rates are markedly higher in rural areas than in urban areas (11.5% vs 7% in 2025). NEETs constitute a heterogeneous group facing diverse barriers to education and employment.

([387]) Danmarks Statistik indicates significantly lower rates of unemployment (2.8% in 2023 and 2.9% in 2024).

([388]) Labour market slack refers to all unmet employment needs, namely the extent to which labour supply exceeds labour demand in the short term. It encompasses four components: underemployed people working part-time, unemployed people, people seeking work but not immediately available, and people available for work but not seeking a job.

Youth unemployment has been on the rise, increasing from 10.6% in 2022 to 13.8% in 2025. Although this was partly driven by a break in the statistical series ([389]) and is not fully mirrored in data on registered unemployment, Denmark closely monitors both the NEET and the youth unemployment rates at municipal and national level. Several measures have been introduced to support participation of NEETs in education, training and employment, including the new initiative *Ungeløftet* ('The Youth Commitment'). This initiative was launched in 2025 by creating national and local partnerships between municipalities, companies and civil society to help young people continue education or enter the labour market. As it is very recent, it is still too early to evaluate its effects. In 2023, the preparatory basic education and training (FGU) received a significant and permanent enhancement of its financial framework. The duration of the education is up to two years and enables young people below 25 years of age to improve professionally, personally and socially with the aim to proceed into the labour market or upper secondary and vocational education and training

Several measures have been introduced to tackle the challenges faced by persons with disabilities, although their effectiveness has not yet been assessed. The disability employment gap reached 26 pps in 2024 ([390]) (EU: 24 pps), up from 20.4 pps in 2023 (EU: 21.4%) and stood at 23.5% in 2025 (24.2%). In November 2025, Denmark adopted an action plan ([391]) for increasing the employment of persons with disabilities, setting a target of an additional 15 000 persons with disabilities in employment by 2030. Among other things, the new measures include enhanced support for pupils and students with disabilities throughout the education system and targeted guidance for their transition from education into the labour market.

Labour shortages remain high in specific sectors and occupations, especially construction and services. Persistent shortages have been reported since 2022 in occupations critical to the green transition, including construction and the related occupations of electrician, sheet metal worker and civil engineering labourer. Despite gaps in data on the overall job vacancy rate ([392]), sectoral indicators point to continued tightness in parts of the economy: in Q2-2025, vacancy rates were high in electricity, gas, steam and air conditioning supply (3.9%), administrative and support service activities (3.8%), as well as accommodation and food service activities (3.5%). In October 2025, the share of employers reporting that labour shortages were limiting their production was lower than the EU average for all sectors: 20% of companies in services (vs 23.1% in the EU), 20% in construction (vs EU: 27.5%) and 7.8% in industry (vs EU: 17.5%) ([393]). These figures were nevertheless higher than their pre-pandemic levels in services and industry (16% and 6%, respectively, in Q4-2019). Occupational data indicate particularly severe shortages among building frame workers, cooks and domestic, hotel and office cleaners and workers ([394]). While some regional differences persist, particularly for IT specialists, the demand for both skilled and unskilled workers, remains more or less equally distributed across the country (see Annex 18). The inflow of foreign workers is helping fill vacancies, including in the long-term care sector, also in less densely populated areas.

The growing participation of foreign workers in the labour market has significantly boosted employment rates and, in view of the increasing number of workers above the retirement age, it has helped to boost labour supply ([395]). The inflow of foreign workers is helping fill vacancies, including in the long-term care sector, also in less densely populated areas. Foreign workers and older workers who remain in

([389])In Q4-2023, the sampling period was extended from two to four weeks, thus including more people, more of whom are also students looking for a student job. While they are considered as unemployed according to the Labour Force Survey, they are not categorised as unemployed in the registered data.

([390])Break in series in 2024.

([391])Ny handicappolitisk handlingsplan: Flere med handicap i uddannelse og beskæftigelse - Social- og Boligministeriet.

([392])No data available for Denmark's job vacancy rate for all NACE activities together and for nine NACE activities separately.

([393])Source: European Business and Consumer Surveys.

([394])EURES - Demand for occupations | CEDEFOP (from 1 July 2024 to 30 June 2025).

([395])Danish Ministry of Employment, October 2025, *Status on the Labour Market*: Status på arbejdsmarkedet.

employment after reaching the retirement age account for 9% of the total labour force. The number of foreign workers increased by 17 000 full-time equivalents between 2024 and 2025, following a rise of 20 000 between 2023 and 2024. Approximately 19 000 more people continue working after turning 67 (which is the statutory retirement age), and they are incentivised to remain professionally active by the new rules that allow them to keep their pension without benefit deductions, making work beyond retirement age financially more attractive.

Denmark's labour market model is among the strongest in the EU, characterised by well-established social dialogue. Social dialogue forms the foundation of the Danish labour market model and is the cornerstone of its functioning, supporting adaptability, quality jobs and competitiveness. Collective agreements cover 100% of employees in the public sector and 73% of those in the private sector ([396]). Trade union density stood at 60.4% in 2024, while employer organisation density was 68.5% in 2023 ([397]). Social partners work closely with the government, providing input on labour market legislation and offering intelligence on skills needs and labour supply as well as contributing organisationally and financially to adult learning in close collaboration with public employment services and training providers. In 2025, social partners have agreed to develop an action plan to help further increase the level of collective bargaining coverage.

Denmark is also making good progress in the transition towards climate neutrality, but there are still gaps in the ICT labour market, limiting the growth of the digital sector. In 2024, employment in energy-intensive industries represented 1.3% of total employment, well below the EU average of 3.5%. At the same time, employment in mining and quarrying has grown by 17% since 2015 (to around 4 400 workers in 2023 and 6 200 in 2024). Jobs in the environmental goods and services sector represented 2.8% of total employment in 2022 (EU: 3.1%). In the digital sector, ICT specialists accounted for 5.8% of total employment in 2024 (higher than the EU average of 5%). Despite this relatively high share, a shortage of ICT professionals remains a significant challenge for Danish companies, with 10% reporting difficulties in filling ICT vacancies in 2022. Digital competence among the population remains high: in 2025, 81.45% of Danes aged 16-74 possessed at least basic digital skills, well above the EU average of 60.39%.

Real wage growth is relatively robust, while contained unit labour costs help preserve competitiveness. After a 3.4% rise in 2023 and 4.4% in 2024, wage growth slowed down to 3.3% in 2025 and is projected to remain at the same level in 2026. In turn, after a marked drop in 2022 (5.3%) and a modest rebound in 2023 (0.3%), real wages grew by 3.2% in 2024, 1.4% in 2025 and are projected to go up 1.5% in 2026. This trend reflects a decline in inflation and sustained nominal wage growth. Over the past decade, the relatively low wage growth has generated cost-competitiveness gains, and unit labour costs increased less than in most other Member States.

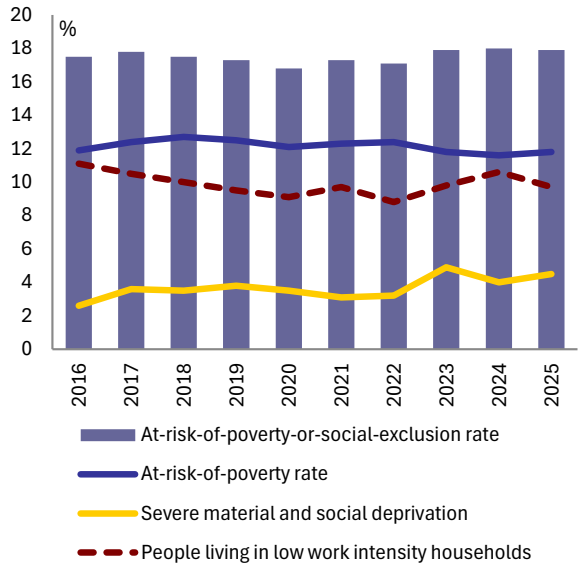
([396])Danish Ministry of Employment, Confederation of Danish Employers and Danish Trade Union Confederation, *The Labour Market in Denmark*: the-labour-market-in-denmark.pdf.

([397])OECD/AIAS ICTWSS v2.0.

Denmark has a well-functioning social security system, but disparities are increasing, particularly affecting vulnerable groups. Poverty and social exclusion risks in Denmark remain relatively low, but the rate is considerably higher in cities compared to rural areas, towns and suburbs, and certain vulnerable groups, such as persons with disabilities, are particularly affected. Denmark is significantly behind its 2030 poverty reduction target, underscoring the scope for further policy measures aimed at preventing inequalities and alleviating poverty or social exclusion.

The share of people living in households with very low work intensity is higher than the EU average and is far from the 2030 poverty reduction target. The share of people living at risk of poverty and social exclusion fluctuated between 17.1% in 2022 and 18% in 2024 and stood at 17.9% in 2025. In contrast, the EU average has been continuously declining over the same period, from 21.6% in 2022 to 20.9% in 2025. Furthermore, income inequality, as measured by the income quintile ratio (S80/S20) rose from 4.03 in 2022 to 4.16 in 2024, and decreased to 4.12 in 2025, while the EU average fell from 4.74 in 2022 to 4.62 in 2025. Denmark does not express the national 2030 target in terms of the number of people at risk of poverty of social exclusion, but it aims to reduce the number of people living in very low work intensity households by 30 000 compared to 2019 values. Although the proportion of people living in very low work intensity households decreased from 10.6% in 2024 (EU: 7.9%), to 9.7% in 2025 (EU: 7.9%), it was still one of the highest in the EU. The amount corresponds to approximately 432 400 people living in very low work intensity households, around 48 000 more than the 2030 target. Denmark has one of the highest proportions of women living in households with very low work intensity, and although the share has decreased from 11.1% in 2023 to 10.6% in 2025, it remains above the EU average of 8.4%. While the number of people in very low work intensity households represents the main driver of the rising AROPE rate, the percentage of people at risk of poverty (AROP) has remained stable since 2023 and stood at 11.8% in 2025 (EU: 16.3%). The percentage of people living in severe material and social deprivation dropped from 4.9% in 2023 to 4% in 2024, followed by a rise to 4.5% in 2025, although staying below the EU average of 6.8%.

Graph A12.1: **AROPE rate and its components**



Source: Eurostat, EU-SILC [ilc_peps01n, ilc_li02, ilc_mdsd11, ilc_lvhl11n]

Poverty and social exclusion rates vary significantly across regions and household types. Certain groups are more likely to live in quasi-jobless households, with the level of urbanisation and household composition being important factors. The AROPE rate in 2025 was significantly higher for people living in cities (22.2%) compared to towns and suburbs (14.8%) and rural areas (16%). In cities, the AROPE rate increased by 1.3 pps between 2022 and 2025, surpassing the EU average of 21%. This was mainly driven by the percentage of people living in very low work intensity households, which in cities grew by 1.2 pps in the same period. The increase in the AROPE rate in cities can also be linked to the fact that the housing cost overburden (Annex 16) and unemployment rates (Annex 11) are also higher for people living in cities than in rural areas. In addition, the percentage of persons with disabilities living in quasi-jobless households and their AROPE rate rose considerably between 2022 and 2025 (by 6.7 pps and 3.8 pps respectively). The AROPE rate of this group stood at 28.5% in 2025 (EU: 28.8%), with 24% of them living in very low work intensity households, well above the EU average of 18.9% in 2025. Furthermore, the work intensity of households is closely related to household composition, with single-parent households and households without dependent children more likely to be very low work intensity households. Such households surpassed the EU average in 2025 (24.5% vs 22.4% for single parents and 15.8% vs 10.3% for households

without dependent children). A comprehensive approach, as set out in the EU anti-poverty strategy, could help address the multiple dimensions of poverty and eradicate poverty.

