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2025 Country Report - Denmark

Accompanying the document

Recommendation for a COUNCIL RECOMMENDATION

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

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European Commission

Denmark

2025 Country Report

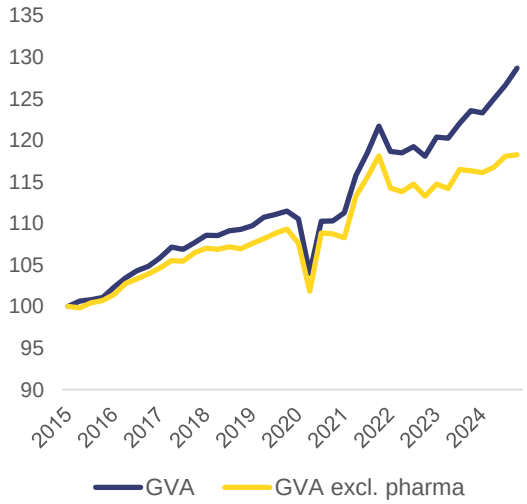


ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

The economy, powered by exports, remains strong

The Danish economy continues to outperform the euro area, driven by strong export growth and a thriving pharmaceutical industry. It is expected to maintain its momentum in the coming years. The Danish economy showed robust growth in 2024, with real GDP increasing by 3.7%. Since 2020, Denmark's real GDP has grown by an average of 2.6% per year, outpacing the euro area's average growth rate of 0.9% per year. Exports (in particular pharmaceuticals and shipping) and public consumption were the main drivers of growth in 2024. Despite an increase in employment and real wages, consumer spending remained subdued, while investments stagnated due to higher interest rates. If the pharmaceutical industry is left out of the equation, economic activity was modest, with growth in gross value added for 2024 estimated at 1.8% by Statistics Denmark. This figure does not take account of activity in other sectors, such as construction, that are driven by growth in the pharmaceutical industry, meaning that the direct and indirect economic effects of the pharmaceutical sector may be even larger. Growth is forecast to remain solid in 2025 and 2026. The pharmaceutical sector is expected to continue driving growth, but the planned reopening of the Tyra natural gas field in the North Sea in 2025, and a gradual recovery in non-pharmaceutical sectors, are set to make growth more broad-based.

Graph 1.1: ***Continued strong growth in the pharmaceutical industry***



(1) Gross value added (GVA) equals gross domestic production (GDP) minus net taxes. Pharmaceutical industry GVA for 2015-2024 was extracted from unpublished Statistics Denmark figures and is therefore subject to greater uncertainty.
Source: Statistics Denmark

Denmark has an exceptionally large current account surplus, driven by a strong export performance. Denmark has had a consistently large current account surplus over the years, reaching a record high of 13.0% of GDP in 2024. This jump, from an already high average over the past decade (of around 8% of GDP from 2013 to 2023), was mainly due to the robust performance of key export sectors, in particular pharmaceuticals and shipping. Looking ahead, the current account surplus is forecast to remain high, at around 13-14% of GDP, in the coming years.

Employment continued to grow in 2024, reflecting healthy economic growth and an increasing labour supply. The labour supply has increased in recent years for three main reasons: people retiring later, more first and second-generation immigrants joining the labour market and more people from abroad

finding work in Denmark. In the years after the pandemic the latter group have accounted for a significant proportion of the increase in employment ([1]). In 2024 total employment increased by 0.8%, while the unemployment rate stood at 6.2% of the labour force (see Social Scoreboard in Annex 13). The outlook for 2025 and 2026 suggests continued but modest growth in employment and a marginal increase in the unemployment rate. In 2024 Denmark's employment rate rose to 80.2% and its activity rate remained well above the EU average at 84.8% (see Annex 10). The share of young people who were not in education, employment or training was 8.0% in 2024, well below the EU average, and the long-term unemployment rate was among the lowest in the EU at 0.8%. People with disabilities continue to be underrepresented in the labour market. The job vacancy rate fell to 2.4% in Q4 2024 but remains high in construction and services and in key sectors linked to the digital and green transition and healthcare (see also Section 4). Nominal wages increased by 4.4% and real wages by 3.0% in 2024, partially offsetting the decline seen in previous years, while unit labour costs grew by 1.5%.

Inflation in Denmark has decreased significantly. After reaching a peak in 2022, inflation in Denmark declined rapidly in 2023, mainly due to lower energy prices and stable food prices. The harmonised consumer price index increased by 3.4% in 2023, down from 8.5% in 2022; it then dropped to 1.3% in 2024, mainly as a result of falling energy prices. Inflation is set to remain stable, increasing only slightly to 1.6% in 2025 and 1.5% the following year.

Housing prices are on the increase

Housing prices are starting to increase again. Nominal house prices in Denmark resumed growth in 2024, following a price hike in 2022 and a decline of a similar order in 2023. According to Statistics Denmark, nominal house prices fell by 0.3% in the most recent quarter (Q3 2024) compared to the previous quarter (seasonally adjusted) and increased by 2.2% annually. However, the resurgence in house prices masks significant regional differences, with apartment prices increasing sharply especially in the Copenhagen area. In the Copenhagen area, demand for housing is outpacing new supply and the share of owner-occupied housing in the housing stock is 22%, which much smaller than the 50% share of owner-occupied housing in Denmark as a whole ([2]). Several valuation indicators suggest a steep rise in housing valuation over the past decade in Denmark, and since 2015 house prices have grown faster than households' incomes, as reflected in a steady increase in the house price-to-income ratio over the past 10 years. High prices for owner occupied housing, a highly regulated rental market and long waiting times for non-profit housing in the main urban areas have led to shortages of affordable housing units. Partly as a result, Denmark has a relatively high proportion of households overburdened by housing costs, including many young people living in single households. A political agreement was reached in 2021 to further increase the construction of affordable rental housing, primarily non-profit housing, with a total budget of EUR 1.35 billion for 2022-2035.

High but declining budget surplus

Denmark's public finances recorded a surplus in 2024, despite higher spending on defence. The general government balance showed a surplus of 4.5% of GDP, which is mainly the result of a healthy 3.7% real GDP growth. On the revenue side, income taxes grew considerably due, among other things, to the higher employment rate, increased business taxation linked to healthy profits and increased social contributions. On the expenditure side, there was also an increase in government consumption due, among other

([1]) Danish Ministry of Economic Affairs, Economic Survey, August 2024.

([2]) City of Copenhagen, Boligredegørelsen 2024 (in Danish)

things, to significantly higher spending on defence and military and other aid to Ukraine. The gross debt rate continued its downward trajectory, dropping to 31.1% of GDP in 2024, down from 33.6% the previous year. The Commission forecast suggests that a general government surplus, albeit lower, will also be achieved in 2025 (1.5%) and in 2026 (0.6%). The debt ratio is expected to fall further to 29.7% in 2025 and 29.4% in 2026. Denmark has a robust system for managing public finances over the medium term, based on multi-year annual expenditure ceilings at central government and regional/municipal level.

Net expenditures growing strongly, driven by defence. In 2024, net expenditure ([3]) in Denmark grew by 3.3% (see Annex 1). This increase is mainly driven by higher defence and social expenditures. In 2025, net expenditure is forecast by the Commission to grow by 10.0%, which is above the maximum growth rate recommended by the Council ([4]). The cumulative growth rate of net expenditure in 2024 and 2025 taken together is projected at 13.6%, which is above the maximum rate recommended by the Council. The projected deviation is allowed under the conditions of the national escape clause based on current projections for defence spending.

Denmark's medium-term fiscal-structural plan proposes a gradual deconsolidation over four years, committing Denmark to a net expenditure of 4.4% on average over the period from 2025 to 2028. This will result in a lower structural primary budget balance of 0.5% of GDP by 2028.

([3]) Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-off and other temporary measures

([4]) Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Denmark (OJ C, C/2025/654, 10.2.2025, ELI: http://data.europa.eu/eli/C/2025/654/oj)

Geopolitical risks cloud an otherwise positive outlook

The positive outlook is tempered by significant external risks stemming in particular from geopolitical uncertainty and fragmentation. With exports accounting for around 70% of GDP, Denmark is a very open economy, which brings benefits, such as productivity gains and economies of scale, but also exposes it to international risks like trade restrictions and supply chain distortions. The US is currently Denmark's largest export market, accounting for 18% of total exports of goods and services in 2024, up from 11% in 2015 ([5]). Goods accounted for 68% of the value of total exports to the US, but a large proportion (75%) is not produced in Denmark but by Danish companies abroad, a significantly greater percentage than for Danish exports to the rest of the world (12%). Danish companies' production capacity in the US helps cushion Denmark's economy from the full impact of US trade policies.

Denmark's high and increasing growing dependence on a limited number of few large enterprises companies has contributed to solid economic growth but could also constitute prove a source of vulnerability. Over recent decades, Denmark's business structure has evolved to become increasingly dominated by a few large companies ([6]). This has helped create a strong basis for innovation, R&D, employment, exports and economic expansion. At the same time, however, dependence on a few large companies in a limited number of economic sectors could potentially become a source of fluctuations and vulnerability in the Danish economy if these companies or sectors were to face adverse market conditions.

([5]) Danmarks Nationalbank and Statistics Denmark, *Extensive Danish Trade and Investment Relations with the United States*, Analysis 2025:4, March 2025.

([6]) Danmarks Nationalbank, *The Increasing Importance of the Largest Companies*, Danmarks Nationalbank Analysis, No 8, March 2025.

Box 1:

UN Sustainable Development Goals (SDGs)

Denmark is progressing towards achieving or performing well on all environmental sustainability SDGs (SDGs 2, 6, 7, 9, 11, 12, 13, 14) bar SDG 15 (Life on Land), where additional efforts could be made to catch up with the EU average. Denmark also performs well, or is improving, on all SDGs relating to productivity (SDGs 4, 8, 9) and macroeconomic stability (SDGs 8, 16, 17). Furthermore, Denmark is performing well or progressing on most SDGs relating to fairness (SDGs 3, 4, 5, 7, 8, 10). Although Denmark is performing well on SDG 1 (No poverty), it is moving away from this goal. Out of the 17 SDGs, Denmark performs better than the EU average on 16 of 17 SDGs, the only exception being SDG 15. Performance is particularly strong on SDG 4 (Quality education), SDG 7 (Affordable and clean energy), SDG 9 (Industry, innovation and infrastructure) and SDG 10 (Reduced inequalities).

Maintaining the competitive edge

Denmark's labour productivity is high, but productivity growth has been slowing. Denmark boasts one of the highest labour productivity rates ([7]) in the EU, at 132% of the EU average in 2023. In terms of labour productivity growth, Denmark averaged 1.1% per year over the 2013-2023 period, slightly below the EU median. This growth rate masks a weak productivity development in recent years. This slowdown in productivity could prove temporary as it could be linked to an influx of new workers with less experience and lower skills during a period of good job growth, in turn leading to lower average productivity growth ([8]). Denmark scores high on indicators linked to innovation and the diffusion of new technologies as well as on business dynamism, favouring resource reallocation to high-productivity sectors. However, both research and innovation activity and productivity gains remain concentrated in a few large firms, while small and medium-sized enterprises struggle to keep up (see also Section 2). In Denmark's manufacturing sector, the largest corporations with over 2 000 employees have a productivity level more than double that of their smaller counterparts.

Denmark scores well on most competitiveness indicators, but high costs, taxes and wages require constant productivity gains. The Danish economy has a number of fundamental strengths that make it competitive overall, including a flexible labour market with few disputes, a highly educated workforce, good infrastructure and a well-functioning public administration. However, high costs, including high wages and taxes, create constant pressure to achieve further productivity growth and exposes firms to competition from lower-cost producers. Skills shortages and mismatches in some parts of the labour market could hold back productivity gains and growth (see Section 4).

Denmark's investment levels are in line with the EU average, but better access to finance could boost private business investment. The overall investment ratio of the Danish economy is close to the EU average suggesting that that total investment is broadly satisfactory from a macroeconomic perspective the total investment level is good. There is a well-functioning covered bond market (*realkredit*), which supports housing financing and thus investment in private housing. Public and private investment has been boosted by support for green and digital investments under the Danish recovery and resilience plan (RRP). While access to finance is generally good, some firms face difficulties (see Annex 5).

([7]) Measured by GDP per hour worked at purchasing power standards.

([8]) Danish Ministry of Economic Affairs, Economic Survey, December 2024.

Paving the way for competitive decarbonisation

Amidst growing international competition and tighter market conditions, government support for decarbonisation remains strong and targeted. Denmark is a leader in net-zero technologies ([9]), in particular wind power and carbon capture and storage technologies. It has implemented a range of measures to support green investments and R&D activities in green transition sectors, including tax incentives, grant support schemes and access to growth loans and venture capital through programmes managed by the Danish Export and Investment Fund. The landmark political agreement on a '*Green Denmark*' (see Section 3) and subsequent legislative proposals set the stage for a substantial transformation of land use in Denmark, in particular as regards farming. Ensuring its implementation will demand significant efforts.

Further electrification across sectors could help decarbonise the economy in a cost-effective manner and enable consumers to reap the benefits of affordable renewables generation. Renewable sources make up the lion's share of Denmark's electricity generation mix, creating ideal conditions for further decarbonisation through increased electrification (see Section 3). Smart and flexible electricity networks have a crucial role to play in a setting characterised by a high renewable-energy penetration rate and large potential for growing domestic and international electricity demand. Denmark could benefit from increased efforts when it comes to planning and supporting grid upgrades and promoting storage, demand response and other market-based flexibility solutions (see Section 3).

([9]) Net-zero technologies are technologies considered fundamental to reach EU 2030 and 2050 climate and energy objectives. See European Commission, *Proposal for a regulation of the European Parliament and of the Council on establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem (Net Zero Industry Act)*, 16 March 2023 – Net Zero Industry Act.

Box 2:

Barriers to private and public investment

Private investment in Denmark as a percentage of GDP has been declining in recent years, while net public investment as a percentage of GDP has increased. Net private fixed-capital formation as a percentage of GDP declined in 2024, mainly due to high interest rates, but Denmark's five-year average of 4.12% is still slightly above the EU average of 4.01%. By contrast, net public fixed-capital formation increased in 2024, yet remained slightly below the EU average of 1.01%.

Regarding the main barriers to private investments, Danish firms highlighted:

- **Skilled staff shortages**. 71% of Danish firms reported in 2024 that lack of skilled staff was a long-term barrier to investment.

Conversely, significantly fewer Danish firms than the EU average identify business regulations, access to finance, transport infrastructure or digital infrastructure as barriers to investment.

Denmark demonstrated best practices in public investment management, particularly as regards the planning, selection and budgeting of road, railway and IT projects. Nevertheless, there is room for further improvement, and addressing the following barriers could make investment decisions even more effective:

- **Broadening the scope of external quality review processes during project appraisal and selection** to include investigating alternative solutions and making more comprehensive assessments to better inform final investment decisions.
- **Expanding best practice governance models** to additional sectors such as energy infrastructure and defence procurement, building on the success of the road, railway and IT sectors.
- **Systematically conducting *ex post* evaluations of all major projects well after the project was launched (e.g. after 3-5 years),** thus allowing for a more comprehensive assessment and better-informed decisions for future investments.

The implementation of the **RRP** is well underway. At present, Denmark has fulfilled 57% of milestones and targets in its RRP.

It remains important to accelerate the implementation of **cohesion policy programmes**. The mid-term review offers opportunities to speed up progress and better address EU strategic priorities related to competitiveness, defence, housing, water resilience and the energy transition.

While Denmark has leveraged **STEP** to reallocate some Cohesion Policy resources towards this priority, it can further support the development or manufacturing of critical technologies in the areas of digital and deep tech, clean and resource efficient technologies, and biotechnologies.

INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

A strong business environment is driving growth

Denmark has a healthy and stable business environment, with a focus on digitalisation and sustainability. Denmark enjoys a strong competitive position thanks to its excellent performance in innovation, education and digital public services, combined with a well-functioning infrastructure. This is reflected in international competitiveness surveys: In 2024 Denmark ranked first in the EU and third globally according to the IMD World Competitiveness Ranking (see Annex 4). There is good potential for further economic growth, thanks to a business environment that allows efficient reallocation of resources to productive activities, as evidenced by its business churn rate and proportion of high-growth firms, which exceed the EU average. Nevertheless, firms struggle to recruit skilled workers and face uncertain future prospects, which can hinder investment and growth (see Section 4). Denmark makes continuous efforts to improve the business environment and reduce the administrative burden on firms, as demonstrated by recent initiatives such as the strategy to improve business framework conditions ([10]), the business development strategy 2024-2027 ([11]) and the life sciences strategy ([12]).

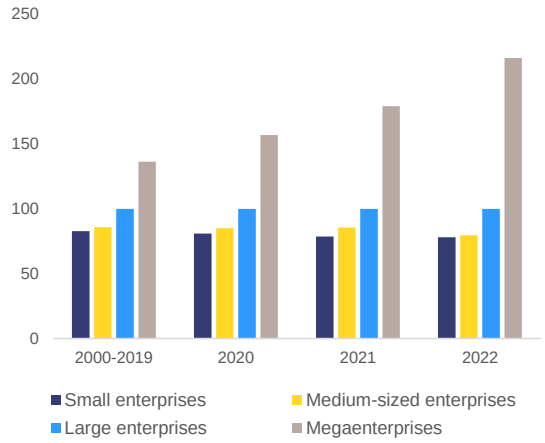
A solid institutional framework, based on business-friendly regulation and a digitalised public administration, has helped boost Danish competitiveness. The country is a leader in digital public services in terms of a strong online presence and easy access, allowing people to manage most services online (see Annex 6). This is in part thanks to significant advances made in simplifying regulations and reducing the administrative burden. In line with its 'digital-by-default' approach to public service delivery, the government is working to ensure that all citizens can benefit from the progress achieved and that no one is left behind in the digital transition.

Denmark's innovation landscape: bridging the productivity gap and expanding the R&D base

Denmark ranks high on productivity growth in the EU, driven by a strong research and innovation base. According to the 2024 European Innovation Scoreboard (see Annex 3), Denmark is a research and innovation leader. It boasts a strong public research base that benefits from significant investments, resulting in high-quality scientific publications and strong international linkages, as reflected in a high proportion of international scientific co-publications. Danish universities readily transfer knowledge to the private sector, supporting the commercial application of research findings. Furthermore, public expenditure on research and development (R&D) is the highest in the EU, further bolstering Denmark's innovation performance.

([10]) Ministry of Foreign Affairs of Denmark, Invest in Denmark, New Government Strategy Priorities Improvement of Business Framework Conditions and International Talent Acquisition, 2024.
([11]) Danish Business Promotion Board (Danmarks Erhvervsfremmebestyrelse), Virksomhedsudvikling i hele Danmark 2024-2027, 2024.
([12]) Ministry of Foreign Affairs of Denmark, Invest in Denmark, New Danish life science strategy, 2024.

Graph 2.1: ***Productivity in manufacturing by size (the productivity level of large companies = 100)***



(1) The index in the figure is based on average deviation from median productivity, with productivity calculated as hourly productivity and added value deflated at 69-industry level.
Small enterprises: 10-49 full-time employees (FTEs), medium-sized: 50-249 FTEs, large: 250-1.999 FTEs, mega: > 2 000 + FTEs.
Source: Statistics Denmark and Danish Ministry of Economic Affairs

The benefits of innovation are unevenly distributed. Very large companies (with over 2 000 staff) have had significant productivity gains, while small and medium-sized enterprises (SMEs) struggle to keep up. This trend is particularly pronounced in sectors where industrial R&D is concentrated among a few large firms, such as pharmaceuticals. This concentration exacerbates the productivity gap, as smaller companies struggle to adopt new technologies. In Denmark the pharmaceutical industry has been a key driver of innovation and productivity growth, while other sectors are experiencing slower progress. This is also reflected in regional disparities, as demonstrated by a widening difference in GDP between the capital and the other regions which is likely due to variations in productivity growth (see Annex 17). A number of targeted policies have already been put in place to address these disparities and broaden the innovation base, including increased financial support for SME innovation, improved access to funding, and labour market policies supporting skills development and matching (the Regional Lighthouse projects is one example). Innovation efforts could be further strengthened by fostering more collaboration between businesses, research institutions and government agencies, with the aim of converting new knowledge into innovation. Such efforts would complement current strategies focusing on business development, life sciences, green research, technology and innovation. By encouraging more companies to engage in R&D activities, such measures could foster a more inclusive and dynamic innovation ecosystem where both large companies and SMEs can thrive.

Denmark strengthens the incentive for companies to invest in R&D through higher R&D tax deduction rates. In response to the pandemic, Denmark temporarily set a higher tax deduction for R&D activities, as reflected in the Danish recovery and resilience plan. This temporary boost helped stimulate innovation, the green and digital transitions and higher investment in research and advanced technologies; initiatives such as the four green public-private R&D partnerships entered into by Innovation Fund Denmark ([13]) and the 'SME:Digital' programme ([14]) aimed at encouraging SMEs to adopt digital technology also contributed to this positive result. This fuelled discussions on the benefits of making higher levels of R&D support permanent to sustain innovation and allow Denmark to maintain its competitiveness in the long term. Through a political agreement on a stronger business community ([15]), Denmark has indeed decided to further boost R&D incentives by gradually increasing the tax deduction rate in the coming years ([16]).

Life sciences is a major innovative sector in Denmark. Denmark has set itself the ambitious goal of becoming a leader in life

([13]) Innomissions, Innovation Fund Denmark, Innomissions | Innovationsfonden.

([14]) SME:Digital Programme, SME:Digital.

([15]) Broad political agreement to strengthen Danish business - Regeringen.dk. (in Danish).

([16]) In 2026 the tax rate will rise to 114% for expenditure up to DKK 1 billion, up from 108% in 2025, increasing further to 116% in 2027. As from 2028 the deduction rate will be set permanently at 120%, with expenses above the ceiling of DKK 1 billion benefiting from a permanent rate of 110%.

sciences by 2030, with plans to strengthen healthcare innovation, improve access to risk capital and create favourable conditions for foreign investment. However, the sector still has significant untapped potential, and further efforts are needed to strengthen research capabilities, make better use of health data and encourage public-private partnerships. In addition to life sciences, the Danish business development strategy identifies other key sectors that could contribute to the country's economic growth and benefit from expertise available in different regions of the country, including robotics, green energy, biosolutions, water technology wind energy, and carbon capture, utilisation and storage.

Scaling up businesses remains a challenge

Despite a thriving start-up culture, many companies find it difficult to scale up. Denmark is home to many successful start-ups, including a few unicorns (privately held companies valued at over EUR 1 billion), but struggles to retain companies with a potential for high growth. Although venture capital financing is above the EU average and improving, it still trails behind some other Nordic countries. Private-equity investment in Denmark has increased, reaching 0.9% of nominal GDP in 2021-2023, up from 0.7% in 2015-2020, which is above the EU average of 0.6%. Similarly, venture-capital investments increased to 0.16% of nominal GDP in 2021-2023, more than double the 0.06% recorded in the previous five-year period and far better than the EU average of 0.08% (see Annex 5). Also, investments by the state-financed Export and Investment Fund (EIFO) supplements the private venture capital market. EIFO's direct investments, such as venture investments in Danish companies, have increased significantly in recent years. High-growth companies looking to scale up and expand their operations often require significant amounts of capital, known as acceleration capital. Denmark's level of acceleration investments was relatively low compared to other countries in the past but rose to above the OECD average in the period from 2020 to 2022 ([17]).

Denmark is taking steps to support start-up growth. For start-ups to thrive and remain in Denmark rather than relocating abroad, it is essential to improve access to financing and foster a supportive business environment. Among other things, the framework conditions for launching initial public offerings and the tax treatment of capital gains are important factors that could help retain venture and growth capital. Denmark's 2024 strategy for improving business framework conditions addresses these issues by introducing tax-related measures, setting up a legal framework for equity crowdfunding of private limited companies, halving the capital requirement for setting up limited-liability companies and making it easier for new companies to open a basic bank account.

Denmark has taken steps to improve access to finance for growth companies, reducing regulatory barriers that made lending costly and difficult for banks. In early 2025 the Danish Financial Supervisory Authority adopted new accounting rules for banks. Under the previous rules, growth companies that reported accounting losses were treated as firms in financial difficulty, making it hard for them to secure affordable financing, in particular those in innovative or high-risk sectors. Under the new rules, growth companies with accounting losses will no longer systematically be considered as firms in financial difficulty if they have raised at least DKK 10 million (some EUR 1.35 million) in own funds and have positive equity. This should reduce financing costs for high-risk companies (see Annex 5).

([17]) Danish Ministry of Industry, Business and Financial Affairs, Entrepreneurial growth in Denmark, 2023 (in Danish).

DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

A leader in the green transition and net zero manufacturing

Denmark is a frontrunner in the uptake and production of net zero technologies, in particular wind power and carbon capture and storage technologies. Amidst growing international competition and tightening market conditions, government support for clean and net zero technologies remains strong and targeted. Denmark accounts for a significant portion of the EU's overall capacity for manufacturing wind power components as well as electrolysers (see Annex 7). Furthermore, Denmark plays a major role in the development of carbon capture and storage technologies and the creation of a European value chain for this sector.

Several measures are already in place to support green investments and research and development, and further measures are planned. These include tax incentives, grant support schemes and access to growth loans and venture capital through programmes managed by the Danish Export and Investment Fund (see Annexes 2 and 5 for further details). In accordance with a political agreement reached in November 2024 on "*Red Carpet for Manufacturing Companies*", plans are underway for a one-stop-shop that will streamline the regulatory process for setting up or expanding net zero and clean tech production facilities. There are also plans for industrial parks where manufacturing companies will have sufficient space and good access to the necessary infrastructure, ensuring a faster and smoother establishment process ([18]).

Powering an affordable and low-carbon future

Denmark's electricity is mainly generated from renewable sources, but the national offshore wind development plan came to a halt in 2024. A remarkable 88% of Denmark's electricity is generated from renewable sources, with wind accounting for 58% ([19]). The proportion of electricity demand covered by wind power is the highest in the European Union ([20]). A 3GW offshore wind tender in the North Sea failed to attract any bids, and a second tender in early 2025 for an additional 3GW in the Danish inner straits was cancelled. Following discussions with 17 companies, the Danish Energy Agency has published the main outcomes of this market dialogue, which point to a combination of factors behind the setback: sharply increasing costs (capital expenditure, operational expenditure and financing costs), poor earning prospects in the Danish electricity market (specifically in the Denmark-West bidding zone), and uncertainties in the electricity and hydrogen markets ([21]). In response to these findings, the authorities are preparing to launch a new 3 GW offshore wind tender this year on more attractive terms; the overarching

([18]) Agreement on a red carpet for manufacturing companies (*Aftale om Rød løber for produktionsvirksomheder*), 21 November 2024.

([19]) Ember, Electricity Data Explorer, available at Electricity Data Explorer | Ember.

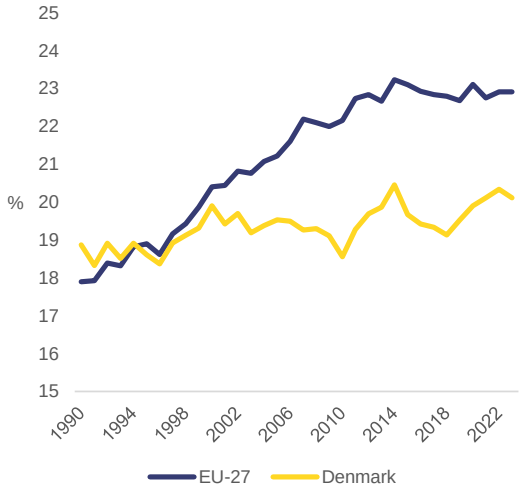
([20]) Wind energy in Europe: 2024 Statistics and the outlook for 2025-2030 | WindEurope., February 2025.

([21]) See Danish Energy Agency publishes results from the market dialogue on 3 GW offshore wind.

framework has been set in the political agreement on "*tender frameworks for three offshore wind farms*" of 19 May 2025 ([22]). The parties to the agreement have reserved an estimated DKK 27.6 billion for providing state support to developers to be awarded under future tenders for at least 3 GW of additional offshore wind energy capacity. The support is foreseen to be provided via a two-sided contract for difference model over a 20-year period. In the onshore sector, Denmark would benefit from swiftly implementing the recommendations outlined in the report of the National Energy Crisis Team (NEKST) entitled *More sun and wind energy on land* ([23]). The report proposed several measures to streamline and expedite permitting and administrative procedures for deploying wind and solar energy on land, some of which have already been implemented. The Recovery and Resilience Facility provides support for NEKST's work in this area.

Further electrification across sectors would help reduce overall greenhouse gas (GHG) emissions and enable consumers to reap the benefits of affordable renewable generation. Electricity accounted for approximately one fifth of the country's final energy consumption in 2023, a share that has remained stubbornly static over the past decade (see Annex 8 for further details). The high proportion of renewables in Denmark's electricity generation mix means there is significant potential for further electrification across sectors to achieve cost-effective decarbonisation of the economy. For instance, according to an analysis commissioned by the Danish Energy Agency, up to 92% of the total thermal energy consumption of Danish industry could be electrified (see Annex 7). Higher domestic demand for electricity would also strengthen the long-term business case for developers to expand renewable-energy capacity, thereby driving further investment and growth in the clean energy sector. Finally, electrification is an area that could be expanded to meet the country's energy efficiency ambitions.

Graph 3.1: ***Rate of electrification: Denmark and European Union***



(1) Energy balance: Final consumption - energy use
Source: Eurostat (nrg_ind_re__custom_16166844)

Promoting flexibility and upgrading the electricity grid remain key to drive the clean energy transition

To achieve higher electrification and renewables penetration rates, it is necessary to upgrade the electricity grid and promote market-based flexibility solutions such as storage and demand response. In November 2024 the Danish Energy Agency released two reports examining possible ways of strengthening flexibility in the electricity grid, e.g. through flexible grid connection terms and grid products, and of promoting a market for flexibility services ([24]). The report on promoting a flexibility market was based on an analysis by a working group led by the Danish Energy Agency that involved several industry organisations as well as

([22]) Agreement on tender frameworks for three offshore wind farms (*Aftale om udbudsrammer for tre havvindmølleparker*), 19 May 2025.

([23]) NEKST working group report 'More sun and wind on land' (Mere sol og vind på land), February 2024.

([24]) The two reports are available (in Danish) at Two new analyses examine how flexibility can contribute to cost-effective expansion of the electricity grid.

Energinet, the national transmission system operator. This concerted approach to ensure that future policies are aligned with industry's needs and capabilities is laudable. The report's recommendations have not yet been formally endorsed by the government, but the proposed measures are expected to optimise the use of the electricity grid and strengthen resilience. For instance, Denmark could give households and small businesses a stronger position in the flexibility market by introducing tariff incentives and rules to promote participation in distributed energy resources and in balancing and flexibility services. More flexible grids are also expected to strengthen the business case for renewable-energy developers by ensuring more balanced production and consumption levels throughout the day and fewer instances of negative prices.

To ensure expansion of the electricity grid, the government is stepping up work to implement NEKST recommendations. In December 2024 a dedicated NEKST working group issued recommendations for a faster expansion of the electricity grid, highlighting that increased flexibility in consumption and production could help inform a decision to prioritise grid expansion or, in some cases, serve as an alternative to grid expansion ([25]). On 20 December 2024 a political agreement was reached on the basis of these recommendations, identifying three areas where permitting procedures for electricity infrastructure could be simplified, including by exempting projects from environmental impact assessments provided that relevant nature protection and environmental law is complied with ([26]). It is expected that infrastructure projects in those areas can be delivered one to three years faster than under the ordinary procedure. The parties also committed to implementing other NEKST recommendations, including new expropriation procedures. While these commitments are a positive step forward, swift implementation of the wider set of NEKST recommendations remains crucial to ensure that grid management is able to meet the needs of increased installed renewables capacity and higher electricity demand in the future.

A landmark agreement paves the way for more sustainable land management

Denmark is taking steps to tackle agricultural GHG emissions, but intensive farming practices still pose a major risk to biodiversity, soil health and the quality of aquatic and marine ecosystems. Agriculture is the dominant type of land use in Denmark, covering 60% of its total land area. Intensive farming practices result in excessive nutrient leaching and run-off from fields, with serious repercussions on soil health and on aquatic and marine ecosystems, ultimately leading to deterioration of the natural capital. Moreover, Denmark has the smallest share of land in the Natura 2000 network in the EU, and the conservation status of grassland, wetland/peatland and forest habitats protected under the Habitats Directive is either unfavourable, bad or inadequate (see Annex 9). To ease the pressure on land and marine ecosystems from intensive farming (see Annex 9) and reduce emissions, a broad political agreement on a 'Green Denmark' has been reached by the government and most opposition parties, paving the way for a historic transformation of land use ([27]). If they are effectively implemented, the agreed measures will help reduce emissions while ensuring a fair and equitable transition. The measures include: (i) the establishment of a Land Fund worth over DKK 40 billion to support afforestation, land conversion, strategic land acquisition and extensification; (ii) a renewed effort to restore and protect

([25]) NEKST working group report 'Faster expansion of the electricity grid' (Hurtigere udbygning af elnettet), December 2024.

([26]) Agreement on faster and more efficient expansion of the electricity grid (Aftale om hurtigere og mere effektiv udbygning af elnettet), 20 December 2024.

([27]) Agreement on the Implementation of 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 (see Annex 9).

aquatic environments; and (iii) the introduction of a CO_2 tax on emissions from carbon-rich soils from 2028 and on livestock emissions from 2030. The new Land Fund mainly covers voluntary and compensation-based measures, including afforestation, land set-aside and peatland rewetting schemes. Their voluntary nature entails a risk of low or slow uptake, putting implementation at risk, but there is also a taxation element providing additional incentives to businesses. The measures outlined in the agreement, complemented by other initiatives under Denmark's common agricultural policy Strategic Plan and the recovery and resilience plan, are expected to bring about long-term improvements in sustainable land management. A new ministry has been set up to oversee swift implementation and ongoing monitoring. Also, 23 local tripartite bodies ([28]) have been set up across the country to agree on local land conversion plans by the end of 2025.

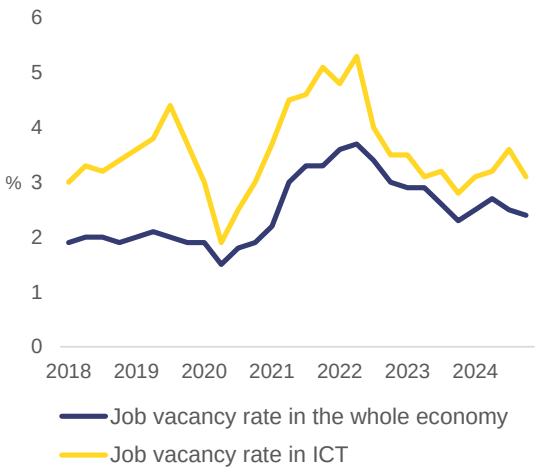
Transitioning to a circular economy and improving waste management

While there have been some positive developments, sustained efforts are needed to speed up the transition to a circular economy and improve waste management in Denmark. In 2022, the last year for which reliable data are available, Denmark had the second highest per capita generation of food and municipal waste in the EU. In 2023, the country's circular material use rate set at the 2014 level again – when was the highest recorded – but still remained below the EU average (see Annex 7). Denmark's municipal waste recycling rate is also below the EU average based on the most recent available data. Most municipalities in Denmark have introduced a separate collection system for all waste streams, which is a step in the right direction, and the system is expected to be fully implemented in the course of 2025. The incineration rate of municipal waste has failed to decline significantly over the last five years, and Denmark continues to incinerate the largest quantity of municipal waste per capita in the EU, more than double the EU average. Denmark's 2021 action plan for a circular economy includes a range of waste prevention and management measures along the entire circular value chain. The plan focuses on three main areas: biomass, construction waste and plastics. However, Denmark needs to step up efforts to reduce waste production and incineration, replace waste incineration with more environmentally-friendly sources of heat generation in national district heating systems and improve the overall circularity of the economy, focusing in particular on e-waste collection and recycling. The introduction of stricter commercial waste management rules, which came into effect on 1 January 2025, was a positive development.

([28]) Bodies composed of representatives of municipalities, farmers' organisations, local nature protection associations and the Danish Nature Agency that started work on 1 February 2025. They will play a key role in implementing the measures contained in the Agreement on a Green Denmark, see Ministry of Green Tripartite (in Danish).

Labour and skills shortages are particularly severe in the healthcare and digital sectors

Graph 4.1: ***Job vacancy rates in Denmark: total and ICT-specific***



Source: Statistics Denmark

Denmark has a tight labour market, linked to widespread skills shortages. This applies in particular to healthcare professionals and ICT specialists, but also to skilled workers in construction and other sectors, including those linked to the green transition. However, for some professions the skills shortages have eased due to an increase in labour supply, notably from a substantial influx of foreign workers.