More than one out of ten children in Denmark are affected by poverty. Denmark experienced its highest percentage of children at risk of poverty or social exclusion since 2020 in 2024 at 15.9%, however it decreased to 14.8% in 2025, well below the EU average of 24.3%. The severe material and social deprivation rate for children have fluctuated from 2.8% in 2022 to 5.3% in 2025, also below the EU average at 7.9% in 2025. The share of children living in very low work intensity households decreased from 6.6%% in 2023 to 5.6% in 2025 (EU: 7.5%) Denmark has made progress with the implementation of the European Child Guarantee ([398]), including by putting in place policies on improving the quality of education. The 2025 Finance Act introduced a pilot project on school meals to examine how school meals affect children's health, learning performance and wellbeing. The government carried out a draw which took into consideration factors such as socioeconomic background and location. Some schools were selected for free meals, whereas for others a parental contribution was requested. The project ([399]) is running from 2025-2028 and DKK 854 million (approx. EUR 114 million) has been allocated. The 2026 Finance Act introduced, among other measures, allocations for improving the financial situation of families with children in childcare by lowering the parental contribution by DKK 400 million yearly (approx. EUR 53.5 million), as well as allocating funding for more employees in childcare facilities (Annex 13).

Denmark has a very comprehensive social security system to improve the social situation of vulnerable groups. The impact of social benefits on poverty reduction rose slightly from 51.4% in 2023 to 51.8% in 2025, remaining well above the EU average of 33.2%. Overall government expenditure for social protection amounted to 19.6% in 2024, at the level of the EU average. In July 2025, a reform was introduced to simplify and restructure the cash benefit system by merging all former payments (e.g. *uddannelseshjælp, overgangsydelse, selvforsørgelses- og hjemrejseydelse*). The new system includes three main rates (minimum, basic and increased) as well as a special rate for young people who are unemployed living with their parents. Families with children and single-parent households receive an additional allowance to help with the cost of after-school activities for children. Additionally, the reform introduces a new income deduction system that allows social assistance recipients who take up employment to retain more of their income, thus positively incentivising entry into the labour market. Given its recent implementation, the impact of the reform is still to be assessed. The healthcare and long-term care (LTC) system provides universal access to services. Access to healthcare can vary across Denmark (Annex 15). LTC is managed at municipal level, with differences in the quality of LTC mainly related to labour shortages (Annex 11 and Annex 18). The eldercare reform was introduced in April 2024 to improve the quality of LTC by creating permanent care teams and giving more freedom to nursing homes. The reform will be fully implemented as of 2027.

Transport affordability poses challenges for vulnerable groups while heating costs are projected to rise at a slower pace than across the EU. In 2025, 8.3% of households reported in a survey that they were not able to afford a car; this is above the EU average of 5.5%. This percentage has risen in recent years, to reach 28.2% among households at risk of poverty compared with the EU average of 16.5% in 2025. In addition, transport fuel expenditure is projected to increase due to the EU emissions trading system for buildings and road transport (ETS2), although at a rate slightly lower than the EU average. According to the 2024 EU-SILC ad hoc module on access to services, 33% of the population reported using public transport less than once a month compared with an EU average of 17.1%. Public transport appears to be less available in the region of Midtjylland. There is scope to further strengthen the affordability and availability of public transport and, in areas with limited access, to support zero-emission vehicle options such as social leasing schemes. Regarding energy poverty, 4.5% of the population was not able to keep their homes adequately warm in 2025, 4.3 pps below EU average. Heating expenditure is projected to grow much less than the EU average, consistent with very low exposure to ETS2 covered fuels.

([398])Biannual report for the European Child Guarantee from 2024.

([399])Børne- og Undervisningsministeriet.

Despite strong overall performance, Denmark's education and training system faces challenges in strengthening its inclusiveness and labour-market relevance. Since the COVID-19 pandemic, school absences and early school leaving have been on the rise, and challenges in attaining basic skills disproportionately affect students with a migrant background. Shortages of fully qualified teachers impact the system's capacity to provide quality education for all. At the same time, Denmark is implementing a broad reform agenda across education levels, with the aim of strengthening quality, reducing inequalities and improving transitions to employment. Further efforts to improve participation in vocational education and training (VET) and adult learning could help address persistent skills shortages and support competitiveness. For Denmark, the 2025 country-specific recommendations highlighted the need to 'address the skills shortages to meet labour market needs, including by stepping up action to tackle attainment inequalities in education and training and to ensure the provision and acquisition of the skills needed for the green and digital transition'.

Early childhood education and care (ECEC) participation rates are among the highest in the EU, but quality gaps remain. In 2025, participation in formal childcare for children under three years old was particularly high at 67.2%, compared to the EU average of 40.5%, despite a decline from 74.7% in 2022. For children aged three to the starting age of compulsory education, participation is near universal (96.3% in 2024). However, a recent national study ([400]) points to significant variation in the quality of ECEC provision, as only a small share of ECEC settings for 3–5-year-olds provide learning environments assessed as high quality. The report also highlights that, due to quality gaps, few ECEC settings are expected to generate a positive difference for children from less advantaged backgrounds. At the same time, a considerable share of ECEC leaders in Denmark report that staff absences and insufficient staffing levels hinder their ability to provide quality ECEC (56.6% and 37.8%, respectively)([401]). The 2026 budget allocates funding for hiring additional ECEC staff (ECEC-teachers and ECEC-assistants), lowering the costs for families, and strengthening quality monitoring through more survey exercises. In early 2026, a preparatory expert group was appointed to issue recommendations for a revision of the Daycare Act, in view of improving quality of ECEC provision.

Despite comparatively good performance in basic skills, proficiency in mathematics and reading is declining, and inequalities in education outcomes persist. According to PISA 2022, the share of low-achieving 15-year-olds remains below the EU average in mathematics (20.4% vs 29.5%), science (19.5% vs 24.2%), and reading (19% vs 26.2%). However, there has been a notable increase in the share of underachievers since 2018, particularly in mathematics (5.9 percentage points (pps)) and reading (3 pps) ([402]). At the same time, the proportion of top-performing students has declined markedly in mathematics (-3.9 pps) and reading (-2.1 pps), now below the EU average in these domains. Gender gaps are observed: boys are over-represented among low performers in reading (22.5% vs 15.3% for girls), yet they are more likely to be top performers in mathematics (9.9% vs 5.4%) and science (8.5% vs 5.4%). Among students with a migrant background, 42.1% are low achievers in mathematics, compared to 17.3% among non-migrants. Challenges in basic skills are also visible in the latest national ninth-grade exams (2024/2025), where around 1 in 10 students fail to achieve minimum passing grades (at least a 2) in both Danish and mathematics. There are particularly large gaps for children of parents with low educational attainment (ISCED 2), with about a quarter of them not reaching the basic proficiency threshold, while rural-urban disparities are also witnessed ([403]).

Denmark is implementing a broad reform agenda across the education system. Under the common framework *Forberedt på fremtiden* (Prepared for the Future) ([404]), the reform brings

([400])EVA & VIVE, 2025. Kvalitet i dagtilbud for 3-5-årige: National undersøgelse af rammer og kvalitet i pædagogiske læringsmiljøer i kommunale daginstitutioner for 3-5-årige børn.

([401])OECD, 2025. Results from TALIS Starting Strong 2024.

([402])OECD, 2022 PISA.

([403])Danish Ministry of Children and Education, 2025. Nye grundskolekarakterer viser, at elever af ufaglærte forældre klarer sig markant dårligere end andre (19 September 2025).

([404])Uddannelses- og Forskningsministeriet https://ufm.dk/aktuelt/temaer/forberedt-paa-fremtiden/.

together six parallel reform tracks covering: (i) universities; (ii) primary and lower secondary education; (iii) vocational programmes in health and eldercare; (iv) vocational education supporting the green transition; (v) upper secondary education; and (vi) professional and vocational higher education. The reforms have been launched in stages since 2023 and are being implemented gradually across sectors until 2030. Under the quality programme for primary and lower secondary education (the second reform track), several initiatives have been launched to strengthen basic skills and reduce inequalities in education outcomes, in particular the allocation of DKK 500 million (approx. EUR 67 million) annually to support students facing the greatest difficulties in Danish and mathematics at each school. The impact of these reforms is yet to be assessed, as implementation progresses. In addition, the 2025 final report of the Commission for the Well-Being of Children and Young People([405]) sets out 35 recommendations that aim to further improve the overall well-being of children and young people, including students, which could complement ongoing measures.

Denmark faces growing teacher shortages and increasingly relies on non-fully qualified staff. Results from the 2024 TALIS survey ([406]) confirm that Danish teachers are comparatively satisfied with their career, working conditions and professional development opportunities. However, teacher shortages are increasing due to declining enrolment in teacher education and, especially, difficulties in attracting graduates to the profession, with only around 52.5% of qualified teachers working in the *folkeskole* (primary and lower secondary level) ([407]). As a result, reliance on non-fully qualified staff has risen steadily and exceeded 15% of teachers in 2021/2022 ([408]), one of the highest shares in the EU. Early-career attrition is a concern, with 18% of teachers under 30 considering leaving the profession within five years (EU average: 15.2%) ([409]). Looking ahead, retirements are projected to outpace new entrants, leading to an estimated shortfall of around 8 500 teachers by 2035, if all posts are to be occupied by fully qualified teachers ([410]), which may place additional strain on schools' capacity to ensure consistent teaching quality and adequate support for pupils.

School absenteeism has been on the rise in recent years, and early school leaving is a persistent challenge. Denmark has experienced a sustained increase in school absenteeism since the COVID-19 pandemic. In the 2024/2025 school year, around 1 in 5 pupils in primary and lower secondary education recorded absence exceeding 10% of school days. Absenteeism is particularly acute among pupils enrolled in special schools (*specialskoler*, serving students with complex learning, behavioural or health-related needs), where the same rate reached 37.5%, and in the Zealand region ([411]). In response, in October 2025, the Ministry of Children and Education issued the first part of a new national strategy to reduce long-term school absenteeism, with a second part to follow in 2026 ([412]). This has been followed by a political agreement reached in January 2026 between the government and the *folkeskole* conciliation circle ([413]), which seeks to ensure faster and more coordinated support for pupils experiencing learning difficulties or prolonged absence. This is particularly important as rates of students with special educational needs have been increasing, reaching 6.7% at primary level and 9.5% in lower secondary education (vs 5.9% and 8.9% in 2019/2020, respectively)([414]). In parallel, the rate of early leavers from education and training stood at 10.0% in 2025, slightly lower

([405])Trivselskommissionen (2025). Et dansk svar på en vestlig udfordring. Trivselskommissionens afrapportering (A Danish Answer to a Western Challenge. The Well-being Commission's Report). https://www.trivselskommissionen.dk/-/media/filer/trivselskommissionen/250224-trivselskommissionens-afrapportering.pdf.

([406])OECD, 2025. Results from the TALIS 2024 survey.

([407])Arbejderbevægelsens Erhvervsråd, 2025, Fremskrivning af arbejdsmarkedet for folkeskolelærere.

([408])OECD, 2025. Education at a Glance 2025.

([409])OECD, 2025. TALIS 2024.

([410])Arbejderbevægelsens Erhvervsråd, 2025, Fremskrivning af arbejdsmarkedet for folkeskolelærere (Forecast of the Labour Market for Primary and Lower Secondary School Teachers).

([411])Danish Ministry of Children and Education, 2025. Nye tal: Hver femte elev har over ti procent fravær (17 December 2025).

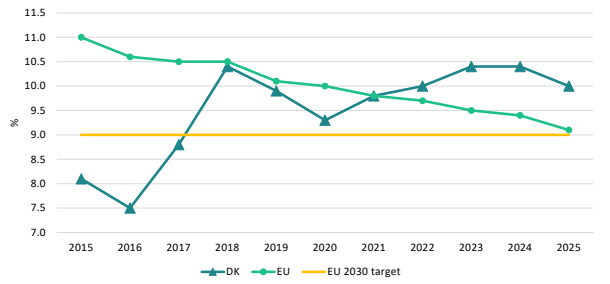
([412])Danish Ministry of Children and Education, 2025. National handlingsplan for børn og unge i langvarig bekymrende fravær er klar (6 October 2025).

([413])Danish Ministry of Children and Education, 2026. Ny aftale sikrer elever hurtigere hjælp ved mistrivsel og fravær (15 January 2026).

([414])EASNIE Cross-Country Reports, based on the 2019/2020 and 2022/2023 school years.

than 10.4% in 2024, but exceeding the EU average of 9.3%; it has been on the rise since the pandemic. Early leaving from education and training is especially pronounced in rural areas, where rates exceed the EU average by more than 7 pps (16.7% vs 9.6%), while it is comparatively less prevalent in cities (5.7% vs 8.0%). Regional differences are also observed, with higher rates reported in Southern Denmark (15.3%) and Zealand (13.9%) compared to the Capital Region (6.9%) (see Annex 18).