Denmark is struggling to retain its healthcare workforce as demand for social and healthcare assistants grows due to an ageing population. With mechanical projections suggesting a need for some 15 000 healthcare assistants by 2035, there is growing pressure to address this issue. Retaining skilled professionals is a major hurdle in this respect. Many are leaving the public healthcare system due to a heavy workload and an uneven distribution of on-call duties, which can cause dissatisfaction and burnout. There is also a shortage of psychiatric and other specialised medical staff, in particular in peripheral regions, which further exacerbates the problem. Recruiting healthcare professionals to regional hospitals and retaining staff with the right skills in high-demand areas are ongoing struggles.

The government has launched targeted labour market reforms. These reforms aim to increase the labour supply, particularly in healthcare, by making it easier to employ non-EU nationals. This will involve simplifying work permit procedures and working with international recruitment agencies. Other measures include better integrating vocational education and training in healthcare and long-term care. Additional efforts are needed to attract and retain professionals in this field. This includes continuous professional development, more attractive working conditions and a more balanced distribution of care duties to prevent burnout and ensure high-quality patient care.

Businesses are facing difficulties recruiting ICT specialists. More than 10% of Danish companies report hard-to-fill ICT vacancies, significantly more than the EU average of 6% (see Annex 10). Denmark has taken steps to tackle this problem by strengthening education in STEM subjects (science, technology, engineering and mathematics). Moreover, as part of its digital development strategy, Denmark will focus on making further training available to IT professionals and encouraging international computer science students to stay in the Danish job market. Denmark will issue calls until 2026 to implement these measures.

Denmark's tertiary education attainment rate increased significantly in the past decade, but the share of STEM students remains relatively low. Measures introduced by Denmark to strengthen science, technology, engineering and mathematics education include digital tools, cooperation between schools and initiatives to encourage women to enrol in STEM courses (see Annex 12). The recent university reform will lead to a gradual reduction in the number of university students over the coming years, which has met some criticism from both employers and students.

Despite a good upskilling system, some are left behind

Denmark has a good system for upskilling and reskilling workers, contributing to good skills matches. The Danish vocational and educational training system is managed in part by the social partners, which ensures expertise on skills and skills shortages and how to address them. However, in the view of some employers, the system is slow to respond to demand for new skills.

People not in education, employment or training and vulnerable groups are an untapped potential. In recent years Denmark has enjoyed high employment and labour force participation rates, reaching 80.2% and 84.8%, respectively, in 2024. Increased employment among older workers has contributed to this (see Annex 10). While young people, non-EU nationals and people with disabilities fare well compared to their EU peers, they continue to face barriers on the job market. In 2024, 8% of young people were not in employment, education or training, which is below the EU average of 11%. Nevertheless, low enrolment in and high drop-out rates from vocational and educational training add to the difficulties of sectors facing skilled-labour shortages. In response, Denmark has taken measures designed to help people not in employment, education or training find work or enrol in courses, as well as preventive measures to encourage people to stay in employment, e.g. by improving labour market conditions for young people with spare-time jobs. Furthermore, a commission tasked by the Danish government to carry out an in-depth analysis of the well-being of young people in Danish society, which presented its findings in February 2025, has proposed more than 30 initiatives and measures aimed at improving the well-being of young people.

A generally well-functioning education and training system still has certain shortcomings that result in skills gaps. The Danish education system does not give all pupils the same opportunities to realise their full potential. In 2024 the proportion of early school leavers stood at 10.4%, and thus above the EU average and the EU target (see Annex 12). There is a strong urban-rural divide, and young people with a migrant background leave early from education or training nearly twice as often as native-born Danes. Underachievement in basic skills is low by EU standards but has risen, with students of a weak socioeconomic background and foreign-born students scoring increasingly poorly in mathematics. Quality differences remain between early childhood education and care institutions as municipalities struggle to attract, and retain, qualified staff to *Folkeskole* (primary and lower secondary) schools. Denmark's ongoing comprehensive education reform takes a more practical approach to general education and aims to give all parties more autonomy, especially schools and teachers. The reform will be implemented gradually and is expected to be completed by 2030.

Strong social protection fends off the risk of poverty

Despite growing inequalities, the social protection system remains effective in preventing poverty. Thanks to its strong social protection system, Denmark continues to perform well on most social indicators. Nevertheless, inequality and the risk of poverty have increased in recent years, albeit from a low level, and are currently well above pre-pandemic levels with the at-risk-of-poverty and social exclusion rate reaching

18% in 2024 (see Annex 11). Housing affordability remains a problem, as evidenced by a relatively high housing cost overburden rate (see Section 1). There are also unmet needs for medical care, further aggravated by labour shortages in the medical professions and demographic pressures. In its recent reform of the system of social benefits, Denmark introduced measures in the newly reformed minimum income scheme to ease the financial situation of vulnerable households. These include a tax-free allowance for afterschool activities for children of social benefits recipients, a subsidy that covers 100 percent of the recipient's - and their children - expenses for medicine and a more lenient income deduction which ensures that recipients may earn up to 335/670 EUR per month – depending on the rate – without a deduction in benefits.

KEY FINDINGS

To boost competitiveness, sustainability and social fairness, Denmark would benefit from:

- **implementing the RRP**, including the REPowerEU chapter; swiftly implementing **cohesion policy**, taking advantage of the opportunities under the mid-term review and making optimal use of EU instruments, including **InvestEU** and **STEP**, to improve competitiveness;

- **boosting the growth of innovative businesses at home,** by making access to venture capital and private equity easier and improving framework conditions for IPOs to be successful;

- **broadening the innovation base** by helping SMEs better exploit their R&D and innovation potential to reduce the productivity gap between large and small companies;

- **further decarbonising the economy by continuing to support clean and efficient production and use of energy, and by speeding up electrification across sectors.** This also includes supporting grid upgrades and promoting demand- and supply-side clean flexibility solutions;

- **fostering the transition to more sustainable and future-proof land management,** in particular by ensuring swift implementation of the measures set out in the agreement on a 'Green Denmark' of 18 November 2024;

- **making further progress in the transition to a circular economy and in waste management**, by focusing on waste prevention and increased recycling, reducing the incineration of municipal waste and relying less on waste incineration for heat generation;

- **adapting education and training provision to address labour and skills shortages** in key sectors related to the green and digital transition;

- **improving the teaching of basic skills** to address attainment inequalities linked to socio-economic and migrant backgrounds and the urban-rural divide, including by attracting and retaining qualified staff;

- **alleviate shortages of affordable housing** in urban areas through new construction.

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ANNEX 1: FISCAL SURVEILLANCE AND DEBT SUSTAINABILITY

This Annex contains a series of tables relevant for the assessment of the fiscal situation in Denmark, including how Denmark is responding to Council recommendations issued under the reformed Economic Governance Framework.

The reformed framework, which entered into force on 30 April 2024 ([29]), aims to strengthen debt sustainability and promote sustainable and inclusive growth through growth-enhancing reforms and priority investments. The medium-term fiscal-structural plans (hereinafter, MTPs or plans) constitute the cornerstone of the framework, setting the budgetary commitment of Member States over the medium term. The latter is defined in terms of net expenditure growth, which is the single operational indicator for fiscal surveillance.

Denmark submitted its plan on 20 September 2024. The plan covers the period until 2028, presenting a fiscal adjustment over four years. On 21 January 2025, the Council adopted the Recommendation endorsing Denmark's plan ([30]).

The assessment of the implementation of the Council Recommendation endorsing Denmark's plan is carried out on the basis of outturn data from Eurostat and the Commission Spring 2025 Forecast, and taking into account the Annual Progress Report (APR) that Denmark submitted on 30 April 2025. Furthermore, given Denmark's request to activate the National Escape Clause ([31]) in accordance with the Commission Communication of 19 March 2025 ([32]), the assessment also considers, as appropriate, the projected increase in defence expenditure based on the Commission Spring 2025 Forecast.

The Annex is organised as follows. First, developments in **government deficit and debt** are presented based on the figures reported in Table A1.1. Then, the assessment of the **implementation of the Council Recommendation endorsing the plan** follows, based on the relevant figures presented in Tables A1.2 to A1.8, including data on defence expenditure.

The Annex also provides information on the **cost of ageing** and the **national fiscal framework**. Fiscal sustainability risks are discussed in the Debt Sustainability Monitor 2024 ([33]).

Developments in government deficit and debt

Denmark's government surplus amounted to 4.5% of GDP in 2024. Based on the Commission's Spring 2025 Forecast, it is projected to decrease to 1.5% of GDP in 2025. The government debt-to-GDP ratio amounted to 31.1% at the end of 2024 and, according to the Commission, it is projected to decrease to

([29]) Regulation (EU) 2024/1263 of the European Parliament and of the Council (EU) on the effective coordination of economic policies and on multilateral budgetary surveillance, together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure, and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States are the core elements of the reformed EU economic governance framework.

([30]) OJ C, C/2025/654, 10.2.2025, ELI: http://data.europa.eu/eli/C/2025/654/oj

([31]) On 30 April 2025, Denmark requested to the Commission and to the Council the activation of the National Escape Clause. On this basis, the Commission adopted a Recommendation for a Council Recommendation allowing Denmark to deviate from, and exceed, the net expenditure path set by the Council, COM(2025)603

([32]) Communication from the Commission accommodating increased defence expenditure within the Stability and Growth Pact of 19 March 2025, C(2025) 2000 final.

([33]) European Commission (2025) 'Debt Sustainability Monitor 2024,' *European Economy-Institutional Papers* 306.

29.7% end-2025. The path of debt reduction is forecast to continue in 2026, although at a less dynamic pace due to a projected lower general government surplus.

Table A1.1: ***General government balance and debt***

	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
1	General government balance	% GDP	4.5	0.8	1.5	n.a.	0.6
2	General government gross debt	% GDP	31.1	30.0	29.7	n.a.	29.4

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

Developments in net expenditure

The net expenditure ([34]) growth of Denmark in 2025 is forecast by the Commission ([35]) to be above the recommended maximum, corresponding to a deviation of 2.1% of GDP. Considering 2024 and 2025 together, the cumulative growth rate of net expenditure is also projected to be above the recommended maximum cumulative growth rate, corresponding to a deviation of 0.5% of GDP. The difference between the Commission's calculations and the estimates of national authorities is due to a higher Commission estimate of cyclical unemployment benefits.

Table A1.2: ***Net expenditure growth***

	Annual			Cumulative*		
	REC	APR	COM	REC	APR	COM
	Growth rates					
2024	n.a.	5.1%	3.3%	n.a.	n.a.	n.a.
2025	5.0%	8.2%	10.0%	12.6%	13.7%	13.6%
2026	5.7%	n.a.	5.4%	18.9%	n.a.	19.7%

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

Source: Council Recommendation endorsing the national medium-term fiscal-structural plan of Denmark (Rec.), Annual Progress Report (APR) and Commission's calculation based on Commission Spring 2025 Forecast (COM)

The assessment of the net expenditure growth and in particular the comparison with the recommended net expenditure path considers that Denmark has requested the activation of the national escape clause to facilitate transitioning to a higher level of defence expenditure. General government defence expenditure in Denmark amounted to 1.2% of GDP in 2021, 1.2% of GDP in 2022 and 1.8% of GDP in 2023([36]). According to the Commission 2025 Spring Forecast, expenditure on defence is projected at 2.1% of GDP in 2024 and 3.0% of GDP in 2025. Based on current projections for defence spending, the deviation that is projected for Denmark is within the flexibility provided by the national escape clause.

([34]) Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-off and other temporary measures.

([35]) Commission Spring 2025 Forecast *European Economy-Institutional paper 318*, May 2025.

([36]) Eurostat, government expenditure by classification of functions of government (COFOG).

Table A1.3: ***Net expenditure (outturn and forecast), annual and cumulated deviations vis-à-vis the recommendation***

	Variables		2023	2024	2025	2026
			Outturn	Outturn	COM	COM
1	Total expenditure	bn NAC	1313.5	1375.7	1492.2	1569.2
2	Interest expenditure	bn NAC	18.6	21.7	22.5	23.0
3	Cyclical unemployment expenditure	bn NAC	4.2	13.7	14.9	16.8
4	Expenditure funded by transfers from the EU	bn NAC	5.7	3.6	4.1	6.4
5	National co-financing of EU programmes	bn NAC	0.5	0.2	0.2	0.2
6	One-off expenditure (levels, excl. EU funded)	bn NAC	5.3	18.3	0.0	0.0
7=1-2-3-4-5-6	**Net nationally financed primary expenditure (before discretionary revenue measures, DRM)**	**bn NAC**	**1279.2**	**1318.2**	**1450.4**	**1522.8**
8	Change in net nationally financed primary expenditure (before DRM)	bn NAC		39.0	132.2	72.4
9	DRM (excl. one-off revenue, incremental impact)	bn NAC		-2.9	0.3	-5.4
10=8-9	**Change in net nationally financed primary expenditure (after DRM)**	**bn NAC**		**41.9**	**131.9**	**77.8**
11	Outturn / forecast net expenditure growth	% change		3.28%	10.0%	5.4%
12	Recommended net expenditure growth*	% change		7.2%	5.0%	5.7%
13=(11-12) x 7	Annual deviation	bn NAC		-50.2	66.0	-4.9
14 (cumulated from 13)	Cumulated deviation	bn NAC		-50.2	15.8	10.9
15=13/17	**Annual balance**	**% GDP**		**-1.7**	**2.1**	**-0.1**
16=14/17	**Cumulated balance**	**% GDP**		**-1.7**	**0.5**	**0.3**
17	p.m. Nominal GDP	bn NAC	2804.7	2960.9	3119.1	3239.8

* The growth rate for 2024 is not a recommendation but serves to anchor the base, as the latest year with outturn data when setting the net expenditure path is year 2023.

Source: Commission Spring 2025 Forecast and Commission's calculation

Table A1.4: ***Defence expenditure and the national escape clause***

			2021	2022	2023	2024	2025	2026
1	Total defence expenditure	% GDP	1.2	1.2	1.8	2.1	3.0	3.0
2	*of which: gross fixed capital formation*	% GDP	0.3	0.2	0.3	0.3	0.5	0.7
3	Flexibility from increases in defence expenditure	% GDP					1.5	1.5
4	**Cumulated balance after flexibility**	**% GDP**					**-1.0**	**-1.2**

Source: Eurostat (COFOG), Commission Spring 2025 Forecast and Commission's calculation

Table A1.5: ***Macroeconomic developments and forecasts***

	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
1=7+8+9	**Real GDP**	**% change**	**3.7**	**2.3**	**3.6**	**n.a.**	**2.0**
2	Private consumption	% change	0.9	1.6	1.6	n.a.	1.7
3	Government consumption expenditure	% change	1.4	4.2	4.4	n.a.	2.1
4	Gross fixed capital formation	% change	2.7	3.5	2.4	n.a.	2.5
5	Exports of goods and services	% change	7.5	3.3	5.4	n.a.	2.5
6	Imports of goods and services	% change	3.0	3.1	4.0	n.a.	2.6
	Contributions to real GDP growth						
7	- Final domestic demand	pps	1.4	1.8	2.2	n.a.	1.8
8	- Change in inventories	pps	-1.0	0.0	-0.1	n.a.	0.0
9	- Net exports	pps	3.3	0.5	1.4	n.a.	0.2
10	Output gap	% pot GDP	-0.8	1.0	0.4	n.a.	0.3
11	Employment	% change	0.8	0.0	0.5	n.a.	0.0
12	Unemployment rate	%	6.2	2.8	6.2	n.a.	6.3
13	Labour productivity	% change	2.8	2.3	3.1	n.a.	1.9
14	HICP	% change	1.3	2.0	1.6	n.a.	1.5
15	GDP deflator	% change	1.8	1.9	1.7	n.a.	1.9
16	Compensation of employees per head	% change	4.4	4.7	3.9	n.a.	2.9
17	Net lending/borrowing vis-à-vis the rest of the world	% GDP	12.7	n.a.	13.3	n.a.	13.1

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

Table A1.6: ***General government budgetary position***

	Variables (% GDP)	2024	2025		2026	
		Outturn	APR	COM	APR	COM
1=2+3+4+5	**Revenue**	**51.0**	**49.3**	**49.3**	**n.a.**	**49.0**
	of which:					
2	- Taxes on production and imports	13.4	13.3	13.1	n.a.	13.1
3	- Current taxes on income, wealth, etc.	31.0	29.9	29.8	n.a.	29.4
4	- Social contributions	0.7	0.7	0.7	n.a.	0.7
5	- Other (residual)	5.9	5.4	5.8	n.a.	5.8
8=9+16	**Expenditure**	**46.5**	**48.5**	**47.8**	**n.a.**	**48.4**
	of which:					
9	- Primary expenditure	45.7	47.8	47.1	n.a.	47.7
	of which:					
10	- Compensation of employees	14.1	14.2	14.3	n.a.	14.3
11	- Intermediate consumption	8.1	8.9	8.5	n.a.	8.7
12	- Social payments	15.4	15.7	15.5	n.a.	15.7
13	- Subsidies	1.2	1.4	1.3	n.a.	1.3
14	- Gross fixed capital formation	3.1	4.4	3.8	n.a.	3.9
15	- Other	3.8	3.2	3.7	n.a.	3.7
16	- Interest expenditure	0.7	0.7	0.7	n.a.	0.7
18=1-8	**General government balance**	**4.5**	**0.8**	**1.5**	**n.a.**	**0.6**
19=1-9	**Primary balance**	**5.2**	**1.5**	**2.2**	**n.a.**	**1.3**
20	Cyclically adjusted balance	5.0	n.a.	1.3	n.a.	0.4
21	One-offs	-0.6	-0.4	0.0	n.a.	0.0
22=20-21	**Structural balance**	**5.6**	**-0.3**	**1.3**	**n.a.**	**0.4**
23=22+16	Structural primary balance	6.3	0.4	2.0	n.a.	1.1

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

Table A1.7: ***Debt developments***

	Variables	2024	2025		2026	
		Outturn	APR	COM	APR	COM
1	**Gross debt ratio* (% of GDP)**	**31.1**	**30.0**	**29.7**	**n.a.**	**29.4**
2=3+4+8	Change in the ratio (pps. of GDP)	-2.5	-1.1	-1.4	n.a.	-0.3
	Contributions**					
3	**Primary balance**	**-5.2**	**-1.5**	**-2.2**	**n.a.**	**-1.3**
4≈5+6+7	**'Snow-ball' effect**	**-1.0**	**-0.6**	**-0.9**	**n.a.**	**-0.4**
	of which:					
5	- Interest expenditure	0.7	0.7	0.7	n.a.	0.7
6	- Real growth effect	-1.2	-0.7	-1.1	n.a.	-0.6
7	- Inflation effect	-0.6	-0.6	-0.5	n.a.	-0.5
8	**'Stock-flow' adjustment**	**3.8**	**1.0**	**1.7**	**n.a.**	**1.4**

* End of period.

** The 'snow-ball' effect captures the impact of interest expenditure on accumulated general government debt, as well as the impact of real GDP growth and inflation on the general government debt-to-GDP ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in Recovery and Resilience Facility grant disbursements), accumulation of financial assets, and valuation and other residual effects.

Source: Commission Spring 2025 Forecast and Commission's calculation (COM), Annual Progress Report (APR)

Table A1.8: ***RRF – Grants***

	Revenue from RRF grants (% of GDP)							
		2020	2021	2022	2023	2024	2025	2026
1	RRF grants as included in the revenue projections	n.a.	0.1	0.0	0.1	0.1	0.0	0.1
2	Cash disbursements of RRF grants from EU	n.a.	0.1	0.0	0.1	0.1	0.0	0.1

	Expenditure financed by RRF grants (% of GDP)							
		2020	2021	2022	2023	2024	2025	2026
3	Total current expenditure	0.0	0.1	0.0	0.0	0.0	0.0	0.0
4	Gross fixed capital formation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Capital transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6=4+5	Total capital expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	Other costs financed by RRF grants (% of GDP)							
		2020	2021	2022	2023	2024	2025	2026
7	Reduction in tax revenue	0.0	0.1	0.1	0.0	0.0	0.0	0.0
8	Other costs with impact on revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Financial transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Annual Progress Report

Cost of ageing

Total age-related spending in Denmark is projected to increase from 24.5% of GDP in 2024 to about 26.3% in 2040, decreasing again thereafter to around 26% in 2070, close to the EU average (see Table A1.9**).** The overall dynamic is mainly driven by the large projected increase in long-term care spending and, to a lesser extent, healthcare spending, partially offset by lower pension and education expenditure, especially in the period beyond 2040 when pension spending is projected to decline by 2 pps of GDP.

Public healthcare expenditure is projected at 7.1% of GDP in 2024 (above the EU average of 6.6%) and is expected to increase by 0.3 pps by 2040 and by a further 0.4 pps by 2070

([37]). Public expenditure on long-term care is projected at 3.1% of GDP in 2024 (well above the EU average of 1.7%) and is expected to increase by 1.6 pps of GDP by 2040 and by a further 1.5 pps of GDP by 2070 ([38]).

Table A1.9: ***Projected change in age-related expenditure in 2024-2040 and 2024-2070***

	age-related expenditure 2024 (% GDP)	change in 2024-2040 (pps GDP) due to: pensions	healthcare	long-term care	education	total	age-related expenditure 2040 (%GDP)	
DK	24.5	*0.1*	*0.3*	*1.6*	*-0.2*	***1.8***	26.3	**DK**
EU	24.3	*0.5*	*0.3*	*0.4*	*-0.3*	***0.9***	25.2	EU

	age-related expenditure 2024 (% GDP)	change in 2024-2070 (pps GDP) due to: pensions	healthcare	long-term care	education	total	age-related expenditure 2070 (%GDP)	
DK	24.5	*-1.9*	*0.7*	*3.1*	*-0.6*	***1.3***	25.8	**DK**
EU	24.3	*0.2*	*0.6*	*0.8*	*-0.4*	***1.3***	25.6	EU

Source: 2024 Ageing Report (EC/EPC).

National fiscal framework

The Danish Independent Fiscal Institution (IFI), the Danish Economic Councils (DEC), enjoys a high standing as an advisory body, but its independence rests mostly on informal practices. It consists of the Economic Council and The Environmental Economic Council, whose joint independent Chairmanship acts as the Danish IFI and as a Productivity Board. As the DEC's budget is subject to an annual 2-%-reduction rule in real terms, it implies a need to reduce the staff level continuously. Its relocation from Copenhagen to Jutland risks complicating its task of monitoring fiscal policy developments. Its independence is hampered by a lack of formalised access to information.

Denmark has best practices for planning, selecting and budgeting public investment projects in the road/railway and IT sectors. Denmark Forward - Infrastructure plan 2035 ([39]) is a 14-year strategic mobility plan, covering roads and railway, and integrating climate considerations. Standardised appraisal and selection methods, with several decision points and external quality assurance (for projects above DKK 350 Mio) are in place for all projects included in the plan ([40]). This practice follows the state-of-the-art stage-gate model for large investment projects in which the project selection process includes several decision points as the project moves through the different stages and becomes more concrete.([41]) Analysis suggests that the first external quality review process could be extended to include investigating alternatives or providing other solutions to the ones includes in the project material ([42]) while the second review, later in the process, should be considerably more detailed and thorough as that forms the basis for the final political investment decision ([43]). These governance models could be extended to other

([37]) Key performance characteristics, recent reforms and investments of the Danish healthcare system are discussed in Annex 11 'Health and health systems'.

([38]) The adequacy and quality of the Danish long-term care system are covered in Annex 9 'Social policies'.

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

([40]) Zerjav, V., Welde, M., and Volden G. (forthcoming), "Governance of public investment projects: a comparative perspective" (Eds), Country Chapter on Denmark, Wiley Publishing House.

([41]) Belu Manescu, C. (2024), "The Planning of Public Investments in EU Member States: Long-Term Strategy, Selection and Budgeting Issues", DG ECFIN Discussion Paper nr. 213"

([42]) Transportministeriet (2022a). Terms of reference - Ekstern kvalitetssikring af fase 1 undersøgelser [Terms of reference - External quality assurance of phase 1 studies]. København, Transportministeriet.

([43]) Transportministeriet (2022b). Terms of reference - Ekstern kvalitetssikring af fase 2 undersøgelser [Terms of reference - External quality assurance of phase 2 studies]. København, Transportministeriet.

sectors such as energy infrastructure. The total budget cost of large projects is approved up-front by the Parliament which creates a stable framework for financing multi-annual projects.

*Table A1.10:**Fiscal Governance Database Indicators***

2023	Denmark	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	11.49	14.52
Medium-Term Budgetary Framework Index (MTBFI)	0.62	0.73

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.
Source: Fiscal Governance Database

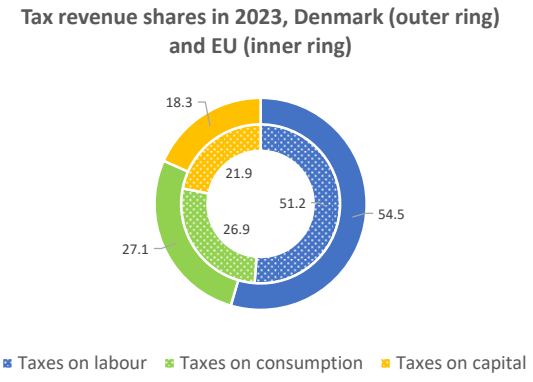
This annex provides an indicator-based overview of Denmark's tax system. It includes information on: (i) the tax mix; (ii) competitiveness and fairness aspects of the tax system; and (iii) tax collection and compliance.

Denmark's tax revenue is relatively high in relation to its GDP. It is balanced between different tax types in a growth-friendly way. Table A2.1 shows Denmark's revenues from different tax types as a percentage of GDP. Denmark's total tax revenue as a percentage of GDP (43.4%) was one of the highest in the EU in 2023. It further increased to 44.6% in 2024. Revenues from labour taxation and, to some extent, consumption and environmental taxation were comparatively high relative to other EU countries as a percentage of GDP. Labour taxes in 2023 as a share of GDP were higher in Denmark than the EU average, and labour taxes as a share of total taxes were also higher than the EU average in 2023 at 54.5% in against 51.2% (see Graph A2.1). Denmark's revenue from environmental taxes as a percentage of GDP is decreasing, but it is still slightly above the EU average and amounted to EUR 7.7 billion in 2023 ([44]).

Denmark's property tax system has recently been reformed. In 2023, Denmark's recurrent taxes on property were among the highest in the EU as a percentage of both GDP and total tax revenues ([45]). However, Denmark also has one of the highest mortgage-interest-payment tax deductions in the EU, and this incentivises the financing of residential property through debt. A new property tax system aiming at preserving the distributional and allocative effects of the Danish tax system entered into force on 1 January 2024. The new system is based on new and improved information for each property and allows the property owner to add more data on their property to the system. Adjustments have also been made to the system to ensure the quality of the appeal procedure. Data sourcing and accuracy continue to present challenges for the Danish authorities and their management of the property-tax system.

Denmark's recovery and resilience plan focuses on a fair transition towards greener energy sources and digitalising services. It includes a green tax reform that comprises several pieces of legislation to accelerate decarbonisation in a wide range of sectors. For example, investments in the green transition are expected to be incentivised though a new accelerated depreciation measure introduced in 2024, allowing companies to write off the value of these investments more quickly, resulting in tax savings. New taxes on CO_2 emissions covering various sectors were approved by the Danish Parliament in June 2024, effective as of January 2025. In November 2024, the Danish Parliament also voted in support of the green tripartite agreement ('tripartite' because it covers three areas: agriculture, nature and climate) in its entirety, introducing a climate tax on agriculture of EUR 40 per tonne of CO_2 equivalent and rising to EUR 100 per tonne from 2035. However, an average basic deduction of 60% will apply to farmers, effectively lowering the cost of the tax to EUR 16 per tonne in 2030. This reduced rate will be gradually phased in until 2035, after which the full rate of EUR 40 per tonne will apply.

Graph A2.1: ***Tax revenue shares in 2023***



Source: Taxation Trends Data, DG TAXUD

Denmark provides a stable corporate tax framework with rates close to the EU and OECD averages. Denmark's statutory corporate-tax rate stood at 22.0% in 2023 – unchanged since 2016 and slightly above the EU average of 21.2%. Its average corporate effective tax rate was lower, at 19.5%, but still above the EU average of 18.9%. Denmark offers a variety of tax incentives in the form of tax deductions for certain types of capital expenditure. The Danish tax framework provides the taxpayer with the choice between an immediate write-off for capital expenditure for R&D or for a tax depreciation for

([44]) Statistics | Eurostat, environmental tax revenue as a percentage of GDP, 28.1.2025. DK 2.05% vs EU 2.03% in 2023.

([45]) European Commission, 2025, Data on Taxation Trends - European Commission

Table A2.1: ***Taxation indicators***

		Denmark					EU-27				
		2010	2021	2022	2023	2024	2010	2021	2022	2023	2024
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	45.1	47.4	42.0	43.4	44.6	37.8	40.2	39.7	39.0	
By tax base	Taxes on labour (% of GDP)	22.8	23.8	22.4	23.7		19.8	20.5	20.1	20.0	
	of which, social security contributions (SSC, % of GDP)	12.6	9.7	8.2	8.0		12.9	13.0	12.7	12.7	
	Taxes on consumption (% of GDP)	14.5	13.1	12.3	11.8		10.9	11.2	10.9	10.5	
	of which, value added taxes (VAT, % of GDP)	9.4	9.6	9.2	9.1		6.8	7.3	7.4	7.1	
	Taxes on capital (% of GDP)	7.7	10.4	7.4	8.0		7.1	8.5	8.7	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	24.8	26.9	23.4	24.8		8.6	9.6	9.4	9.3	
	Corporate income taxes (CIT, % of GDP)	2.3	4.0	3.3	3.8		2.2	2.9	3.2	3.2	
	Total property taxes (% of GDP)	2.5	2.4	2.3	2.2		1.9	2.2	2.1	1.9	
	Recurrent taxes on immovable property (% of GDP)	2.0	1.8	1.7	1.7		1.1	1.1	1.0	0.9	
	Environmental taxes (% of GDP)	4.0	2.8	2.4	2.0		2.5	2.4	2.1	2.0	
	Effective carbon rate in EUR per tonne of CO_2 equivalents	NA	101.2	NA	101.7		NA	86.0	NA	84.8	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	31.2	31.1	31.7	31.8	32.0	33.9	31.8	31.5	31.5	31.8
	Tax wedge at 100% of average wage (single person) (*)	35.9	35.7	35.9	35.9	36.1	40.9	39.9	39.9	40.2	40.3
	Corporate income tax - effective average tax rates (1) (*)	22.0	19.4	19.4	19.5		21.3	19.3	19.1	18.9	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	12.2	12.0	11.0	10.3		8.6	8.2	7.9	7.7	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)		12.1	13.0				35.5	32.6		
	VAT gap (% of VAT total tax liability, VTTL) (**)		4.5	8.6				6.6	7.0		

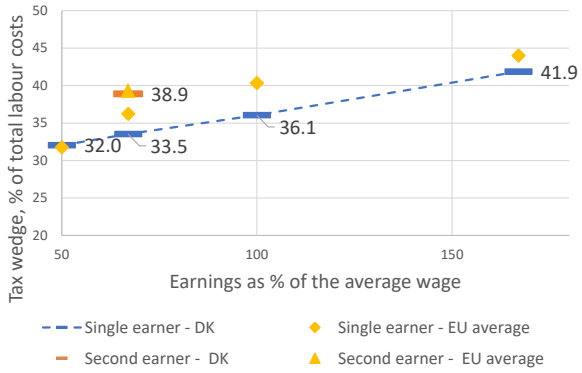
(1) Forward-looking effective tax rate (KPMG).
(2) A higher value indicates a stronger redistributive impact of taxation.
(*) EU-27 simple average.
(**) For more details on the VAT gap, see European Commission, Directorate-General for Taxation and Customs Union, VAT gap in the EU - 2024 report, https://data.europa.eu/doi/10.2778/2476549
For more data on tax revenues as well as the methodology applied, see the Data on Taxation webpage, https://ec.europa.eu/taxation_customs/taxation-1/economic-analysis-taxation/data-taxation_en.
Source: European Commission, OECD

five years. 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 from DKK 63 300 in 2024 to 83 100 starting in the income year 2027.

Denmark's labour tax burden is lower than the EU average across the income distribution. The labour tax wedge ([46]) for Denmark in 2024 was slightly above the EU average for single people at 50% of the average wage (32.0% vs 31.8% for the EU-27), but below the EU average for single people at 100% of the average wage (36.1% vs 40.3% for the EU-27). The tax wedge for second earners at 67% of the average wage, whose spouses earn the average wage, was around the EU average in 2023. However, the difference between the tax wedges of second and single earners at 67% of the average wage was wider for Denmark than the EU average. The higher tax wedge for second earners in Denmark implies lower work incentives for second earners (who are often women) than for single earners at the same wage level. Overall, in 2023 Denmark's tax-and-benefit system helped reduce inequality (as measured by the Gini coefficient) by substantially more than the EU average. A personal income tax reform was adopted in 2024, which, among other changes, introduces a new top-up tax of 5% for incomes above DKK 2,588,300 (around EUR 336,000). The reform also includes the introduction of a new intermediate tax bracket, which will reduce marginal tax rates for incomes between DKK 618.400-750.000 kr. In addition, the reform – among other elements – increases the earned income tax credit for single parents. The reform will take effect from 2026 and is expected to reduce labour taxes by DKK 10 billion (EUR 1.3 billion) (net) annually from that year.

([46]) The tax wedge is defined as the sum of personal income taxes and employee and employer social-security security contributions net of family allowances, expressed as a percentage of total labour costs (the sum of the gross wage and social-security security contributions paid by the employer).

Graph A2.2: ***Tax wedge for single and second earners, % of total labour costs, 2024***



The tax wedge for second earners assumes a first earner at 100% of the average wage and no children. For the full methodology, see OECD, 2016, Taxing Wages 2014-2015.
Source: European Commission

Denmark performs relatively well on tax compliance and tax administration. Denmark's newest IT system for taxation (PSRM) has introduced a new level of efficiency in the digitised collection of public debt, thereby strengthening public trust in the Danish taxation system. The latest figures show that the Danish Debt Collection Agency recovered approximately DKK 14 billion (around EUR 1.9 billion) in 2023 – a record high figure – up from DKK 8.9 billion (around EUR 1.2 billion) in 2018. Outstanding tax arrears were 13.0% of total revenue in 2022. This was significantly below the EU-27 average of 32.6%, although the latter was inflated by very large values in a few Member States. The VAT gap (an indicator of the effectiveness of VAT enforcement and compliance, where a low gap indicates high effectiveness) rose substantially to 8.6% in 2022 from 4.5% the year before, and is now above the EU average of 7.0%.

Denmark is a high performer in research and innovation (R&I) but faces challenges in getting more small and medium-sized enterprises (SMEs) engaged in innovation and digital transformation. The 2024 European Innovation Scoreboard ranks Denmark as an 'innovation leader', at 136% of the EU average, and its performance has been increasing more than the EU average ([47]). Denmark's R&D intensity ([48]), at 2.99% for 2023, continues to improve and is close to reaching the EU target of 3%. However, R&D activities are concentrated in a small number of large companies, with a growing productivity gap between large and small companies and a decline in the employment share of high-growth firms. On the uptake of digital technologies by firms, despite the country's strong overall performance, there are also very large discrepancies across different types of businesses – larger firms lead the way, while smaller ones still face very significant challenges.

Science and innovative ecosystems

Denmark has a very strong public research base that is underpinned by significant investment and delivers excellent outputs. Denmark's share of scientific publications within the top 10% most cited publications worldwide, as a percentage of total publications, is above the EU average (12.5% vs 9.6%). The strong international linkages of the public science base are underlined by the share of international scientific co-publications in total publications, which is also above the EU average (68% vs 55.9%). Danish universities are also actively engaged in knowledge transfer activities to promote the commercial exploitation of public research discoveries through their knowledge transfer offices ([49]). This overall performance is supported by a level of public expenditure on R&D which, at 1.15% of GDP, is the highest in the EU. The number of researchers employed by the public sector per thousand of the active population is also the second highest in the EU (7.3 vs an EU average of 4.2).