Graph A13.1: **Early leavers from education and training (% among 18-24-year-olds), DK vs EU 2015-2025**



Source: Eurostat, Labour Force Survey , edat_lfse_16

Despite efforts to increase the attractiveness of VET, insufficient enrolment is likely to intensify labour shortages in sectors where VET skills are most in demand. A combination of low enrolment and high dropout rates in VET programmes contribute to labour shortages in specific sectors. Only around 20% of young people choose to pursue VET directly following lower secondary school, and around half of those who begin VET are not following the course after 15 months. The share of VET students enrolled among all upper secondary students decreased from 40.2% in 2022 to 39.3% in 2024 (EU-wide, the share of VET pupils in upper secondary or post-secondary education was 52.9% in 2024). Enrolment in science, technology, engineering and mathematics (STEM) fields in VET is higher than the EU average (45.9% in 2024 vs 36.6%), while the share of female students lags behind (11.6%; EU average: 15.9%). Within the wider reform framework of the education sector (Prepared for the Future), a reform aims to transform youth education by creating campuses that combine practical and theoretical learning. The reform seeks to tackle future unequal institutional coverage due to an estimated decrease in the Danish youth population by establishing multi-institution campuses across the country, thus promoting equal access to education.

Strengthening the supply of STEM graduates is increasingly important for Denmark's competitiveness against the background of a highly digitalised and innovation-driven economy. Denmark's tertiary educational attainment rate has continuously increased in the past decade, reaching 52.5% in 2025 and surpassing the EU-level target of 45% by 2030. STEM enrolments rose from 19.6% in 2015 to 24.9% in 2024, with most students choosing engineering (53.7%), followed by natural sciences and mathematics (23.7%), and information and communications technology (ICT) (22.5%). However, this remains below the EU average of 26.6% and the proposed EU target for 2030 of 32%. Gender disparities in STEM remain, as 35.4% of higher education students enrolled in STEM courses were female, above the EU average of 32.4%, but below the 40% proposed EU target for 2030. On a positive note, Denmark produces a comparatively high proportion of ICT graduates (6.1% of total graduates in 2023), surpassing the EU average of 4.7%. Moreover, 81.5% of the population aged 16-74 was reported to have at least basic digital skills in 2025. Given Denmark's highly digitalised and innovation-oriented economy, demand for STEM and ICT skills remains strong, with employers reporting persistent shortages in areas such as engineering, ICT, and sectors tied to the green transition (see Annex 11).

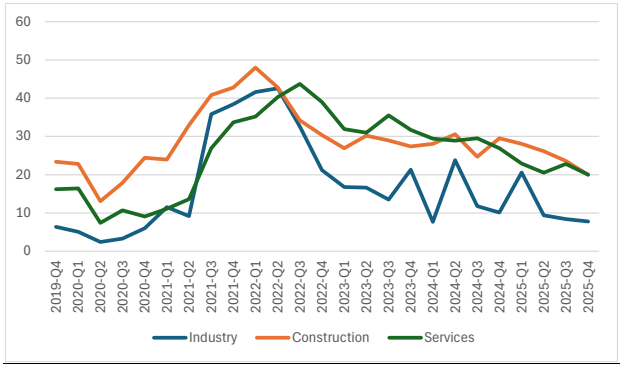
Higher education reforms prioritise flexibility, labour-market relevance and faster transitions to employment. Following the 2023 political agreement that introduced shorter master's degree programmes and new master's degree programmes for working professionals (part-time students who combine their studies with employment), a national implementation committee was established to design the new master's landscape. The first 18 new programmes (3 of which are 1¼-year master degrees and 14 of which are master's degree programmes for working professionals), will be implemented at the universities from the 2026/2027 school year([415]). These shorter and more flexible programmes are expected to help students transition faster and more efficiently to the labour market. The reform also includes an 8

([415])Danish Ministry of Higher Education and Research, 2025. Uddannelses- og forskningsministeren godkender universitetsreformens første 18 nye uddannelser (19 December 2025).

% reduction in academic university places (10 % from 2025-2029). Another reform package put forward in 2025 includes a strategic expansion of priority fields such as welfare (incl. teaching), STEM, and highly qualified vocational pathways ([416]).

Stakeholders broadly recognise the qualities of Denmark's higher education reforms – to strengthen labour-market relevance, improve flexibility and respond to demographic change – but also caution that these reforms' design and implementation must ensure academic quality and sufficient time for practical experience.

Graph A13.2: **Labour shortages**



Labour shortages are presented as the share of employers that declared that labour shortages were limiting their production.

Source: European Business and Consumer Surveys

The macroeconomic skills mismatch indicator has decreased, and the overqualification rate has increased, while both were below the EU average in 2024. Skills shortages reflect labour shortages, which remain high in specific sectors and occupations, especially construction and services (see Annex 11). The macroeconomic skills mismatch indicator ([417]) edged down to 13.6% in 2024 (from 14.3% in 2023). At the same time, overqualification rose to 15.3% in 2024 (up from 13.4% in 2023), reversing the downward trend observed since in 2021. Nevertheless, both indicators remain well below the EU average of 19.2% and 21.5%, respectively. At sectoral level, overqualification is most pronounced in accommodation and food services (82.5%) and agriculture, forestry and fishing (71.5%). However, there is also a mismatch in terms of both overqualification and underqualification in agriculture (45%)([418])().

The Ministry of Employment, together with social partners, other ministries and knowledge centres, monitors labour market developments and produces analyses and forecasts on current and future skills needs. Denmark makes use of several skills intelligence tools. The Danish Agency for Labour Market and Recruitment collects data for an overview of job opportunities (*Arbejdsmarkedsbalancen*) that is published twice a year, covering around 1 000 different jobs. It indicates areas where employers face staff shortages and where jobseekers are likely to have favourable opportunities for employment. In addition, the agency monitors the labour market on regional level, where the demand and supply of labour is being analysed quarterly through the Labour Recruitment survey. Furthermore, Statistics Denmark and independent think tanks conduct analysis on labour market and educational needs.

Denmark has a well-established adult learning system. The system is built on strong cooperation between the government and social partners and offers upskilling and reskilling opportunities to both employed and unemployed people. In 2024, the 'Right to Educational Boost with 110 pct. unemployment benefits' (Ret til uddannelsesløft med 110 pct. dagpenge) was made permanent following its success in activating adults aged 30 or above with a limited educational background to reskill in VET sectors facing skills shortages. By providing a financial incentive to pursue training, the measure fosters adult learning while helping ease shortages in sectors such as long-term care. At 47.1% in 2022 based on the adult education survey, the participation of adults in learning is higher than the EU average (39.5%), although it is still below the 2030 national target of 60%. Participation varies by location, with higher engagement among people living in cities (56.3%) and urban areas (44.2%) than in rural areas (38.8%). More recent data, from the labour force survey, suggest a possible increase in participation between 2022

([416])Danish Ministry of Higher Education and Research, 2025. Årlig prioritering på næsten 2 mia. kr. skal gøre det attraktivt for flere at uddanne sig til f.eks. pædagog, socialrådgiver eller datamatiker (26 March 2025).

([417])The macroeconomic skills mismatch indicator measures the dispersion of employment rates across skill groups (proxied by qualification levels, with ISCED 0-2 low; 3-4 medium and 5-7 high). Source: Commission's own calculations.

([418])OECD (2022), Skills for Jobs database.

and 2024. 23.8% of workers in energy intensive industries participated in learning in 2024, well above the EU average of 9.4%.

Table A14.1:**Social Scoreboard for Denmark**

Equal opportunities and access to the labour market	Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)	47.1
	Early leavers from education and training (% of the population aged 18-24, 2025)	10.0
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2025)	81.5
	Young people not in employment, education or training (% of the population aged 15-29, 2025)	8.9
	Gender employment gap (percentage points, population aged 20-64, 2025)	6.2
	Income quintile ratio (S80/S20, 2025)	4.12
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2025)	79.8
	Unemployment rate (% of the active population aged 15-74, 2025)	6.4
	Long term unemployment (% of the active population aged 15-74, 2025)	0.9
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2024)	125.0
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2025)	17.9
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2025)	14.8
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2025)	51.8
	Disability employment gap (percentage points, population aged 20-64, 2025)	23.5
	Housing cost overburden (% of the total population, 2025)	23.4
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2025)	67.2
	Self-reported unmet need for medical care (% of the population aged 16+, 2025)	2.9

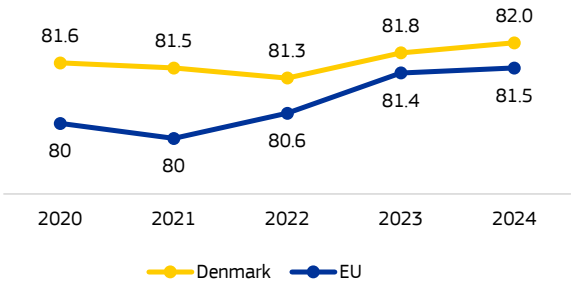
Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

Update of 4 May 2026. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2026 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2026_en).

Source: Eurostat

Denmark's health system performs comparatively well, with high life expectancy at birth linked to low levels of treatable and preventable mortality. However, cancer mortality remains high. Although behavioural and environmental risk factors are strongly linked to deaths in the country, the share of health spending on prevention is slightly below the EU average. At the same time, the Danish health system is increasingly emphasising community based- and outpatient care, with a major healthcare reform also seeking to address workforce shortages in primary care. Nevertheless, some challenges in access to healthcare persist, reflecting geographical and income-related disparities, particularly in relation to unmet needs for dental care. Addressing these issues is essential to further improve health, social fairness and productivity.

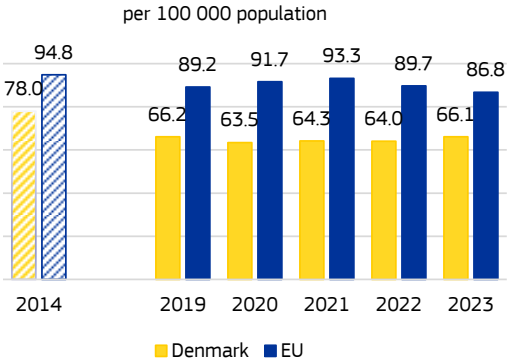
Graph A15.1: **Life expectancy at birth, in years**



Source: Eurostat (indicator: demo_mlexpec)

Life expectancy at birth in Denmark is slightly above the EU average. Compared with other EU countries, Denmark had lower rates of mortality from preventable and treatable diseases in 2023. It performed especially well on treatable causes of mortality, showing strong effectiveness in managing acute conditions. However, mortality due to cancer is high, in particular lung cancer, followed by colorectal cancer. In 2023, the leading causes of death, morbidity and disability in Denmark were cancer and diseases of the circulatory system (cardiovascular diseases – CVDs). Rising life expectancy has led to an increase in chronic conditions. More than one third (35%) of people aged 65 years and over have multiple chronic conditions, with women more likely than men to report limitations in daily activities (26% vs 20%), mirroring patterns seen across other EU countries ([419]). Since 2000, Denmark's National Cancer Plan has progressed through four phases, guiding national efforts to improve cancer care, prevention, access and quality. A fifth phase was initiated in 2025, with an annual budget of DKK 600 million (approx. EUR 80.4 million). Featuring 36 initiatives, it covers early detection, treatment and life after cancer, with a strong focus on the quality of life of patients and survivors. This includes addressing side effects, long-term consequences of treatment, rehabilitation and palliative care ([420]). Denmark participates in EU4Health-funded joint actions aimed at cancer and other non-communicable diseases, such as eCan Plus, EUnetCCC and JANE-2 ([421]).

Graph A15.2: **Treatable mortality**



Age-standardised death rate - mortality that could be avoided through optimal quality healthcare.
Source: Eurostat (indicator: hlth_cd_apr)

Preventable mortality was just below the EU average in 2023. The share of total health expenditure allocated to prevention decreased in 2023 and was below the EU average (2.5% vs 3.7%). The main causes of preventable mortality are lung cancer (primarily due to tobacco smoking), chronic obstructive pulmonary disease and alcohol-related diseases. To address this, the 2024 health reform announced plans for a public health law to strengthen prevention efforts. Screening rates for cancer are relatively high in Denmark. The country offers free-of-charge national screening for breast, cervical and colorectal cancers.

([419])OECD/European Observatory on Health Systems and Policies (2025), *Country Health Profile 2025: Denmark. State of Health in the EU.*

([420])Danish Health Authority (2025), Cancer Plan V.

([421])eCAN – Joint Action; EUnetCCC; Home - Jane 2;

Table A15.1:**Key health indicators**

	2020	2021	2022	2023	2024	10-year change**	EU average* (latest year)
Cancer mortality per 100 000 population	271.0	270.6	259.6	262.7	n.a.	0.87	233.1 (2023)
Mortality due to circulatory diseases per 100 000 population	207.4	211.8	210.8	208.2	n.a.	0.81	313.0 (2023)
Current expenditure on health, purchasing power standards, per capita	3 998	4 435	4 181	4 173	4 367	1.26	3834.9 (2023)
Public share of health expenditure, % of current health expenditure	84.3	84.5	84.4	83.3	83.4	0.99	80.6 (2023)
Spending on prevention, % of current health expenditure	3.2	8.8	5.0	2.5	2.4	1.09	3.7 (2023)
Available hospital beds per 100 000 population***	196	189	185	180	171	n.a.	440 (2023)
Doctors per 1 000 population*	4.4	4.5	4.5	4.5	n.a.	1.20	4.3 (2023)*
Nurses per 1 000 population*	10.2	10.3	10.4	10.5	n.a.	1.09	7.6 (2023)*
Mortality at working age (20-64 years), % of total mortality	13.5	12.9	12.3	12.3	11.8	0.75	14.3 (2023)
Consumption of antibiotics in the community and hospital sectors, defined daily doses per 1 000 inhabitants	14.3	14.4	15.2	16.2	16.1	0.92	20.3 (2024)

*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2023 data (or latest available). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except Portugal (licensed to practice) and Slovakia (professionally active). Latest data update on nurses for Belgium and Sweden: 2022; for France: 2021; for Luxembourg: 2017.

** latest available 10-year trend: ratio 2023/2014 or 2024/2013; a factor of 2.00 means that it has doubled in 10 years.

***'Available hospital beds' covers somatic care, not psychiatric care.

Source: Eurostat

Preventable mortality is largely driven by lifestyle behavioural risk factors, with a pronounced gap between socio-economic groups. According to estimates from Institute for Health metrics and evaluation, taken together, behavioural (tobacco smoking, dietary risks, alcohol consumption and low physical activity) and environmental risk factors (attributed to air pollution – see Annex 8) accounted for about one third of all deaths in Denmark in 2021, which was slightly higher than the EU average rate of 30% ([422]). The proportion of Danish adults who smoke tobacco on a daily basis has declined sharply over the past two decades and was one of the lowest in the EU in 2022. This reduction could in part be linked to increases in tobacco prices and the introduction of a smoking ban in public spaces as part of tobacco control policies. Smoking rates among adolescents are also now lower in Denmark than in most other EU countries. However, vaping has risen and is almost as high as the use of regular cigarettes. In November 2023, the Ministry of the Interior and Health unveiled a new political agreement on a prevention plan. The 30 initiatives outlined aim to reduce alcohol, nicotine and tobacco use among children and young people. Several of these initiatives required legislative changes, with some passed by Parliament between 2024 and 2025, while others are still under discussion. Furthermore, 19% of people were obese in 2022, higher than the EU average of 15%. Unhealthy nutrition is the primary reason for overweight and obesity. In Denmark a higher share than the EU average reported not consuming fruit and vegetables on a daily basis. On the other hand, in 2022, 60% of Danes over 15 years of age engaged in physical activity at least three times per week, which is twice the EU average of 34%. As in other EU countries, many behavioural risk factors are more common among people with lower education levels. Smoking, obesity and insufficient physical activity are all more prevalent in this group, with disparities that are wider than the EU average. Finally, alcohol consumption is below the EU average. However, in 2022 Denmark had one of the highest proportions of 15-year-olds reporting that they had been drunk more than once in their life. No recent progress has been achieved in tackling excessive alcohol consumption among adolescents.

The Danish health system is placing increased emphasis on community-based and outpatient care. In 2023, health spending per inhabitant was higher than the EU average. The largest share of health expenditure was on outpatient care (almost 40%), higher than the EU average. Spending on inpatient care was below the EU average. The number of hospital beds was also below the EU average and fell further following a major hospital reform launched in 2007. A major long-term investment programme to build new hospitals and renovate existing ones is expected to

([422]) *Country Health Profile 2025: Denmark 2025* – see earlier footnote.

be completed in 2026 ([423]). Denmark's health system operates across state, regional and municipal levels, working collaboratively rather than hierarchically. A major reform adopted in late 2024 will reshape governance to strengthen community and primary care nationwide, with implementation expected by 2027. By 2030, operating funds will rise, with two thirds earmarked for local services. The reform will merge the five regions into four and create 17 local health councils to support joint planning and budgeting with municipalities. Denmark has relatively low rates of antibiotic consumption compared with most other EU countries. Yet antibiotic use in Denmark has rebounded and is higher than before the pandemic, posing challenges for meeting its 2030 reduction target ([424]). Denmark also participates in the Joint Action on Antimicrobial Resistance and Healthcare-Associated Infections EU-JAMRAI2, funded by the EU4Health Programme ([425]).

Challenges in accessing healthcare persist, with geographical and income-related disparities, in particular higher unmet needs for dental care. Unmet medical needs due to distance are higher in Denmark than the EU average. Some areas are less well served than others in the country, in particular due to staff shortages. In 2024, the Zealand region took positive steps to improve access to care by merging two hospitals and introducing a system under which around 100 doctors are required to rotate through one hospital for several days each month, helping to address service gaps. Public financing of health spending is above the EU average, but coverage for pharmaceuticals is lower than average. Patients spend the largest share of out-of-pocket payments on pharmaceuticals and dental care. Similarly, unmet needs are higher for services that are less comprehensively covered, such as dental care, hearing aids and vision aids. Over 9% of Danes reported unmet needs for dental care in 2025, rising to 21% among those at risk of poverty, with costs cited as the main reason. In 2025, Denmark adopted an agreement on adult dental care with an annual allowance for all people aged 21+ and free dental care for selected groups, including cash benefit recipients.

Shortages of healthcare professionals persist in some regions, in particular in hospital settings, while healthcare reforms aim to increase access to primary care. The number of practising doctors per head of population is slightly higher in Denmark than the EU average but varies between and within regions (see Annex 18). The 2024 healthcare reform aims to increase the number of general practitioners (GPs) from 3 500 in 2024 to at least 5 000 by 2035 and improve their geographic distribution to reduce inequalities in access to primary care. An increasing number of nurses have left hospitals and moved to community care, contributing to persistent shortages in hospital settings. Furthermore, in Denmark, task sharing between doctors and other health professionals has expanded in recent decades, particularly in primary care. It is common for GP practices to employ nurses or midwives, who may carry out various clinical tasks, such as gynaecological and paediatric care, including vaccinations, when authorised by doctors. By 2021, around 8% of midwives were employed in GP practices ([426]). Denmark has also formalised the role of advanced practice nurses (APNs), creating a competency framework across seven specialisations, including community care.

Denmark has advanced significantly in the digitalisation of its healthcare system. The proportions of Danes accessing their personal health records online or using online health services (excluding phone) instead of in-person consultations increased significantly between 2020 and 2024 and are among the highest in the EU. However, as in other countries, Danes with lower levels of education are less likely to use the internet for these health purposes. The shared medication record ensures real-time access to prescriptions for both the general public and professionals and supports secure communication across all healthcare providers. A nearly complete national appointment system is improving coordination and patient access. Denmark's progress builds on a long tradition of eHealth strategies, with the most recent (2018-2024)

([423])Ministry of the Interior and Health (2024), Agreement on a health reform 2024. Copenhagen.

([424])National target set by the Council Recommendation on stepping up EU actions to combat antimicrobial resistance in a One Health approach, 2023/C 220/01.

([425])EU-JAMRAI.

([426])*Country Health Profile 2025: Denmark* – see earlier footnote.

being the fifth iteration ([427]). Denmark is also advancing the safe and effective integration of artificial intelligence (AI) in healthcare. Its 2019 national AI strategy prioritised applications like cancer detection, quality management and diagnostics, with projects focusing on early cancer detection, patient record prediction models, acute care diagnosis and rare disease decision support. Implementation occurs through research projects and regional initiatives. In 2025, Denmark allocated DKK 40.6 million (approx. EUR 5.4 million) to three AI healthcare projects related to fracture analysis, home visit logistics and speech-to-text for municipal healthcare. Denmark also participates in joint actions funded by the EU4Health programme supporting the implementation of the European Health Data Space Regulation (TEHDAS 2 ([428]) and EHDS2 Pilot – Pilot for a European Health Data Space on secondary use of health data).

Denmark's pharmaceutical sector is of high economic significance. Employment in pharmaceutical manufacturing is among the highest in the EU. The country stands out as a leading hub for clinical research and innovation. In 2024, Denmark reported one of the highest numbers of clinical trials per million population in the EU (78) ([429]), more than four times the EU average of 18.3. Research and development in Denmark's pharmaceutical industry has been consistently among the most intensive in the EU over the years; the annual amount spent per capita has been well above the EU average ([430]). Furthermore, the number of patents granted for pharmaceuticals per million population (8.9) ([431]) in 2024 was five times the EU average (1.8). Regarding trade and commercialisation, Denmark's pharmaceutical industry maintains a high share of extra-EU exports (27.4% in 2025 vs an EU average of 13.8%). Moreover, in 2024, Denmark launched a new strategy to become Europe's leading life science nation by 2030 and to double exports. The strategy focuses on boosting research-industry collaboration; enhancing clinical research, AI and data use; scaling innovations via faster access to advanced therapies and a national innovation centre; improving investment conditions and talent access; and strengthening international cooperation, EU engagement and exports through Healthcare Denmark ([432]).

([427])Danish Health Data Authority (2024), Final status of the Digital Health Strategy 2018-2024.

([428])Second Joint Action Towards the European Health Data Space – TEHDAS2 - Tehdas.

([429])US National Library of Medicine, https://clinicaltrials.gov.

([430])The Pharmaceutical Industry in Figures, EFPIA (European Federation of Pharmaceutical Industries and Associations).

([431])European Patent Office: Statistics & Trends Centre | epo.org.

([432])Danish Government (2024), Strategy for life science towards 2030.

Denmark faces challenges in housing affordability, particularly in its major cities, Copenhagen and, to a lesser extent, Aarhus. The growing demand for housing in these areas has driven prices upwards, making affordability issues worse, which was highlighted in the 2025 country-specific recommendations for Denmark. Contributing factors include high construction costs and labour shortages in the construction sector.

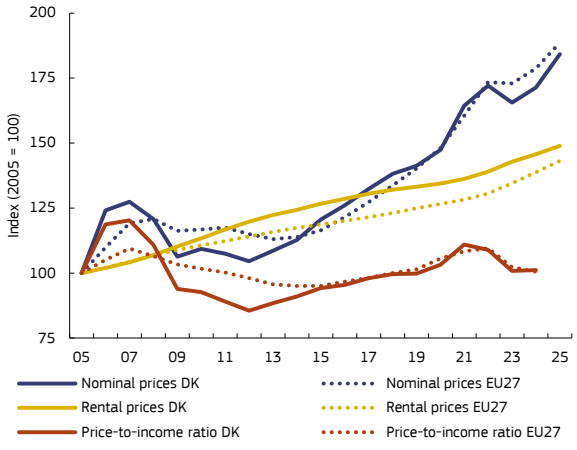
A number of recent policy initiatives have been targeted at housing and improving affordability. In the 2025 country-specific recommendations, Denmark was encouraged to do more for housing affordability, with raising the ceiling for the construction costs of non-profit cost-based housing being specifically suggested as a measure. Since then, Denmark has temporarily raised this ceiling alongside several other housing-related initiatives such as easing access to mortgages for young first-time buyers.