Business innovation

The Danish economy benefits from a large volume of business R&D activities, although they are relatively concentrated in a limited number of large companies. While business R&D intensity has been declining in the last decade, it has picked up slightly since 2021 and is still well above the EU average (1.83% vs 1.49%). In 2020, the tax deduction for R&D expenses increased from 101.5% to 130% for 2020-2022, with a company cap of DKK 50 million on qualifying expenditures. It was recently decided to set a permanent increase in the deduction for R&D activities at 120%, with a total expenditure cap of DKK 1 billion ([50]). The number of researchers employed by business per thousand of the active population is nearly double the EU average (10.3 vs 5.7), as is the number of patent applications per billion of GDP in purchasing power standards (5.4 vs 2.8). However, as noted in the Horizon Policy Support Facility review of the Danish R&I system ([51]), and in a later analysis by the Danish Council for Research and Innovation Policy ([52]), R&D investments are relatively concentrated in a small number of large companies, in particular in the pharmaceutical sector. In addition, the growing productivity gap between large and small companies suggests weaknesses in the diffusion of technological advances, and the employment share of high-growth firms has been declining (from 19.6% in 2012 to 13% in 2020). All this points to the need to broaden the innovation base and involve more companies in R&I activities.

([47]) European Commission, 2024, *European Innovation Scoreboard (EIS), country profile: Denmark,* ec_rtd_eis-country-profile-dk.pdf.

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

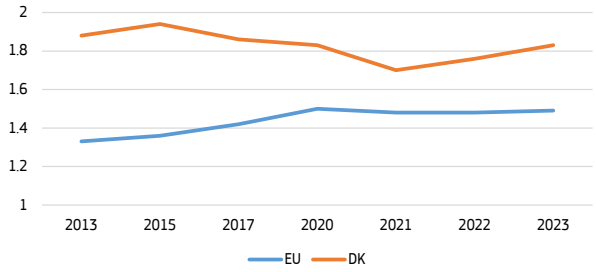
([49]) Ministry of Higher Education and Science, Knowledge transfer — English.

([50]) Stronger business community https://www.em.dk/Media/638544588960392858/Et%20st%c3%a6rkere%20erhvervsliv.pdf).

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

([52]) Danish Council for Research and Innovation Policy: Danish innovation must be driven by a broad range of companies DFiRbrief_42 (2023).

Graph A3.1: ***Business enterprise expenditure on R&D as % of GDP***



Source: Eurostat

Danish innovation performance is underpinned in particular by strong science-business linkages. The number of public-private scientific co-publications as a percentage of the total number of publications remains at a high level and well above the EU average (13.8% vs 7.7% in 2023). In 2021-2024, the Ministry of Higher Education and Science and the Danish Board of Business Development financed 13 national clusters within Denmark's strongest and most promising business and technology areas. The purpose of the cluster programme was to strengthen the productivity and competitiveness of Danish companies through cooperation on innovation and the transfer of knowledge between companies and knowledge institutions. This included activities that promoted collaboration on knowledge-based innovation between companies and research institutions, as well as other participants in the innovation ecosystem ([53]).

The level of digitalisation of Danish companies is among the highest in the EU. 90.5% of firms (with 10-249 employees) had at least a basic level of digital intensity in 2024, above the EU average of 72.9%. The country also performs significantly above the EU average on the share of firms that have taken up advanced digital technologies (with 27.6% of them having adopted AI in 2024, above the EU average of 13.5%; 66.2% having adopted cloud in 2023, above the EU average of 38.9%; and 49.5% having adopted data analytics in 2023, also above the EU average of 33.2%).

Digital transformation is less advanced in smaller companies. The level of uptake among companies varies across different types of businesses, with larger companies leading the way and smaller businesses, particularly SMEs, still facing challenges in digital adoption. In 2023, for instance, 65.4% of SMEs adopted cloud solutions against 89.7% of large firms. Similarly, 48.3% of SMEs adopted data analytics in 2023, against 88.3% of large firms. With more investments likely until 2027 thanks to the updated digitalisation strategy ([54]), the country is expected to focus more on the growth and digitalisation of SMEs. Particular attention will be given to helping SMEs acquire the necessary digital skills to be more productive and competitive. The national initiative SME:Digital, for instance, provides guidance to SMEs on how to use digital solutions as well as tools to assess their digital maturity and identify areas for improvement, together with financial support to incentivise them to adopt new technologies. Denmark has also set up five European Digital Innovation Hubs to improve the digital capacity of companies and public sector organisations.

Denmark is taking steps to become one of the best countries for entrepreneurs. In 2024, it adopted a strategy for entrepreneurship entitled 'A World-Class Entrepreneurial Nation'. It aims to strengthen Denmark's entrepreneurial ecosystem by improving access to capital, reducing red tape, attracting and developing talent, promoting knowledge-based innovation and ensuring nationwide support for entrepreneurial activities ([55]).

Financing innovation

Denmark is a regional leader in venture capital and private equity investment. The average annual value of private equity and venture capital investment relative to nominal GDP increased to 0.9% and 0.16% respectively in 2021-2023, from 0.7% and 0.06% in 2015-2020, remaining persistently higher than the respective EU averages (0.6% and 0.08%). In 2023, Denmark stood out as the sole country among the top 10

([53]) Ministry of Higher Education and Science Danish clusters for knowledge and business 2021-2024 — English.

([54]) Ministry of Finance, 2022, National Strategy for Digitalisation, https://en.digst.dk/media/mndfou2j/national-strategy-for-digitalisation-together-in-the-digital-development.pdf.

([55]) Ministry of Industry, Business and Financial Affairs, 2024, Web_Iværksætterudspil_110624.pdf (in Danish).

venture capital ecosystems in Europe to experience growth. Venture capital investment, of which almost two thirds were dedicated to healthtech start-ups, grew by 2.1% in 2023 to about EUR 1.2 billion, the second-best year on record. For the last five years prior to 2023, the main sectors of venture capital investment were health (26%), company software (15%) and fintech (14.7%).

Innovative talent

Skills in the domain of R&I are relatively strong and continue to increase. The number of new graduates in science and engineering per thousand of the population aged 25-34 is slightly above the EU average (19.5 vs 17.6), while the corresponding number of graduates in the field of computing is well above the EU average (5.8 vs 3.6).

The Danish entrepreneurship education system is well developed and implemented, with a strong focus on supporting entrepreneurship activities at all school levels. Denmark has clear objectives for entrepreneurship education, and the Foundation for Entrepreneurship ensures that initiatives and planning are coordinated. Student participation in entrepreneurship education is also relatively high: in the 2018/2019 school year, 16% of primary school children and 44% of upper secondary school students received entrepreneurship education. This number was 29% for students in short and medium-cycle higher education and 9% for university students, an increase compared to previous years ([56]).

([56]) Foundation for Entrepreneurship (2020): Fonden for Entreprenørskab. (2020). Entreprenørskab for alle – evner til at skabe, forandre og gøre en forskel. Retrieved from https://www.ffe-ye.dk/media/791592/strategi-for-fonden-for-entreprenoerskab-2020-2025.pdf.

Table A3.1: ***Key innovation indicators***

Denmark	2012	2017	2020	2021	2022	2023	2024	EU average (1)	USA
Headline indicator									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	2.98	2.94	2.97	2.74	2.87	2.99	:	2.24	3.45
Science and innovative ecosystems									
Public expenditure on R&D as % of GDP	1.01	1.07	1.13	1.03	1.1	1.15	:	0.72	0.64
Scientific publications of the country within the top 10% most cited publications worldwide as % of total publications of the country	14.8	13.4	12.5	12.5	:	:	:	9.6	12.3
Researchers (FTE) employed by public sector (Gov+HEI) per thousand active population	5.6	6.2	6.3	6.6	7.3	7.3	:	4.2	:
International co-publications as % of total number of publications	55.3	62.5	67.6	67.6	67.8	68	:	55.9	39.3
R&D investment & researchers employed in businesses									
Business enterprise expenditure on R&D (BERD) as % of GDP	1.96	1.86	1.83	1.7	1.76	1.83	:	1.49	2.70
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	:	0.55	0.49	:	:	:	:	0.40	0.30
Researchers employed by business per thousand active population	8.4	9.1	8.9	8.6	10.3	10.3	:	5.7	:
Innovation outputs									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	6.3	6.3	6.6	5.7	5.4	:	:	2.8	:
Employment share of high-growth enterprises measured in employment (%)	19.59	17.61	12.98	:	:	:	:	12.51	:
Digitalisation of businesses									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	88.8	:	90.47	72.91	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	:	49.49	:	33.17	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	62.22	:	66.16	:	38.86	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	23.89	:	15.17	27.58	13.48	:
Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	12.1	13	13.4	13.60	13.5	13.8	:	7.7	8.9
Public expenditure on R&D financed by business enterprises (national) as % of GDP	0.027	0.029	0.029	:	:	:	:	0.050	0.020
Public support for business innovation									
Total public sector support for BERD as % of GDP	0.076	0.076	:	:	:	:	:	0.204	0.251
R&D tax incentives: foregone revenues as % of GDP	0.010	0.020	0.094	0.100	0.096	0.061	:	0.102	0.141
BERD financed by the public sector (national and abroad) as % of GDP	0.066	0.056	:	:	:	:	:	0.100	0.110
Financing innovation									
Venture capital (market statistics) as % of GDP, total (calculated as 3-year moving average)	0.035	0.032	0.095	0.147	0.139	0.156	:	0.078	:
Seed stage funding share (% of total venture capital)	4.8	4.8	8.3	3.9	7.1	9.4	:	7.3	:
Start-up stage funding share (% of total venture capital)	43.4	44.7	41.3	50.3	48.9	54.4	:	44.0	:
Later stage funding share (% of total venture capital)	51.8	50.5	50.4	45.8	43.9	36.2	:	48.7	:
Innovative talent									
New graduates in science and engineering per thousand population aged 25-34	19.2	19.0	18.9	20.1	19.5	:	:	17.6	:
Graduates in the field of computing per thousand population aged 25-34	4.0	5.6	5.7	6.2	5.8	:	:	3.6	:

(1) EU average for the last available year or the year with the highest number of country data

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

Denmark has a very favourable and stable business environment, with a strong focus on digitalisation and sustainability. Denmark has maintained a strong position in global competitiveness thanks to a combination of factors such as good performance in innovation and education, a favourable business environment, excellence in digital public services and well-functioning infrastructure. It came first in the EU in the 2024 IMD World Competitiveness Ranking, thanks in particular to its good performance in digitalisation and a clear focus on sustainability. SMEs benefit from low regulatory barriers, well-developed digital and transport infrastructure, and good overall access to finance. However, the lack of skilled staff and uncertainty about the future are barriers to business investment.

Investment climate

Business sentiment recovered in 2024 and returned to positive territory as the Danish economy began to experience robust growth. After negative growth in the first quarter of 2024, economic activity and industrial output rebounded in the second half of 2024. The manufacturing confidence indicator in Denmark became positive again ([57]). Business investment remained subdued in 2024 due to high interest rates but is projected to gain momentum in 2025 because the Danish economy is now experiencing robust growth (GDP expanded by 3% in 2024 and is expected to grow by 2.9% in 2025, according to the Danish government ([58])).

Denmark's private investment has been declining (although it is still above the EU average) while public investment has increased. Net fixed capital formation as a share of GDP declined from 5.6% in 2022 to 2.4% in 2024. Despite this decline, Denmark's five-year average of 4.12% is still slightly above the EU average of 4.01%. Private investment is essential to support Denmark's future economic growth. Public investment has increased in recent years. A number of policy measures aim at supporting private investment. These include the 2024-2027 strategy for business promotion ([59]) and incentives for R&D investment (see also Annex 3). In 2022, public net investment was 0.79% of GDP and increased to 0.97% in 2024. However, Denmark's five-year average of 0.83% still remains slightly below the EU average of 1.01% ([60]).

Denmark remains a very attractive destination for foreign direct investment. According to the Danish Central Bank, the stock of foreign direct investment (FDI) in Denmark grew by around 2% in 2023, following a decline in the preceding two years, which were marked by the COVID-19 pandemic as well as Russia's invasion of Ukraine. Similar growth is expected also for 2024 ([61]). FDI stocks are mostly owned by Sweden, the Netherlands, Norway, Luxembourg and the UK (in descending order). FDI is mostly directed into finance and insurance, business services, wholesale and retail trade, manufacturing, real estate, and information and communication. The 2024-2027 Strategy for Attracting Foreign Investments provides the framework for Denmark's efforts to attract, retain and develop FDI ([62]).

Firms highlight a lack of skilled staff and uncertainty about the future as the main investment obstacles. According to the European Investment Bank (EIB) Investment Survey, the main long-term barriers to investment reported by Danish firms in 2024 were the non-availability of skilled staff (71%) (see Annexes 10 and 12) and uncertainty about the future (56%). The share of businesses facing major labour supply constraints was below the EU average in 2024 (13.4% vs the EU average of 20.2%) and was slightly lower than in 2023 (17.1%). Vacancy rates remain slightly above the EU average. The share of businesses facing material supply constraints decreased significantly in 2024 (19.6% compared with 24.8% in 2023) ([63]). 45% of businesses still identified energy prices as an issue in 2024, but electricity and gas prices had already

([57]) Statistics Denmark, 2024, Sentiment indicators for business, dst.dk.

([58]) Ministry of Economic Affairs, 2024, Economic Report: The Danish economy remains strong, Økonomisk Redegørelse: Dansk økonomi står fortsat stærkt.

([59]) Danmarks Erhvervsfremmebestyrelse, 2024, Virksomhedsudvikling i hele Danmark 2024-2027, https://erhvervsfremmebestyrelsen.dk .

([60]) AMECO, 2024.

([61]) Ministry of Foreign Affairs of Denmark, 2024, Foreign Direct Investments into Denmark grew 2 % last year.

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

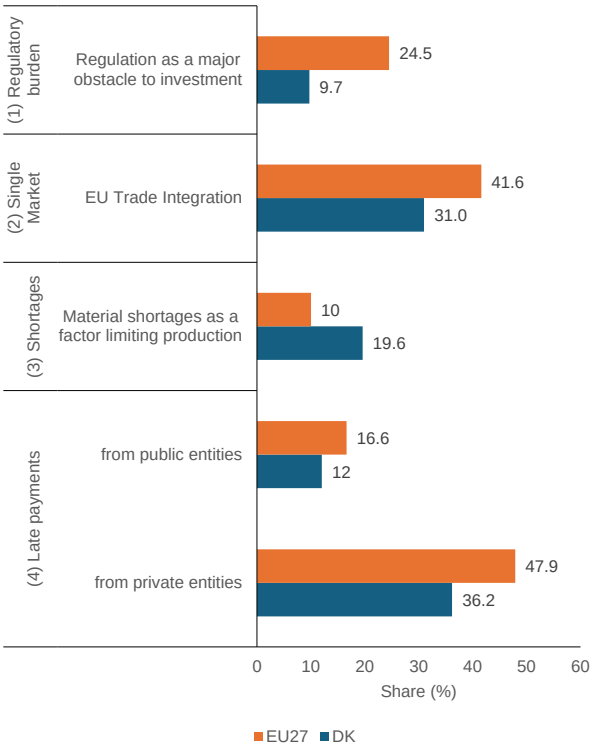
([63]) European Commission, 2024, Business and consumer surveys.

decreased substantially from their peak in 2022 (see also Annex 8).

Danish firms benefit from business-friendly regulation, good overall access to finance and well-developed infrastructure. According to the EIB Investment Survey ([64]), fewer Danish firms identify business regulations as a barrier than the EU average (40% vs 66%). In fact, in recent years Denmark has been the EU Member State with the lowest share of businesses reporting regulation as an obstacle to investment. Access to finance is less often reported as an obstacle to investment (28% vs the EU average of 45%). Due to Denmark's well-developed infrastructure, most businesses do not consider transport infrastructure (DK 30% vs EU 45%) or digital infrastructure (DK 23% vs EU 41%) as an obstacle.

Denmark is a leader in terms of its connectivity infrastructure. Thanks to significant public and private investment, Denmark has widespread access to high-speed broadband, fibre-optic networks and 5G technology, in line with the Digital Decade targets. At 97.2%, Denmark's very high capacity network (VHCN) coverage was above the EU average in 2023. Denmark also scored well above the average in fibre to the premises (FTTP) coverage, which stood at 84% (compared with 64% in the EU as a whole). 5G coverage reached 100% of all populated areas, with 5G in the 3.4-3.8 GHz band covering 85% of Danish households (significantly above the EU average of 50.6%). With the help of the National Broadband Fund (supported by the Recovery and Resilience Facility), Denmark is improving fast broadband access in rural and remote areas, where commercial investments are less financially viable. Regarding the resilience of digital infrastructures, the risk of exposure to cybersecurity incidents remains high, but cybersecurity awareness in enterprises is increasing in response.

Graph A4.1: ***Making Business Easier: selected indicators***



Share of (1) enterprises, (2) average intra-EU exports and imports in GDP, (3) firms, (4) SMEs.
Source: (1) EIB IS, (2) Eurostat, (3) ECFIN BCS, (4) SAFE survey.

The decrease in insolvencies in 2024 (following a spike in 2023) indicates a return to pre-pandemic levels. The business-to-business payment gap has gradually increased since 2021 (reaching an average of 18.1 days in 2024) and is therefore above the EU average of 15.5 days. This can affect liquidity-constrained SMEs in sectors like construction. The payment gap from the public sector has remained below the EU average since 2021, reaching 13.2 days on average in 2024, compared with the EU average of 15.2 days (see Table A4.1). The insolvency rate spiked in 2023 but declined in 2024, when the number of insolvencies was the lowest since 2020-21. Insolvencies therefore seem to be returning to pre-pandemic levels.

A new guarantee facility is intended to help SMEs invest in green initiatives and increase their competitiveness. The share of SMEs who consider access to finance as an obstacle to investment is below the EU average ([65]). Danish

([64]) European Investment Bank, 2024, EIB investment survey 2024.

([65]) European Investment Bank, 2024, EIB investment survey 2024.

firms have a strong preference for equity investment and other sources of finance. Only 41% prefer bank loans for expanding their business (the EU average is 63% ([66])). Since October 2024, Danish SMEs and Mid-Caps have been able to obtain funding for green investments of DKK 320 million through a new guarantee agreement between the European Investment Fund and Ringkjøbing Landbobank. This scheme is supported by the European Commission's InvestEU initiative and aims to support sustainable investments, with a focus on renewable energy projects such as wind turbines and solar panels ([67]) (see also Annex 5).

Many companies are formed in Denmark, but start-ups and small and innovative companies struggle to grow and scale up. Denmark has one of the highest shares of green start-ups ([68]) and high-growth firms ([69]) in the EU. However, access to growth capital and recruiting qualified staff are crucial challenges for start-ups and often determine whether they stay in Denmark or relocate elsewhere ([70]). Venture capital financing is less pronounced than in some other Nordic countries but has improved and is better than the EU average (see also Annex 3).

Regulatory and administrative barriers

Denmark has a very favourable business environment, with a particular focus on digital public services. Denmark consistently ranks highly in global competitiveness and governance indices, reflecting a stable and robust business environment. Recent initiatives (e.g. the Strategy on improvement of business framework conditions ([71]), the Business Development Strategy 2024-2027 ([72]) and the Life Sciences Strategy ([73])) demonstrate Denmark's commitment to further improving the business environment and reducing the administrative burden for firms. Denmark's corporate tax rate of 22.0% is slightly below the OECD average of 23.9%. The tax system does not seem overly complex ([74]), thanks in part to a particular emphasis on digitalisation.

Denmark is a front-runner in digital public services. Administrative procedures are usually designed as 'digital by default'. 98% of all public services are offered online (see also Annex 6). It is also performing well in electronic invoicing, electronic procurement, and technical and policy support. Business churn and the rate of high-growth firms are well above the EU average, which shows that Denmark's business environment is promoting the efficient reallocation of resources to more productive activities.

Single market

Denmark is a small, open and diversified economy which is well integrated into the EU's single market. Denmark is closely integrated into the single market, though its 32% trade integration for both goods and services was slightly below the EU average of 43% in 2023 ([75]). In 2023, Denmark's surplus in intra-EU trade in goods became a deficit, but it retained its surplus in extra-EU trade. Denmark's major export partners include Germany (16% of Denmark's total), Sweden (9%), the Netherlands (7%), Norway (6%), the US (6%), the UK (5%), Poland (5%), France (4%), China (3%), Italy (3%), Spain (2%) and Finland (2%). Denmark's main export products include pharmaceuticals (15% of total exports), machinery and computers (12%), mineral fuels (10%), electrical machinery and equipment (7%), optical, technical and medical apparatus (4%), vehicles (3%), fish (3%), meat (3%), furniture (3%) and other food products (2%) ([76]).

([66]) European Central Bank, European Commission, 2024, Survey on the access to finance of enterprises.
([67]) European Investment Fund, 2024, Financial helping hand to Danish SMEs: guarantee agreement to support green investments.
([68]) OECD, 2022, The New Green Economy, oecd.org.
([69]) European Central Bank, European Commission, 2024, Survey on the access to finance of enterprises.
([70]) Danish Chamber of Commerce, 2022, 'Denmark: A Unicorn Factory – but why do they leave?', danskerhverv.dk.
([71]) Ministry of Foreign Affairs of Denmark, Invest in Denmark, 2024, New Government Strategy Priorities Improvement of Business Framework Conditions and International Talent Acquisition.
([72]) Danmarks Erhvervsfremmebestyrelse, 2024, Virksomhedsudvikling i hele Danmark 2024-2027.
([73]) Ministry of Foreign Affairs of Denmark, Invest in Denmark, 2024, New Danish life science strategy.
([74]) European Commission, 2022, Tax compliance costs for SMEs.
([75]) Eurostat, 2024, International trade in goods.
([76]) Statistics Denmark, 2025, Imports and exports of goods and services - Statistics Denmark.

Denmark performs well overall in transposing EU directives into national law and handling infringement proceedings. Denmark's transposition and conformity deficits for single market directives are better than the EU averages. The transposition deficit is in line with the target of 0.5% proposed in the Single Market Act and the conformity deficit is close to it (0.7% instead of 0.5%) (see Table A4.1). The number of pending infringement cases is considerably below the EU average (14 compared with the EU average of 24). However, the delay in transposing single market directives and the length of infringement proceedings are both above the EU averages (see Table A4.1), indicating some room for improvement. In 2024, Denmark resolved 92.7% of the SOLVIT cases it handled as the lead centre (the EU average was 84.9%) ([77]).

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 regime is aligned with international best practices, making Denmark one of the top performers in this respect within the EU ([78]). In respect of regulated professions, regulatory restrictiveness in Denmark is in line with the EU average except for estate agents, for whom restrictiveness is above the EU average. This is partly because real estate agents manage the property transaction process in Denmark, while this task is typically handled by notaries or lawyers in other Member States. The length of time needed to qualify as an estate agent in Denmark could be reassessed. Moreover, lawyers in Denmark are subject to legal form and shareholding requirements, incompatibility rules and multidisciplinary restrictions ([79]).

Public procurement

Denmark performs well in respect of public procurement, including e-procurement. Procurement is conducted primarily at the local level. The central government and the regions have a lower share of procurement. Each contracting authority is responsible for its own procurement but can use framework contracts managed by the main central purchasing body. Denmark performs well on public procurement overall, though the share of bids from SMEs could be improved. Denmark has a relatively low share of single bid procurements and direct awards (see Table A4.1), which indicates a satisfactory level of competition in public procurement procedures. Denmark is one of the leading EU Member States in terms of ensuring a wide availability of digital public services. It also performs well on the use of e-procurement (see also Annex 6).

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

([78]) OECD, Product Market Regulation (PMR) indicators, 2023, Denmark PMR country note.

([79]) European Commission, 2021, Communication on taking stock of and updating the reform recommendations for regulation in professional services of 2017, COM(2021) 385, eur-lex.europa.eu; OECD, 2023, Indicators of Product Market Regulation, oecd.org; International Monetary Fund, 2023, Article IV country report Denmark, imf.org.

Table A4.1: ***Making Business Easier: indicators***

Denmark							
POLICY AREA	**INDICATOR NAME**	**2020**	**2021**	**2022**	**2023**	**2024**	**EU-27 average**
Investment climate							
Shortages	Material shortage, firms facing constraints, %[1]	6.5	27.7	49.7	24.8	19.6	10.0
	Labour shortage, firms facing constraints, %[1]	4.2	23.7	34.5	17.1	13.4	20.2
	Vacancy rate, vacant posts as a % of all available ones (vacant + occupied)[2]	1.8	3.0	3.4	2.7	2.6	2.3
Infrastructure	Transport infrastructure as an obstacle to investment, % of firms reporting it as a major obstacle[3]	3.9	8.5	7.7	4.1	6.3	13.4
	VHCN coverage, %[4]	-	94.9	96.3	97.2	-	78.8
	FTTP coverage, %[4]	-	74.1	77.9	84.0	-	64.0
	5G coverage, %[4]	-	98.0	97.8	100	-	89.3
Reduction of regulatory and administrative barriers							
Regulatory environment	Impact of regulation on long-term investment, % firms reporting business regulation as a major obstacle[3]	5.8	5.3	6.5	2.8	9.7	24.5
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment[5]	20.1	12.1	11.3	15.7	18.1	15.6
	Payment gap - public sector, difference in days between offered and actual payment[5]	23.8	9.7	13.9	15.2	13.2	15.1
	Share of SMEs experiencing late payments, %*[6] — from public or private entities in the last 6 months	24.9	35.1	39.3	44.2	-	-
	Share of SMEs experiencing late payments, %*[6] — from private entities in the previous or current quarter	-	-	-	-	36.2	47.9
	Share of SMEs experiencing late payments, %*[6] — from public entities in the previous or current quarter	-	-	-	-	12.0	16.6
Single Market							
Integration	EU trade integration, % (Average intra-EU imports + average intra EU exports)/GDP[2]	26.1	27.7	31.7	31.7	31.0	41.6
	EEA Services Trade Restrictiveness Index[7]	0.037	0.037	0.037	0.037	0.040	0.050
Compliance	Transposition deficit, % of all directives not transposed[8]	0.3	0.4	0.5	0.9	0.5	0.8
	Conformity deficit, % of all directives transposed incorrectly[8]	1.0	1.1	1.0	0.9	0.7	0.9
	SOLVIT, % resolution rate per country[8]	92.5	95.5	91.7	91.0	92.7	84.9
	Number of pending infringement proceedings[8]	19.0	18.0	15.0	16.0	14.0	24.4
Public procurement							
Competition and transparency in public procurement	Single bids, % of total contractors**[8]	15	18	23	17	23	-
	Direct awards, %**[8]	6	6	5	5	11	7.0

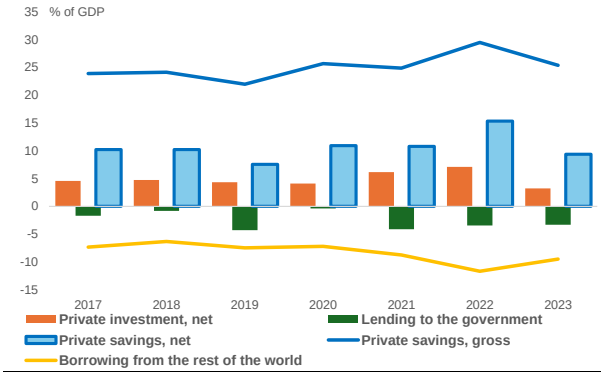
* Change in methodology in 2024: reporting late payments from public and private entities separately.
** The 2024 data on single bids is provisional and subject to revision. Please note that approximately 14% of the total data is currently missing, which may impact the accuracy and completeness of the information. Due to missing data, the EU average of direct awards data is calculated without Romania.
Source: (1) ECFIN BCS, (2) Eurostat, (3) EIB IS, (4) Digital Decade Country reports, (5) Intrum Payment Report, (6) SAFE survey, (7) OECD, (8) up to 2023: Single Market and Competitiveness Scoreboard, 2024: Public procurement data space (PPDS).

Against the backdrop of high domestic savings and significant net foreign assets, the Danish economy benefits from deep national capital markets and well-developed and stable banking and non-banking financial sectors. The highly developed financial sector in Denmark contributes positively to the financing of companies. Nevertheless, conditions for the domestic growth of innovative businesses and for attracting international capital could still be improved. Thanks to the high availability of domestic savings and capital, Danish companies rely relatively less than their EU peers on debt to fund their balance sheets. The funding of mortgages through marketable covered bonds relieves the banking sector from the related credit and liquidity risks and further supports the resilience of banks. High levels of financial literacy, digital adoption and general trust in society help to promote both: (i) retail investors' strong participation in capital markets; and (ii) the extensive development of institutional investors and professional asset management. But despite being considered a 'factory for unicorns' ('unicorns' are unlisted companies valued at EUR 1 bn or more), Denmark has tended to fail to retain innovative companies with high growth potential, in part due to the tax treatment of unrealised capital gains.

Availability and use of domestic savings

The Danish economy invests the largest part of its relatively high net savings abroad. In the last decade, the private savings ratio, net of fixed capital consumption, persistently fluctuated around its ten-year average of 10.4% of GDP, reaching a maximum of 15.4% in 2022 (see Graph A5.1). The net private investment ratio, which measures the net contribution of the private sector to capital accumulation in the country, was significantly more volatile, exhibited a ten-year average of 4.2% of GDP and reached a maximum of 7.1% in 2022. At the same time, during the same period the government budget was in regular surplus that averaged 1.9% of GDP. Thus, the high positive balance between net domestic savings and net investment, together with the government surpluses, resulted in structural net lending by Denmark to foreigners that averaged 8.1% of GDP, with a peak of 11.7% in 2022. Hence, most of Danish net savings, i.e. after accounting for the investments that are necessary to merely maintain the existing capital structure of the economy, are used to finance projects abroad.

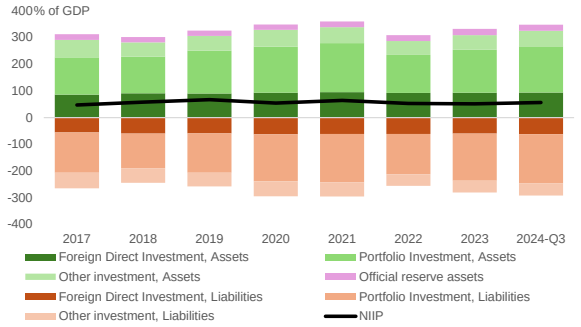
Graph A5.1: ***Net savings-investment balance***



Source: AMECO

Consistent with its regular position of a net creditor to the rest of the world, the Danish economy has accumulated significant foreign assets and exhibits a positive net international investment position. As of Q3 2024, total assets on foreigners reached 348% of GDP, while liabilities to foreigners stood at 292% of GDP, resulting in a net international investment position (NIIP) equivalent to 56% of GDP (see Graph A5.2). The accumulated net foreign direct investment, which reached 32% of GDP as of Q3 2024, accounted for most of the NIIP. The significant stock of official foreign reserve assets, which amounted to 23% of GDP, reflects the central bank's commitment to maintain the Danish Krone within the narrow band of its official peg. The net portfolio investments, which are directly affected by the price volatility of equity valuations abroad (assets) and in Denmark (liabilities), turned negative to the tune of -11% of GDP as of Q3 2024. However, they were more than offset by the net stock of other investments, which amounted to 12% of GDP at the same time. Thus, while the Danish economy appears to be deeply integrated in international capital flows, including as a major recipient of foreign capital, it remains nevertheless a net capital exporter, notably by means of direct investments abroad.

Graph A5.2: ***International investment position***



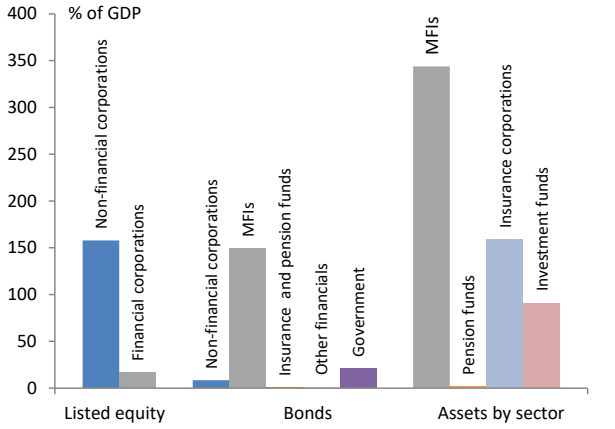
Source: ECB

Structure of the capital markets and size of the financial sector

The Danish economy stands out with one of the deepest domestic capital markets in Europe. The market capitalisation of listed equity reached 174% of GDP at end-2023, which is the highest among all member states (see Graph A5.3). Characteristically, non-financial corporations accounted for more than 90% of that capitalisation, which reflects the extent to which the stock market in Denmark is geared towards funding the non-financial segment of the real economy. The outstanding volume of debt securities reached 181% of GDP at end-2023, which is one of the highest national scores in the EU. Bonds issued by the monetary financial institutions (MFIs) accounted for almost 83% of the total. This reflects the specificity of mortgage lending in Denmark, where all mortgages are funded exclusively through marketable covered bonds, which enjoy very high liquidity and strong demand, including from foreigners (see section on retail participation in capital markets). As the government has been running budgetary surpluses, the volume of general government bonds declined from 40% of GDP at end-2020 to 21% at end-2023.

Even though the financial sector in Denmark remains dominated by banks, non-bank financial intermediaries are very much developed as well. After peaking at 402% of GDP in 2020, the size of the banking sector declined to 344% of GDP in 2023, which remains however significantly above the EU average of 257% and places the Danish banking sector third in size in the EU, after Luxembourg (1,847%) and France (421%). Foreign presence is limited and accounts for about 7% in terms of assets. Banking concentration appears to be higher than on average in the EU, with the top five MFIs representing more than 65% the sector. The insurance sector, with total assets of almost 160% of GDP at end-2023, dominates non-bank intermediation and is the second largest in the EU (after Luxembourg at 380% of GDP). Its very large size is due to the thriving life insurance and other pension savings which are accounted for, in official statistics, as part of insurance corporations instead of pension funds. As a result of that, the sector of pension funds is reported to have total assets of only 2% of GDP at end-2023. Investment funds, though their total assets dropped by 32 percentage points to 91% of GDP between 2021 and 2023, remain nevertheless significant (see section on institutional investors).

Graph A5.3: ***Capital markets and financial intermediaries***



Source: ECB, EIOPA, AMECO

Resilience of the banking sector

The Danish banking sector exhibits high resilience to risks and low exposure to vulnerabilities. Historically, the aggregate capital adequacy ratio in Denmark has been comparatively higher than elsewhere in Europe. Driven by high earnings and stricter rules on applying risk weights to exposures, banks' overall capitalisation further strengthened by 0.9 percentage points and reached 22.9% as of Q3 2024, well above the EU average of 20.1% (see Table A5.1). The improvement came through the accumulation of high-quality loss-absorption

capital, as the CET1 ratio increased from 18.7% in 2022 to 19.3% as of Q3 2024, significantly above the EU average of 16.6%. The four institutions that were subject to the 2023 EU-wide stress test (Danske Bank, Jyske Bank, Nykredit and Sydbank) passed successfully even the most adverse scenario. Danish banks' aggregate Minimum Requirement for Own Funds and Eligible Liabilities (MREL) rate stood at 40.1% of risk-weighted assets at the end-2023, which was 8 percentage points above the required level. To further strengthen the resilience of the banking sector, the Systemic Risk Council of Denmark proposed a systemic risk buffer of 7% for exposures to real estate companies, which became effective as from 30 June 2024.

Despite some risks of deterioration, banks' balance sheets show improved asset quality. With an aggregate non-performing loan (NPL) ratio of 1.3% as of Q3 2024, which is below the EU average of 1.9%, credit quality remains robust. Despite the highest level of bankruptcies since 2011, the corporate NPL ratio declined to 1.7% as of Q3 2024. Even though more than 60% of all mortgages are at variable rate, the tightening cycle of interest rates did not deteriorate asset quality. This is due, inter alia, to banks' improved resilience to credit risk thanks to the stricter lending rules they introduced during the prolonged low-interest-rate period. Moreover, the proportion of new loans at variable interest rates has contracted significantly, e.g. to around 30% of mortgages to households. Yet, banks' aggregate coverage ratio of NPLs by existing provisions remains short of the EU average by almost 5 percentage points, even though it increased from 27.3% in 2016 to 37.5% as of Q3 2024. While in principle this might suggest that banks are over-stating their net level of capital, this is not the case in Denmark. Indeed, the market funding of mortgages exclusively by covered bonds implies that the related credit risk is transferred to the investors in the bonds and does not stay with the banks.

Danish banks maintain very strong liquidity positions, with long-term debt issuance returning to pre-crisis levels. MFIs in Denmark are exposed to a very low liquidity funding risk and show an excellent term adequacy between assets and liabilities. Both systemic and non-systemic institutions exceed the minimum regulatory liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR), with no bank suffering an individual shortfall. As of Q3 2024, at the aggregate level, the LCR and the NSFR stood at 199% and 127% respectively. The very high level of the aggregate loan-to-deposit ratio (above 200%) should be interpreted in the context of the national specificity of market mortgage funding. When recalculated for the sole commercial banks, which alone owe deposits and are therefore exposed to the liquidity risk, the aggregate loan-to-deposit ratio stood at 62.7% at the end of 2023, well below the EU average. This confirms that the balance sheets of commercial banks in Denmark are structurally more robust than elsewhere in the EU. While debt issuance contracted in 2022 and 2023, in part due to the higher interest spreads, it has rebounded since spreads started to narrow. Banks have issued approximately DKK 100 bn (EUR 13.4 bn) of debt in 2024 to refinance maturing debt and to maintain their excess layer of MREL.