The housing market in Denmark has a big share of affordable rentals, but access often relies on waiting lists. About a fifth of the overall housing stock is cost-based non-profit ([433]), also referred to as social housing. At the same time, private rentals built before 1992, which account for three out of four of private rentals, are subject to strict rules on how the rental prices can be set and must be based on cost or value.

Housing market developments

House prices have increased broadly in line with income growth, leaving the price-to-income ratio relatively stable over the past two decades. Since the mid-2000s, nominal house prices have increased by close to 50%, which is very similar to developments in the EU-27 (Graph A16.1). Following a sharp correction in the years after the financial crisis, house prices have grown from 2013 onwards, supported by improving labour market conditions and falling interest rates, with a further acceleration during the pandemic fuelled by low borrowing costs and high demand. In 2022–23, higher interest rates temporarily moderated price growth, but as interest rates eased again with falling inflation, nominal house prices resumed growth from 2024 onwards (growing 7.5% year-on-year in 2025), with particularly strong increases in Copenhagen. Indeed, the national average figures mask a dual market with strong price increases in Copenhagen (and Aarhus) and much more modest developments elsewhere. By contrast, rents (including existing and new rental contracts) have increased at a slower and steadier pace than house prices, resulting in a rising price-to-rent ratio. In real terms, house price growth has been more muted, with a cumulative increase of around 20% since 2015.

Graph A16.1: **House prices, rents and price-to-income evolution in DK and EU27 since 2005**



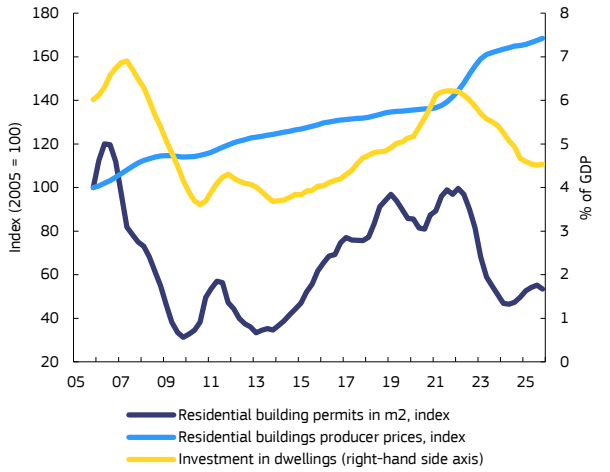
Source: Eurostat

Housing supply has lagged behind demand, leading to persistent shortages, in particular in the Copenhagen area. Demand has been supported by sustained population growth, with Denmark's population having increased from 5.5 million in 2010 to 6 million in 2025, and an increase in the number of households from 2.6 million to 2.9 million over the same period. On the supply side, construction activity has adjusted only gradually to increased demand following the sharp contraction after the financial crisis. In addition, despite higher residential investment during the prolonged low-interest-rate period of the late 2010s, construction activity has remained insufficient to offset the demand pressures around the largest cities (Graph A16.2). This is also the case for rentals. Looking ahead, housing investment needs are expected to remain substantial, with the Commission estimating a cumulative housing construction gap of around 57 000 dwellings over 2025-2035, reflecting accumulated demographic-driven shortfalls net of

([433]) Statistics Denmark: BOL101.

projected construction, and largely concentrated ([434]). Together with rising household purchasing power, this is expected to further underpin house price increases in the coming years.

Graph A16.2: **House supply indicators in DK since 2005**



Source: Eurostat

Housing market activity has remained volatile and sensitive to changes in macro-financial conditions. Transaction volumes increased strongly during the pandemic but declined in 2022–23 in response to rising inflation, higher interest rates and rising construction costs. Although activity has partially recovered since then, turnover remains short of previous peak levels.

The construction sector continues to face structural and cyclical challenges that constrain housing supply. Rising material prices, shortages of skilled labour and higher interest rates have weighed on profitability and reduced residential construction activity. This is compounded by a negative trend in real labour productivity in the construction sector since 2018. Construction investment prices for residential buildings remain among the highest in the EU, at 128% of the EU average in 2024 ([435]).

([434])Balouktsi et al. (2026), Housing investment needs in the EU, JRC Technical Report 144419.

([435])See Eurostat [prc_ppp_ind_1] dataset.

Structural policies

Housing policy is shaped by national regulation, with implementation and a degree of autonomy at municipal level. Municipalities are responsible for local housing planning. This includes assigning to those residents with the most urgent needs a share of allocated dwellings. Non-profit cost-based housing associations own and manage these dwellings under cost-rent principles, with oversight from local and national authorities.

In recent years, a number of new political agreements have been concluded to support more affordable and sustainable housing. In 2021, the 'fund for mixed cities' was set up to help create mixed cities through the promotion of affordable social housing by funding a range of new housing initiatives. A 2023 political agreement on housing policy, aiming to ensure more affordable housing, includes tools for land-use planning and a requirement for affordable housing in larger developments. In 2025 it was politically agreed to temporarily increase the ceiling for construction of non-profit cost-based housing to stimulate demand and to adjust the Fund for Mixed Cities. In early 2026, it was politically agreed to change the Planning Act to allow local authorities to require that up to 25% of new developments be owner-occupied housing. A new national architectural policy became a reality, giving municipalities new guidelines for circular and sustainable construction and ensuring support affordable and sustainable housing. The government has also proposed measures to help first-time buyers: extending the maturity of mortgages to up to 40 years, giving a longer repayment period for student loans, and letting banks be more flexible when considering the borrowers' economy by assuming higher future earnings. Further to this, the formation of a working group is proposed to look into if and how the mortgage system can be simplified and made easier to navigate.

A fund set up to help housing affordability is being adjusted after a lower uptake than expected. The fund for mixed cities has not seen the uptake that was expected, with 15% allocated by April 2026. New rules will make it possible to obtain up larger share of land acquisition costs in high-cost areas, and the grants for construction of

very affordable housing have been increased. The fund also provides for grants to lower rents for vulnerable persons, but this is only used to a limited extent.

Obtaining a permit for new residential construction is relatively fast and regulated nationally, but differences in local rules can complicate fast construction. It takes on average around 60 days to obtain a building permit for residential construction projects, with big differences across the country. This is partly due to municipal autonomy, where local circumstances and local planning differ across municipalities. Some permit procedures average as little as 8 days, while others take more than 200 days. This is partly explained by the reality of each municipality being vastly different. In already densely populated areas, such as the capital region, obtaining a building permit is a more complex process than in areas with undeveloped land that is allocated to residential buildings before the permit is given. The difference in the reality between municipalities can complicate the use of innovations such as modular or prefabricated construction, which have the potential to lower housing costs and shorten construction periods.

Obtaining a mortgage for a home in rural areas has been challenging since the financial crisis of 2008. With stricter macro-prudential rules in the mortgage sector, people wishing to buy homes in rural areas have, on the whole, not found it as easy to access loans as people in more urban areas with similar incomes.

Until recently, homeowners in the biggest cities have had a significant tax advantage, while also being able to sell their properties with no tax on the gains. Capital gains on residential property are not taxed if the seller has used the property for their own residential purposes. Combined with a property value tax base that was frozen from 2002 until 2024, this means that homeowners, especially in Copenhagen and other bigger cities, enjoyed relatively low ongoing tax rates while being able to benefit untaxed from rising property prices. The relatively new property tax system that entered into force on 1 January 2024 aims to be revenue neutral while ensuring that the property tax reflects the current prices of a property. It is not yet clear whether the new tax system will have an effect on the housing market and, if so, what kind of impact. Across the housing market, owners can also benefit from mortgage interest tax relief, as explored in Annex 3.

Denmark's private rental market is highly regulated. Tenants can only be evicted in very specific circumstances, e.g. if the owner plans to occupy the dwelling themselves, if the building has to undergo significant renovations or be demolished, or if the tenant is not fulfilling their obligations – this includes not paying the rent on time, mistreatment of the building and causing a nuisance to the neighbours. Rents must be based on the value of the unit or cost of running it on for buildings built up until and including 1991, which make up around three quarters of private rental housing. This has created a dual market with rent-controlled apartments at lower prices, and new, market-priced apartments with higher prices. This is especially the case in Copenhagen, leading to a risk of 'lock-in' effects and low mobility.

The housing market is vastly different in Copenhagen compared with the rest of Denmark, and faces affordability issues, as outlined in the 2025 country-specific recommendations. On average 48% of housing in Denmark is owner-occupied, while in Copenhagen and the enclave municipality Frederiksberg that number is 19% and 23% respectively. Cooperative housing makes up 7% of the Danish housing stock, but in Copenhagen and Frederiksberg it reaches 29% and 26% respectively. Cooperative housing is generally cheaper than comparable owner-occupied dwellings and is therefore highly sought after. Since the financial crisis of 2008, however, the number of new cooperative housing units has stagnated, meaning that supply does not follow demand. The previous government's intention was to ease the creation of cooperative housing in existing and new buildings.

The construction of non-profit cost-based housing has been slow in the biggest cities in recent years due to high construction costs. Cost-based non-profit housing is supported by a revolving fund to ensure that buildings can be renovated and modernised without sudden price surges or sub-standard living conditions. This stock is mostly distributed through waiting lists with universal access. While never coming to a complete stop, low activity in the construction of new non-profit housing has been attributed to the fact that, the ceiling for construction costs made it

difficult to build units of this type, especially in Copenhagen and Aarhus. The government has temporarily raised the construction cost ceiling for this sector to stimulate more construction, which is in line with the 2025 country-specific recommendations. The raised ceiling will apply for 10 years and is expected to help construct around 10 000-15 000 units.

Vulnerable groups

Despite existing housing benefits, the overburden rate remains high. Denmark has a high rate of housing cost overburden at 14.6% in 2024, significantly higher than the EU average of 8.2% ([436]). It is more prominent in cities (22.7% vs 9.8% in the EU) than in rural areas (8.6% vs 6.3% in the EU). In the capital region, 18% of individuals were overburdened and 14.9% in the second largest region. 38% of single-person households are overburdened by housing costs, compared with the EU average of 21.1%, while only 4.7% of households with two adults and two dependent children are overburdened, under the EU average of 5% in 2024. Denmark provides a broad range of support to households, including housing benefits for renters. In 2024, the share of rent-related expenses in disposable household income was 28.2%, exceeding the EU average of 22.3%.

People looking for housing in Denmark face low levels of discrimination and financial support is available for those in need. The percentage of people feeling discriminated against when looking for housing is relatively low at 4.2%, below the EU average of 5.8%. (Eurostat: ilc_atsd01). The rate of persons having experienced renting difficulties in the last 12 months was 7.7% compared with the EU average of 13%. Social transfers like *Boligstøtte* (housing benefit) can help renters pay their rent monthly. While this is true, many of the most affordable housing units require a waiting list or are private units from before 1992, which people generally tend to stay in for longer.

Housing quality is decent overall, with relatively few people struggling to keep their homes warm. 15% of the population in 2023 lived in dwellings with issues such as leaking roofs, dampness or window and floor rot, closely aligning with the EU average of 15.6%. There has been a notable drop in the number of people unable to keep their homes adequately warm, from 6.9% in 2023 (EU: 10.6%) to 4.4% in 2024 (EU: 9.2%). The situation improved particularly in the capital region, from 7.9% in 2023 to 4.8% in 2024. Similarly, in Central Jutland, the difficulty in maintaining warmth in homes fell from 6.2% in 2023 to 4.1% in 2024.

Despite Denmark having a relatively low number of homeless people, there has been a recent increase. There were around 6 000 individuals who were homeless in 2024, which is 200 persons more than the 2022 levels. The figure covers people who stay overnight on the street, in night-heating rooms, in shelters and care homes, people who stay overnight with family, friends or acquaintances due to homelessness, as well as various other homelessness situations ([437]). The national mapping of homelessness takes place every second year, with latest available report being from 2024 strategy([438]), also underlined in the 2023 homelessness strategy([439]). In Copenhagen and Aarhus, however, it is a challenge to find housing due to the limited supply of affordable housing.

([436])The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

([437]) Vive 2024.

([438]) 5.989 people homeless in week 6 - vive.dk.

([439]) Social and Housing Ministry.