Resilience of the non-bank financial intermediaries

The thriving insurance sector in Denmark, which dominates non-bank financial intermediation, is highly solvent and does not raise financial stability concerns. The main risk remains the sensitivity of asset holdings to disorderly price fluctuations. This risk has increased in the last years, following a strategic investment policy shift away from fixed-income securities to a greater emphasis on stocks and variable income alternatives. The sector has so far resisted well to the risk of asset re-pricing, as evidenced by its robust recovery in 2023 following a non-negligible decline in total assets-to-GDP by almost 20 percentage points in 2022, driven by asset price corrections. The rebound has continued in 2024, with total assets reaching a new nominal peak equivalent to EUR 712 bn in Q2 2024. Insurance companies' solvency ratio remained robust at 244.3% in 2023, slightly above its level of 241.1% in 2022. Non-life insurance is expected to remain highly profitable, as suggested by its combined ratio of 85%, which is well below the EU average of 97% and among the lowest in the EU.

Supervision, which has not detected any irregularities or specific vulnerabilities, remains vigilant. EIOPA's protection gap assessment indicates that Denmark faces a

medium to low wildfire risk, medium risks of flood and coastal flood, and a high risk of windstorm. However, with insurance penetration rates exceeding 75%, EIOPA deems the current protection gap in Denmark as not significant. As part of its 2025 strategy to ensure the resilience of the sector, the Danish Financial Supervisory Authority has developed a tailored stress test for the insurance sector, which complements EIOPA's exercise and accounts for national specificities. Preparatory tests, which did not reveal any specific vulnerability, were conducted on eight entities in 2023.

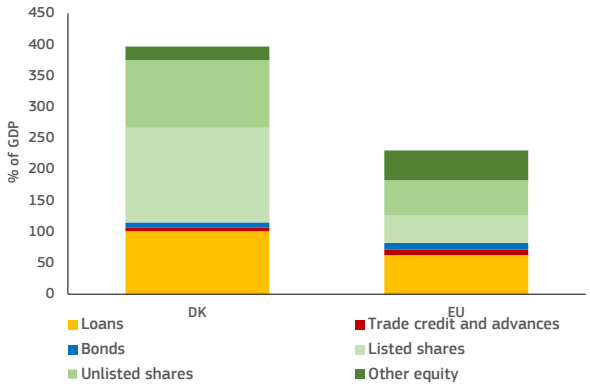
Sources of business funding and the role of banks

Even though Danish companies are more indebted than their EU peers on aggregate, they rely relatively less on debt finance than their EU peers to fund their activities. Financial borrowing by non-financial corporations (NFCs) in Denmark reached almost 101% of GDP in 2023, which is significantly higher than the EU average of about 63% (see Graph A5.4). However, given the overall much larger size of the aggregate balance sheet of Danish NFCs, which reached 397% of GDP at end-2023 (versus 230% in the EU), the relative share of loans in their funding structure (25.4%) was lower than the EU average (27.2%).

To fund their investments, Danish companies rely on internal resources about as much as their EU peers. The 2024 EIB Investment Survey shows that in 2023 Danish companies financed about two thirds of their investments with internal resources, which is as much as the average EU company. The survey also revealed that 15% of companies in Denmark believed they had invested too little in the last three years, compared with 14% in the EU. This suggests that there is no material investment gap in Denmark. However, this may not be the case for all firms, especially for the 10% of Danish companies that consider themselves financially constrained.

To improve access to finance, in particular for growth companies, the Danish Financial Supervisory Authority adopted new accounting rules for banks in early 2025 to avoid penalising growth companies. According to the new rules, as long as growth companies have raised at least DKK 10 million (EUR 1.34 million) in own funds and keep positive equity, they would no longer be systematically considered as having financial difficulties in the event of accounting losses. This new approach should result in a lower cost of capital for riskier companies.

Graph A5.4: ***Composition of NFC funding as a % of GDP***



(1) Reference period is end-2023.
Source: Eurostat.

Denmark's highly developed and resilient banking sector provides a stable source of funding to the economy. Mortgage lending, which accounts for more than two thirds of bank lending to NFCs, is provided by six specialised mortgage credit institutions that fund themselves exclusively through marketable and extremely liquid covered bonds. Overall, the banking sector appears quite solid, with excellent liquidity and capital positions, as well as improved operational efficiency and profitability, all above EU average levels (see Table A5.1). As of end-2023, less than 2% of bank loans to NFCs were non-performing, which was significantly lower than the 3.4% EU average. Altogether, this suggests that businesses in Denmark are unlikely to face challenges in accessing stable and affordable bank loans in the future.

Following a two-year stagnation, credit demand in Denmark has been showing signs of recovery since interest rates started to ease in mid-2024. Due to rising interest rates, commercial (non-mortgage) bank loans to NFCs have been stagnating since the summer of 2022 and stood at 16.5% of GDP in October 2024. Mortgage loans to NFCs started to expand in early 2023 and have been growing since then, resulting in a 16% increase by value between October 2022 and October 2024, when they reached the

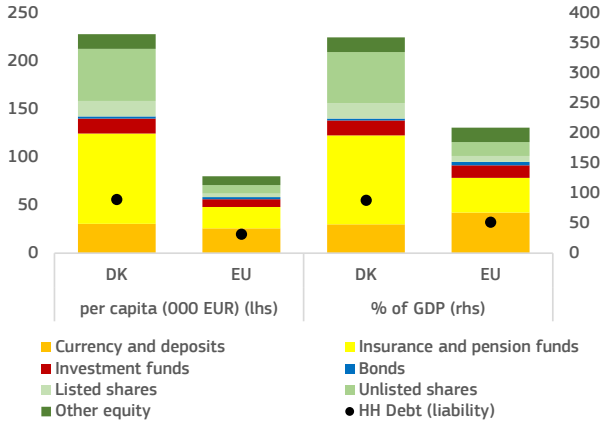
equivalent of 36.1% of GDP. Despite signalling that they now face tighter credit standards than in the past, Danish companies do not report significant borrowing constraints. In recent years, companies have been impacted by rising financing costs. Based on data from the ECB, interest rates on new corporate loans, all types and maturities combined, peaked at 5.05% in January 2024, up from 0.76% two years earlier. By October 2024, interest rates on new corporate loans moderated to 3.76%.

Retail investment in capital markets

Capital markets in Denmark are very well developed for the size of the domestic economy. As of end-2023, Nasdaq Copenhagen had a market capitalisation equivalent to about 175% of GDP, i.e. about DKK 4 900 bn (EUR 660 bn), with 124 companies listed on the main stock exchange and 39 on the First North growth market. The Danish stock market offers one of the best investment-protection environments in the EU and its performance closely correlates with global indices. The OMX20 Copenhagen index (the oldest and best-known Danish equity index, comprising many of the country's largest companies) increased by almost 30% in the first two quarters of 2024, implying an aggregate market capitalisation of more than 204% of GDP as of Q2 2024, before declining by about 20% since then.

Because all mortgages in Denmark are market-funded, the country has become the world's largest private market for covered bonds. As of December 2023, the six mortgage banks had issued the equivalent of EUR 441 bn in outstanding covered mortgage bonds (CMBs). This is equivalent to 114.5% of GDP or 5.4 times the outstanding amounts of central government debt. This highlights the importance of CMBs for investors and asset managers in Denmark. Historically, Danish CMBs have never defaulted, and they enjoy very high liquidity, in part because of their triple-A rating. Foreign demand for Danish CMBs, which peaked at 24.5% of amounts outstanding in 2020, declined to 19.7% as of September 2024. Domestic demand for Danish CMBs was divided, as of Q3 2024, between insurance and pension funds (28.5% of outstanding amounts), monetary financial institutions (26%), investment funds (10.2%), households (1.6%) and others (13.9%).

Graph A5.5: ***Composition of households' financial assets per capita and as a % of GDP***



(1) Reference period is end-2023.
Source: Eurostat.

The participation of Danish retail investors in capital markets, although very high by EU standards, still lags behind the levels seen in the US. With cash and deposits accounting for only 13% of their financial wealth (see Graph A5.5), Danish households are among the most sophisticated retail investors in the EU. As of end-2023, aggregate financial assets held by retail investors in Denmark were equivalent to 361% of GDP, which is far above the EU average of 209%, but still behind the US average of 437%. Nearly every second Dane owns shares directly, which is also one of the highest rates of retail investing in Europe. Most Danes also hold shares indirectly through the widely held insurance and pension funds. But overall, there is a mixed picture on retail investment in the country. On the one hand, the availability of investment savings accounts on preferential terms has contributed to engaging retail investors in Denmark from a young age. On the other hand, the tax treatment of unrealised capital gains may discourage long-term investment and hamper Denmark's international competitiveness.

The role of domestic institutional investors

Large insurance companies dominate the landscape of institutional investors in Denmark and contribute significantly to the

financing of the economy. With total assets equivalent to 159% of GDP in 2023, the insurance sector in Denmark is the second largest in the EU (after Luxembourg) and almost three times bigger than the European average, relative to the size of the economy. Based on data from the European Insurance and Occupational Pensions Authority on insurance companies' asset exposures, at the end of 2023, the Danish insurance sector's aggregate balance sheet was invested primarily in investment funds (35%), equity (23.4%), corporate bonds (23.1%) and government bonds (10.2%). Based on the same data, occupational pension funds appear significantly less developed, with total assets equivalent to only 2% of GDP at end-2023. Altogether, insurance companies and pension funds raised 21% of the funds committed to venture capital and private equity in the country between 2007 and 2023. This is the third largest percentage raised by insurance companies and pension funds committed to venture capital and private equity after Sweden (30%) and Finland (28%), and well above the 15% EU average.

In addition to insurance companies, asset management is another important segment of the financial sector in Denmark. Based on data published by the European Fund and Asset Management Association, despite declining by 5% between 2022 and 2023 to EUR 467 bn, assets under management by dedicated asset managers were still equivalent to 125% of GDP, putting Denmark in third place in the EU for the size of its domestic asset-management industry, after the Netherlands (192%) and France (173%). Denmark is the legal domicile for investment funds with total assets of EUR 275 bn, while residents' investments in investment funds stand at EUR 377 bn. Funds domiciled in Denmark are almost equally divided between UCITS and AIFs. The assets of these funds were distributed primarily between equity (44%), debt securities (35%) and investment funds (16%).

The depth of venture and growth capital

Denmark is a regional leader in venture-capital and private-equity investments. The average annual value of private-equity investment in Denmark relative to nominal GDP went up to 0.9% in the period 2021-2023 from 0.7% in 2015-2020, remaining persistently higher than the EU average for 2021-2023 of 0.6%. And the average annual value of venture-capital investments relative to nominal GDP went up to 0.16% in the period 2021-2023 from 0.06% in 2015-2020, also persistently higher than the EU average for 2021-2023 of 0.08%. In 2023 Denmark stood out as the sole country among the top 10 venture-capital ecosystems in Europe to experience growth. New venture-capital investments in the country, of which almost two thirds were dedicated to health-tech startups, grew by 2.1% in 2023 to about EUR 1.2 bn, its second-best year on record. In the five years prior to 2023, the main sectors of venture-capital investment in Denmark were health (26%), company software (15%), and FinTech (14.7%).

Despite demonstrating a persistently strong capacity for company creation to the point of gaining the reputation of being a 'unicorn factory', Denmark is failing to retain companies with high growth potential. With 9 of the 13 unicorns (69%) ever founded in Denmark having moved their headquarters out of the country (only 9% of unicorns founded in Sweden have left Sweden), the business environment in Denmark shows a very low retention capacity for high-growth companies. The framework conditions for successful IPOs and the tax treatment of capital gains are important factors to improve the retention of venture and growth capital. In that respect, 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; and (v) plans to ease access to a basic bank account for new companies.

Financing the green transition

Danish institutional investors are pursuing a consistent strategy to increase their green investments. Half of Danish insurers have set green investment targets, and almost two thirds of them aim to reduce their investments in climate-damaging industries. By end-2023, eight Danish insurers, representing 55% of the market, had

signed international alliances or declarations to mitigate climate change. Pension companies have already invested DKK 343 bn (EUR 46 bn) in the green transition.

*Table A5.1:**Financial sector indicators***

		2017	2018	2019	2020	2021	2022	2023	2024-Q3	EU
Banking sector	Total assets of MFIs (% of GDP)	363.6	351.0	385.8	401.5	361.5	345.9	343.9	327.9	248.4
	Common Equity Tier 1 ratio	18.1	17.8	18.0	19.1	18.7	18.7	19.8	19.3	16.6
	Total capital adequacy ratio	22.1	21.6	22.4	23.2	22.8	22.5	23.4	22.9	20.1
	Overall NPL ratio (% of all loans)	2.5	2.3	1.9	1.9	1.8	1.5	1.3	1.3	1.9
	NPL (% loans to NFC-Non financial corporations)	4.2	3.8	3.0	3.2	2.5	1.9	1.8	1.7	3.5
	NPL (% loans to HH-Households)	2.2	2.0	1.8	1.8	1.9	1.7	1.5	1.5	2.2
	NPL-Non performing loans coverage ratio	25.4	32.1	32.0	34.6	35.1	34.8	36.9	37.5	42.1
	Return on Equity[1]	10.8	8.0	8.7	4.5	8.2	3.8	11.7	12.1	10.0
	Loans to NFCs (% of GDP)	52.3	53.4	54.4	55.6	54.0	53.1	55.7	55.6	30.0
	Loans to HHs (% of GDP)	108.8	107.4	106.3	106.9	99.3	89.2	89.9	86.5	44.5
	NFC credit annual % growth	-	-	-	-	-	-	-	-	0.8
	HH credit annual % growth	-	-	-	-	-	-	-	-	0.7
	Stock market capitalisation (% of GDP)				161.7	179.3	148.7	174.4	182.0	69.3

(1) Annualised data. EU data for credit growth and pension funds refers to the EA average.
Source: ECB, Eurostat, European Insurance and Occupational Pensions Authority, DG FISMA CMU dashboard, AMECO.

Danish commercial and mortgage banks are also actively engaged in the green transition through both client activities and operational practices. Most notably, as of 2023, these banks have set green targets for 80% of their investments and for 61% of their loans. All in all, the central bank of Denmark estimates that the financial sector's financing of climate-friendly activities has topped DKK 834 bn (EUR 112 bn).

Financial literacy

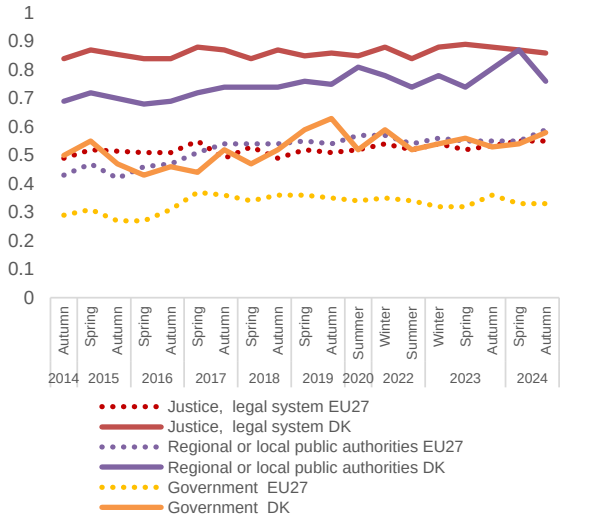
The very high level of financial literacy of the Danish population contributes to its strong retail participation in financial markets. Danish society recognises that financial literacy is crucial for both fostering retail investors' participation in capital markets and familiarising SMEs with alternatives to bank financing. Since 2015, a school programme for students aged 13 to 15 enables young people to become proficient with the fundamental notions of finance (e.g. budgeting, saving, and banking) and consumer rights. Danish authorities are committed to ensuring that every part of society, especially children and young people, gains a good understanding of money and financial affairs early on in life.

As a result of these educational efforts, the 2023 Eurobarometer on monitoring financial literacy in the EU ranks Denmark third in the EU for financial knowledge. It shows that 40% of Danes have a high level of financial knowledge (26% in the EU) and only 15% have a low level of financial knowledge (24% in the EU). Moreover, only 8% of the respondents (23% in the EU) declared that they feel some degree of discomfort with using digital financial services.

Denmark's institutional framework influences its competitiveness. Denmark's public institutions enjoy a high level of public trust. The country excels in digital public services and is striving to achieve a 'digital-by-default' policy in public service delivery. Most public services can be accessed online, there is high level of online engagement. The government is now focusing on ensuring that no one is left behind. Denmark is taking measures for reducing administrative burden. It could strengthen regulatory oversight and public consultations. The efficiency of the justice system is faced with a negative trend, in particular in processing times.

Public perceptions

Graph A6.1: ***Trust in justice, regional / local authorities and in government***



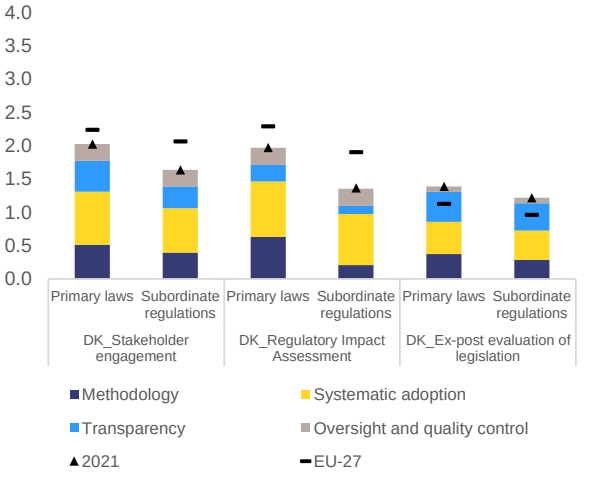
(1) EU27 from 2019; EU28 before
Source: Standard Eurobarometer surveys

Denmark's public institutions are among the most trusted in the EU (Graph A6.1). Trust in justice, the legal system and in regional and local authorities has remained stable, with only slight variation over time. Trust in the government has improved slightly since 2023 (0.53), reaching 0.58, the highest in the EU. When asked about increasing their trust in the Danish public administration, around 40% of citizens suggested reducing bureaucracy (EU average: 52%), 36% wanted more transparency about government decisions and public spending (EU: 31%), and 31% suggested better skilled civil service (EU: 30%) ([80]).

Quality of legislation and regulatory simplification

Regulatory practices for developing and evaluating legislation are slightly below the EU average. Performance has remained broadly stable from 2021 to 2024. Overall performance on ex-post evaluations is stronger than the EU average. Improvements could be made in enhancing oversight and quality controls of public consultations, regulatory impact assessments and ex post evaluations of both primary and subordinate legislation (Graph A6.2). The Danish parliament has made changes in the legislative process to give all actors more time to contribute to lawmaking ([81]).

Graph A6.2: ***Indicators of Regulatory Policy and Governance (iREG)***



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

([80]) European Commission, 2023, Understanding Europeans' views on reform needs - April 2023 - - Eurobarometer survey

([81]) Deadlines extended include minimum legislative processing time from 30 to 40 days, preparation time before first reading from 2 to 7 days, and submission deadline for oral questions moved from Friday to Thursday at 12:00. Folketinget, 2024. Parties agree to slow down the pace at Christiansborg / Folketing

Table A6.1: ***Selected indicators on administrative burden reduction and simplification***

	Ex ante impact assessment of legislation		Ex post evaluation of legislation	
When developing new legislation, regulators are required to …	Identify and assess the impacts of the baseline or 'do nothing' option.	◑	Is required to consider the consistency of regulations and address areas of duplication.	◑
	Identify and assess the impacts of alternative non-regulatory options.	○	Is required to contain an assessment of administrative burdens.	●
	Quantify administrative burdens of new regulations.	○	Is required to contain an assessment of substantive compliance costs.	◑
	Quantify substantial costs of compliance of new regulations.	●	Compares the impact of the existing regulation to alternative options.	◑
	Assess macroeconomic costs of new regulations.	●	Periodic ex post evaluation of existing regulations is mandatory.	○
	Assess the level of compliance.	○	Government uses stock-flow linkage rules when introducing new regulations (e.g., one-in one-out).	◑
	Identify and assess potential enforcement mechanisms.	○	A standing body has published an in-depth review of specific regulatory areas in the last 3 years.	●
			In the last 5 years, public stocktakes have invited businesses and citizens to assess the effectiveness, efficiency, and burdens of legislation.	●

● Yes / For all primary laws ◕ For major primary laws ◑ For some primary laws ○ No / Never

(1) This table presents a subset of iREG indicators focusing on regulatory costs. The indicators refer to primary legislation.
Source: OECD (2025), Regulatory Policy Outlook 2025 [https://doi.org/10.1787/56b60e39-en] and Better Regulation across the European Union 2025 (forthcoming).

Denmark has scope to further strengthen its mechanisms for simplifliying regulation. Regulators are already required to identify administrative burdens ([82]) and substantive compliance costs owing to new legislation. Furthermore, specific initiatives for reducing administrative burdens are in the pipeline (see Annex 4). When preparing legislation, however, regulators are not required to identify and assess the impact of the baseline or "do nothing" option, to identify and assess the impact of alternative non-regulatory options or to assess the level of compliance (Table A6.1).

The OECD product market regulation indicators show that Denmark's licensing system is aligned with most, but not all, best practices. For example, although the government keeps an up-to-date online inventory of all permits and licences required/issued to businesses by public bodies, there is no requirement for the government to regularly review the inventory and assess whether such licences and permits are still required or should be withdrawn (see also Annex 4).

Social dialogue

Social partners contribute significantly to legislative quality and policymaking in Denmark. Social partners negotiate collective agreements covering wages, parental leave, and working hours through collective bargaining. Coverage is extensive, with 100% in the public sector and 73% in the private sector ([83]). The Danish government primarily acts through tripartite agreements involving itself, trade unions, and employers' organisations, intervening minimally and mainly when social partners fail to reach consensus. Additionally, social partners are consulted on labour market legislation before parliamentary adoption, enhancing legislative effectiveness ([84]).

([82]) Report by the Danish Center for Social Research https://www.vive.dk/media/pure/mxbd22rz/26268816

([83]) Confederation of Danish employers. Published in January 2025, data from 2023

([84]) For an analysis of the involvement of Denmark's social partners at national level in the European Semester and the Recovery and Resilience Facility, see Eurofound (2025), National-level social governance of the European Semester and the Recovery and Resilience Facility.

Table A6.2: ***Key Digital Decade targets monitored through the Digital Economy and Society Index***

		Denmark			EU-27	Digital Decade target by 2030
		2022	2023	2024	2024	EU-27
Digitalisation of public services						
1	**Digital public services for citizens**	**83**	**84**	**84**	**79**	**100**
	Score (0 to 100)	2021	2022	2023	2023	2030
2	**Digital public services for businesses**	**89**	**89**	**89**	**85**	**100**
	Score (0 to 100)	2021	2022	2023	2023	2030
3	**Access to e-health records**	**na**	**96**	**98**	**79**	**100**
	Score (0 to 100)	2021	2022	2023	2023	2030

Source: State of the Digital Decade report 2024

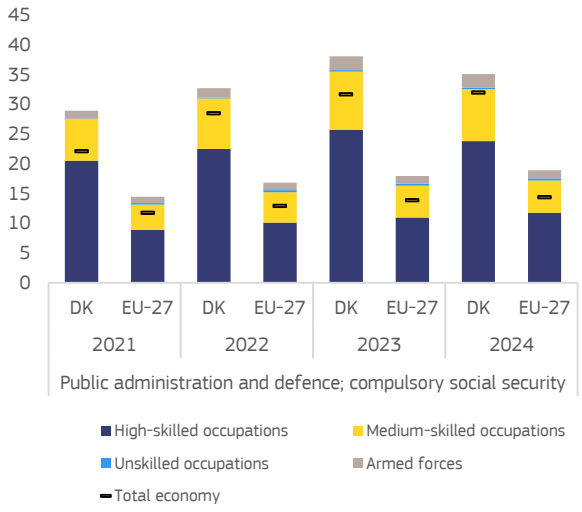
Digital public services

Denmark remains one of the EU's top performers in terms of digital public services. It offers several solutions to ensure citizens and businesses can access efficient, inclusive and user-friendly digital public services. Denmark scored above the EU average for both the availability of digital public services for citizens and businesses, and in terms of access to e-health records (Table A6.2). In 2024 the national audit office published a report on digital accessibility ([85]) aimed at ensuring that all websites are accessible by persons with disabilities. With many online platforms available for accessing different specialised services, there is potential, however, for redundancy and confusion.

The proportion of e-government users is also well above the EU average (DK 98.7%, EU 75%). Moreover, 83.9% of Danes reported that they use their national eID to access online public services, significantly above the EU average of 36.1%. However, Denmark has not yet set up and notified eID schemes for legal persons under the eIDAS Regulation ([86]). This means that Danish businesses cannot authenticate themselves to access public services provided by other Member States, including those enabled by the Once-Only Technical System, part of the EU Single Digital Gateway ([87]).

Denmark is developing the necessary infrastructure towards seamless, automated exchange of authentic documents and data across the EU. There are still additional steps to be taken for Denmark to become technically ready to connect to the Once-Only Technical System ([88]).

Graph A6.3: ***Participation rate of 25-64 year olds in adult learning (%) by occupation***



Source: European Commission, based on the Labour Force Survey

([85]) Statsrevisorerne, 2024.

([86]) European Commission, eIDAS Dashboard.

([87]) European Commission, 2020, The Once Only Principle System: A breakthrough for the EU's Digital Single Market

([88]) European Commission, Once-Only Technical System Acceleratormeter

Civil service

The average age of civil servants in Denmark is relatively low. The ratio between staff aged 25-49 and staff aged 50-64 has increased since 2021, indicating a younger workforce ([89]). The proportion of civil servants pursuing adult learning is well above the EU average (Graph A6.3). Denmark, however, is one of the EU countries in which gender balance continues to be an issue in the senior civil service ([90]).

Integrity

Perceptions of corruption are well below the EU average ([91])**.** In Denmark, only 17% of companies consider that corruption is widespread (EU average 64%), while only 6% consider that corruption is a problem when doing business (EU average 36%) ([92]). Moreover, 53% of companies believe that people and businesses caught for bribing a senior official are appropriately punished (EU average 31%) ([93]). Foreign bribery is considered as a high-risk area for corruption which is insufficiently investigated and prosecuted. The OECD has emphasised the need for an assessment of the foreign bribery risks faced by Danish companies ([94]). By contrast, public procurement is not a high-risk area in Denmark. Only 13% of companies (EU average 27%) think that corruption has prevented them from winning a public tender or a public procurement contract in practice in the last three years ([95]).

While most Member States have established rules on lobbying with a public register for lobbyists, Denmark does not have such a framework in place. Although the authorities do not see the need for any initiatives in this area, they have confirmed that no information is gathered on contacts between public and private stakeholders ([96]).

Justice

There is a continued negative trend in judicial efficiency. The clearance rate for litigious civil and commercial cases at first instance has not yet reversed its negative trend (93% in 2022 and 93% in 2023) (there are no data on administrative cases as these are not recorded separately). This has also had an impact on the disposition time for litigious civil and commercial cases at first instance (268 days in 2022 and 265 days in 2023). The quality of the justice system is considered to be good overall with an advanced level of digitalisation. In particular, digital tools are widely used in courts, including an electronic case management system, technology for distance communication, and a secure remote working environment for judges and staff. As regards judicial independence, no systemic deficiencies have been reported ([97]).

([89]) Eurostat, Labour Force Survey, Employment by sex, age and economic activity.

([90]) European Institute for Gender Equality, 2024.

([91]) According to the Transparency International, Corruption Perceptions Index 2023 (2024) Denmark scores 90/100 and ranks 1st in the European Union and globally.

([92]) Flash Eurobarometer 543 on businesses' attitudes towards corruption in the EU, 2024.

([93]) Ibid.

([94]) OECD, 2023, Implementing the OECD Anti-Bribery Convention Phase 4 Report: Denmark. See also country chapter for Denmark., pp. 13-14.

([95]) Flash Eurobarometer 543 on businesses' attitudes towards corruption in the EU, 2024.

([96]) Rule of Law Report, 2024, country chapter for Denmark., p. 12.

([97]) For more detailed analysis of the performance of the justice system in Denmark, see the upcoming 2025 EU Justice Scoreboard and the 2024 Rule of Law Report.

Denmark is a frontrunner in net zero technologies, particularly in wind energy and carbon capture and storage. Denmark provides effective and targeted policy support for net zero technologies manufacturing. However, the industry is also facing challenges, such as increasing international competition, skills shortages or the complexity and financing needs of large-scale projects. Moreover, the economy depends more on imported materials than the EU on average. Denmark's food and municipal waste per capita is the second highest in the EU and resource efficiency and circularity could be improved. Although Denmark has put in place policies to support the decarbonisation of industry, there is room for further electrification. This annex reviews the areas in need of attention in Denmark's clean industry transition and climate mitigation efforts, looking at different dimensions.

Strategic autonomy and technology for the green transition

Denmark benefits from a diversified portfolio of net zero technologies manufacturing capacity and is a global leader in the wind energy sector ([98]). Denmark's manufacturing capacity across net zero technologies includes substantial wind power capacity, providing between 14% and 19% of the total EU capacity. It covers approximately 5.9-6.7 GW for nacelles, around 4.7-5 GW for towers, and 5.5-5.6 GW for blades. Denmark's export position in wind turbine components is highly competitive, with key manufacturers such as Vestas and Siemens Gamesa. The industry is however facing challenges, such as increasing international competition, skills shortages, and dependencies for important components and raw materials. The complexity and financing needs of large-scale wind energy projects also present a challenge.

In addition, Denmark has a manufacturing capacity in electrolysers (400 - 650 MW/y, 7%-12% of the EU total), and is actively participating in Important Projects of Common European Interest (IPCEI) in the hydrogen value chain. Denmark boasts at least five production facilities for heat pumps, adding to the nation's array of manufacturing capabilities. In the grid technologies sector, the leading firm NKT is planning to build its largest production site of high-voltage offshore cables ([99]).

Denmark is also a major player in carbon capture and storage (CCS) technologies. Denmark has been a driving force in building a European CCS value chain. In March 2023, Denmark initiated the first cross-border CO_2 storage project in the EU, aimed at capturing CO_2 in Belgium and Germany. The 'Greensand' project is expected to store up to eight million tonnes of liquified CO_2 per year by 2030 in the seabed of the North Sea. With storage operations set to start by the end of 2025 or early 2026, the Greensand project is expected to be the first full-scale CCS project in Europe, intended to mitigate climate change ([100]). Denmark has established three separate funds for the capture, storage and utilisation of both fossil and biogenic CO_2 ([101]). The Danish recovery and resilience plan also includes a study on the technical and economic feasibility of CO_2 storage in depleted oil and gas fields in the Danish part of the North Sea.

Denmark provides effective and targeted policy support for net zero technologies manufacturing. In terms of financial support, in 2024 Denmark implemented a grant scheme authorised under the Temporary Crisis and Transition Framework ([102]) that provides State aid support to the production of wind technology and electrolysers (approximately DKK 1 billion). The scheme will also be run in 2025 with a lower budget. Moreover, a capital injection of DKK 1 billion will be made in 2025 into the Danish Export

([98]) European Commission, ECORYS, 2024, The net-zero manufacturing industry landscape across the Member States - Publications Office of the EU.

([99]) NKT, 2024, We are building the world's largest high-voltage offshore cable factory | NKT.

([100]) Greensand project website, greensandfuture.com.

([101]) For further information, see the Danish Energy Agency website, CCS tenders and other funding for CCS development.

([102]) European Commission, 2023, Temporary Crisis and Transition Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia, EUR-Lex - 02023XC0317(01)-20240502 - EN - EUR-Lex.

and Investment Fund (EIFO) to increase access to green venture capital. The injection will reach DKK 2 billion from 2026 onwards.

Additional announced initiatives will also contribute to supporting green investments and research and development activities: These include i. a. a permanent increase of the deduction rate for R&D investments (114% in 2026, 116% in 2027 and 120% from 2028 onward); increased depreciation basis (108%) for investments in more climate-friendly production made between 1 January 2025 and 31 December 2026; a new guarantee agreement between the European Investment Fund and Ringkjøbing Landbobank to support green investments by Danish small and medium-sized enterprises and mid-caps (see Annex 4); the establishment of a one-stop-shop for manufacturing companies covered by the Net Zero Industry Act to ensure a faster and smoother regulatory process for the establishment and expansion of production facilities; and designation of industrial parks for manufacturing companies to find suitable areas with good access to necessary infrastructure. In July 2024, a new agreement ([103]) was put forward with the aim to adapt existing vocational education and training programmes to meet the rising demand for green skills and to develop new lines of vocational education related to emerging jobs in the green economy.

Critical raw materials

The Danish economy depends more on imported materials than the EU on average. With 39.8% of materials imported in 2023, above the EU average of 22%, Denmark is exposed to supply chain disruptions. The country's material import dependency has been above the EU average for more than two decades ([104]). On critical raw materials, Denmark's score on the import concentration index is slightly below the EU average (0.17 vs 0.22) ([105]), but dependencies exist for a broad range of raw materials and components, including critical raw materials necessary for the green transition, such as rare earths and permanent magnets needed for wind turbines ([106]).

Businesses have reported shortages of materials. In 2024, 19.6% of firms reported shortages of important materials and primary products, which was above the EU average of 10.0%, but less than in 2023 when 24.8% reported such shortages ([107]). Surveys indicate that most manufacturing companies have adapted their strategies and increased inventories and the number of suppliers ([108]). Further improving circularity would also contribute to reducing dependence on volatile raw materials markets.

E-waste is a key source of critical raw materials. Denmark faces challenges in meeting the e-waste collection target ([109]). Although the recycling rate of the collected e-waste dropped just below the EU average in 2021, it then rebounded in 2022 ([110]). Additionally, the country's reuse and recycling rate for end-of-life vehicles stood at 85.5% in 2022 - the sixth lowest in the EU and below the EU average of 89.1% in 2022 ([111]). Maximising the reuse of critical raw materials is crucial, especially as the automotive sector transitions to battery-electric vehicles. Notably, Denmark has one of the highest shares of electric cars in the EU, and ranked second in 2023 ([112]). The 2024 was the first year when more

([103])European Centre for the Development of Vocational Training, 2024, Denmark: new agreement strengthens VET for green transition | CEDEFOP.

([104])Eurostat estimate. Statistics | Eurostat, 7.8.2024. 2022: DK 38.7% / EU 23.7%.

([105])Eurostat, 2024, COMEXT, Concentration in selected raw materials, Import concentration index based on a basket of critical raw materials.

([106])Council of the European Union, 2024, Harnessing Wind Power Navigating the EU energy transition.

([107])European Commission, 2024, Business and consumer surveys.

([108])Danish Industry, 2022, *After two years of disruptions: Higher inventories and more suppliers*, danskindustri.dk.

([109])Statistics | Eurostat, 29/10/2024. 2021: DK 54.6% / target 85%.

([110])Statistics | Eurostat, 29.10.2024. 2012-2022: DK and EU above 80% with the exception of 2021: DK 79.9% / EU 81.6%.

([111])Imputed value for EU. Statistics | Eurostat, 3.4.2025.

([112])Eurostat, Statistics | Eurostat, 19.12.2024. 2023: DK 36%/EU 15%. 2022: DK 21%/EU 12%. Imputed value for EU.

than half of the newly registered passenger cars were electric cars ([113]).

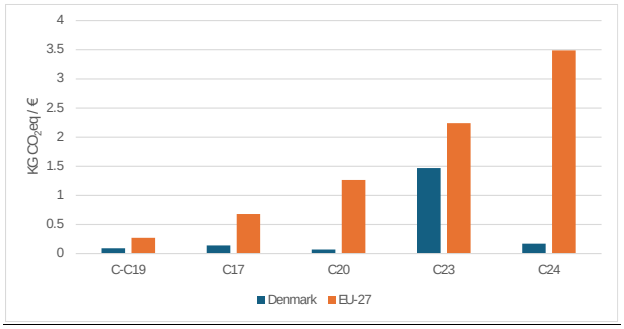
Climate mitigation

Industry decarbonisation

Denmark's manufacturing industry has the lowest emission intensity in the EU, but a high share is from energy use. In 2023, 6% of Denmark's total greenhouse gas emissions came from industry ([114]). In 2022, industrial production in Denmark emitted 90 g CO2eq of greenhouse gases per euro of gross value added (GVA), just a third of the EU average, which ranked it third best among EU Members. Since 2017, the emissions intensity of Denmark's industry has declined by 30%, significantly more than the EU average, 20%. In Denmark's overall industrial greenhouse gas emissions, the shares of energy and non-energy-related emissions (the latter coming primarily from industrial processes) were at 67% and 33% in 2023 respectively, making Denmark the country with the third highest share of energy-related industry greenhouse emissions in the EU.

Denmark's manufacturing has improved both regarding energy and non-energy-related emissions intensity in recent years, with a shift to electricity and renewables and energy efficiency improvements ([115]). Between 2017 and 2022, the energy-related greenhouse gas emissions intensity of Denmark's manufacturing declined by 28%, 12 percentage points more than in the EU overall. In the same period, the share of electricity and renewables in final energy consumption in manufacturing increased by 2.4 percentage points, to 45% (and 2023 saw a further increase by nearly 2 percentage points). At the same time, the energy intensity of manufacturing in Denmark improved by 20 per cent, to 0.5 GWh/€, further improving to 0.4 GWh in 2023. The emissions intensity from industrial processes and product use declined by 31% between 2017 and 2022, more than in the EU on average where it declined by 23%.

Graph A7.1: ***GHG emission intensity of manufacturing and energy-intensive sectors, 2022***



Source: Eurostat

On decarbonisation, energy-intensive industries show the way. Energy-intensive industries ([116]) account for 13% of Denmark's manufacturing GVA (2022). All energy-intensive sectors are among the best in the EU in terms of greenhouse emissions intensity: for the manufacture of basic metals, it is at 0.2 kg CO2eq/€ of GVA (compared to the EU total of 3.5 kg); for the chemical industry it stands at 0.1 kg, and for the manufacture of non-metallic mineral products, it is 1.5 kg compared to the EU average of 2.2 kg. This makes Demark the leader in clean industry and boosts its competitiveness. For example, by 2023, the production volume of

([113])Danish Ministry of Taxation, 2025, Skatteminister efter rekordår: "Elbilen skal være folkeeje".

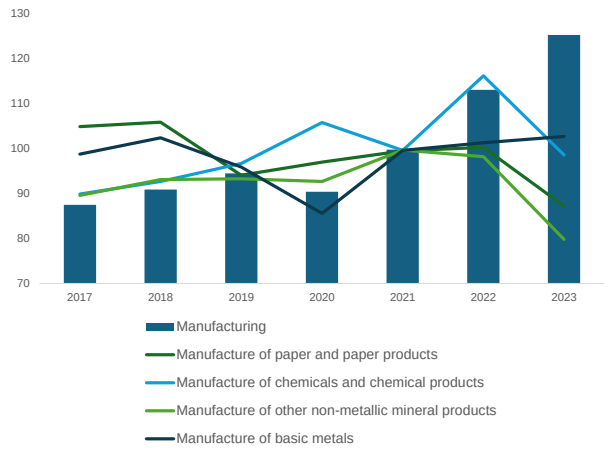
([114])In 2023. Manufacturing includes all divisions of the "C" section of the NACE Rev. 2 statistical classification of economic activities. In the remainder of this section, unless indicated otherwise, data on manufacturing refer to the divisions of the NACE section C excluding division C19 (manufacture of coke and refined petroleum products), and the year 2022. The source of all data in this section is Eurostat; data following the UNFCCC Common Reporting Framework (CRF) are from the European Environment Agency (EEA), republished by Eurostat.

([115])For the GHG emissions intensity of GVA related to energy use and industrial processes and product use respectively, GHG emissions are from inventory data in line with the UNFCCC Common Reporting Format (CRF), notably referring to the source sectors CRF.1.A.2 – fuel combustion in manufacturing industries and construction and CRF.2 – industrial processes and product use. The CRF.1.A.2 data broadly correspond to the NACE C and E sectors, excluding C-19. GVA data (in the denominator for both intensities) are aligned with this sectoral coverage. Therefore, they are not fully consistent with the data referred to in other part of this section.

([116])Notably, the manufacture of paper and paper products (NACE division C17), of chemicals and chemical products (C20), "other" non-metallic mineral products (C23; this division includes manufacturing activities related to a single substance of mineral origin, such as glass, ceramic products, tiles, and cement and plaster), and basic metals (C24). To date, these industries are energy-intensive – i.e. consuming much energy both on site and/or in the form of purchased electricity – and greenhouse gas emissions intensive, in various combinations.

basic metals increased by 8% compared to 2015, while total EU production decreased by 11% in the same period (Eurostat) ([117]).

Graph A7.2: ***Manufacturing industry production: total and selected sectors, index (2021 = 100), 2017-2023***



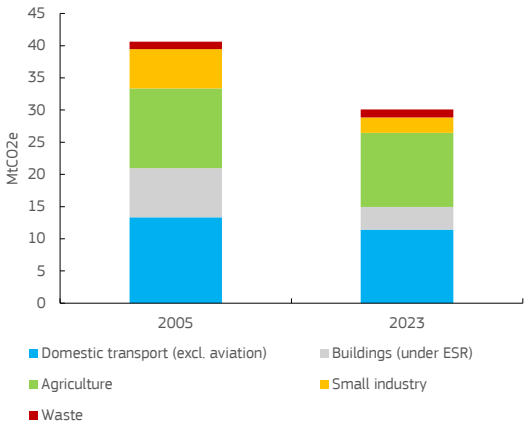
Source: Eurostat

Although Denmark has put in place policies to support the decarbonisation of industry, there is room for further electrification. Denmark's green tax reform of 2022 introduced a more uniform CO_2 tax for greenhouse gas emissions from the industrial sector, set to be phased in from 2025 to 2030, as well as further investments in CCS and other compensatory measures. Denmark is expecting this to reduce emissions from industry by around 50% (2.5 Mt CO2eq) in 2030 compared to 2022. However, there is potential for further electrification of industry. Analysis commissioned by the Danish Energy Agency shows that up to 92% of the national industry's thermal energy consumption can be electrified ([118]). Considering the high share of electricity from renewable sources, further electrification would contribute to reducing overall greenhouse emissions intensity.

Reduction of emissions in the effort sharing sectors

To attain its 2030 target for the effort sharing sectors, Denmark needs to swiftly specify and implement further climate mitigation policies ([119])**.** GHG emissions from Denmark's effort sharing sectors in 2023 are expected to have been 24.9% below those of 2005. By 2030, current policies are projected to reduce Denmark's emissions from effort sharing sectors by 44.4% relative to 2005 levels ([120]), falling short by 5.6 percentage points of the country's effort sharing target of a 50% reduction. Denmark has yet to specify a set of additional measures to close this gap. While Denmark could reach its target by using domestic flexibilities available under the Effort Sharing Regulation, swift and steady adoption and implementation of further climate mitigation measures will be critical.

Graph A7.3: ***Greenhouse gas emissions in the effort sharing sectors, 2005 and 2023***



Source: European Environment Agency

([117])For a detailed analysis of energy prices, see Annex 8 on the affordable energy transition.

([118])Danish Energy Agency, 2022, *Analyses of the energy conditions of the Danish business sector*, available at: Analyses of the energy conditions of the Danish business sector; Green Power Denmark, 2024, *Electric Europe – Powered by Denmark*, available at: Electric Europe - Powered by Denmark | Green Power Denmark; Dansk Erhverv, 2024, *Low electrification rate can challenge Denmark's competitiveness and fulfilment of climate ambitions*, available at: Letter.

([119])The national greenhouse gas emission reduction target is set out in Regulation (EU) 2023/857 (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).

([120])The emissions from effort sharing sectors for 2022 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections on the impact of current policies ('with existing measures', WEM) as per Denmark's final updated national energy and climate plan.

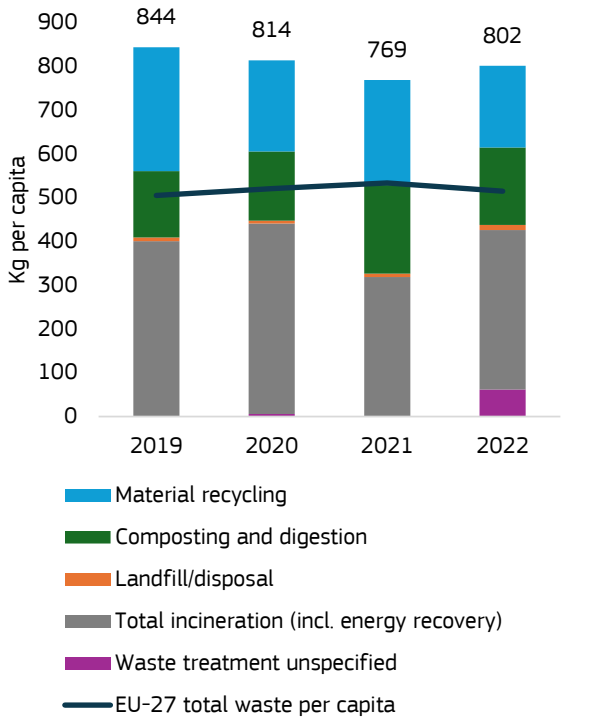
Sustainable industry

Circular economy transition

The circular material use rate in Denmark is lower than the EU average. It stood at 9.1% in 2023, compared to the EU average of 11.8%. Between 2014 and 2020, the Danish circular material use rate was on a downward trend, with the exception of 2018 when it rose briefly. However, since 2020 the rate has been increasing and in 2022-2023 reached its 2014 level again ([121]). Resource productivity is slightly above the EU average, with EUR 2.36 generated per kg of material consumed in 2023 ([122]). The material footprint is well above the EU average at 21.9 tonnes per person in 2023. It has remained within the range of 21-24 tonnes since 2011 ([123]). The construction, manufacturing and agri-food sectors together account for more than half of Denmark's material footprint. The Circularity Gap Report of 2023 confirms the low circularity of the Danish economy and its high reliance on the use of raw materials ([124]).

Denmark's food and municipal waste per capita is the second highest in the EU. In 2022, the volume of Denmark's food waste stood at 254 kg per person, above the EU average of 129 kg per person, and the data suggest an upward trend ([125]). Denmark generated 802 kg of municipal waste per person in 2022, well above the EU average of 515 kg (see Graph A7.4). Denmark still incinerates a large share of its municipal waste for district heating instead of recycling and reusing it. In 2022, Denmark incinerated the biggest quantity of municipal waste per capita in the EU and more than double the EU average ([126]). The municipal waste recycling rate of 45.7% in 2022 was below the EU average of 49.1% ([127]).

Graph A7.4: ***Municipal waste treatment***



Source: Eurostat

In 2023, the Commission published an early warning assessment about the waste targets ([128]). According to this report, Denmark is on track to meet the 2025 municipal waste recycling target, the 2035 landfill target and the 2025 targets for recycling packaging waste except for plastics packaging. Denmark aims to reduce packaging waste and increase recycling with a new law expected to enter into force at the end of 2025 ([129]).

Denmark is implementing policies to accelerate the circular economy transition. The Danish government launched in 2021 an action plan for the circular economy ([130]). It

([121])Imputed value for 2023. Statistics | Eurostat, 13.11.2024.

([122])Imputed value. Statistics | Eurostat, 7.8.2024. EU EUR 2.23 per kg.

([123])Imputed value. Statistics | Eurostat, 31.3.2025. 2023 EU 14 tonnes per capita.

([124])Circle Economy Foundation, 2023, *The Circularity Gap Report – Denmark*,.

([125])Statistics | Eurostat, 14.3.2025. 2021: DK 230/EU 129 kg/capita. 2020: DK 221/EU 128 kg/capita. Imputed value for EU.

([126])Statistics | Eurostat, 13.2.2025. 2020: DK 435 /138 EU kg/capita; 2021: DK 318 / EU 138 kg/capita; 2022: DK 364 / EU 131 kg/capita. Imputed value for the EU average.

([127])Statistics | Eurostat, 13.2.2025. Imputed value for the EU average. Denmark has indicated its intention to submit the revised data.

([128])European Environmental Agency, 2023, Early warning assessment related to the 2025 targets for municipal waste and packaging waste-*Denmark*.

([129])Ministry of the Environment, 2024, Ny lov skal få virksomheder til at skære ned på emballagen og gøre den lettere at genanvende.

([130])Ministry of the Environment, Danish Action Plan for Circular Economy, July 2021 (in Danish).

focuses in particular on making the value chains for biomass, construction and plastics more circular. According to the annual progress report of the national action plan for the circular economy, 79 initiatives out of 129 have been completed ([131]).

Zero pollution industry

Denmark has made considerable progress in reducing air pollution, which is now decoupled from GDP growth. The emissions of several air pollutants have decreased significantly since 2005 ([132]) and the overall air quality is good. Still, 1 790 deaths in Denmark each year can be attributed to air pollutants based on the estimate for 2022 ([133]). Denmark has met its emission reduction commitments for 2020-2029 for air pollutants and aims to also meet the commitments for 2030 onwards ([134]).

Industrial emissions can cause significant air and water pollution. Therefore, large industrial plants must have permits to operate and must respect the emission limit values set out in those permits. In Denmark, around 2 470 industrial installations must fulfil this obligation. In 2022, most of these installations were from the intensive poultry and pig rearing sector (73%), followed by the waste management sector, including landfills (14%), the food, drink and milk sector (4%) and the energy sector (3%).

In Denmark, permits are issued at local and at state level. The municipalities are responsible for most permits while the Danish Environmental Protection Agency (EPA) manages the permits for over 400 of the largest and environmentally most complex companies ([135]). The reassessment deadline for a significant number of permits under the EPA's responsibility has lapsed. A dedicated Task Force has been set up to review 26 environmental permits for undertakings with direct discharges of wastewater. The review of the permit of one of the largest chemical companies, FMC Agricultural Solutions A/S (formerly Cheminova A/S) started in May 2024. The deadline for reviewing the permit for this company lapsed on 9 June 2020 ([136]).

Industrial emissions to air in Denmark are among the lowest in the EU. The main contributors to emissions to air are the energy sector (including refineries, gasification, etc.) and the mineral sector.

As to industrial emissions to water, the main contributor in Denmark is incineration with energy recovery. Other major sources are the chemicals and food and drink sectors with considerably smaller contributions in comparison to the incineration with energy recovery ([137]).

([131])State-of-play at 10 April 2024.

([132])European Parliament and Council of the European Union, 2008, Ambient Air Quality (AAQ) Directive.

([133])1 200 deaths (or 12 100 years of life lost (YLL)) to fine particulate matter ($PM_{2.5}$); 50 deaths (or 540 YLL) to nitrogen dioxide (NO_2); and 540 deaths (or 5 500 YLL) to ozone. European Environment Agency, Harm to human health from air pollution in Europe: burden of disease 2024.

([134])Five air pollutants (NO_x, SO_2, NMVOC, NH_3 and $PM_{2.5}$) set by the National Emission Reduction Commitments Directive (NECD). European Environment Agency, *National air pollutant emissions data viewer 2005-2022*.

([135])Ministry of the Environment, Ny taskforce skal sætte tempo på revurderinger af miljøgodkendelser.

([136])Ministry of the Environment, Environmental Protection Agency, 2024, Faktatark for Cheminova med fokus på revurdering og udledning af spildevand - Miljøstyrelsen.

([137])EEA, 2024, *EU large industry water pollution intensity: Industrial emission intensity indicators*; Industrial Reporting under the Industrial Emissions Directive 2010/75/EU and European Pollutant Release and Transfer Register Regulation (EC) No 166/2006 - ver. 12.0 Sep. 2024 (Tabular data).

Table A7.1: ***Key clean industry and climate mitigation indicators: Denmark***

Strategic autonomy and technology for the green transition	Denmark								EU-27	
Net zero industry										
Operational manufacturing capacity 2023										
- Solar PV (c: cell, w: wafer, m: module), MW	25-75 (m)				- Electrolyzer, MW		400-650			
- Wind (b: blade, t: turbine, n: nacelle), MW	5500-5600 (b), 5850-6700 (n), 4700-500(				- battery, MWh		-			
Automotive industry transformation	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2018**	**2021**
Motorisation rate (passenger cars per 1000 inhabitants), %	438	447	455	466	475	472	474	↗	539	561
New zero-emission vehicles, electricity motor, %	0.31	0.71	2.44	7.15	13.33	20.63	36.10	↗	1.03	8.96
Critical raw materials	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2018**	**2021**
Material import dependency, %		38.1	37.1	37.0	37.7	38.7	39.8	↗	24.2	22.6

Climate mitigation	Denmark							Trend	EU-27	
Industry decarbonisation	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2017**	**2022**
GHG emissions intensity of manufacturing production, kg/€	0.13	0.12	0.11	0.12	0.11	0.09		↘	0.34	0.27
Share of energy-related emissions in industrial GHG emissions	33.7	33.2	33.3	32.3	33.9	32.8	32.5	↘	44.8	42.5
Energy-related GHG emissions intensity of manufacturing and construction, kg/€	73.2	73.0	66.6	68.2	61.2	52.4	-	↘	158.4	132.9
Share of electricity and renewables in final energy consumption in manufacturing, %	42.5	43.3	43.9	43.9	42.9	44.9	46.7	↗	43.3	44.2
Energy intensity of manufacturing, GWh/€	0.60	0.60	0.55	0.60	0.55	0.47	0.40	↘	1.29	1.09
Share of energy-intensive industries in manufacturing production						13.0				7.3
GHG emissions intensity of production in sector [...], kg/€										
- paper and paper products (NACE C-17)	0.16	0.16	0.13	0.10	0.12	0.14	-	-	0.73	0.68
- chemicals and chemical products (NACE C20)	0.09	0.09	0.08	0.07	0.07	0.07	-	-	1.25	1.26
- other non-metallic mineral products (NACE C23)	2.00	1.90	1.88	2.03	1.79	1.47	-	-	2.53	2.24
- basic metals (NACE C24)	0.24	0.26	0.23	0.23	0.23	0.17	-	-	2.79	3.49
Reduction of effort sharing emissions		**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2018**	**2023**
GHG emission reductions relative to base year, %					-21.1	-23.9	-24.9			
- domestic road transport		-2.0	-3.5	-11.1	-9.6	-10.7	-14.2	↘	1.4	5.2
- buildings		-41.3	-45.2	-48.7	-47.6	-54.2	-54.2	↘	21.4	32.9
	2005				**2021**	**2022**	**2023**	**Target**	**WEM**	**WAM**
Effort sharing: GHG emissions, Mt; target, gap, %	40.4				31.9	30.7	30.3	-50.0	-5.6	0

Sustainable industry	Denmark							Trend	EU-27	
Circular economy transition		**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2018**	**2021**
Material footprint, tonnes per person		23.2	24.2	22.5	23.1	23.8	21.9	↘	14.7	15.0
Circular material use rate, %		8.1	7.6	7.6	8.6	9.3	9.1	↗	11.6	11.1
Resource productivity, €/kg		2.2	2.2	2.3	2.4	2.6	2.7	↗	2.1	2.3
Zero pollution industry										
Years of life lost due to PM2.5, per 100,000 inhabitants		397	317	190	220	318	-	↗	702	571
Air pollution damage cost intensity, per thousand € of GVA					5.2					27.5
Water pollution intensity, kg weighted by human factors per bn € GVA						0.2				0.9

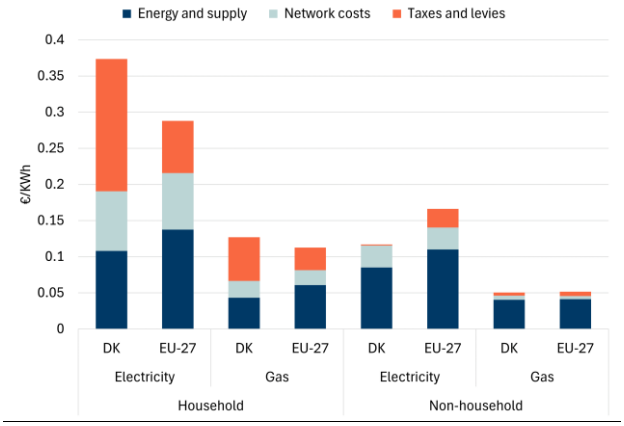
Source: **Net zero industry:** European Commission: The net-zero manufacturing industry landscape across Member States: final report, 2025. **Automotive industry transformation:** Eurostat. **Critical raw materials:** Eurostat. **Climate mitigation:** See footnotes in the "climate mitigation" section; reduction of effort sharing emissions: EEA greenhouse gases data viewer; European Commission, Climate Action Progress Report, 2024. **Sustainable industry:** Years of life lost due to PM2.5: Eurostat and EEA, Harm to human health from air pollution in Europe: burden of disease status, 2024. Air pollution damage: EEA, EU large industry air pollution damage costs intensity, 2024. Emissions covered: As, benzene, Cd, Cr, Hg, NH3, Ni, NMVOC, NOX, Pb, dioxins, PM10, PAH, SOX. Water pollution intensity: EEA, EU large industry water pollution intensity, 2024. Releases into water covered from cadmium, lead, mercury, nickel. Other indicators: Eurostat.

This annex outlines the progress made and the ongoing challenges faced in enhancing energy competitiveness and affordability, while advancing the transition to net zero. It examines the measures and targets proposed in the final (draft) updates to the national energy and climate plans (NECPs) for 2030.

Denmark has made progress in further adapting its electricity grid and energy system in view of its clean energy targets. Work to enhance its interconnectivity (already above the EU average) and expand the grid is ongoing. To manage further electrification and higher deployment of renewables, it is important for Denmark to keep coordinating action and monitoring challenges through the National Energy Crisis Taskforce. Work on increasing flexibility sources is also underway, but addressing restrictions and remove barriers on aggregator participation in balancing services is key to improving demand-side response integration. Denmark would benefit from additional efforts in the energy performance of its residential sector considering the downward trend of previous years in final energy consumption. To meet its clean energy targets, work is underway to enhance the grid and ensure a stable and efficient energy supply. Overall, effort should be put into increasing energy efficiency (particularly in the residential sector) and improving flexibility in the energy system.

Energy prices and costs

Graph A8.1: ***Retail energy price components for household and non-household consumers, 2024***



(i) For household consumers, consumption band is DC for electricity and D2 for gas. Taxes and levies are shown including VAT.
(ii) For non-household consumers, consumption band is ID for electricity and I4 for gas. Taxes and levies are shown excluding VAT and recoverable charges, as these are typically recovered by businesses.
Source: Eurostat

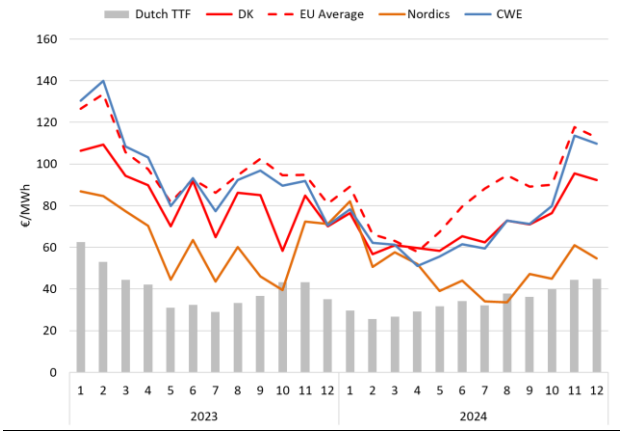
Denmark's retail electricity prices increased in 2024 for both household and non-household consumers. For households, electricity prices in Denmark were the second highest in the EU while for non-households, they remained considerably below EU average ranking at fourth lowest in the EU. Retail gas prices dropped for both categories, remaining however above EU average for households. For household electricity and gas retail prices, the share of taxes and levies (including VAT) were considerably higher than the EU average (49% and 47.6% compared to an EU average of 25% and 15.4% respectively), the share of energy and supply cost remained below EU average with a significant reduction compared to 2023, while network costs broadly align with EU average. For non-household consumers, the share taxes and levies (excluding VAT) in the final price were more than 10 times lower than the EU average for electricity and slightly lower for gas.

Thanks to a large share of renewables (88.0%) in its electricity mix, Denmark had the EU's seventh-lowest wholesale electricity prices, averaging 70.7 EUR/MWh in 2024 ([138]) (EU average of 84.7 EUR/MWh). Along with the

([138]) Fraunhofer (ENTSO-E data)

broader Nordic region, Denmark experienced price spikes in the winter months of early 2024 which occurred amid significant demand increases due to a cold winter (+15.5% and +14.2% in Jan. and Feb. vs the same period in 2023, respectively). Prices picked up again due to price spikes in the Central Western European (CWE) markets due to the Dunkelflaute.

Graph A8.2: ***Monthly average day-ahead wholesale electricity prices and European benchmark natural gas prices (Dutch TTF)***



(i) the Title Transfer Facility (TTF) is a virtual trading point for natural gas in the Netherlands. It serves as the primary benchmark for European natural gas prices.
(ii) Nordics and CWE respectively provide average prices in the Nordic (Denmark, Finland, and Sweden) and central-western European (Belgium, France, Germany, Luxembourg, the Netherlands, and Austria) markets.
Source: S&P Platts and ENTSO-E

Flexibility and electricity grids

Denmark is well interconnected with the EU market 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 ([139]) and Nordic ([140]) capacity calculation regions (CCRs). Both CCRs are leaning to an available capacity for cross-border trade that is mostly very high. However, it is important to operationalise the regional coordination centre in order to ensure smooth coordination within the region and with neighbouring countries. Denmark aims to develop projects with a cross-border and connectivity focus (e.g. the North Sea Energy Island ([141]) and the Energy Island Bornholm, which is a hybrid offshore interconnector with Germany).

Denmark's interconnectivity level surpassed the EU target and is set to remain high. According to Denmark's final updated NECP, the level of interconnection is expected to be 31.7% by 2030, thus surpassing the EU interconnection target of 15% by 2030. The interconnectivity level was already 36% in 2024. Denmark is analysing potential for further interconnections and reinvestments in cooperation with other countries and TSOs. It plans to become a net exporter of green energy by 2030.

Investments in grid expansion and cross-border energy projects are underway to facilitate increased demand. Energinet is planning to build approximately 2 700 kilometres of electricity grid by 2030 to meet the increased demand on the national grid. Denmark has several electricity projects of common interest: the North Sea Wind Power Hub with Germany and the Netherlands and the Bornholm Energy Island with Germany. As for hydrogen projects of common interest, Denmark has one hydrogen interconnector to Germany which is supported by EU funding of nearly EUR 13 million from the Connecting Europe Facility (CEF).

Implementation of the recommendations of the National Energy Crisis Taskforce (NEKST) is key to continuing positive 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 ([142]). The parties to the agreement supported the designation of three acceleration areas to ensure simpler and faster permitting for electricity

([139])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.
([140])Denmark, Finland, Norway and Sweden are part of the Nordic CCR.
([141])It is expected that Belgium, Germany and the Netherlands will be interconnected through the project.
([142])Ministry of Climate, Energy and Utilities, 2024, Broad agreement ensures faster and more efficient expansion of the electricity grid.

infrastructure, including by exempting electricity infrastructure projects in acceleration areas from an environmental impact assessment (EIA). They also made a commitment to implement some of the NEKST recommendations, including new expropriation procedures.

Coordination of the electrical grid expansion and mapping bottlenecks should be a priority. With a view to further electrification and higher deployment of renewables, NEKST will have a key role in coordinating developments to adapt and expand the electricity grid and to address challenges such as possible bottlenecks. RES curtailment is currently not monitored, but electricity grid losses are estimated to be 2% in transmission and 4% in distribution ([143]).

Denmark is making progress in the promotion of flexibility sources. Denmark's operational electricity storage capacity (as reported in the final updated NECP) is around 3.9 MW (mainly chemical and electrochemical). is planning key policies and measures to incentivise the uptake of flexibility services, aggregators and demand response. These include a report on the new 'Market model 3.0' to develop flexible markets with concrete recommendations and fields of actions. The work is supported by a needs assessment by 2027.

Efforts to promote flexibility in Denmark's energy system are underway, but barriers to demand-side response integration need to be addressed. The development of a Flexibility Forum to bring market players and stakeholders together is expected to significantly boost the promotion of flexibility in the Danish energy system. Denmark has a project (PCI) in the pipeline on advanced hydrogen-fuelled compressed air energy storage technology with a storage capacity of up to 19 GWh per cycle. Demand-side response (DSR) participation in balancing services is allowed but with various restrictions (particularly for aggregators) ([144]). Denmark should therefore review restrictions and remove barriers on aggregator participation in balancing services to improve demand-side response integration. A continuous monitoring framework and stakeholder engagement will ensure that the uptake of flexibility resources is consistent with the planned needs assessment by 2027.

Denmark has put in place a framework and tools that facilitate dynamic pricing. Smart electricity meter deployment in households is 100%. Prices are not regulated in Denmark and consumers have access to diverse types of market-based contracts. Denmark has set up a framework that allows citizens to actively engage in energy communities. 641 energy communities have been registered.

Electricity's share in final energy consumption (FEC) remains relatively low (particularly in transport) and this indicates potential for further electrification. In 2023, electricity accounted for 20.1% of Denmark's FEC (below the EU average of 22.9%) and this share has remained largely stagnant in the last decade ([145]). Electricity accounted for 20.2% and 32.8% of households' and industry's FEC respectively (see also Annex 6 on Effective institutional framework). The transport sector's FEC remained negligible at 2.1%. Further progress in electrification across sectors would help to cost-effectively decarbonise the economy and bring the benefits of affordable renewable generation to consumers. In 2024's second semester, household electricity prices in Denmark were among the highest in the EU, with electricity costing 2.8 times more per unit than gas before taxes and 2.9 times more after. Taxes and levies made up 56,1% of electricity prices (vs. 52,5% for gas). For energy-intensive industries, prices were slightly below the EU average. With lower taxes on electricity than gas for this consumer segment, there is limited room for fiscal adjustments, meaning industrial consumers will primarily benefit from lower wholesale prices ([146]).

([143])IEA Energy Policy Review, Denmark 2023 - Energy Policy Review.

([144])According to ACER, one of the most restrictive balancing services in the EU is found in Denmark (*ACER MMR 2023: Barriers to demand response).

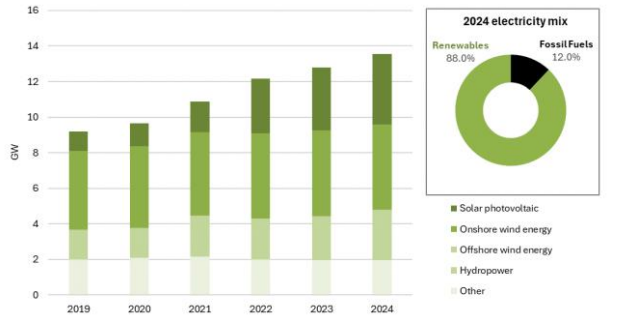
([145])The CAGR (compound annual growth rate) was 0.1% between 2013 and 2023. The minimum/maximum shares were 19.1% and 20.5% respectively.

([146])Analysis based on Eurostat data for the second semester of 2024. For household consumers, consumption band is DC for electricity and D2 for gas, which refer to medium-sized consumers and provide an insight into affordability. For non-household consumers, consumption band is ID for electricity and I4 for gas, referring to large-sized consumers, providing an insight into international competitiveness (price used for the calculation excludes VAT and other recoverable taxes/levies/fees as non-household consumers are usually able to recover VAT and some other taxes).

Renewables and long-term contracts

2024 was a record year for Denmark regarding renewables (RES), with 88% of its electricity mix being supplied by renewables ([147]). Installed renewables capacity grew by nearly 6% in 2024, the total renewable energy capacity thus reaching 13539 MW (see graph A6.2. However, it covered the same share of the electricity mix as in 2023 due to increased demand for electricity as a result of electrification.

Graph A8.3: ***Denmark's installed renewable capacity (left) and electricity generation mix (right)***



"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.
Source: IRENA, Ember

Denmark's electricity mix is dominated by wind power. In 2023, Denmark had the highest share of wind power in its electricity mix in the EU (58%), far above the EU average (38.5%) ([148]). Building on the great acceleration in the deployment of solar since 2021, the total installed capacity in 2024 was 3.9GW (+0.42 GW, 11.8% increase compared to 2023). Wind installed capacity significantly increased in 2024 in Denmark by 0.34 GW (4.7%) – mainly attributed to offshore wind - reaching 7.6 GW in 2024 ([149]).

Denmark made good progress in 2024 on accelerating planning and permit-granting processes for renewable energy and related infrastructure. It was the first Member State to notify full transposition of the permitting rules which had to be transposed by July 2024 under the recast Renewable Energy Directive (RED III) ([150]). More specifically, simplified rules for small-scale renewables and for the repowering of existing installations have been introduced, as well as monitoring of the RED III deadlines. A regulatory framework ([151]) for onshore energy parks, where wind, solar and Power-to-X installations may be combined, has also been adopted, as well as measures to promote multiple use of land. Work is also ongoing to streamline the environmental permit process.

Denmark aims to significantly increase its renewable energy share with a focus on expanding solar and wind power generation. Denmark's final updated NECP includes projections that the RES share will reach 73.8% of final energy consumption by 2030 and will already exceed 100% in the electricity sector by 2028 under existing policies. By 2030, Denmark aims to ensure a four-fold increase in electricity generation from solar and wind – exceeding its current projections. Renewables deployment in Denmark is market-based. Nevertheless, as part of the Wind Pledges ([152]) under the European Wind Power Action, Denmark has made a commitment to install 0.84 GW onshore wind capacity and 1.5 GW offshore wind capacity between 2024 and 2027.

Denmark has no unjustified barriers to power purchase agreements (PPAs) and is a top performer in concluding PPA deals. According to the final updated NECP, there are no unjustified barriers to the conclusion of PPAs in Denmark. In 2023, Denmark was one of the top 10 Member States in terms of the number of PPA deals concluded, which included some multi-buyer PPAs ([153]).

Energy efficiency

Denmark's final energy consumption (FEC) remained nearly unchanged, but efforts should be maintained to reach EU-set energy

([147])Ember, Yearly Electricity Data.
([148])ESTAT Shares.
([149])IRENA, 2025, *Renewable capacity statistics*.

([150])European Parliament and Council, 2023, Directive (EU) 2023/2413.
([151])Danish Parliament, 2024, L 166 – 2023-24 (as adopted): proposal for an act on State-designated Energy Parks. Folketing.
([152])2023, Wind Pledges – European Wind Power Action.
([153])Pexapark, 2024, European PPA Market Outlook 2024.

efficiency targets by 2030. Despite energy efficiency gains in primary energy consumption (PEC), FEC almost did not change. In 2023, PEC decreased by 2.3% to 15.35 Mtoe. FEC grew by 0.3% to 13.37 Mtoe. However, both figures are well below the average energy consumption level of the previous decade. Compared with 2022, FEC decreased in industry (-6.3%), but grew in the residential (2.1%) and transport (1.8%) sectors. In the services sector, the FEC change was minor – it decreased by 0.1%. The recast Energy Efficiency Directive ([154]) (EED) requires Denmark to try to reach a PEC of 15.52 Mtoe and a FEC of 13.73 Mtoe by 2030.

Additional efforts in the residential sector would help Denmark reach its 2030 reduction target for energy consumption of buildings. This would especially be the case because the downward trend of previous years in residential FEC might be reversed. The final NECP is not sufficiently concrete on the measures to decarbonise the building stock of Denmark by 2050

Denmark has notified its comprehensive heating and cooling assessment. It identifies potential for the application of high-efficiency cogeneration and efficient district heating and cooling in line with Article 25(1) of the recast EED. Heating and cooling represented 82% of the Denmark's FEC residential in 2022. Approximately 57 000 heat pumps were sold in 2023 (a decrease of 36% on 2022). A ban on installing fossil fuel and gas boilers in new buildings was implemented as early as 2013. The use of natural gas for space heating in existing buildings will be phased out by 2030.

Denmark has a national financing framework for energy efficiency, but there is potential for further improvement. The national financing framework mobilising energy efficiency investments is composed mainly of grants, subsidies and tax rebates. Many have been operational for several years now. In 2024, the support scheme for heat pump subscriptions was discontinued. The largest support scheme (the agreement on green refurbishment of social housing ([155]) from 2020) has successfully combined public and private financial sources. However, efforts should be continued to increase the share of private financing in other energy efficiency measures. In terms of supported sectors, Denmark's national financing framework focuses mainly on buildings and heating in order to support a transition to district heating and heat pumps. Denmark would benefit from ensuring (through further changes in national financing framework) its responsiveness to the achievement of long-term policy goals in energy efficiency.

Denmark has not identified a significant number of households in energy poverty. Energy poverty is addressed via social policies (e.g. financial support available through social security measures) and the reimbursement for heating-related expenses. There are national initiatives to provide consumers with better clarity on and understanding of their electricity bills.

Security of supply and diversification

Denmark is making progress in further securing security of gas supply. Gas consumption fell 0.5 points between 2022 and 2023 and remained stable during 2024. Gas production in Denmark increased by 36% year on year. Denmark does not import gas from Russia.