Graph A16.3: **Housing affordability selected indicators**

		EU27				DK							
	unit	2000-25 avg.	2023	2024	2025	2000-25 avg.	2023	2024	2025	unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2		100.0	103.9	104.2		YoY%	-7.4	0.3	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5	100.0	90.1	89.0	86.9	YoY%	-1.1	-1.2	-2.4
Overburden rate, total	%	9.9	8.8	8.2		16.6	15.4	14.6	23.4	PPS/y	0.7	-0.8	8.8
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		30.3	33.0	28.7	23.6	PPS/y	3.5	-4.3	-5.1
Overvaluation gap	%												
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5	103.2	112.8	113.1	113.3	YoY%	1.2	0.3	0.1
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9	547.3	403.5	384.8	416.1	YoY%	-37.3	-4.6	8.1
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0	4.9	5.4	4.7	4.5	YoY%	-8.5	-13.0	-4.3
Share of ownership	%	70.0	69.1	68.4		63.5	60.0	60.9	58.4	PPS/y	0.7	1.5	-4.1
Share of people living in overcrowded homes	%	17.7	16.8	16.9		8.3	8.7	9.3	9.9	PPS/y	-1.1	0.6	0.6

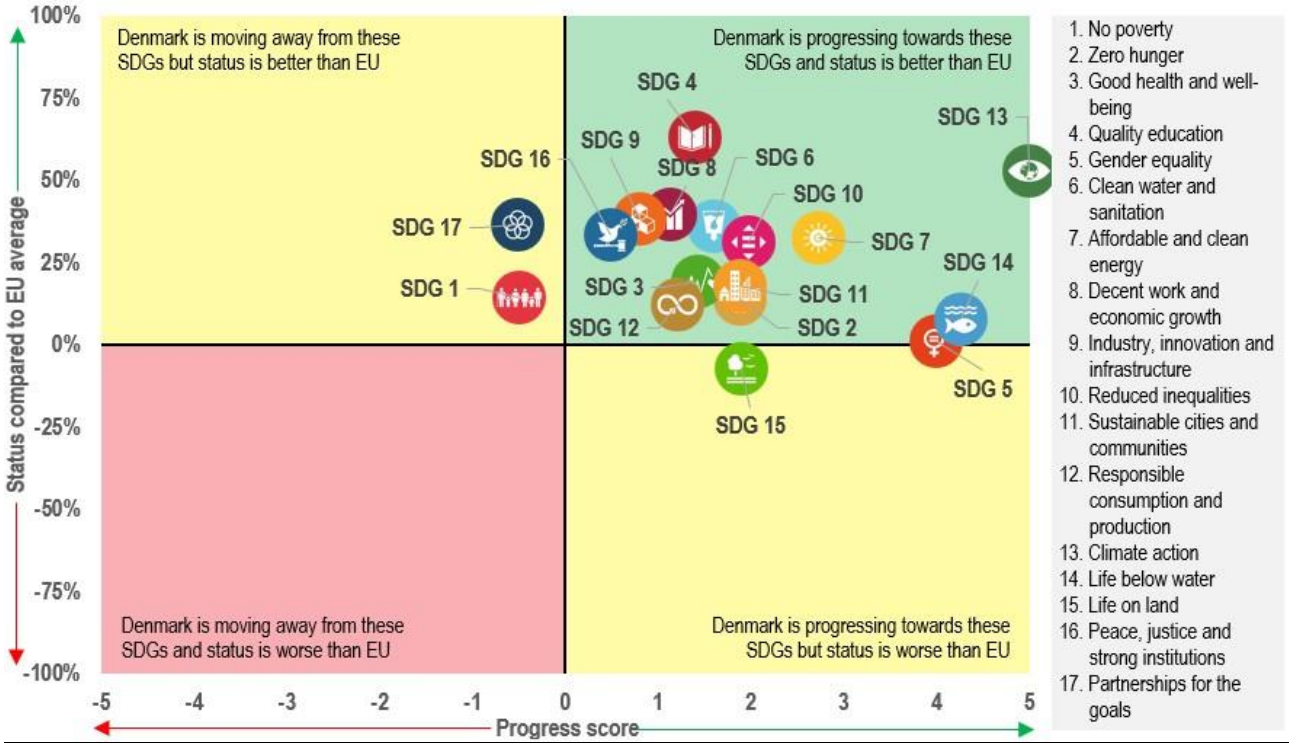
Source: Eurostat and European Commission calculations. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

This annex assesses Denmark's progress on the sustainable development goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness and macro-economic stability. The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

Denmark performs well on all SDGs on *competitiveness* (SDGs 4, 8, 9). On SDG 9 (Industry, innovation and infrastructure), the percentage of households with a high-speed internet connection increased from 93% in 2019 to 96.8% in 2024, well above the EU average of 82.5% in 2024. Denmark's gross domestic expenditure on R&D slightly increased by 0.06 percentage points between 2019 and 2024, reaching 3.01% of GDP, and remains above the EU average (2.24% in 2024). The number of patent applications to the European Patent Office per million inhabitants reached 484 in 2025, well above the EU average (156 in 2025).

On SDG 4 (Quality education), Denmark performs above the EU average on most indicators. The only exception is the proportion of early leavers from education and training among 18–24-year-olds, which slightly increased between 2019 and 2025 to reach 10%, compared with the EU average of 9.1% in 2025. The tertiary educational attainment remains well above the EU average, reaching around 52.5% of the population aged 25–34 in 2025, compared with the EU level of 44.8%. On SDG 8 (Decent work and economic

Graph A17.1: **Progress towards the SDGs in Denmark**



For a detailed progress assessment towards the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for extensive data on the short-term SDG progress of EU countries, see Key findings – Sustainable development indicators; for an interactive visualization of SDG progress of EU countries, see SDG country overview. A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five or six years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

Source: Eurostat, latest update of 29 April 2026. Data refer mainly to the period 2019-2024 or 2019-2025. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

growth), Denmark's investment share of GDP increased slightly between 2019 and 2025, standing at around 21.9% in 2025, compared with an EU average of 21.7%. The recovery and resilience plan (RRP) includes measures to help tackle the remaining digitalisation challenges and to promote green upskilling.

Denmark is performing well on nearly all SDGs related to *sustainability* (SDGs 2, 6, 7, 9, 11, 12, 13, 14). On SDG 7 (Affordable and clean energy), the percentage of renewable energy in gross final energy consumption increased considerably, from 37% in 2019 to 46.5% in 2024, well above the EU average (25.2% in 2024). On SDG 13 (Climate action), net greenhouse gas emissions further decreased, from 8.1 tonnes per capita in 2019 to 6.1 in 2024, slightly below the EU average of 6.5 tonnes per capita in 2024. On SDG 12 (Responsible consumption and production), the circular material use rate increased from 7.6% to 9.4% between 2019 and 2024 and is below the EU average (12.2% in 2024). Moreover, after a period of increase, the material footprint decreased to 23.2 tonnes per inhabitant in 2024, while remaining well above the EU average of 13.7 tonnes per inhabitant in 2024.

However, it needs to catch up with the EU average on SDGs 11 and 15, where it scores slightly below EU average for some indicators. On SDG 11 (Sustainable cities and communities), the recycling rate of municipal waste on the total municipal waste generated decreased between 2018 (49.9%) and 2023 (46.6%) and is slightly below the EU average (47.9% in 2023). On SDG 15 (Life on land), the percentage of terrestrial protected areas in Denmark is significantly below the EU average (15.4% of total area, vs 26.4% in 2023). Measures included in Denmark's RRP support the green transition and decarbonisation priorities by incentivising the phase-out of fossil fuels in district heating, accelerating the deployment of renewable energy sources, promoting sustainable transport, fostering green research and innovation and taxing greenhouse gas emissions.

Denmark performs well on and is progressing towards most SDGs related to *social fairness* (SDGs 3, 4, 5, 7, 8, 10). On reduced inequalities (SDG 10), it has made progress in all indicators related to education and employment gaps between EU and non-EU citizens. In particular, the EU/non-EU citizenship gap has narrowed particularly for young people neither in employment nor in education and training (NEET), where the difference decreased from 5.9 percentage points (pps) in 2015 to 2.3 pps in 2020. Similarly, the gap for early leavers from education and training declined from 8.6 pps in 2017 to 6.3 pps in 2020. In 2024, both gaps remained considerably below the EU average, which stood at 10.2 pps for NEET and 16.8 pps for early leavers.

At the same time, Denmark is moving away from SDG 1, although most indicators remain above EU average. On SDG 1 (No poverty), Denmark's performance on several indicators deteriorated, as evidenced by an increase in the percentage of the population experiencing severe material and social deprivation (from 3.8% in 2019 to 4% in 2024). Moreover, the percentage of people living in households with very low work intensity increased from 9.5% in 2019 to 10.6% in 2024, along with the percentage of people reporting unmet medical needs (from 1.8% in 2019 to 3.1% in 2024). Moreover, the housing cost overburden rate, although declining slightly from 15.6% in 2019 to 14.6% in 2024, remains considerably higher than the EU average (8.2% in 2024). On SD 7 (Affordable and clean energy), the percentage of the population unable to keep their homes warm enough increased further between 2019 and 2024 but is still significantly below the EU average (4.4% vs 9.2% in 2024).

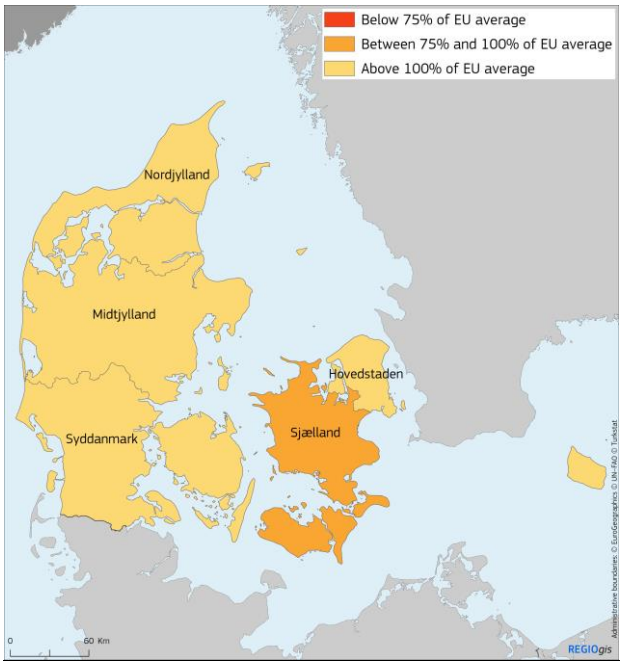
Denmark performs well and is progressing towards on almost all SDGs related to *macroeconomic stability* (SDGs 8 and 16). However, it is moving away from SDG 17, although most indicators remain above EU average. For SDG 16 (Peace, justice and strong institutions), the country performs very well on peace and justice indicators, with a high level of trust in its institutions. In 2025, the perception of corruption was much lower than the EU average. Denmark performs above the EU average on almost all indicators related to SDG 8 (Decent work and economic growth). The long-term unemployment rate as a percentage of population in the labour force is half the EU average (0.9% vs 1.9% in 2025). Real GDP per capita (EUR 59 550 in 2025) is almost double the EU average (EUR 34 110 in 2025).

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other Annexes.

Regional development trends

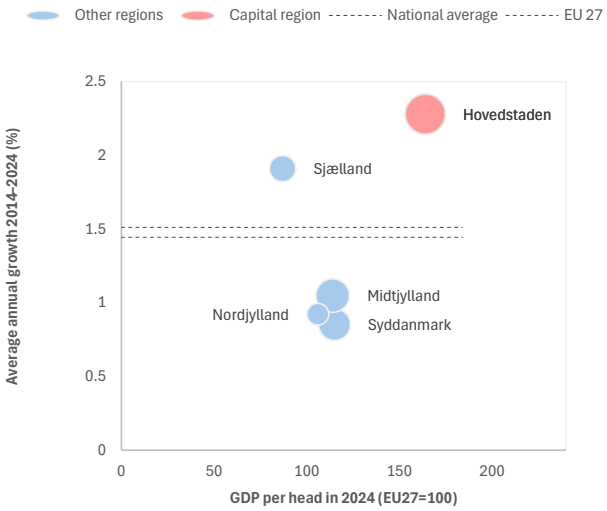
Long-term growth in GDP per head in Denmark generally mirrors the EU average, but this overall stability masks growing regional disparities. In particular, Hovedstaden, the capital region, is the only area that has improved its standing relative to the EU average since 2004, primarily due to higher per head growth since 2009. By contrast, the country's other regions have seen their lead over the EU average fall, such as in Nordjylland, where GDP per head (in purchasing power standard, PPS) has even fallen below the EU average (from 109% in 2004 to 99% in 2024). These regional differences highlight a growing imbalance in economic development, with growth increasingly concentrated in the capital region. Despite these differences, all Danish regions are classified as more developed, except Sjælland. As of 1 January 2027, Sjælland will be merged with Hovedstaden.