Technical issues with gas infrastructure in 2024 are set to be resolved, stabilising gas supply in 2025. Unforeseen technical challenges on the Tyra platform affected domestic gas production. Maintenance at the entry-point from Europipe II and Baltic Pipe reduced gas flows to Denmark during 2024. Some of these challenges were addressed by the end of 2024, but others persisted and had resulted in a lower level of storage-filling during the autumn of 2024. The abolition of the German storage levy in December 2024 and the addressing of technical problems in the first months of 2025 means that gas supply is set to remain stable during 2025.

Denmark's increasing reliance on renewable energy sources supports its efforts to meet its goals on security of supply and

([154])Directive (EU) 2023/1791 of the European Parliament and of the Council

([155])Ministry of Transport, 2020, Broad political agreement on green renovation of social housing.

diversification (despite a rise in oil consumption in 2023). The positive progress on renewables' role in Denmark's energy mix continued in 2023. Nearly half (45.2%) of Denmark's energy consumption ([156]) was supplied by renewable energy (and biofuels), 39.3% by oil and petroleum products, 8.4% by natural gas, and the remainder by solid fossil fuels and non-renewable waste. Denmark should work on continuing this trend, because consumption of oil has increased since 2022.

Fossil fuel subsidies

In 2023, environmentally harmful ([157]) fossil fuel subsidies without a planned phase-out before 2030 represented 0.06% ([158]) of Denmark's GDP ([159]), below the EU weighted average of 0.49%. Tax measures accounted for 94% of this volume, while direct grants represented 6.1%. Additionally, Denmark's 2023 Effective Carbon Rate ([160]) averaged EUR 101.68 per tonne of CO_2, above the EU weighted mean of EUR 84.80 ([161]).

([156])Gross inland consumption (Eurostat).
([157])Direct fossil fuel subsidies that incentivise maintaining or increasing in the availability of fossil fuels and/or use of fossil fuels.
([158])Numerator is based on volumes disclosed by the Danish authorities via the 2025 NECPR reporting. For all Member States, it includes public R&D expenditures for fossil fuels as reported by the IEA (Energy Technology RD&D Budgets) and excludes, for methodological consistency, excise tax exemption on kerosene consumed in intra-EU27 air traffic
([159])2023 Gross Domestic Product at market prices, Eurosta
([160])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.
([161])OECD (2024), Pricing Greenhouse Gas Emissions 2024.

Table A8.1: ***Key Energy Indicators***

	Denmark				EU			
	2021	**2022**	**2023**	**2024**	**2021**	**2022**	**2023**	**2024**
Household consumer - Electricity retail price (EUR/KWh)	**0.3173**	**0.5215**	**0.3681**	**0.3736**	**0.2314**	**0.2649**	**0.2877**	**0.2879**
Energy & supply [%]	23.5%	46.7%	44.7%	29.0%	36.6%	54.3%	55.6%	47.8%
Network costs	16.2%	10.9%	20.8%	22.1%	26.7%	25.3%	24.8%	27.2%
Taxes and levies including VAT	60.2%	42.4%	34.6%	49.0%	36.7%	20.3%	19.6%	25.0%
VAT	20.0%	20.0%	20.0%	20.0%	14.5%	13.4%	13.8%	14.6%
Household consumer - Gas retail price	**0.1067**	**0.1797**	**0.1437**	**0.1269**	**0.0684**	**0.0948**	**0.1121**	**0.1128**
Energy & supply	38.9%	72.2%	45.2%	34.1%	43.7%	61.0%	64.5%	53.9%
Network costs	11.1%	7.7%	12.1%	18.3%	22.5%	17.3%	17.1%	18.3%
Taxes and levies including VAT	50.0%	20.0%	42.7%	47.6%	33.8%	21.7%	18.4%	27.8%
VAT	20.0%	24.5%	20.0%	20.0%	15.5%	11.6%	10.2%	13.6%
Non-household consumer - Electricity retail price	**0.0979**	**0.1872**	**0.1220**	**0.1169**	**0.1242**	**0.1895**	**0.1971**	**0.1661**
Energy & supply	46.8%	62.5%	59.1%	49.7%	43.0%	66.5%	63.0%	55.8%
Network costs	14.6%	8.6%	13.8%	17.6%	15.8%	10.7%	11.9%	15.5%
Taxes and levies excluding VAT	4.4%	0.7%	1.1%	1.3%	30.4%	9.9%	11.2%	15.4%
Non-household consumer - Gas retail price	**0.0528**	**0.1219**	**0.0538**	**0.0506**	**0.0328**	**0.0722**	**0.0672**	**0.0517**
Energy & supply	62.1%	71.6%	59.8%	57.1%	66.2%	77.3%	77.3%	68.7%
Network costs	4.0%	2.1%	6.7%	8.0%	7.7%	3.8%	5.3%	7.1%
Taxes and levies excluding VAT	8.9%	3.8%	8.2%	8.7%	12.5%	6.1%	7.3%	11.6%
Wholesale electrity price (EUR/MWh)	87.8	213.7	84.3	71.1	111.0	233.2	99.1	84.7
Dutch TTF (EUR/MWh)	*n/a*	*n/a*	*n/a*	*n/a*	46.9	123.1	40.5	34.4

	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Gross Electricity Production (GWh)	**31,023**	**30,370**	**29,517**	**28,729**	**33,051**	**35,124**	**33,733**	-
Combustible Fuels	15,473	15,500	12,387	11,201	15,671	13,884	10,957	-
Nuclear	-	-	-	-	-	-	-	-
Hydro	18	15	17	17	16	15	20	-
Wind	14,780	13,902	16,150	16,330	16,054	19,022	19,393	-
Solar	751	953	963	1,181	1,309	2,203	3,363	-
Geothermal	-	-	-	-	-	-	-	-
Other Sources	-	-	-	-	-	-	-	
Gross Electricity Production [%]								
Combustible Fuels	49.9%	51.0%	42.0%	39.0%	47.4%	39.5%	32.5%	-
Nuclear	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Hydro	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%	-
Wind	47.6%	45.8%	54.7%	56.8%	48.6%	54.2%	57.5%	-
Solar	2.4%	3.1%	3.3%	4.1%	4.0%	6.3%	10.0%	-
Geothermal	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Other Sources	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Net Imports of Electricity (GWh)	**4,563**	**5,224**	**5,811**	**6,883**	**4,869**	**1,363**	**3,133**	-
As a % of electricity available for final consumption	14.1%	16.4%	18.0%	21.9%	14.5%	4.2%	9.9%	-
Electricity Interconnection [%]	**50.6%**	**49.7%**	**49.0%**	**51.0%**	**45.8%**	**42.7%**	**41.3%**	**36.0%**
Share of renewable energy consumption - by sector [%]								
Electricity	59.9%	62.4%	65.3%	65.3%	72.9%	77.2%	79.4%	-
Heating and cooling	44.1%	45.0%	47.3%	51.1%	51.3%	52.3%	54.9%	-
Transport	6.9%	6.9%	7.1%	9.7%	10.5%	10.4%	10.8%	-
Overall	34.4%	35.2%	37.0%	31.7%	41.8%	42.4%	44.4%	-

	2020	**2021**	**2022**	**2023**	**2020**	**2021**	**2022**	**2023**
Import Dependency [%]	**44.9%**	**32.2%**	**42.8%**	**38.9%**	**57.5%**	**55.5%**	**62.5%**	**58.3%**
of Solid fossil fuels	67.4%	10.9%	105.5%	108.4%	35.8%	37.2%	45.9%	40.8%
of Oil and petroleum products	55.3%	30.3%	53.3%	50.4%	96.8%	91.7%	97.8%	94.5%
of Natural Gas	37.4%	27.8%	27.1%	13.4%	83.6%	83.6%	97.6%	90.0%
Dependency from Russian Fossil Fuels [%]								
of Natural Gas	0.0%	0.0%	0.0%	0.0%	41.0%	40.9%	20.7%	9.3%
of Crude Oil	12.2%	16.4%	1.6%	0.0%	25.7%	25.2%	18.4%	3.0%
of Hard Coal	96.6%	89.5%	14.0%	0.0%	49.1%	47.4%	21.5%	1.0%

	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Gas Consumption (in bcm)	**3.3**	**3.2**	**3.1**	**2.9**	**3.1**	**2.4**	**2.3**
Gas Consumption year-on-year change [%]	-1.4%	-2.2%	-2.8%	-8.3%	7.0%	-22.0%	-1.5%
Gas Imports - by type (in bcm)	**0.5**	**0.4**	**1.1**	**2.7**	**2.5**	**2.7**	**8.6**
Gas imports - pipeline	0.5	0.4	1.1	2.7	2.5	2.7	8.6
Gas imports - LNG	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gas Imports - by main source supplier [%]							
Norway	80.0%	74.4%	12.8%	0.0%	0.0%	28.4%	94.7%
Germany	19.5%	25.1%	86.9%	99.9%	99.9%	71.6%	5.3%

Source: Eurostat, ENTSO-E, S&P Platts

In Denmark, agriculture is the dominant type of land use ([162]) and a significant cause of environmental deterioration. A key challenge is to tackle issues of degrading biodiversity, pollution in surface water bodies and the risk of flooding. By contrast, the overall quality of groundwater and bathing water in Denmark is good and urban wastewater treatment complies with the legal requirements.

Climate adaptation and preparedness

Denmark is particularly vulnerable to coastal flooding due to rising sea levels. The rate of sea-level rise varies by region, with the least in North Jutland and the most in southwestern Jutland. The sea level is expected to rise between 30 cm and 60 cm towards the end of the century ([163]), leading to a corresponding increase in the water level associated with storm surges. As a result, storm surges will be able to reach further inland. Around half of the population is exposed to storms and most cropland is exposed to heavy precipitation ([164]). By contrast, relative to other EU countries, drought affects only a small area in Denmark (1.7% of land in 2023), below the EU average (3.6%) ([165]).

The Danish population is very well insured against climate risks. Denmark has the highest rate of insured economic losses for climate-related extreme events in the EU, with 62% of insured economic losses. However, due to above-average population density, economic losses per area are among the highest. The number of fatalities caused by extreme weather events remains low, well below the EU average ([166]).

In 2023, Denmark launched an adaptation plan ([167]) to enhance coastal protection and safeguard cities. The plan includes several initiatives and allocates around EUR 175 million to climate adaptation for the period 2025-2029. For example, over EUR 30 million a year will be allocated to the protection of the west coast of Denmark. The plan also tackles high-level groundwater challenges in cities, fosters collaboration and knowledge sharing, and develops a new framework for municipal costal projects. However, it does not clearly explain the role of nature-based solutions in climate adaptation policy, although the state bears overall responsibility for climate change adaptation. It prepares laws, executive orders, guidelines and coordinates action across state authorities. At local level, municipalities are responsible for mapping flood- and erosion-prone areas, for planning and prioritising climate adaptation actions, and for granting permits for projects. Municipalities can also integrate climate adaptation into their wastewater plans.

Water resilience

Surface water bodies are in a fragile state. According to the assessment of the third river basin management plans, only 29.9% of surface water bodies have a good/better ecological status/potential and 1.7% have a good chemical status. The main cause for the degraded ecological status is nutrients leaching from manure and fertilisers used in agriculture, causing widespread eutrophication. The nutrients found in lakes include phosphorus and nitrates in coastal waters. The chemical status of most surface water bodies (92.7%) is unknown and 5.6% of water bodies are classified as failing to achieve good chemical status. The small sample of classified surface water bodies suggests a worsening chemical water status caused by toxic pollutants such as mercury, anthracene, cadmium, lead and nonylphenols. The source and volume of this pollution is unclear ([168]).

In 2023, Denmark recorded the worst level of oxygen depletion in 21 years affecting large areas of coastal and marine waters. In 2024, the situation further deteriorated, by almost 50% in comparison to 2023 ([169])([170]). The State Auditors found in 2024 that the mechanisms to monitor

([162])Statistics Denmark, 2023, Land use accounts.
([163])Danmarks Meteorologiske Institut, Ændringer i havniveau.
([164])OECD, 2024, *OECD Economic Surveys Denmark*, p. 54.
([165])Eurostat, drought impact area on ecosystems [sdg_15_42].
([166])EEA, 2024, Economic losses from weather- and climate-related extremes in Europe.
([167])National Klimatilpasningsplan 1. Kommuner og Forsyning - Klimatilpasning
([168])European Commission, 2025, Commission reports show faster progress is needed across Europe to protect waters and better manage flood risks.
([169])The Danish Centre for Environment and Energy, 2023, Iltsvind i de danske farvande.
([170])The Danish Centre for Environment and Energy, 2024, Iltsvind i danske farvande.

the use of fertilisers are inadequate and there is a risk of undetected excessive use of nitrogen ([171]). Based on recent research ([172]), the estimated annual cost of water pollution, partly caused by excessive nutrients, rose to EUR 1.7 billion in 2020 ([173]) in Denmark. However, the agreement on a Green Denmark aims to reduce nitrogen pollution by 13 780 tonnes annually ([174]). Also, the derogation authorising the application of a higher amount of manure by cattle farmers expired on 31 July 2024 ([175]).

Biodiversity and ecosystems

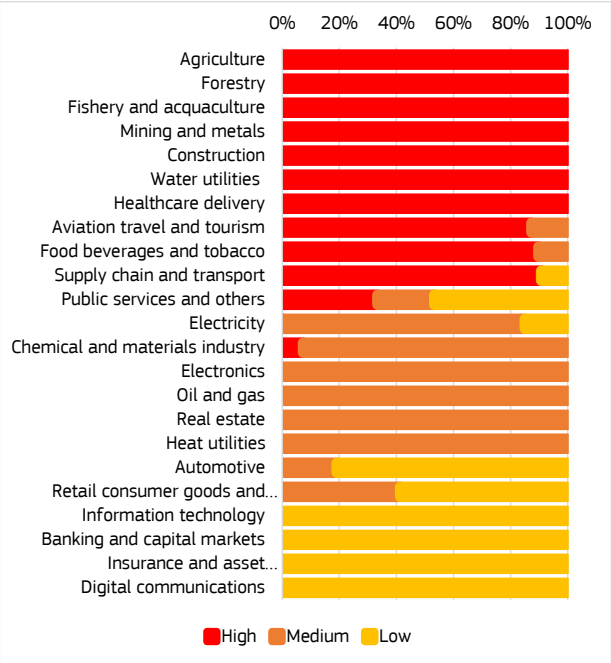
The decline in biodiversity remains a serious concern in Denmark. Agriculture and mixed-source pollution (including nutrient leaching) create significant pressure for most protected habitats and species ([176]). Only 5% of habitats were reported as having a good conservation status in the reporting period 2013-2018. This is the second lowest value in the EU. The conservation status of all grassland, wetland/peatland and forest habitats protected under the Habitats Directive is unfavourable-bad/inadequate ([177]). The share of protected species in a good conservation status dropped from 32% to 20% since the previous assessment ([178]). In addition, biodiversity loss is confirmed by the common farmland birds index – in Denmark, this indicator has shown an overall negative trend for more than two decades and remained below the EU average for more than a decade except in 2020 ([179]). Denmark is also one of the EU Member States with the smallest forest area per inhabitant: currently 13% of the country is covered by woodland ([180])([181]).

The share of land area covered by Natura 2000 network in Denmark is the smallest in the EU, at 8.9%, against the EU average of 18.6%. By contrast, the share of its marine Natura 2000 sites, at 18.2%, is well above the EU average of 9% ([182]). The share of the overall protected area including other nationally designated protected sites is bigger, but Denmark's protected land area is still below the EU average ([183]). Further action is needed to improve the quality of conservation objectives for Natura 2000 areas as the development of a condition assessment system is still pending for certain habitat types, including all forest types ([184]).

The agreement on a Green Denmark aims to increase the protected nature. It envisages protecting 20% of nature in Denmark and creating 250 000 hectares of new forest, which includes 100 000 hectares of untouched, natural forest by 2045 ([185]). Under the EU's 2030 biodiversity strategy ([186]), Denmark submitted pledges to (i) improve the conservation status of the habitats and species with declining trends; and (ii) expand the protected area in the marine environment. In October 2024, Denmark adopted its updated national biodiversity strategy and action plan to contribute to the global biodiversity targets ([187]).

([171])Rigsrevisionen, Audit Report No 2/2024, 21/10/2024.
([172])Edited by Peter Birch Sørensen, 2024, *Danmarks grønne nationalprodukt*.
([173])DKK 12.5 billion measured in 2023 prices. Estimates of the pollution costs are an underestimate because, for example, it was not possible to include all types of pollutants in the calculations.
([174])The Danish Ministry for Green Transition, 2024, *Aftale om Implementering af et Grønt Danmark*.
([175])Danish Ministry of Environment, 2024, *'Kvægundtagelsen' ophører*. The derogation was for 230 kg N/ha, above the permitted 170 kg N/ha.
([176])EEA, *The dashboard on the pressures on habitats and species*.
([177])EEA, 2024, *State of nature in the EU*.
([178])The assessments of the reporting period 2013-2018 compared to the reporting period 2007-2012.
([179])European Commission, *Agri Sustainability Compass*. 1995: 109.54 DK / 104.05 EU. 2010: 82.89 DK / 85.58 EU. 2023: 66.84 DK / 68.72 EU.
([180])Statistics Denmark, 2023, *Land use accounts*.
([181])Danish Council on Climate Change, 2024, *Danmarks fremtidige arealanvendelse*, Link.
([182])European Commission, Natura 2000 Barometer. Natura 2000 land, 2023 data, accessed April 2025. European Commission, EU Biodiversity Strategy Dashboard. Natura 2000 sea, 2022 data, accessed April 2025. The newly classified marine special protection areas increase the Natura 2000 marine area, but this is not reflected in the dashboard (18.2%) used in this annex.
([183])2022: Land: 15.1% DK / 26.1% EU. Sea: 18.8% DK / 12.3% EU. The newly classified marine SPAs increase the protected marine area. However, this is not reflected in Eurostat data (18.8%) used for this annex. Statistics | Eurostat, 12.3.2025.
([184])12 land habitats including all forest types, 2 freshwater habitats and 8 marine habitats.
([185])The Danish Ministry of Green Transition, 2024, *Aftale om Implementering af et Grønt Danmark*.
([186])The strategy's target is to protect 30% of land and sea by 2030, of which 10% is to be strictly protected.
([187])Ministry for Green Transition, National Biodiversity Strategy and Action Plan.

Graph A9.1: ***Direct dependency(1) on ecosystem services(2) of the gross value added generated by economic sector in 2022***



(1) Dependency based on the sector's own operations, excluding value chain operations within countries and across international value chains. A high dependency indicates a high potential exposure to nature-related shocks or deteriorating trends, which means that the disruption of an ecosystem service could cause production failure and severe financial loss.
(2) Ecosystem services are the contributions of ecosystems to the benefits that are used in economic and other human activity, including provisioning services (e.g. biomass provisioning or water supply), regulating and maintenance services (e.g. soil quality regulation or pollination), and cultural services (e.g. recreational activities).
Source: Hirschbuehl et al., 2025, *The EU economy's dependency on nature*, Link.

Denmark's economy is heavily reliant on ecosystem services, which is a significant economic and competitiveness risk. Denmark has a high degree of supply chain dependency on ecosystem services, estimated at 26% of its gross value added (GVA), above the EU average of 22%. Overall, 44% of the Danish economy's GVA is highly dependent on ecosystem services. Several sectors such as agriculture, forestry, fisheries, mining and metals, construction, water utilities and healthcare delivery (see Graph A9.1) are particularly dependent on ecosystem services. 100% of the GVA generated by these sectors is directly dependent on ecosystem services.

Pollution is expensive. Based on recent research ([188]), the estimated annual cost of the threat to biodiversity is EUR 8 billion and the loss of species almost EUR 7 billion ([189]). Biodiversity costs are the highest cost component in environmental costs. The overall cost of pollution has remained roughly constant between 1990-2019 ([190]), suggesting that there has not been 'green growth' over the last three decades in Denmark, because conventional national income has not been accompanied by falling environmental costs. The environmentally adjusted GDP in this research is estimated at EUR 41 billion, almost 14% lower than conventional GDP ([191]).

Sustainable agriculture and land use

Denmark's carbon removals are in line with its 2030 target for land use, land-use change and forestry (LULUCF). Denmark recorded negative emissions only three times since 1990 (in 2015, 2022 and in 2023). This is due to the relatively small forested area and the high share of agricultural land. To meet its 2030 LULUCF target, additional carbon removals of -0.4 million tonnes of CO_2 equivalent (CO_2eq) are needed ([192]). The latest available projections show a surplus above the target of -0.2 million tonnes CO_2eq for 2030 ([193]). This indicates that Denmark is on track to meet its 2030 target.

Intensive agriculture degrades soil health. Denmark had the fifth highest livestock density (1.59%) in the EU in 2020 and 60% of land is used for agriculture, mainly to grow feed for its livestock. Denmark's soils contain excess levels of nitrogen and phosphorus and are eroded by water, wind, tillage and harvest ([194]). Most of Denmark's

([188])Edited by Peter Birch Sørensen, 2024, *Danmarks grønne nationalprodukt*.
([189])DKK 60 billion (biodiversity) and DKK 50 billion (species) in 2022 prices.
([190])Environmental costs of air pollution decreased, but the costs increased of greenhouse gas emissions and biodiversity loss.
([191])DKK 306 billion in 2023 prices.
([192])National LULUCF targets of the Member States in line with Regulation (EU) 2023/839.
([193])Climate Action Progress Report 2024, COM/2024/498.
([194])N above 50 kg/ha: 73% agricultural land, 50% national territory. P above 50 mg/kg: 31% agricultural land, 25% national territory. Soil erosion: 45% national territory, 65% cropland area. European Commission, 2023, *Impact*

peatlands have been drained, mainly for agricultural use ([195]). Therefore, converting agricultural land to nature is necessary. 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 ([196]).

Denmark has taken steps to change land use but only a small area of agricultural land has actually been converted to nature. Since 2021, Denmark has set aside 233 hectares of carbon-rich low-lying soils and buffer areas out of 100 000 hectares, a target to be achieved by 2030 ([197]). The agreement on a Green Denmark increased this goal by 40 000 hectares ([198]). This is a political compromise, which envisages converting about 400 000 hectares of agricultural land back to nature, corresponding to about 10% of all land in Denmark and 15% of farmland. By end 2025, 23 local *tripartites* ([199]) have to agree at local level which agricultural areas to convert. The agreement on a Green Denmark also mentions the plan to bring in a CO_2eq tax on emissions from livestock, drained peatlands and agricultural lime ([200]).

Denmark is promoting sustainable agricultural practices to reduce the impact of agriculture on air, water and soils. Utilised agricultural area (UAA) fully converted to organic farming accounted for 11.4% of agricultural land in Denmark, against the EU average of 10.5% in 2022 ([201]) and the national goal to reach 20% by 2030. Compared to their relatively small size, agricultural landscape features such as woods, non-productive grasslands and wetlands, provide numerous environmental and biodiversity benefits, including carbon sequestration, soil erosion prevention and habitat creation for wildlife. In 2022, 5.3% of Denmark's agricultural land included these features, slightly below the EU average of 5.6%. Since 2023, Denmark includes in its common agricultural policy (CAP) strategic plans the obligation for farmers to ensure as a minimum that 4% of arable land is used for non-productive areas or landscape features.

Denmark's CAP strategic plan is designed to contribute to the environmental and climate targets. ([202]) Under eco-schemes, almost 20% of direct payments for farmers are reserved for agricultural practices that go beyond the minimum requirements on agricultural areas, and which benefit the climate, the environment and animal welfare. Additionally, about 19% of the rural development budget is reserved for farmers undertaking multiannual management commitments that benefit nature and biodiversity.

The plan allocates EUR 28 million to sustainable agricultural practices. This includes (i) increasing the area of organically farmed agricultural land, (ii) diversifying plant production, biodiversity and sustainability, and (iii) reducing nutrient loss through support for water and climate projects. These measures are crucial for the long-term competitiveness of Denmark's agri-food system and its bioeconomy. The latter contributed EUR 8.1 billion of added value to the country's GDP in 2021. Agriculture generated EUR 3.8 billion, while the food industry contributed EUR 4.3 billion ([203]). The primary sector generated 1.5% of Denmark's total GVA.

Assessment Report accompanying the proposal for a Soil Monitoring Law, p. 748.

([195])UNEP, 2022, Global Peatlands Assessment: The State of the World's Peatlands.

([196])Danish Council on Climate Change, 2024, *Danmarks fremtidige arealanvendelse*.

([197])Danish Agricultural Agency, November 2024, *Hvad sker der i indsatsen for at tage lavbundsjorder ud af landbrugsdrift*.

([198])The Danish Ministry for Green Transition, 2024, *Aftale om Implementering af et Grønt Danmark*.

([199])The local tripartites will consist of representatives from municipalities, agricultural and nature organisations, and the Nature Agency. The Danish Ministry for Green Transition, De lokale treparter.

([200])The Danish Ministry for Green Transition, CO2e-afgift på landbruget.

([201])Includes UAA in the process of converting land use. Statistics | Eurostat, 27.1.2025. Agriculture biologique au sein de l'union européenne.

([202])European Commission, At a glance: Denmark's CAP strategic plan.

([203])European Commission, 2023, EU Bioeconomy Monitoring System dashboards.

Table A9.1: ***Key indicators on progress on climate adaptation, preparedness and environment***

Climate adaptation and preparedness:	Denmark						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Drought impact on ecosystems *[area impacted by drought as % of total]*	46.61	3.19	0.8	1.21	8.65	1.73	6.77	2.76
Forest-fire burnt area (1) *[ha, annual average 2006-2023]*	77	77	77	77	77	77		
Economic losses from extreme events *[EUR million at constant 2022 prices]*	87	-	59	-	4	167	24 142	62 981
Insurance protection gap (2) *[composite score between 0 and 4]*	-	-	-	-	1.00	1.00		
Heat-related mortality (3) *[number of deaths per 100 000 inhabitants in 2013-2022]*	41	41	41	41	41			
Sub-national climate adaptation action *[% of population covered by the EU Covenant of Mayors for Climate & Energy]*	56	57	57	59	55	53	41	44

Water resilience:	Denmark						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Water Exploitation Index Plus, WEI+ (4) *[total water consumption as % of renewable freshwater resources]*	7.4	4.3	4.0	4.9	5.2	-	4.5	4.5
Water consumption *[million m^3]*	527	415	428	430	446	-		
Ecological/quantitative status of water bodies (5) *[% of water bodies failing to achieve good status]*								
Surface water bodies	-	-	-	58%	-	-	-	59%
Groundwater bodies	-	-	-	0%	-	-	-	93%

Biodiversity and ecosystems:	Denmark						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Conservation status of habitats (6) *[% of habitats having a good conservation status]*	5.4	-	-	-	-	-	14.7	-
Common farmland bird index *2000=100*	75.1	71.5	82.8	72.4	61.8	-	72.2	74.4
Protected areas *[% of protected land areas]*	-	-	-	15	15	-	-	26

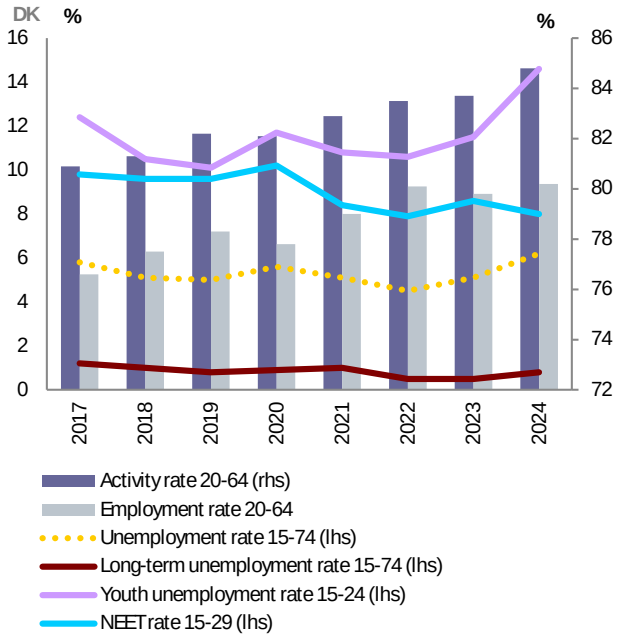
Sustainable agriculture and land use:	Denmark						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Bioeconomy's added value (7) *[EUR million]*	13 746	15 295	16 334	16 181			634 378	716 124
Landscape features *[% of agricultural land covered with landscape features]*	-	-	-	-	5	-		
Food waste *[kg per capita]*	-	-	221	230	254	-		
Area under organic farming *[% of total UAA]*	9.8	11.1	11.5	11.6	11.4		7.99	-
Nitrogen balance *[kg of nitrogen per ha of UAA]*	-	-	-	-	-	-		
Nitrates in groundwater (8) *[mgNO_3/l]*	29.7	20.5	27.5	18.3	-	-		
Net greenhouse gas removals from LULUCF (9) *[Kt CO_2-eq]*	2 503	1 531	1 292	198	- 381	-	- 256 077	- 240 984

(1) The data show the average for the timespan 2006-2023 based on EFFIS - European Forest Fire Information System.
(2) Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2024, Dashboard on insurance protection gap for natural catastrophes.
(3) van Daalen, K. R. et al., 2024, The 2024 Europe report of the Lancet Countdown on health and climate change: unprecedented warming demands unprecedented action, The Lancet Public Health.
(4) This indicator 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 or greater than 40% indicate situations of severe water scarcity.
(5) European Commission, 2024, 7th Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans).
(6) For this indicator, the EU average includes figures for the UK under the previous configuration, EU-28.
(7) European Commission, 2023, EU Bioeconomy Monitoring System dashboards.
(8) Nitrates can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard sets a limit of 50 mg NO_3/L to avoid threats to human health.
(9) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2024 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.
Source: Eurostat, EEA.

In recent years, the Danish labour market has been characterised by high employment and participation, with both employment and unemployment rates slightly increasing in 2024. Demographic trends are impacting the labour market, with growing participation among older workers and unmet potential among young people not in employment, education or training and vulnerable groups. Shortages of skilled labour persist in certain areas, highlighting the need for all groups to be integrated into the labour market and also in light of the green and digital transitions.

Denmark's labour market remains strong. With the employment rate already surpassing the country's 2030 target in 2022 and falling marginally to 79.8% in 2023, it rose again to 80.2% in 2024, well above the EU average of 75.8%. Also the activity rate continued to increase, reaching 82.4% in 2024, one of the highest levels in the EU (75.4%). After having reached its lowest point in the post-pandemic period (3.8% in Q2-2022), the unemployment rate increased to 5.1% in 2023 and 6.2% in 2024 ([204]), slightly above the EU average of 5.9%. Despite this trend, Denmark still has one of the lowest long-term unemployment rates in the EU – 0.8% in 2024 (EU: 1.9%). Labour market slack ([205]), measuring unmet demand for employment, rose to 12.7% in 2024 (10.1% in 2023), and it is now slightly above the EU average (11.7%). This was mainly due to the increase in the number of unemployed and underemployed people working part-time, with the latter growing from 2.1% to 3.4% in the last two years, above the EU average of 2.4%. The employment rate for older workers (55-64) rose from 71.4% in 2020 to 75% in 2024, compared to an EU average of 65.2%, due to demographic changes and retirement schemes adjustments. In 2023, the Danish Parliament removed a measure offsetting state pension transfers for people who were still employed. Since then, the number of employees above the state pension age has risen by 19% ([206]).

Graph A10.1: ***Key labour market indicators***



Activity rate and Employment rate (% of population), total, ages 20-64.
Unemployment rate and long-term unemployment rate (% of labour force), total, ages 15-74.
Youth unemployment rate (% of labour force), total, ages 15-24.
NEET: Not in employment, education or training (% of population), total, ages 15-29.
Source: Eurostat, LFS

Young people are well integrated into the labour force, but untapped potential among those not in employment, education or training remains. In 2024, youth employment and participation in the labour force, standing at 59% and 69.1%, respectively, were significantly above the respective EU averages of 35% and 41.1%. The youth unemployment rate rose to 14.6% (EU: 14.9%), and 8% of young people were not in employment, education or training (NEET), compared to an EU average of 11%. The Danish government has implemented targeted measures to increase youth participation in employment, education and training. In October 2024, the government ([207]), together with supporting parties,

([204])Unemployment figures from 2023 onwards are subject to a break in the time series.

([205])Labour market slack refers to the extent to which labour supply exceeds demand in the short run. It includes underemployed people working part-time, unemployed people, people seeking work but not immediately available, and people available to work but not seeking it. By including unemployment, it is subject to the same break in the time series above.

([206])Ministry of Economic Affairs, Flere pensionister i beskæftigelse.

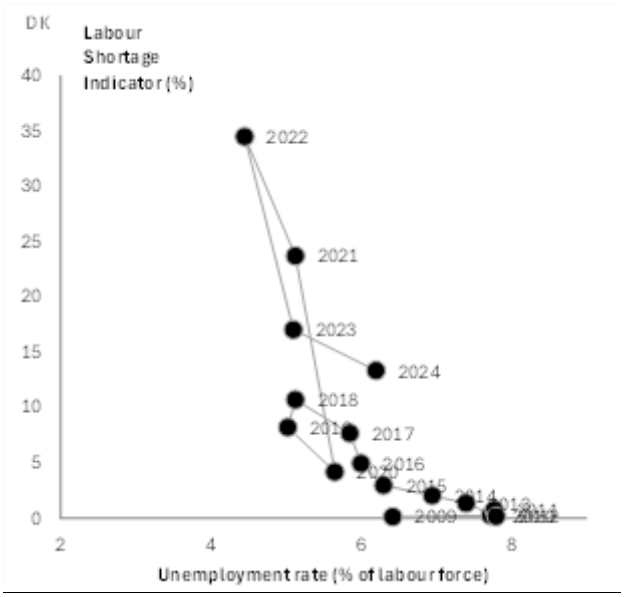
([207])Ministry of Employment, Aftale om Ungeløftet – flere unge i arbejde og forpligtende fællesskaber.

introduced a political agreement that includes providing young people with individual employment plans and support.

Vulnerable groups still face challenges, and their increased participation in the labour market could help alleviate labour shortages. In 2024, the employment rate for people with less than primary and lower secondary levels of education was 61.4%, above the EU average of 58.7% for this group. However, this was nearly 27 percentage points (pps) below that of people with tertiary-level education, which stood at 88.2% (EU: 86.5%). International labour is also contributing to high employment rates in recent years ([208]). Both third-country nationals already residing in Denmark and newly arrived migrants can help mitigate labour shortages, particularly in sectors such as construction and trade. The employment rate for third-country nationals was 72.6% in 2024, compared to the EU average of 64.2%. Persons with disabilities continue to face significant labour market barriers: the disability employment gap rose to 26.1 pps in 2024, which was above the EU average of 24 pps ([209]). In 2023, 38% of NEETs had a disability ([210]). Denmark has not yet set an employment target for persons with disabilities.

Labour shortages have partly eased but remain significant. The job vacancy rate ([211]) fell to 2.5% in 2024 (EU: 2.5%), below the 3.7% peak reached in Q2-2022 but still above pre-pandemic levels (1.9% in Q4-2019). In January 2025, the share of employers expecting labour shortages to limit their production ([212]) stood at 28% in the construction sector, exceeding the EU average (26%) and its pre-pandemic levels ([213]). In industry, this share has increased sharply in recent months, reaching 20.6% in January 2025 (EU: 18.6%). In services, the share also remained well above its pre-pandemic level at 22.9%, but below the EU average for this sector (24.1%). According to CEDEFOP-EURES data ([214]), in 2024, the most requested profiles in the country were trade workers (24.6%), service and sales workers (21.3%) and professionals (12.6%). Mostly construction workers, personal service workers, and researchers and engineers were requested under each of above-mentioned macro groups ([215]). In 2023, job vacancy rates in the transformation sectors were higher than the EU averages for the manufacturing sector (2.4% vs 2.1%) and the electricity, gas, steam and air conditioning supply sector (3.8% vs 1.8%). Unsuccessful recruitments ([216]) were most prevalent in the iron, metal and auto industry, in the construction sector and in the social education sector, with 18.7% posted jobs unfilled in the iron, metal and auto industry and 15.4% in both the construction and the social education sectors.

Graph A10.2: ***Beveridge curve***



Annual data based in the average of the four quarters
Source: Eurostat, LFS and European Commission, EU Business and Consumer Surveys. Data seasonally adjusted.

Denmark is implementing labour market measures to address persistent workforce shortages in key sectors. The rapidly growing tech and digital industry is driving demand for skilled ICT professionals, not always met by

([208])The Ministry of Economic Affairs, Economic Survey August 2024.

([209])Figures for 2024 for Denmark are subject to a break in time series.

([210])VIVE – The Danish Centre for Social Science Research, Handicap og beskæftigelse 2023.