Map A18.1: **GDP per head compared with the EU average**



2021-2023 average GDP per head in purchasing power standard compared with the EU average.
Source: Commission calculations based on Eurostat 16 July 2025 data

Graph A18.1: **GDP (PPS) per head (2024) and GDP per head growth (2014-2024), Denmark (NUTS 2 regions).**



Bubble size: population in 2024.
Source: Calculations by the Directorate-General for Regional and Urban Policy (REGIO) based on Joint Research Centre (JRC) (ARDECO) data

Widening regional disparities in GDP appear to be driven by differences in labour productivity growth. The capital region was the only region where labour productivity growth far exceeded the EU average. In particular, Syddanmark and Midtjylland saw negligible productivity growth per hour worked between 2012 and 2024, and there was even negative growth (-0.2%) in Nordjylland (Table A18.2).

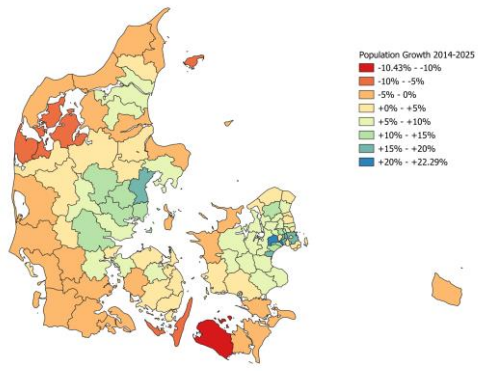
Denmark's population is heavily concentrated around Copenhagen and other major cities, revealing challenges in securing the right to stay in certain territories. Population growth patterns since 2014 have shown a clear concentration around major cities, including the capital and Aarhus, and population loss in peripheral areas, particularly in Lolland and Northwest/Southwest Jutland. Population growth is heavily concentrated in Hovedstaden and Syddanmark (Map A18.2), and this is strongly impacted by migration patterns. Net migration is well above the EU average in all Danish NUTS 2 regions, except Nordjylland (2.9 per 1 000 residents, EU: 3.1). The highest net migration rate is in Sjælland (6.8) followed by Hovedstaden (5.4). The territorial patterns of demographic change (including demographic decline) in Denmark are some of the drivers behind widening disparities.

Table A18.1:**Main development trends, challenges and the concentration of resources**

	Main development trends
Transition regions (population 853 000)	Denmark has only one NUTS 2 transition region, Sjælland, which is made up of two NUTS 3 regions: Østsjælland and Vest- and Sydsjælland. The Østsjælland region is located near the capital region of Copenhagen and is considered to be an intermediate region, whereas the Vest- and Sydsjælland region is predominantly rural. The GDP per capita of Sjælland has improved in recent years, mainly due to the proximity effect of the capital region. The most southern parts of Sjælland, particularly the island of Lolland, are struggling in terms of access to services, education and jobs. Sjælland will be merged with Hovedstaden as of 1 January 2027.
More developed regions (population 5.1 million)	Four of the five Danish regions are more developed regions, although differences between them are pronounced, particularly in socio-economic terms. While Hovedstaden is the frontrunner in most socio-economic indicators, such as GDP growth, innovation and access to services, the other regions are more diverse in their strengths. Additionally, intra-regional differences are noticeable, the most pronounced being the rural-urban divide within individual NUTS 2 regions.
Specific territories	Just transition regions: under the territorial just transition plan, Denmark has identified two regions with industrial transition challenges (i) Nordjylland with its carbon-intensive industry, mainly related to one individual point source; and (ii) Sydjylland, where 30% of employment is related to the oil and gas industry in the North Sea, which is expected to be closed by 2050. Islands: Denmark consists of 409 islands, of which 70 are populated. The islands are very diverse, from the island of Sjaelland, where Copenhagen is located, to the small islands with less than 1 200 inhabitants without bridge connections, which results in accessibility challenges related to services, education and jobs.

Source: European Commission based on Eurostat data; categories of regions based on Map A18.1

Map A18.2: **Population growth in Danish municipalities 2014-2025**



Source: REGIO calculations based on Statistics Denmark data

Key challenges for regional competitiveness

Subnational labour productivity in Denmark is linked to a small number of municipalities with large companies. Productivity gaps have been identified between SMEs and large companies (see Annex 5). A study by the Danish Organisation of Local Governments([440]) shows a great variation between municipalities in GDP growth, ranging from −12.45 % in Fredericia to +26.88 % in Kalundborg between 2021 and 2022. The study also shows that the combined value creation in four municipalities (Gladsaxe, Ballerup, Kalundborg and Hillerød) accounted for 62.5% of Denmark's total GNP growth in 2022. This progress is mainly driven by successful large

([440])Kommunernes Landsforening, 2024.

Table A18.2:**Key regional indicators (at NUTS 2 level) for Denmark**

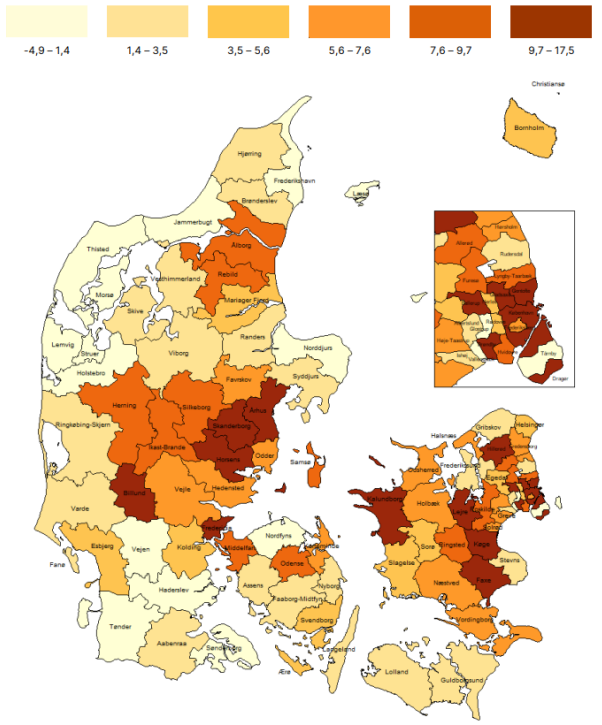
	GDP per head (PPS, index)	Real GDP per head growth	Real productivity growth (per hour worked)	Population aged 25-34 with high educational attainment	Employed with high educational attainment	NEET 15-29: Neither in employment nor in education or training	Early leavers from education and training	R&D expenditure	R&D expenditure in business enterprise sector (BERD)	Greenhouse Gas Emissions
	EU27=100	Average annual % change	Average annual % change	% of population aged 25-34	% of employed aged 25-64	% of population aged 15-29	% of population aged 18-24	% of GDP	% of GDP	tCO2 equivalent per head
	2024	2014-2024	2014-2024	2025	2025	2025	2025	2023	2023	2024
EU	100	1.4	0.7	44.8	41.5	11	9.1	2.24	1.51	7.0
Denmark	127	1.5	0.9	52.5	49.8	8.9	10.0	3.01	1.90	6.3
Hovedstaden	175	2.3	1.6	64.7	62.3	6.9	6.5	4.61	3.12	2.2
Sjælland	90	1.9	1.4	35.3	38.1	10	12.7	1.01	0.40	6.7
Syddanmark	107	0.9	0.2	44.2	42.9	10.4	12.1	2.01	1.27	8.4
Midtjylland	108	1.0	0.6	49.5	47.5	9.8	11.1	2.36	1.30	6.8
Nordjylland	100	0.9	0.6	46.6	39.8	9.3	11.1	1.74	0.42	12.9

Dark green – the indicator is at least 120% of the EU average. Light green – the indicator is at least 100% but less than 120% of the EU average.
Yellow – the indicator is at least 90% but less than 100% of the EU average.
Light red – the indicator is at least 75% but less than 90% of the EU average.
Dark red – the indicator is less than 75% of the EU average.
This colour scale applies to 'positive' indicators where higher values are favourable. For 'negative' indicators (where higher values are unfavourable), the colours are reversed.
Source: Eurostat data

companies and/or large construction projects that have created jobs and directly contributed to these municipalities' economic growth (Map A18.3).

Although Danish R&D expenditure is well above the EU average, it is characterised by territorially uneven concentration. Hovedstaden and Midtjylland, with the two largest universities, receive most R&D expenditure in Denmark. R&D expenditure in the business enterprise sector is even more unbalanced: all regions except Hovedstaden are below the EU average. Danish business innovation remains concentrated in a limited number of large companies despite the government's efforts to expand the innovation base to SMEs ([441]) (see Table A18.2 and Annex 4).

Map A18.3: **Percentage growth in number of jobs at municipal level, 2018-2023**



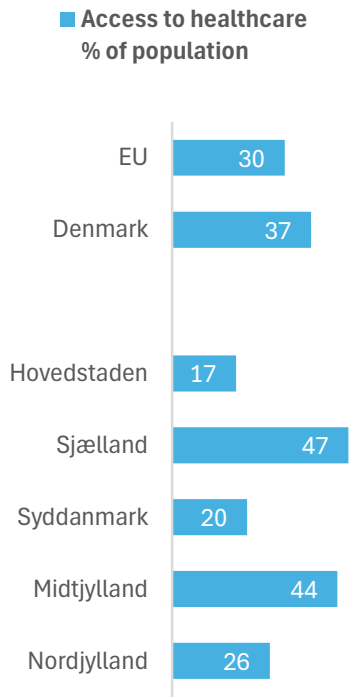
Source: VIVE (2025)

One of the main challenges for SMEs' competitiveness is the difference in availability of skilled labour across the regions. Hovedstaden, Midtjylland and Nordjylland have the best success in matching suitable

([441])Ministry of Industry, Business and Financial Affairs, 2024, 'Stronger business community'.

candidates to job listings, whereas Sjælland is challenged the most ([442]) (see Annex 11).

Graph A18.2: **Share of population with a hospital within 10 minutes by car in rural areas, (NUTS 2), 2023**

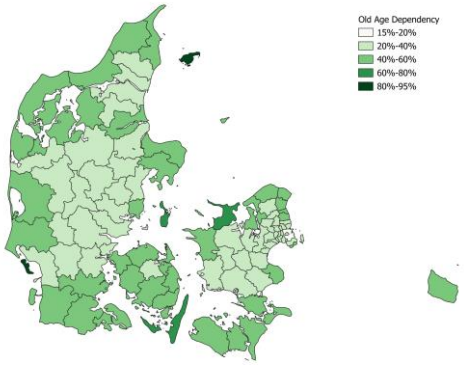


Source: REGIO calculation based on Eurostat data

There is also a territorial divide related to education and training outcomes, linked with disparities in connectivity. The share of 15–29-year-olds neither in employment nor in education and training (NEET) varies between regions and is the highest in rural municipalities (11.5%) and lowest in metropolitan areas (7%). A similar disparity can be seen in rates of early leavers from education and the share of the population aged 25-64 having completed, at most, lower secondary education ([443]) (see Annex 13). Additionally, the urban–rural divide in adult participation in education and training is more pronounced in Denmark than the EU average. Transport distance has an impact on the education choice for young people, and in areas with less public transport, the number of NEETs is higher (Table A18.2). The average distance to vocational education and training (VET) courses varies from 30km in metropolitan municipalities (not including the capital) to 60km in rural municipalities([444]) .

There are regional imbalances in access to healthcare in Denmark, especially related to age dependency ratios and access in rural areas. While all Danish NUTS 2 regions are at or above the EU average in terms of access to healthcare, rural areas in some regions (especially Hovedstaden and Syddanmark) lag behind (Graph A18.2). This is compounded by an ageing population with greater healthcare needs: 18 municipalities have an old-age dependency ratio greater than 50% (compared with an EU average of 37%), including Læsø, which has a ratio of 95% (Map A18.4) (see Annex 15).

Map A18.4: **Age dependency ratio in Danish municipalities**



Source: REGIO calculations based on Statistics Denmark data

The lack of affordable housing poses significant challenges for large cities, particularly Copenhagen. In these large cities, 22.7% of the urban population faced housing-cost overburden in 2024. Housing prices in Copenhagen are exceptionally high, whereas costs are less pronounced in towns, suburbs and rural areas. The difference in housing affordability between the capital region and the rest of the country is the highest in the EU (see Annex 16). However, rates of affordability vary across the country, beyond the divide between the capital and the rest. For house purchasing capacity relative to income, there is a particularly significant territorial variation both between and within regions. For

([442])Danish Agency for Employment and Recruitment, 2025.

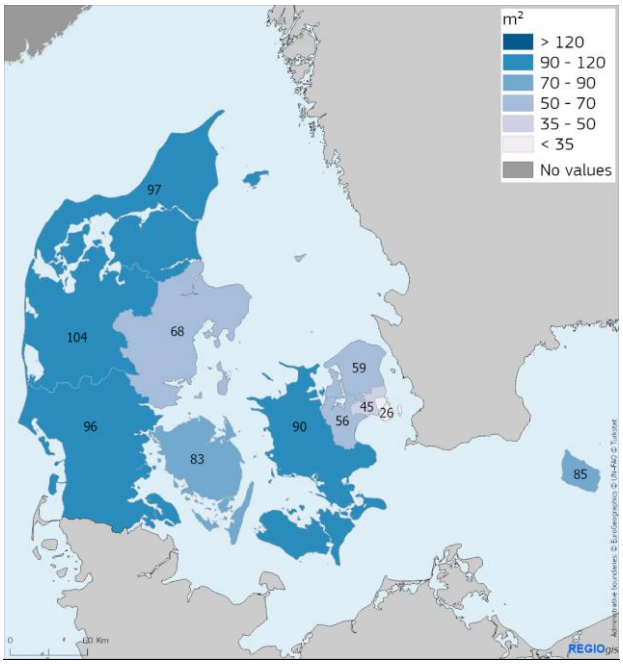
([443])JRC, 2025, 'Social indicators by degree of urbanisation'.

([444])Statistics Denmark, 2021, https://www.statbank.dk/statbank5a/default.asp?w=1536.

example, Østjylland has a significantly lower purchase capacity than Vestjylland (Map A18.5).

Nordjylland and Sydjylland have distinct territorial needs related to the just transition. Nordjylland's business sector has a high concentration of companies in the cement sector, while one of Sydjylland's challenges comes from the planned closure of North Sea gas and oil production. High energy consumption and CO_2 emissions in these regions are primarily driven by these value chains. The transition of these value chains will imply a corresponding transition of the local workforce to green jobs, which will involve reskilling. Investments in green innovation (especially brown biorefining and carbon capture and storage) have shown promising results in reducing Denmark's CO_2 emissions, but a full just transition is still to be achieved. Greenhouse gas emissions are slightly above the EU average in three other Danish regions, while Hovedstaden has much lower emissions than the rest of the country (Table A18.2).

Map A18.5: **House purchase capacity relative to income in Denmark (NUTS 3)**



Square metres that can be purchased via mortgage using a third of disposable income in 2024.
Source: ESPON-H4ALL

Renewable energy production varies across territories in Denmark, but green employment is concentrated in the capital region. The production capacity of solar energy is relatively similar across all municipalities, and wind capacity is concentrated more on the west coast of Jylland (Table A18.3) (see Annex 9). While Hovedstaden (38.7%) far exceeds the EU average of 15% of the working population in green employment, other regions are at or below the EU average, with Nordjylland (13.5%) and Sjælland (11.5%) lagging behind (Table A18.2).

Table A18.3:**Production of wind and solar energy in Denmark (MWh per capita, 2023)**

Renewable energy		Cities	Towns/suburbs	Rural areas	Total
Onshore wind production per capita	DK	0.11	1.01	2.76	1.27
	EU-27	0.05	0.38	2.38	0.77
Onshore wind technical potential per capita	DK	0.29	2.34	8.07	3.50
	EU-27	0.12	1.41	10.59	3.29
Solar PV production per capita	DK	0.01	0.23	0.90	0.37
	EU-27	0.14	0.58	1.17	0.56
Solar PV technical potential per capita	DK	1.28	5.50	16.48	7.61
	EU-27	2.44	13.18	74.20	24.84

Source: Rural Observatory

Denmark's blue economy faces regional challenges in boosting competitiveness. Coastal tourism accounts for nearly 16% of gross value added (GVA) and 50% of blue jobs in coastal regions ([445]). However, aquaculture, primarily marine-based, is impacted by climate change and the deteriorating state of coastal waters, particularly around the Baltic Sea ([446]).

([445]) European Commission, https://blue-economy-observatory.ec.europa.eu/country-profiles/denmark_en.

([446])HELCOM, 2023, https://helcom.fi/wp-content/uploads/2023/06/HELCOM-Thematic-assessment-of-eutrophication-2016-2021.pdf.

This Transport Annex presents the state of play and the challenges Denmark faces with the implementation of the trans-European transport network (TEN-T), the European Railway Traffic Management System (ERTMS) and the roll-out of Sustainable Aviation Fuels (SAF).

Denmark is crossed by the Scandinavian – Mediterranean European transport corridor connecting it to Norway and Sweden in the north and to Germany in the south. The Danish TEN-T rail network is 1 076 km long (945 of which are on the core network). The TEN-T road network is 1 664 km long (812 of which on the core network). Denmark has no TEN-T inland waterways, four TEN-T airports (including one core airport), 17 TEN-T ports (including two core ports) and four urban nodes ([447]). Denmark has invested heavily in its railway network in recent years, and many projects are planned for completion by 2030.

The ERTMS is essential to digitalising the railways and to modernising and harmonising railway operations across Europe. The ERTMS ensures the safety of rail networks by providing a unified signalling system that significantly reduces the risk of accidents. It also provides interoperability between national rail systems, improving cross-border train movements. Finally, the ERTMS enhances network capacity and operational efficiency, increasing the competitiveness of the rail sector.

ERTMS was in operation on 36% of the TEN-T rail network in Denmark at the end of 2024 ([448]). Based on its national plan, Denmark aims to nearly fully roll-out ERTMS on its TEN-T network by 2035, meaning ERTMS deployment on an additional length of 656 km. Above and beyond the ERTMS, only selective improvements are needed in the railway network, particularly to address capacity bottlenecks in the surroundings of major urban nodes, such as Copenhagen.

The Danish model of deciding on major transport infrastructure projects at national level through the national parliament by way of construction acts generally leads to such projects being implemented efficiently. As a result, rail infrastructure projects in Denmark are usually delivered on cost and on time.

However, the national rail network suffers from ageing infrastructure especially in signalling, making it expensive to develop and maintain. Denmark is facing major investment needs to upgrade its network performance, address maintenance obligations and deploy the ERTMS signalling system. This requires specialised personnel with expertise in digitalisation, engineering and project management to oversee the modernisation of the rail network.

As yet there is no joint Danish-German model on how to efficiently operate railway traffic on the Fehmarnbelt cross-border section to cover traffic management, maintenance and operations in line with the rules of the single European railway area. For Denmark, as a key transit country, harmonising technical and operational rules and minimising national rules in line with the EU directives on rail interoperability and safety remains critical to ensure seamless cross-border rail transport.

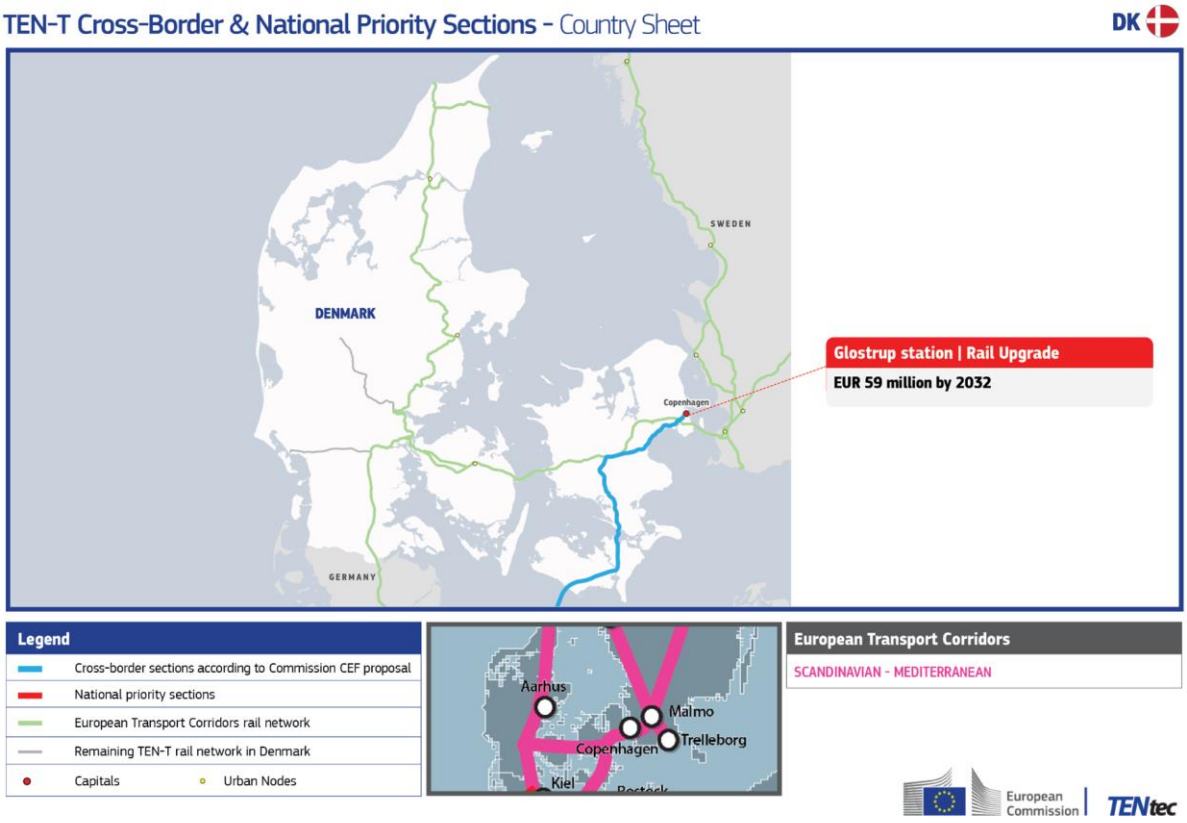
Denmark has a strong industrial base for the production and deployment of sustainable aviation fuels (SAF), given the national energy mix as well as four active initiatives aiming to commercialise production, however some projects intended to start production in 2029 have still not reached the Final Investment Decision ([449]). Denmark has allocated more than DKK 3 billion (approx. EUR 401 million) to green aviation initiatives (including projects relating to producing eSAF), notably through funding a national tender for a 'green' domestic route from 2026 to 2027. But targeted investments that will enable SAF commercialisation can be made through pilot investment structures (such as double-sided auctions). Denmark could take part in the EU's eSAF Early Movers Coalition, as well as make effective use of existing EU revenue opportunities related to aviation transition (e.g. EU ETS), and all

([447]) TENtec Information System, according to Reg. 2024/1679.

([448])Based on ERTMS – Third work plan of the European coordinator Matthias Ruete.

([449])EASA ReFuelEU Aviation Technical Report (2025).

Map A19.1: **TEN-T Cross-Border & National Priority Sections in Denmark.**



penalties revenue generated by ReFuelEU Aviation to finance the deployment of SAF.

Table A19.1:**ERTMS deployment in Denmark.**

ERTMS in Denmark				
TEN-T rail network	ERTMS (trackside) in operation			Min. estimated cost of additional deployment until 2035
	year	length	% of total TEN-T	
1 076 km	end 2024	386 km	36 %	
	by 2035	1 042 km	97 %	EUR 157.5 million

Source: Based on ERTMS – Third work plan of the European Coordinator Matthias Ruete.