([211])For Denmark, the job vacancy rate is only available for the business economy (NACE sectors B to N) on Eurostat.

([212])ECFIN Business and Consumer Surveys.

([213])The pre-pandemic (Q4 2019) shares in Denmark were equal to 23.33%, 16%, and 6.4% respectively in construction, services and industry.

([214])EURES - Countries and occupations | CEDEFOP.

([215]) From January to September 2024.

([216])Danish Agency for Labour Market and Recruitment, Vores Arbejdsmarked.

adequate supply. ICT specialists accounted for 5.8% of total employment in 2024, above the EU average of 5%, but the share of companies with hard-to-fill ICT vacancies (10.7%) was significantly higher than the EU average (6%) in 2022. To address these challenges, Denmark has strengthened STEM (science, technology, engineering and mathematics) education through digital tools, school collaboration and initiatives targeting women participation in these areas (See Annex 12). Demographic changes are driving labour demand, particularly for healthcare services, and in recent years, Denmark has introduced labour market reforms to increase labour supply for such services by 45 000 by 2030 ([217]). In January 2024, the government ([218]) reached an agreement with supporting parties to enable third-country nationals to be employed in the healthcare sector. This agreement includes issuing 1 000 work permits to foreign healthcare workers and a plan to identify partnerships with non-EU countries for targeted recruitment of healthcare professionals.

Denmark is investing in upskilling and reskilling to address skills shortages and mismatches, with the support of EU funding. The macroeconomic skills mismatch ([219]) continued to decline in 2024 in line with EU trends, reaching 13.6%, well below the EU average (19.2%). For over-qualification, 15.3% of workers with higher education degrees were employed in occupations not requiring that level of qualification, below the EU average of 21.5%. The European Social Fund Plus (ESF+) and the Just Transition Fund (JTF) support the upskilling and reskilling of the workforce. The ESF+ helps people acquire the skills needed for the labour market, including those for the green and digital transitions, and the JTF focuses on equipping workers in polluting industries with the skills required for the green transition. The recovery and resilience plan includes upskilling and reskilling measures for teachers in vocational education and training schools.

Real wages rebounded in 2024, partly offsetting the losses of 2022 and 2023, while overall wage developments remain moderate. After nominal wages rose by 3.1% in 2023 and 4.2% in 2024, nominal wage growth is expected to remain stable and above the EU average in 2025 ([220]). In turn, real wages, after a marked drop of 5.3% in 2022 and a slight dip of 0.1% in 2023, are set to increase by 2.8% in 2024 and by more than 2% in 2025 (close and above the EU average). This recovery reflects both lower inflation and higher nominal wage growth, but by 2025 it may not be sufficient to fully recoup the losses from 2022 and 2023. In recent years, growth in unit labour costs (ULCs) has been relatively moderate, leaving some room for further wage increases in the short run. After rising by 5% in 2022, ULCs increased by 1.9% in 2023 and 1.4% in 2024, among the lowest growths in the EU. Gross disposable household income per capita grew more than the EU average, reaching 122.57 in 2023 (EU: 111.09; 2008=100). Labour productivity remains high, with the productivity per hour worked standing at 131.6% of the EU average despite a decrease of 8 pps in 2023. Maintaining a strong productivity growth will be key to ensure sustainable higher wage growth over the longer run.

([217])DK2030 - Danmark rustet til fremtiden - Regeringen.dk.

([218])Bred politisk aftale om udenlandsk arbejdskraft i sundhedsvæsenet og ældreplejen | Indenrigs- og Sundhedsministeriet.

([219])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: DG EMPL own calculations.

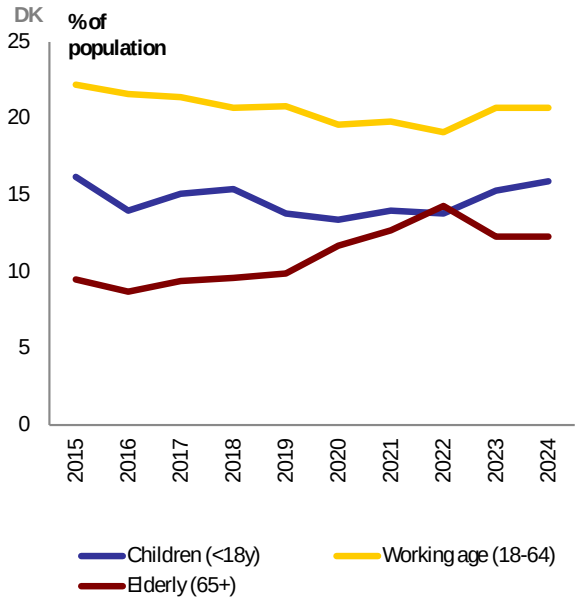
([220])European Commission, Autumn 2024 Economic Forecast.

Denmark's strong welfare system continues to tackle poverty and social exclusion effectively, though some risk indicators have increased slightly in recent years. Social benefits play a key role in reducing poverty and inequalities, but vulnerable groups still face significant disparities, especially among non-EU nationals, persons with disabilities and single-parent households. Further efforts to alleviate inequalities affecting these groups will help foster inclusive growth and competitiveness.

Denmark continues to have a relatively low rate of people at risk of poverty or social exclusion (AROPE), despite a slight increase in recent years. The AROPE rate rose in the last two years, moving from 17.1% in 2022 to 17.9% in 2023 and further to 18% in 2024, while the EU average declined to 21%. After a sharp increase in 2023, severe material and social deprivation fell to 4% in 2024, remaining below the EU average of 6.8%. The at-risk-of-poverty (AROP) rate decreased slightly to 11.6% in 2024 (EU: 16.2%), underscoring the effectiveness of Denmark's social protection system (see below). In 2024, the AROPE rate remained stable at 20.7% for the working-age population (18-64 years old), and at 12.3% for those aged 65 or above, following a sharp increase for the latter group during the COVID-19 pandemic (see Graph A11.1). Vulnerable groups continue to face higher risks of poverty and social exclusion: in 2024, foreign-born adults experienced a high AROPE rate at 29.6% (EU: 35.2%) compared to 17.2% for native-born adults (EU: 18.3%). The AROPE rate for persons with disabilities has been increasing, going from 23.1% in 2019 to 28.1% in 2024([221]). Although it is below the EU average (28.8%), there is room for improvement to reverse the trend of increasing inequality. Denmark has set a target of reducing the number of persons living in very low work intensity households by 30 000 by 2030. In 2024, around 474 400 people lived in such households, 60 000 above the 2019 base year level. Further efforts are needed to reach the national 2030 target and to prevent more people from experiencing poverty.

([221])2024 data for Denmark are subject to a break in time series

Graph A11.1: ***At-risk-of-poverty or social exclusion rate, age groups***



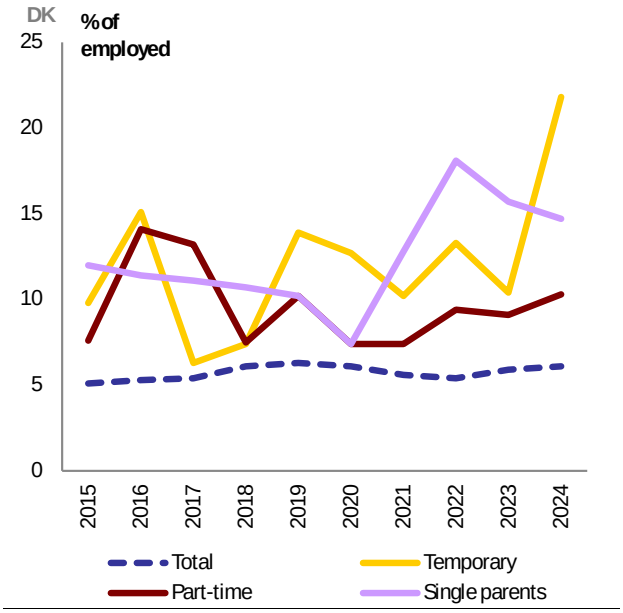
AROPE: At-risk-of-poverty or social exclusion rate (% of total population).
Source: Eurostat, EU-SILC

The risk of poverty or social exclusion among children has increased but remains relatively low. The AROPE rate for children rose by 2.1 percentage points (pps) in the last two years, reaching 15.9% in 2024 (EU: 24.2%). While Denmark has not set a complementary child poverty reduction target, the number of children at risk in 2024 was approximately 24 000 higher than in 2019. In order to mitigate the impact of poverty on children, Denmark is implementing the European Child Guarantee (ECG) as part of its 2022 action plan. The 2024 biennial implementation report concludes that Denmark continues to fulfil the objectives of the ECG but acknowledges that there is room for improvement as regards ensuring equal opportunities for vulnerable children.

Denmark faces relatively low in-work poverty rates, though certain groups remain more vulnerable. The in-work at-risk-of-poverty rate in Denmark was 6.2% in 2023, compared to an EU average of 8.2%. The share was significantly higher among the non-EU-born (15.9%), with a high gap compared to native-born people (10.9 pps vs 11.3 pps for the EU), and among single-person households (14.8% vs 11.8%) and single parents (14.7% vs 18.9%). Part-timers and temporary workers also face relatively greater challenges. However, their in-work poverty risk, at 9.1% and 10.4% respectively in 2023, is

lower than the EU average (12.6% for both categories).

Graph A11.2: ***In-work-poverty rate, groups***



In-work-poverty rate (% of employed). Employed who have an equivalised disposable income below 60% of the national equivalised median income.
Source: Eurostat, EU-SILC

Denmark's strong social benefits system plays a critical role in reducing poverty and inequalities by supporting vulnerable groups. The impact of social benefits on poverty reduction was among the highest in the EU in 2024 (50.4% vs 34.4%). Expenditure on social protection is also relatively high (27.9% of GDP compared to 26.8% in the EU). Income inequality, as measured by the income quintile share ratio, increased in 2023 and remained stable in 2024, with the income of the richest 20% of the population around 4.16 times that of the poorest 20%. Despite this, it remains significantly below the EU average of 4.66.

House prices have been growing moderately amid high household indebtedness. House prices have increased by close to 40% in nominal terms over the past decade. After increasing in 2021 and 2022 (+11.7% and +4.8% respectively), house prices decreased slightly in 2023 (-4.2%) in the context of higher interest rates and the related moderation of mortgage credit. House prices rebounded in 2024 (+4.6% in Q3-2024 year-on-year). As of end-2024, house prices have increased and are estimated to be slightly overvalued (less than 5%). After a significant decrease in house transactions in 2022 (-24.8% in number and -38.0% in value), the number of transactions stabilised in 2023 (-0.2%) while the values transacted increased (+22.7%). Building permits decreased by 10.5% in 2022 and by a further 34.2% in 2023, implying a lower supply of new housing looking ahead, which will put upside pressure on house prices. At the same time, Denmark's household debt ratio – while trending downwards – is one of the highest in the EU, both as a share of GDP (88% in 2023) and of gross disposable household income (140% in 2023). In February 2024, the European Systemic Risk Board (ESRB) concluded that the residential property market in Denmark was subject to high risks and the macroprudential policy mix was only partially appropriate and partially sufficient to mitigate the situation ([222]).

Overall housing affordability has deteriorated over the last decade especially in terms of people's ability to buy a house. House prices have grown faster than household incomes since 2015, as reflected in the steady increase in the standardised house price-to income ratio. This ratio stood almost 15% above its long-term average in 2021 but has decreased since then and stood 5% above its long-term average in 2023. Taking into account the cost of mortgage funding, the borrowing capacity of households remained largely stable over the past decade. With a rather large rental market, the ratio of new rents to incomes remained rather stable over the last decade.

The housing cost overburden remains high, despite efforts to mitigate its impact. Denmark continues to have one of the highest housing cost overburden rates, standing at 14.6% in 2024 compared to the EU average of 8.2%. The overburden rate for people with some or severe disabilities was 21.2%, which is roughly double the EU average of 10.4%. Although Denmark has an effective social protection system and a variety of social benefits to mitigate its impact, housing cost overburden remains a significant challenge. Homelessness has increased slightly, growing by 3% between 2022 and 2024 and affecting almost 6 000 people ([223]). Men account for the majority of

([222])ESRB (2024): 'Follow-up report on vulnerabilities in the residential real estate sectors of the EEA countries, February 2024'. On the recommendation of the Danish Systemic Risk Council, Denmark activated a sector-specific buffer for credit institution exposures to real estate companies at a rate of 7 per cent effective from 30 June 2024.

([223])Hjemløshed i Danmark 2024 - vive.dk.

homeless people, at 77% ([224]). Between 2021 and 2022, the number of beneficiaries of refuges and homeless shelters increased by 5% ([225]). At the same time, national data shows a significant decrease in the number of homeless individuals aged 18-24, which several observers attribute to the increase in the number of policies addressing the problem of youth homelessness. The European Social Fund Plus (ESF+) supports the homeless and those at risk of homelessness through activities that promote social integration.

Challenges in the care sector are expected to continue in light of the demographic changes. Shortages in the healthcare sector have been ongoing for several years and the demand for skilled professionals is projected to outweigh supply by 15 000 workers (social and healthcare workers) in 2035 ([226]). Denmark's public expenditure on long-term care (LTC) is expected to increase by 3.3 pps of GDP between 2022-2070 due to the ageing population, longer life expectancy and growing need for care services. In comparison, the EU-average public expenditure is expected to increase by only 0.8 pps of GDP ([227]). The expected increase in public LTC expenditure coincides with enrolment levels in social and healthcare education programmes that do not sufficiently match the increasing demand for qualified personnel in the healthcare sector ([228]). The Danish government and a broad coalition of parties has agreed on 13 initiatives aimed at strengthening the quality of the social and health education programmes, increasing recruitment, and reducing dropout rates in the programmes. These include the professionalisation of training supervisors, increasing support for VET institutions and language support for pupils, and upskilling teachers ([229]). The state pension age in Denmark is regularly adjusted based on life expectancy, with the parliament reviewing it every five years. In 2024, the State pension age was 67 years, and it is projected to increase to 74 by 2070. The aggregate replacement ratio remained stable at 47% in 2024, compared to an EU average of 61%.

Denmark performs relatively well in addressing energy poverty. The share of the population unable to keep their homes adequately warm stands at 4.4% in 2024, up 1.6 pps from 2021 and 1.7 pps from 2017, but below the EU average of 9.2%. Similarly, 4% of individuals faced arrears on utility bills in 2024, a 1.1 pp. rise since 2021 but below the EU average of 6.9%. In terms of structural issues, 15% of the Danish population reported leaks, damp or rot in their dwellings in 2023, a slight improvement of 1.8 pps from 2019, close to the EU average of 15.5%. Denmark does not have a national definition for energy poverty, but relies on three main indicators: low-income households, poor energy performance in housing, and high energy consumption. Social measures include heating allowances for low-income pensioners and a range of subsidies and targeted support schemes, such as personal allowances to cover additional heating or electricity costs. One aim of Denmark's national energy and climate plan is to expand district heating and to retrofit older buildings, which make up a significant portion of Denmark's housing stock.

([224])COUNTRY NOTE: DATA ON HOMELESSNESS IN DENMARK.

([225])Fondation Abbé Pierre – FEANTSA - 9th Overview of Housing Exclusion in Europe 2024 - Rapport - EN.pdf.

([226])Danish Ministry of Finance, DK2030 - Danmark rustet til fremtiden.

([227])2024 Ageing Report. Economic and budgetary projections for the EU Member States (2022-2070), page 118.

([228])See Forberedt på fremtiden III - Regeringen.dk and DK2030 - Danmark rustet til fremtiden - Regeringen.dk.

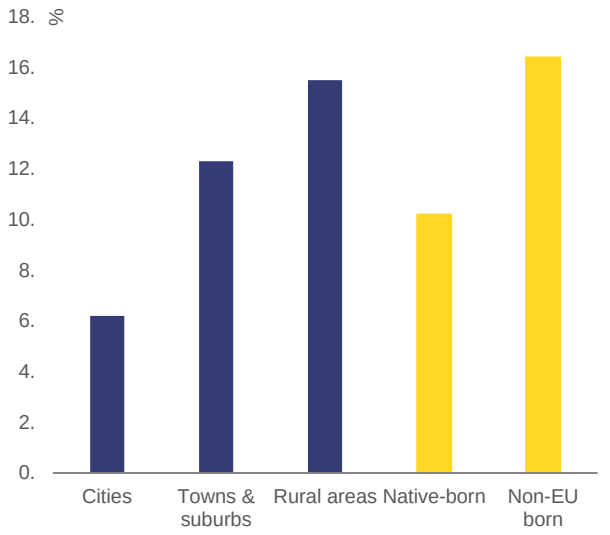
([229])Aftaletekst om SOSU-uddannelserne.

While education outcomes in Denmark are above the EU average, the Danish education system does not support all pupils developing to their full potential. Young people with migrant background clearly lag behind. The number of early leavers from education and training has increased in recent years, contrary to the EU trend. Further efforts to reduce early school leaving and improve participation in adult learning, particularly vocational education and training (VET), could help address persistent skilled labour shortages and support Denmark's competitiveness.

Early school leaving remains a persistent challenge in Denmark. Early leaving from education and training continued to increase to 10.4% both in 2023, being unchanged in 2024, remaining persistently above the EU average (9.3%) and the EU-level target of 9%. 11.8% of young people born outside the EU left school early, a sudden 4.6 percentage points (pps) decrease on the previous year. This amounts currently to a 1.4 (pps) gap compared to native born and is 8.2 pps below the EU average. The gap between urban and rural areas is pronounced, with a much lower rate in cities (6.2%) and towns (12.3%) than in rural areas (15.5%). Since only about one seventh of all Danes lives in rural areas ([230]), the challenge remains concentrated. Launched in March 2024, the 'Folkeskole' (primary and lower secondary school) quality programme is a major reform of Denmark's primary and lower secondary school. It aims to simplify curricula for all subjects, grant teachers more pedagogical autonomy and reinforce practical aspects of the curriculum, while ensuring excellence in education outcomes and well-being ([231]).

Denmark has a very high participation in childhood education and care (ECEC), but quality issues remain. 62.9% of children below the age of three attended formal childcare in 2024, most of them all day ([232]). This is one of the highest shares in the EU and close to the 67.5% national Barcelona target. 95.7% of the children aged between three years and compulsory school age attended ECEC in 2023, both above the EU average (94.6%) and at the EU-level target (96%), but participation is significantly lower among children at risk of poverty or social exclusion (89%). The quality of ECEC for children under three varies significantly across municipalities ([233]). Lower salaries for ECEC teachers are one reason making recruitment challenging, especially in municipalities in the Capital Region and in Zealand.

Graph A12.1: ***Early leavers from education and training by urbanisation and country of birth***



Year: 2024; Age class: From 18 to 24 years
Source: Eurostat [edat_lfse_02]; [edat_lfse_30]

Denmark faces challenges in attracting and retaining qualified teachers, deepening staffing shortages. Municipalities struggle to attract and retain fully trained staff in ECEC and in the Folkeskole. The number of fully trained teachers has decreased by 11.6% to 38 000 in the last 10 years, and 20% of graduates never enter the teaching profession. Up to a quarter of Folkeskole teachers consider leaving (for example, for private schools), further increasing the need to facilitate lateral entry into the profession ([234]). According to a 2021 survey, 18.1% of teachers in Folkeskole lack pedagogical training ([235]).

([230])2023 rural population: 684 197, -0.36% from 2022. Urban population: 5 262 755, +0.89% from 2022.

([231])Ministry of Children and Education: Agreement on the primary and lower secondary school's quality programme.

([232])In Denmark, 58.6% attend formal childcare for 25 hours or more in 2024 compared to a 28.2% EU.

([233])Lindeberg, H.H. et al. (2023). *Kvalitet i dagtilbud, National undersøgelse af kvalitet i pædagogiske læringsmiljøer og rammer i kommunale daginstitutioner og dagplejen for 0-2-årige børn.digit* VIVE, EVA.

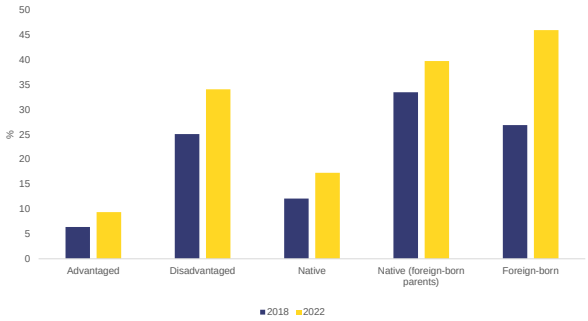
([234])Danmarks Evalueringsinstitut (EVA): Lærerer i grundskolen.

([235])Plauborg et al. (2022): Lærere, der bliver i professionen.

Underachievement in basic skills has risen but remains among the lowest in the EU. According to 2022 OECD PISA results, one in five 15-year-olds shows low performance in basic skills, with 20.4% underachieving in mathematics, 19.0% in reading and 19.9% in science – well below the EU averages of 29.5%, 26.2% and 24.2%, respectively. The share of top performers is higher than the EU average, but a significant gender gap remains. The share of boys (9.9%) among top performers in mathematics is nearly twice the share of girls (5.4%). At the same time, Denmark also registered one of the greatest decreases in top performance in mathematics within the EU (-3.9 score points) between 2018 and 2022. Danish 15-year-olds also perform well above the EU average in creative thinking: +3.5 points for the mean score and +6.2 pps for the share of top performers (31.3%).

Despite overall good performance, migrant background has a strong impact on educational outcomes. Underachievement in mathematics reaches 34.1% among students with migrant background and rises to 46% for those born abroad (see Graph A12.2). In the same vein, in terms of basic digital skills the gap between young with migrant background and natives (49.8 points) is nearly double the EU average (28.5 points). On a positive note, socio-economic background has much smaller impact on basic skills, including digital skills. ([236]). The quality programme builds on previous reform actions to reduce low performance and to increase well-being. Nevertheless, further targeted support to disadvantaged learners could help them realise their full potential.

Graph A12.2: ***Underachievement in mathematics in Denmark by country of birth and background***



Source: OECD (2023); PISA 2018 and 2022

Shortages of graduates in critical sectors makes increasing student retention and enhancing access to VET a political priority. Denmark has one of the highest employment rates among recent VET graduates (87.7% vs EU average of 80% in 2024), and their exposure to work-based learning is above-average (78.8% vs EU 65.3% in 2024). Still, the share of VET students among all upper secondary students stood at 39.9% in 2023, well below the EU average (54.2%). Low enrolment, combined with high drop-out rates, pose challenges, particularly to those sectors facing acute shortages, such as construction, skilled trades and long-term care (see Annex 10). To address these issues, Denmark has made permanent the scheme "Right to Educational Boost with 110% Unemployment Benefits", granting eligible unemployed individuals the right to undertake vocational education targeted at occupations in shortage.

Skills shortages are widespread. 56% of SMEs reported difficulties in finding workers with the right skillset ([237]) and the demand for skilled healthcare professionals is expected to exceed supply by 15 000 workers in 2035 (see Annex 11). Several political initiatives have already been put in place to counteract the trend. In addition to the Folkeskole reforms, upper secondary education will be restructured, eliminating one out of the four tracks, EUX and introducing EPX, a new vocational and profession-oriented track that should encourage more young people to choose VET education. The government has planned to allocate DKK 1 billion annually for vocational education programmes from 2030 onwards. Denmark's REPowerEU chapter includes measures

([236])The difference in achievement based on the number of books and computers at home is among the lowest in the EU.

([237])Eurobarometer survey

for upskilling VET teachers and developing green curricula and green equipment for VET-schools amounting to approximately EUR 28 million. The ESF+ supports measures that increase the attractiveness of VET as well as several upskilling and reskilling measures for young people and adults.

Denmark excels in digital skills, but challenges remain in meeting ICT demand and increasing women's participation. In 2023, 69.6% of the population aged 16-74 had at least basic digital skills, compared to 55.6% across the EU. Danish students rank among the best in the EU ([238]) in computer and information literacy, with only 32% of low achievers in 2022 (EU average: 43%). However, additional efforts are still required to reach the EU-level target of 15%. Persistent shortages in ICT remain a challenge (see Annex 10), and attracting young people to the sector is difficult, with only 5.5% of graduates earning an ICT-related degree. While girls outperform boys on basic digital skills by 11.3 pps, (EU average: 7.9 pps), women are underrepresented in ICT, making up 23.9% of all students in the field, though above the EU average (20.1%). Similarly, the share of female ICT students relative to all female students is relatively high (2.2%, EU average: 1.9%). The Ministry of Education has supported the development of digital tools and resources for teachers and students, enhancing STEM learning through interactive and engaging content. Increased collaboration between primary and secondary schools and universities has also led to joint projects and initiatives that expose students to advanced STEM concepts and research. To address the gender gap, some universities in Denmark have launched targeted initiatives to encourage women to pursue STEM studies.

Denmark's tertiary educational attainment rate has increased significantly in the past decade, but the share of STEM students remains relatively low. At 51.2% in 2024, the tertiary educational attainment rate is both well above the EU average (44.2%) and the EU-level target (45%). However, in 2022, only 23.9% of students were enrolled in STEM studies, slightly below the EU average, while among VET students, 45.1% were enrolled in STEM fields (EU average: 36.2%). Various measures to make STEM education more accessible and attractive for students include curriculum development, funding and grants, teacher training, partnerships with industry, extracurricular programmes, research and innovation and public awareness campaigns. Nevertheless, learning facilities, student support services, clarity of teaching and labour market readiness still have scope for improvement ([239]).

Higher education reforms focus on greater flexibility and shortening study programmes. This applies in particular to Masters degrees, enabling Danish students (who characteristically have long study durations) to enter the labour market faster and better prepared, easing existing skill shortages. A key innovation is that students in shortened Masters programmes obtain the right to return to university later in life for additional education. Along with other initiatives, this makes the Danish lifelong learning system more flexible and strengthens the integration of higher education.

Participation in adult learning has fallen, but Denmark has made progress in energy intensive industries. Yearly participation in adult learning slightly decreased from 50.4% in 2016 to 47.1% in 2022. This is below the headline EU 2030 target of 60% (which is also Denmark's target), but well above the EU average of 39.5%. Nevertheless, participation in education and training in energy intensive industries has increased, with the share of employees in education and training in the last four weeks rising from 14.3% in 2020 to 25.3% in 2024 (the EU average only increased from 7.6% to 11.1%). In 2024, labour shortages were reported in occupations requiring specific skills related to the green transition, including environmental engineers, environmental protection professionals, and agricultural and forestry production managers ([240]). Although Denmark is performing better than the EU average, boosting participation in adult learning remains crucial to tackle

([238])International Computer and Information Literacy Study (ICILS) 2023.

([239])DEA (2024), KVALITET PÅ STEM.

([240])European Labour Authority 2025, EURES Report on labour shortages and surpluses 2024, based on data from EURES National Coordination Offices. Skills and knowledge requirements align with the ESCO taxonomy on skills for the green transition, with examples analysed using the ESCO green intensity index.

shortages in key sectors and sustain Denmark's competitiveness.

*Table A13.1:**Social Scoreboard for Denmark***

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, 2024)	10,4
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2023)	69,6
	Young people not in employment, education or training (% of the population aged 15-29, 2024)	8,0
	Gender employment gap (percentage points, population aged 20-64, 2024)	6,5
	Income quintile ratio (S80/S20, 2024)	4,16
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2024)	80,2
	Unemployment rate (% of the active population aged 15-74, 2024)	6,2
	Long term unemployment (% of the active population aged 15-74, 2024)	0,8
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2023)	122,6
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2024)	18,0
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2024)	15,9
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2024)	50,4
	Disability employment gap (percentage points, population aged 20-64, 2024)	26,1
	Housing cost overburden (% of the total population, 2024)	14,6
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2024)	62,9
	Self-reported unmet need for medical care (% of the population aged 16+, 2024)	3,1

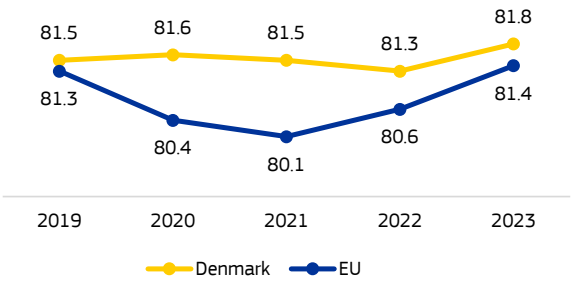
Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

(1) Update of 5 May 2025. 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 2025 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2025-0).
Source: Eurostat

Denmark's health system fares relatively well, with high life expectancy at birth linked to low levels of treatable and preventable mortality and a high level of sound digitalisation. However, shortages of health professionals (general practitioners and nurses in certain regions, and also hospital doctors in some specialty areas), and an uneven geographical distribution of healthcare resources, pose a challenge. These issues could be rectified given the high level of funding available for the country's health system.

Life expectancy at birth in Denmark is slightly above the EU average. However, mortality due to cancer is high. In 2023, life expectancy at birth stood at 81.8 years, rebounding above its pre-COVID-19 level. There is a clear gender gap in Denmark, with women living 3.8 years longer than men. However, women live 2.5 more of their years in bad health than men. Compared to other EU countries, Denmark had lower rates of mortality from preventable and treatable diseases in 2022. This points to the effectiveness of the public health and healthcare system in preventing deaths from such conditions. In 2022, the leading causes of death were cancer, cardiovascular diseases, followed by diseases of the respiratory system. Cancer mortality in Denmark was 260 per 100 000 population in 2022, above the EU average of 235. Lung cancer remains the most frequent cause of death by cancer, followed by colorectal cancer. This has prompted a number of initiatives to prevent cancer (such as policies to reduce smoking) and to promote better access to cancer screening and treatment. Denmark participates in EU4Health-funded joint actions aimed at cancer and other non-communicable diseases, anti-microbial resistance, e-health, the European Health Data Space, clinical trials, medicine shortages and the European Reference Networks for rare diseases.

Graph A14.1: ***Life expectancy at birth, years***



Source: Eurostat (demo_mlexpec)

Denmark's health system performs well in delivering services to the population, with a focus on primary care. In 2022, health spending per inhabitant was among the highest in the EU. The largest share of health spending goes towards outpatient care (36.4%). This, together with a low number of hospital beds (195 per 100 000 population in 2022, among the lowest in the EU), clearly illustrates Denmark's outpatient-centred care model. Out-of-pocket payments account for a slightly smaller proportion of spending on health in Denmark (13%) than the EU average (14.3%). Nearly half of all out-of-pocket payments are for outpatient pharmaceuticals, the next highest share being for dental services ([241]). Spending on primary care services as a share of current health expenditure is very close to the EU average for dental care and relatively close for general outpatient care ([242]). Through its recovery and resilience plan (RRP), Denmark invests EUR 33 million in healthcare. The Danish RRP includes investments aimed at ensuring sufficient stocks of critical medicines and improving the infrastructure for managing and monitoring medical countermeasures in an emergency. A new agreement between the Ministry of the Interior and Health and the Danish Pharmacy Association strengthens pharmacies' role in primary healthcare. The agreement for 2025–2026 allocates funding for pharmacies to offer telephone and digital counselling to healthcare and care professionals and relatives managing medications ([243]).

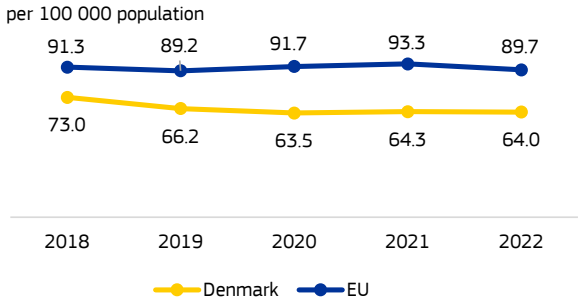
([241]) *OECD/European Commission (2024),* Health at a Glance: Europe 2024 - State of Health in the EU Cycle, pp. 186-187.
([242]) Health at a Glance: Europe 2024, pp. 151.
([243]) https://www.ism.dk/nyheder/2025/januar/ny-aftale-styrker-apotekernes-rolle-i-det-naere-sundhedsvaesen

*Table A14.1:**Key health indicators***

	2019	2020	2021	2022	2023	EU average* (latest year)
Cancer mortality per 100 000 population	282.5	271.0	270.6	259.6	n.a.	234.7 (2022)
Mortality due to circulatory diseases per 100 000 population	215.3	207.4	211.8	210.8	n.a.	336.4 (2022)
Current expenditure on health, purchasing power standards, per capita	3 764	3 998	4 410	4 154	n.a.	3 684.6 (2022)
Public share of health expenditure, % of current health expenditure	83.7	84.3	85.1	84.6	83.5	81.3 (2022)
Spending on prevention, % of current health expenditure	2.2	3.2	8.8	5.0	2.5	5.5 (2022)
Available hospital beds per 100 000 population**	208	207	199	195	n.a.	444 (2022)
Doctors per 1 000 population*	4.3	4.4	4.5	n.a.	n.a.	4.2 (2022)*
Nurses per 1 000 population*	10.1	10.2	10.3	n.a.	n.a.	7.6 (2022)*
Mortality at working age (20-64 years), % of total mortality	14.0	13.5	12.9	12.3	12.3	14.3 (2023)
Number of patents (pharma / biotech / medical technology)	289	274	243	129	200	29 (2023)***
Total consumption of antibacterials for systemic use, daily defined dose per 1 000 inhabitants****	15.3	14.3	14.4	15.2	16.2	20.0 (2023)

*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 2022 (or latest 2021) data except for Luxembourg (2017). 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 France and Slovakia (professionally active) and Greece (hospital only). **'Available hospital beds' covers somatic care, not psychiatric care. ***The EU median is used for patents
Source: Eurostat database; European Patent Office; ****European Centre for Disease Prevention and Control (ECDC) for 2023.

*Graph A14.2: **Treatable mortality***



Age-standardised death rate ***(mortality that could be avoided through optimal quality healthcare)***
Source: Eurostat (hlth_cd_apr)

As regards public health, there is scope for further improvement on disease prevention. In 2022, the share of spending directed at prevention in Denmark dropped to 5% of total spending on health, bringing it below the EU average of 5.5%. Between 2019 and 2021 and linked to COVID-19, Denmark significantly increased its spending on immunisation programmes, epidemiological surveillance and risk and disease control programmes. The rate of the increase was around 300%, greatly exceeding the EU average increase of 106%. Other areas for improvement include increasing the consumption of fruit and vegetables, which is currently below the EU average, and reducing vaping among 15–24-year-olds, which is above the EU average according to 2022 figures. For other lifestyle factors, Denmark performs better than the EU average. As part of the "Better Psychiatry Agreement" from November 2023, the government and agreement parties have decided to improve access to regional acute psychiatric services, including via an acute psychiatric emergency hotline integrated into the existing emergency response system and via reinforcements with psychiatric expertise ([244]).

Denmark has more doctors and nurses per 1 000 population than the EU average according to 2022 figures, but specific workforce shortages pose a challenge. There were 1 034 practising nurses per 100 000 inhabitants in 2022, significantly more than the EU average of 756. For several years, doctor density in Denmark (around 4.5 per 1 000 population in 2022) has been above the EU average of 4.2 per 1 000. However, doctor density appears to be higher in the capital region of Copenhagen and in other major cities than in remote and sparsely populated regions. While the number of doctors and nurses relative to population size has increased over the past decade, the growth in the number of nurses has been more modest. The increase in doctors relative to population size has solely been due to an increase in specialists, while the density of general practitioners (GPs) has remained unchanged. However, in 2024, the government adopted a wide-ranging health reform, the largest in Denmark in almost 20 years ([245]), aiming to reduce waiting times, strengthen free choice of health and care places and a better distribution of GPs, specialists and hospital doctors (on top of increased supply), as well as chronic care packages ensuring more integrated care.

([244])https://www.ism.dk/nyheder/2025/januar/aftale-om-national-psykiatrisk-akuttelefon-er-paa-plads
([245])Historisk reform flytter sundhedsvæsenet tættere på borgerne | Indenrigs- og Sundhedsministeriet

The retention of nurses in public hospitals has become a growing challenge. Between 2020 and 2022, the number of nurses employed in public hospitals decreased, with many transferring to other types of healthcare facility – notably in the municipal health sector and to a lesser extent in private hospitals. Overall, in 2022, around 4 700 nursing positions were unfilled in hospitals. The number of nursing graduates per 100 000 inhabitants is also below the EU average. Moreover, more than a quarter (around 29%) of nurses are aged 55 and over, which raises concerns about the sustainability of workforce numbers, especially given the shortages of GPs and hospital doctors in some specialty areas mentioned above. These workforce shortages have made it impossible to reduce the backlog of patients on waiting lists and, by extension, the waiting times for surgical interventions. In 2022, the Danish government agreed on a reform to strengthen the health system, including by improving medical coverage in areas with a shortage of doctors ([246]). The government also set up a 'Resilience Commission' to look at staff shortages and recruitment issues. In 2023, the government announced a package of measures to address staff shortages and long waiting lists ([247]). Moreover, the Government established the Health Structure Commission in March 2023 with the task of proposing solutions to ensure a preventive and coherent healthcare system with more equality and that is close and sustainable ([248]).

Denmark's health system contributes significantly to innovation and industrial development in the EU medical sector. Denmark is among the EU countries that report considerable public spending on health research and development ([249]), alongside private investment by large corporations headquartered in the EU and by the pharmaceutical sector in general. Denmark was granted 200 European patents in 2023 in the combined areas of pharmaceuticals, biotechnologies and medical technologies ([250]). This is a remarkably high number for a relatively small EU country, and far above the EU median of 29. The country has also held a high number of clinical trials ([251]).

Denmark aims to accelerate the digitalisation of its health system, **with support from EU programmes.** It has among the highest shares in the EU of people accessing their personal health records online and making use of telemedicine/ online health services (excluding phone) instead of in-person consultations. Denmark's RRP also focuses on strengthening digital solutions in the healthcare sector, with planned investments in e-health services and applications.

([246])See https://commission.europa.eu/system/files/2023-05/2023-Denmark-NRP_en.pdf.

([247])See: https://eurohealthobservatory.who.int/monitors/health-systems-monitor/updates/hspm/denmark-2012/acute-package-to-address-waiting-lists-and-staff-shortages.

([248])https://www.ism.dk/temaer/sundhedsstrukturkommissionen

([249])For further details, see Annex 3.

([250])European Patent Office, Data to download | epo.org.

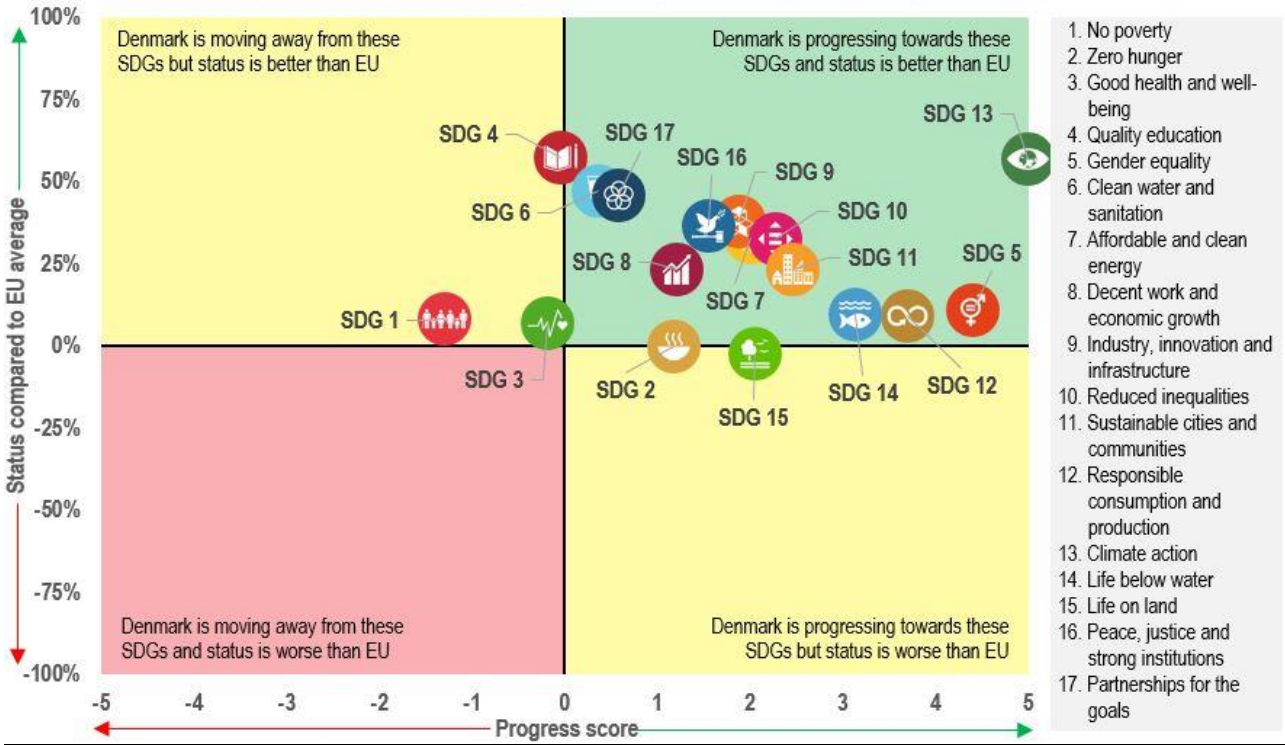
([251])EMA (2024), Monitoring the European clinical trials environment, p. 9.

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) and is progressing towards SDGs 8 and 9. The share of households with a high-speed internet connection (SDG 9) increased between 2019 and 2023 (from 93% to 97.2%) and is well above the EU average (78.8% in 2023). After several years of lower R&D intensity, Denmark's gross domestic expenditure on R&D increased again to 2.99% of GDP in 2023, above the EU average (2.24% in 2023). The number of patent applications to the European Patent Office per million inhabitants reached 431 in 2024, well above the EU average (156 in 2024). On SDG 4 (Quality education), Denmark performs better than the EU average on all indicators but one: early leavers from education and training as a percentage of the population between 18 and 24 remained static between 2019 and 2024, when it reached 10.4%; the situation is slightly worse than the EU average (9.3% in 2024). The recovery and resilience plan (RRP) includes measures to help tackle the remaining digitalisation challenges and to promote green upskilling.

Denmark is progressing towards all the SDGs

Graph A15.1: ***Progress towards the SDGs in Denmark***



For detailed datasets on the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for details on extensive country-specific data on the short-term progress of Member States: Key findings – Sustainable development indicators - Eurostat (europa.eu). 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 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 28 April 2025. Data refer mainly to the period 2018-2023 or 2019-2024. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

related to *sustainability* (SDGs 2, 6, 7, 9, 11, 12, 13, 14, 15). Denmark performs well on all SDGs in this area but SDG 2 (Zero hunger) and SDG 15 (Life on Land), where the country scores slightly below EU average. The share of renewable energy in gross final energy consumption (SDG 7) increased considerably, from 35.2% in 2018 to 44.4% in 2023, well above the EU average (24.6% in 2023). Net greenhouse gas emissions (SDG 13) decreased from 9.1 tonnes per capita in 2018 to 6.5 tonnes per capita in 2023, moving closer to the EU average (6.8 tonnes per capita in 2023). Net greenhouse gas emissions from land use and forestry (SDG 13) decreased significantly from 57.9 tonnes CO_2 eq. per km² in 2018 to -11.7 tonnes in 2023, a figure which is nevertheless higher than the EU average (-47 tonnes CO_2 eq. per km² in 2023). The share of green bonds issuance by corporates and governments in total bond issuance (SDG 13) in 2023 was higher than the EU average (16.6% vs 6.8%). On waste generation and management (SDG 12), the circular material use rate increased from 8.1% to 9.1% between 2018 and 2023 and is below the EU average (11.8% in 2023). However, the recycling rate of municipal waste (SDG 11) decreased between 2017 (47.6%) and 2022 (45.7%) and is below the EU average (48.7% in 2022). After a period of increase, the material footprint (SDG 12) decreased to 21.9 tonnes per inhabitant in 2023. It remains well above the EU average (14.2 tonnes per inhabitant in 2022). In terms of SDG 14 (Life below water), Denmark is performing slightly better than the EU average on several indicators. The share of terrestrial protected areas (SDG 15) in Denmark is significantly below the EU average (15.1% of total area, vs 26.1% in 2022). 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 5, 7, 8, 10). Denmark performs well on SDG 1 (No poverty) and SDG 3 (Good health and well-being), and very well on SDG 4 (Quality Education). However, it is moving slightly away from these SDGs. The country performs above the EU average on most indicators related to poverty, quality education, clean and affordable energy, inclusive growth and inequality (SDGs 1, 4, 7, 8, 10). On reduced inequalities (SDG 10), Denmark has made progress in all indicators related to education and employment gaps between EU and non-EU citizens. The gap has narrowed in particular for the number of young people not in employment, education or training (1.3 percentage points (pps) difference between EU and non-EU citizens in 2024, compared to 5.2 pps in 2019) and for employment rate (8 pps difference between EU and non-EU citizens in 2024, compared to 19.2 pps in the EU average). Both values were considerably below EU average in 2024. Denmark's performance on several indicators related to poverty has deteriorated, as evidenced by (i) an increase in the share of the population experiencing severe material and social deprivation (from 3.5% in 2018 to 4.9% in 2023); (ii) an increase in the housing cost overburden rate (14.7% in 2018 to 15.4% in 2023) and (iii) an increase in the share of the population reporting that their medical needs were not met (1.3% in 2018 to 2.7% in 2023). The share of the population unable to keep their homes adequately warm (SDG 7) increased between 2018 and 2023 but is still significantly below the EU average (6.9% vs 10.6% in 2023).

Denmark performs well on and is progressing towards all SDGs related to *macroeconomic stability* (SDGs 8, 16, 17). The country performs very well on peace and justice indicators, with a high level of trust in its institutions (SDG 16). In 2024, 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 (0.8% vs 1.9% in 2024). Real GDP per capita (EUR 60 510 in 2024) is almost double the EU average (EUR 33 530 in 2024). The share of environmental taxes in total tax revenues was 4.7% in 2023; it was 8.1% in 2018.

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other Annexes.

Denmark faces structural challenges in some policy areas, as identified in the country-specific recommendations (CSRs) addressed to the to the country as part of the European Semester. They refer, among other things, to renewable energy, energy infrastructure and networks, environmental policy and resource management, education, skills, vocational education and training, and private-sector debt.

The Commission has assessed the 2019-2024 CSRs considering the policy action taken by Denmark to date and the commitments in its recovery and resilience plan (RRP). At this stage, Denmark has made at least 'some progress' on 94% of the CSRs ([252]), and 'limited progress' on 100% (Table A16.2).

EU funding instruments provide resources to Denmark by supporting investments and structural reforms to increase competitiveness, environmental sustainability and social fairness, while helping to address challenges identified in the CSRs. In addition to the EUR 1.6 billion funding from the Recovery and Resilience Facility (RRF) in 2021-2026, EU cohesion policy funds ([253]) are providing EUR 0.5 billion to Denmark (amounting to EUR 0.9 billion with national co-financing) for 2021-2027 ([254]) to boost regional competitiveness and growth. Support from these instruments combined represents 0.55% of 2024 GDP ([255]). The contribution of these instruments to different policy objectives is outlined in Graphs A16.1 and A16.2. This support comes on top of financing provided to Denmark under the 2014-2020 multiannual financial framework, which financed projects until 2023 and has had benefits for the economy and Danish society. Project selection under the 2021-2027 cohesion policy programmes is advanced and implementation of selected projects has gained momentum.

The Danish RRP contains 48 investments and 12 reforms to stimulate sustainable growth, with a focus on supporting the green transition of the economy, increasing energy efficiency and reducing CO_2 emissions. A year before the end of the RRF timespan, implementation is well on its way with 67% of the funds disbursed. At present, Denmark has fulfilled 57% of milestones and targets in its RRP ([256]). With sustained effort, Denmark should be able to complete all RRP measures by 31 August 2026.

Denmark also receives funding from several other EU instruments, including those listed in Table A16.1. Most notably, as a Member State with a significant agricultural sector, Denmark is a sizeable recipient of funds under the common agricultural policy (CAP). The CAP provides Denmark with an EU contribution of EUR 4.8 billion under the CAP strategic plan for 2023-2027 ([257]). Furthermore, operations amounting to EUR 865.9 million ([258]) have been signed under the InvestEU instrument backed by the EU guarantee, improving access to financing for riskier operations in Denmark.

([252])17% of the 2019-2024 CSRs have been fully implemented, 37% substantially implemented, and some progress has been made on 40%.

([253])In 2021-2027, cohesion policy funds include the European Regional Development Fund, the European Social Fund Plus and the Just Transition Fund. The information on cohesion policy included in this annex is based on adopted programmes with the cut-off date of 5 May 2025.

([254])European territorial cooperation (ETC) programmes are excluded from the figure.

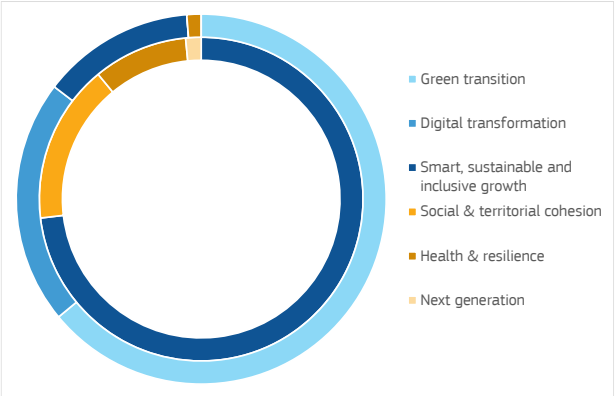
([255])RRF funding includes both grants and loans, where applicable. GDP figures are based on Eurostat data for 2024.

([256])As of mid-May 2025, Denmark has submitted 3 payment requests.

([257])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

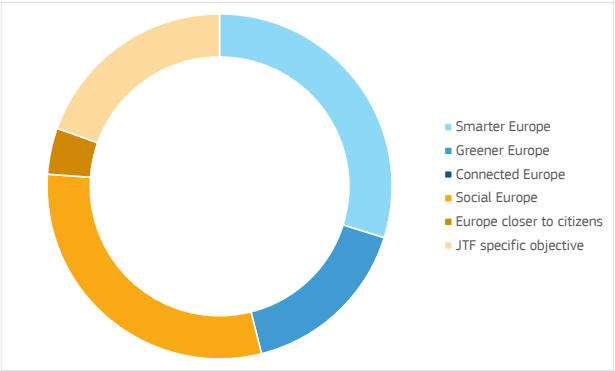
([258])Data reflect the situation on 31.12.2024.

Graph A16.1: ***Distribution of RRF funding in Denmark by policy field***



(1) Each RRP measure helps achieve the aims of two of the six policy pillars of the RRF. The primary contribution is shown in the outer circle, while the secondary contribution is shown in the inner circle. Each circle represents 100% of the RRF funds. Therefore, the total contribution to all pillars displayed on this chart amounts to 200% of the RRF funds allocated.
Source: European Commission.

Graph A16.2: ***Distribution of cohesion policy funds across policy objectives in Denmark***



Source: European Commission

Cohesion policy funds aim to increase the productivity and competitiveness of Danish firms and improve the business environment. The European Regional Development Fund (ERDF) and the Joint Transition Fund (JTF) will support over 11 500 businesses. Among these, 2 200 small and medium-sized enterprises (SMEs) are investing in skills for smart specialisation, for industrial transition and entrepreneurship, over 400 companies are cooperating with research organisations to boost research and innovation and almost 100 SMEs are expected to develop new and innovative products or solutions. Denmark is also using over EUR 50 million from the JTF for the Strategic Technologies for Europe Platform to develop cleantech and related value chains and skills in North and South Jutland. In addition, the European Social Fund Plus (ESF+) is providing around EUR 88 million (about 74% of the total ESF+ allocation) to support upskilling and reskilling measures to help people develop the skills and competencies needed for the green and digital transitions.

Other funds are contributing to competitiveness in Denmark, for instance through open calls. The Connecting Europe Facility has supported strategic investments in rail infrastructure, such as the Fehmarn Belt Tunnel between Denmark and Germany. It also contributed to energy market integration, the decarbonisation of the energy system and the security of energy supply, in particular through improved electricity interconnectivity. In the digital sector, it has strengthened the capacity, resilience and security of backbone infrastructure by deploying submarine cables and it has advanced the deployment of 5G along transport corridors. Horizon Europe has funded research and innovation across the spectrum, from scientific breakthroughs to scaling up innovations, with the European Research Council and Climate, Energy and Mobility as top priorities. In Denmark, the Technical Support Instrument (TSI) has provided assistance in key areas, including the preparation of the Social Climate Plan, the implementation of a revised emissions trading system and the alignment with the Net Zero Industry Act.

Denmark's RRP also contains ambitious measures to improve the business environment and competitiveness. As part of the measures covered by payment requests submitted over the past year, 550 SMEs received funding for digital projects to support their digital transformation. This initiative is expected to be particularly important for economic recovery, as SMEs have been among the most affected by the crisis. In addition, 500 firms benefited from a 130% tax deduction for private-sector research and development expenses in the 2022 financial year. The measure aims to front-load investment in research and development. The deduction is also expected to encourage smaller firms to increasingly engage in research and development, since they qualify for the deduction as well.

EU funds are playing a significant role in promoting environmental sustainability and green transition in Denmark during the current seven-year EU budget (multiannual financial framework). EUR 156.5 million from the ERDF and JTF are used to support the green transition. The aim of this funding is to reduce

greenhouse gas emissions in Denmark by 260 000 t CO_2 eq./year, transform over 26 000 tonnes of waste into raw materials and support fair climate transition by creating over 800 new jobs and upskilling and reskilling over 3 000 workers in SMEs in the most affected regions. Denmark's CAP strategic plan allocates EUR 432 million (66% of rural development funding) to environmental and climate objectives and EUR 819 million (20% of direct payments) to eco-schemes, supporting biodiversity, organic farming and sustainable practices. For example, farmers that implement crop diversification or establish wetlands, forests or grassland can receive extra support. To preserve and protect biodiversity, the CAP strategic plan promotes the inclusion and maintenance of landscape features on farms. On top of the spending under the plan, Denmark has kept the requirement for farmers that 4% of productive land must lie fallow in 2025.

Denmark's RRP, including the REPowerEU chapter, has a comprehensive set of reforms and investments for the green transition. The Danish RRP includes support for a study into the technical and economic feasibility of CO_2 storage in depleted oil and gas fields in the Danish part of the North Sea. Also, the RRP supported the drawing-up of recommendations on concrete models for a uniform CO_2-equivalent tax and cost-efficient reductions in greenhouse gases by increasing taxes on fossil fuels.

Promoting fairness, social cohesion and improving access to basic services are among the key priorities of EU funding in Denmark. In Denmark, the ESF+ fosters social inclusion with a focus on actively supporting vulnerable people towards integration and participation into the labour market. ESF+ will support at least 1 500 people who are homeless or at risk of homelessness, and at least 4 600 people on the margins of the labour market.

Denmark's RRP contains several reforms and investments related to fairness and social policies. The Danish RRP supported a study conducted by Aarhus University Hospital on the effects and side effects of COVID-19 vaccines to be made available to the Danish Ministry of Health.

*Table A16.1:**Selected EU funds with adopted allocations - summary data (million EUR)***

Instrument/policy	Allocation 2021-2026		Disbursed since 2021 (1)
RRF grants (including the RepowerEU allocation)	1 625.9		1 092.0
RRF loans	0		0
Instrument/policy	**Allocation 2014-2020 (2)**	**Allocation 2021-2027**	**Disbursed since 2021 (3)** (covering total payments to the Member State on commitments originating from both 2014-2020 and 2021-2027 programming periods)
Cohesion policy (total)	630.1	455.7	483.8
European Regional Development Fund (ERDF)	362.4	247.2	275.7
European Social Fund (ESF, ESF+)	267.7	119.6	180.0
Just Transition Fund (JTF)		89.0	28.1
Fisheries			
European Maritime, Fisheries and Aquaculture Fund (EMFAF) and the European Maritime and Fisheries Fund (EMFF)	209.0	201.0	132.9
Migration and home affairs			
Migration, border management and internal security - AMIF, BMVI and ISF (4)	24.6	37.2	18.7
The common agricultural policy under the CAP strategic plan (5)	**Allocation 2023-2027**		**Disbursements under the CAP Strategic Plan (6)**
Total under the CAP strategic plan	4 809.3		1 680.2
European Agricultural Guarantee Fund (EAGF)	4 156.5		1 590.2
European Fund for Agricultural Development (EAFRD)	652.9		90.0

(1) The cut-off date for data on disbursements under the RRF is 31 May 2025.
(2) Cohesion policy 2014-2020 allocations include REACT-EU appropriations committed in 2021-2022.
(3) These amounts relate only to disbursements made from 2021 onwards and do not include payments made to the Member State before 2021. Hence the figures do not comprise the totality of payments corresponding to the 2014-2020 allocation. The cut-off date for data on disbursements under EMFAF and EMFF is 29 April 2025. The cut-off date for data on disbursements under cohesion policy funds, AMIF, BMVI and ISF is 5 May 2025.
(4) AMIF - Asylum, Migration and Integration Fund; BMVI- Border Management and Visa Instrument; ISF - Internal Security Fund.
(5) Expenditure outside the CAP strategic plan is not included.
(6) The cut-off date for data on EARDF disbursements is 5 May 2025. The information on EAGF disbursements is based on the Member State declarations until March 2025. Disbursements for the Direct Payments (EAGF) started in 2024.
Source: European Commission

Table A16.2: ***Summary table on 2019-2024 CSRs***

Denmark	**Assessment in May 2025**	**Relevant SDGs**
2019 CSR 1	**Some progress**	
Focus investment-related economic policy on education and skills,	Some progress	SDG 4
research and innovation to broaden the innovation base to include more companies,	Substantial progress	SDG 9
and on sustainable transport to tackle road congestion.	Substantial progress	SDG 11
2019 CSR 2	**Substantial progress**	
Ensure effective supervision and the enforcement of the anti-money laundering framework	Substantial progress	SDG 8, 16
2020 CSR 1	**Substantial progress**	
Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment.	Not Assessed / No Input to Add	SDG 8, 16
Enhance the resilience of the health system, including by ensuring sufficient critical medical products and addressing the shortage of health workers.	Substantial progress	SDG 3
2020 CSR 2	**Substantial progress**	
Front-load mature public investment projects and	Substantial progress	SDG 8, 16
promote private investment to foster the economic recovery.	Full implementation	SDG 8, 9
Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy,	Substantial progress	SDG 7, 9, 13
sustainable transport	Substantial progress	SDG 11
as well as research and innovation.	Substantial progress	SDG 9
Support an integrated innovation strategy with a broader investment base.	Substantial progress	SDG 9
2020 CSR 3	**Substantial progress**	
Improve the effectiveness of anti-money laundering supervision and effectively enforce the anti-money laundering framework.	Substantial progress	SDG 8, 16

(Continued on the next page)

Table (continued)

2021 CSR 1	**Not Assessed / No Input to Add**	
In 2022, maintain a supportive fiscal stance, including the impulse provided by the Recovery and Resilience Facility, and preserve nationally financed investment.	Not Assessed / No Input to Add	SDG 8, 16
When economic conditions allow, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term.	Not Assessed / No Input to Add	SDG 8, 16
At the same time, enhance investment to boost growth potential. *Pay particular attention to the composition of public finances, both on the revenue and expenditure sides of the budget, and to the quality of budgetary measures, to ensure a sustainable and inclusive recovery. Prioritise sustainable and growth-enhancing investment, notably supporting the green and digital transition.*	Not Assessed / No Input to Add	SDG 8, 16
Give priority to fiscal structural reforms that will help provide financing for public policy priorities and contribute to the long-term sustainability of public finances, including by strengthening the coverage, adequacy, and sustainability of health and social protection systems for all.	Not Assessed / No Input to Add	SDG 8, 16
2022 CSR 1	**Some progress**	
In 2023, ensure prudent fiscal policy, in particular by limiting the growth of nationally financed primary current expenditure below medium-term potential output growth, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation.	Not Assessed / No Input to Add	SDG 8, 16
Expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds.	Not Assessed / No Input to Add	SDG 8, 16
For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions.	Not Assessed / No Input to Add	SDG 8, 16
Implement the new property tax system in order to restore the link between market prices and taxes and ensure fairer taxation.	Substantial progress	SDG 8, 10, 12
Stimulate investment in construction of affordable housing to alleviate the most pressing needs.	Some progress	SDG 8
Increase the financial resilience of highly indebted borrowers.	Limited progress	SDG 8
2022 CSR 2		
Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 13 July 2021.	RRP implementation is monitored by assessing RRP payment requests and analysing reports published twice a year on the achievement of the milestones and targets. These are to be reflected in the country reports.	
Swiftly finalise the negotiations with the Commission of the 2021-2027 cohesion policy programmes and proceed with their implementation.	Progress on the cohesion policy programming documents is monitored under the EU cohesion policy.	
2022 CSR 3	**Some progress**	
Strengthen circular economy and waste management policies including by promoting waste prevention and reuse, increasing recycling, and gradually shifting away from incineration of municipal waste to greener sources of heat generation.	Some progress	SDG 6, 12, 15
2022 CSR 4	**Some progress**	
Reduce overall reliance on fossil fuels. Further diversify energy supply and	Some progress	SDG 7, 9, 13
help decarbonise the economy by accelerating the deployment of renewables, including by introducing reforms to simplify and expedite administrative and permitting procedures,	Some progress	SDG 7, 8, 9, 13
upgrading energy transmission networks, increasing interconnections with neighbouring countries	Some progress	SDG 7, 9, 13
and improving energy efficiency.	Some progress	SDG 7

(Continued on the next page)

Table (continued)

2023 CSR 1	**Substantial progress**	
Wind down the energy support measures in force by the end of 2023. Should renewed energy price increases necessitate support measures, ensure that these are targeted at protecting vulnerable households and firms, fiscally affordable, and preserve incentives for energy savings.	Full implementation	SDG 8,16
While maintaining a sound fiscal position in 2024,	Full implementation	SDG 8,16
preserve nationally financed public investment and ensure the effective absorption of RRF grants and other EU funds, in particular to foster the green and digital transitions.	Full implementation	SDG 8,16
For the period beyond 2024, continue to pursue investment and reforms conducive to higher sustainable growth and preserve a prudent medium-term fiscal position	Full implementation	SDG 8,16
Implement the new property tax system in order to restore the link between market prices and taxes and ensure fairer taxation.	Substantial progress	SDG 8, 10, 12
Accelerate investment in the construction of affordable housing to alleviate the most pressing needs.	Limited progress	SDG 8
2023 CSR 2		
Continue the steady implementation of its recovery and resilience plan and, following the recent submission of the addendum, including the REPowerEU chapter, rapidly start the implementation of the related measures. Proceed with the speedy implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan.	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.	
2023 CSR 3	**Some progress**	
Strengthen circular economy and waste management policies, including by accelerating the implementation of Denmark's national action plan for circular economy, promoting waste prevention and reuse of municipal and other waste, increasing recycling rates, reducing food waste, and shifting away from the incineration of municipal waste to greener sources of heat generation.	Some progress	SGD 12, 6, 15
2023 CSR 4	**Some progress**	
Reduce reliance on fossil fuels and	Some progress	SDG 7, 9, 13
increase the share of renewables in the energy supply.	Substantial progress	SDG 7, 9, 13
Address increasing demand and flexibility needs by incentivising the necessary electricity network developments at transmission and distribution level.	Some progress	SDG 7, 9, 13
Streamline the applicable permit-granting rules for renewable energy	Some progress	SDG 7, 8, 9, 13
Implement additional measures that support energy efficiency in private and public buildings to reduce energy bills and energy system costs.	Some progress	SDG 7
Ensure a better roll-out of decarbonised heating sources.	Substantial progress	SDG 7, 9, 13
Step up policy efforts aimed at the provision and acquisition of the skills needed for the green transition.	Some progress	SDG 4

(Continued on the next page)

Table (continued)

2024 CSR 1	**Full implementation**	
Submit the medium-term fiscal-structural plan in a timely manner	Full implementation	SDG 8, 16
2024 CSR 2		
Continue with the swift and effective implementation of the recovery and resilience plan, including the REPowerEU chapter, ensuring completion of reforms and investments by August 2026. Accelerate the implementation of cohesion policy programmes. In the context of their mid-term review, continue focusing on the agreed priorities, while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness	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.	
2024 CSR 3	**Some progress**	
Take further efforts for sustainable agriculture by stepping up decarbonisation measures and action to reduce nutrient losses	Some progress	SDG 12, 6, 15

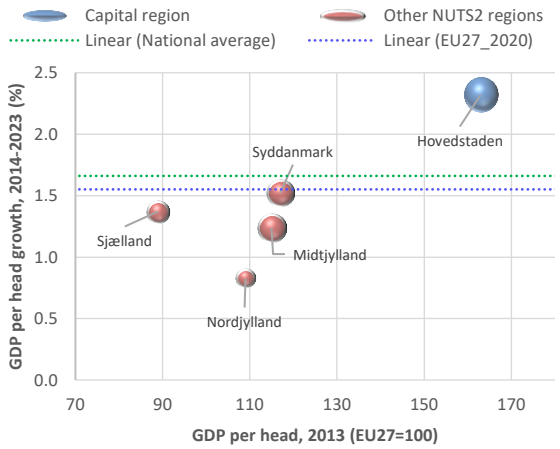
Source: European Commission.

Denmark's capital region, Hovedstaden, continues to lead the country's economy, outperforming other regions in terms of GDP growth, productivity, innovation and peoples' skills and education level. While all regions enjoy favourable labour market conditions, the rural-urban divide is reflected in terms of social indicators, such as poverty and the level of education.

Competitiveness

Hovedstaden accounts for 43% of Denmark´s GDP and its long-term annual GDP per head growth exceeds the EU average. The other four regions show lower long-term growth rates below the EU average and declining GDP per head relative to the national average. Sjaelland, with its further decreasing GDP per head (88% of the EU average), remains the only region to be categorised as a 'transition region' under cohesion policy. It is closely followed by Nordjylland, which is slightly below the EU GDP per head average at 98% (Graph A17.1).

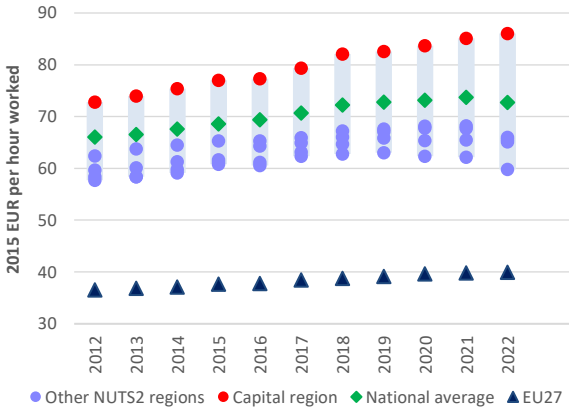
Graph A17.1: ***Average annual real GDP per head growth vs GDP per head in 2013***



X axis: GDP per head, 2013 (PPS, index EU-27 = 100).
Y axis: Annual average real growth of GDP per head, 2014-2023 (EUR, 2015 prices, %). Bubble size: Population, 2023.
Source: ARDECO (JRC)

The widening disparity in GDP between Hovedstaden and the other NUTS2 regions seems to be driven by differences in productivity growth. (Graph A17.2). The only regions where productivity growth improved were Hovedstaden and Sjaelland (only slightly), while the gap in productivity and annualised real productivity growth has widened between the top performer, Hovedstaden, and the lowest, Nordjylland. This coincides with differences in R&D expenditure in the business sector, where the Capital region largely exceeds the EU average, while all other Danish regions are below EU average, Nordjylland being the lowest (Table A17.1).

Graph A17.2: ***Labour productivity per hour***



Unit: Real GDP per hour worked (EUR, 2015 prices)
Source: ARDECO (JRC)

In 2024, half of Danish employment was concentrated in knowledge-intensive services and employment in high-tech industries was above the EU average, both being significant drivers of productivity and economic growth. Furthermore, Hovedstaden leads Denmark in terms of employment in these sectors, followed by Sjaelland, both above the EU average. Syddanmark has the lowest share of employment in knowledge-intensive services and high-tech sectors. Nordjylland has also by far the lowest share of R&D expenditure in the business sector.

In the capital region more than half of its working age population is highly educated. In Midjylland the share is nearly 15 percentage points lower (43.0%). Other Danish regions are close to the EU average of 36.1%, ranging between 35% and 38%.

Social fairness

Labour market conditions are generally favourable in all regions, but risks of poverty and social inclusion have increased over recent years (see Annex 11). While there are no

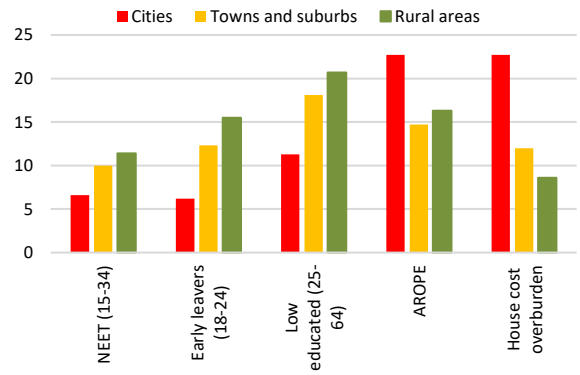
Table A17.1: ***Selection of indicators at regional level in Denmark***

	GDP (PPS)	GDP per head (PPS)	Real GDP growth	Real GDP per head growth	Productivity - GDP per person employed (PPS)	Real productivity growth (per person employed)	Productivity - GDP per hour worked (PPS)	Real productivity growth (per hour worked)	R&D expenditure in business enterprise sector (BERD)	Employment in knowledge-intensive services	Employment in high-technology sectors	Population with high educational attainment	At-risk-of-poverty or social exclusion	Greenhouse gas emissions
	million	Index EU-27 = 100	Average annual % change	Average annual % change	Index EU-27 = 100	Average annual % change	Index EU-27 = 100	Average annual % change	% of GDP	% of total employment	% of total employment	% of population aged 25-64	% of total population	tCO2eq. per person
	2023	2023	2014-2023	2014-2023	2023	2014-2023	2022	2013-2022	2022	2024	2024	2024	2024	2023
European Union (27 MS)	15905280	100	1.7	1.6	100	0.6	100	0.9	1.5	41.5	5.2	36.1	21.0	7.1
Denmark	285614	125	2.3	1.7	114	0.8	140	1.0	1.8	49.8	6.4	45.1	18.0	6.9
Hovedstaden	127523	168	3.2	2.3	133	1.5	170	1.7	3.1	56.7	11.1	57.1	17.1	2.4
Sjælland	25414	88	1.8	1.4	102	0.6	114	1.2	0.7	48.5	6.5	35.3	15.1	7.5
Syddanmark	50019	111	1.8	1.5	104	0.5	123	0.4	1.0	44.3	2.3	38.4	18.5	9.0
Midtjylland	57188	107	1.9	1.2	98	0.3	124	1.0	1.4	46.6	3.9	43.0	19.7	7.7
Nordjylland	21706	98	1.1	0.8	95	0.1	113	0.4	0.4	45.8	3.6	35.4	20.3	14.6

Source: Eurostat and JRC

major disparities across regions, rural areas fare worse regarding young people's participation in the labour market and education, whereas urban areas suffer from poverty (Graph A17.3).

Graph A17.3: ***Social indicators by degree of urbanisation, 2024***



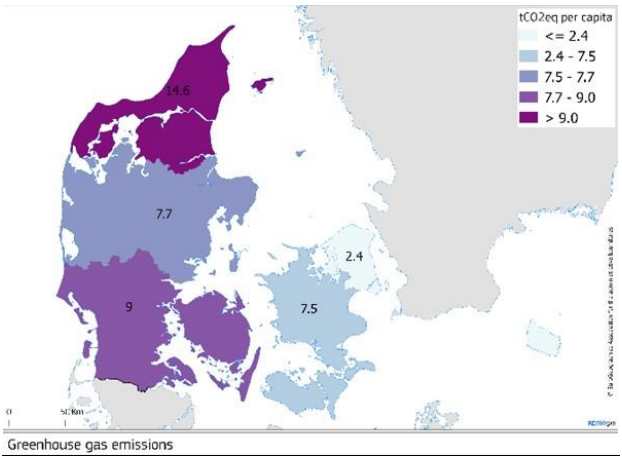
Unit: Percentage of respective population (%)
Source: Eurostat

Affordable housing remains a significant challenge in Denmark (see Annex 11). This is the case particularly in large cities with 22.7% of the urban population facing housing-cost overburden ([259]) in 2024, which significantly exceeds the EU average of around 10%. Housing prices in Byen København are exceptionally high, whereas housing costs are less pronounced in towns, suburbs and rural areas (Graph A17.3).

Sustainability

Denmark has significantly reduced its greenhouse gas emissions per person from 13.4 to 6.9 tCO_2eq between 1990 and 2023. While Hovedstaden is the lowest-emitting region with 2.4 tCO_2eq per person, Nordjylland's emissions remain six times higher (Map A17.1). However, all regions are moving towards climate neutrality.

Map A17.1: ***Greenhouse gas emissions per capita, 2023***



Source: Eurostat and JRC

([259])The housing cost overburden rate is the percentage of the population living in households where the total housing costs ('net' of housing allowances) represent more than 40% of disposable income ('net' of housing allowances').