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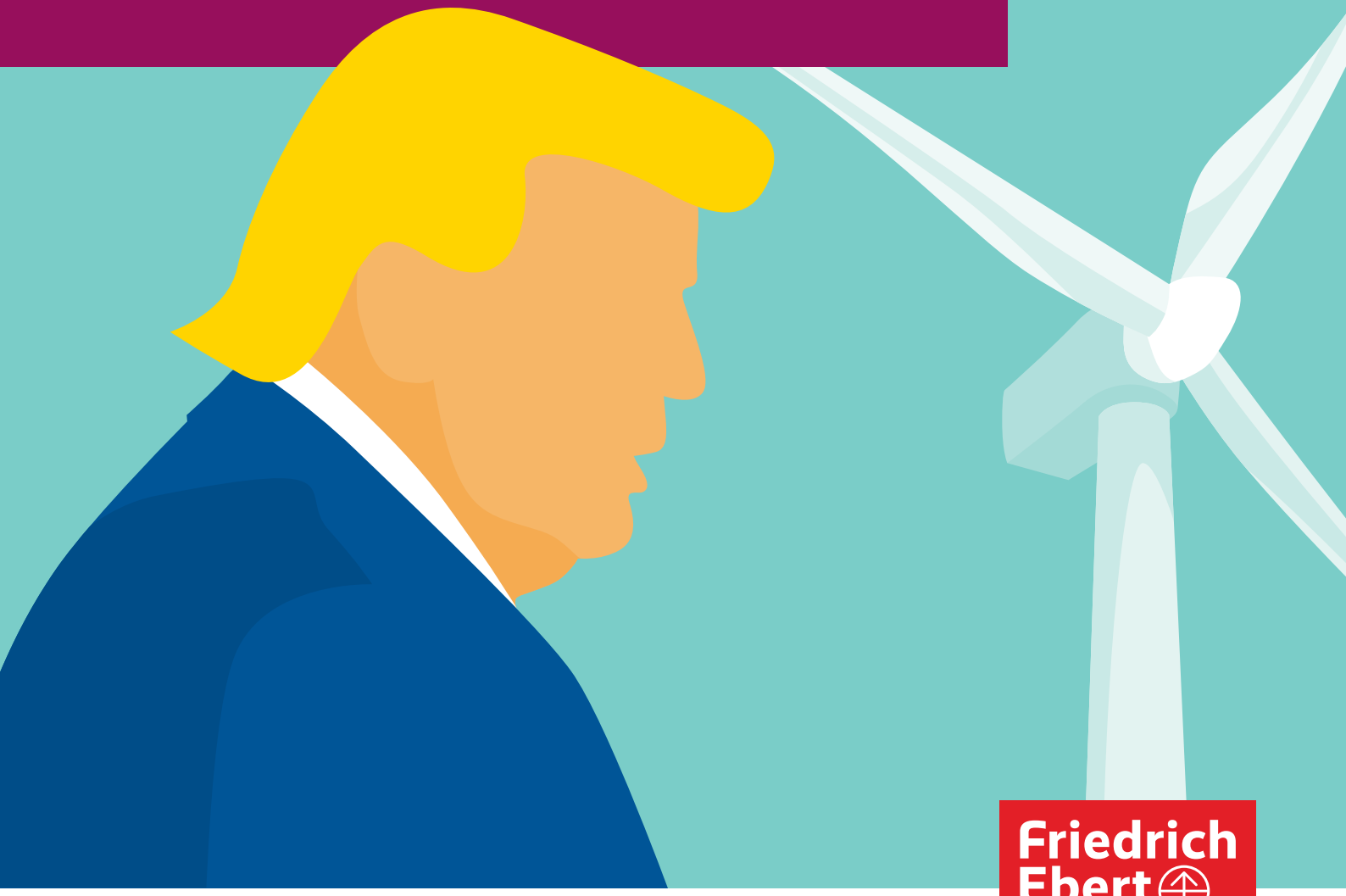
Béla Galgóczi, Michael A. Mehling and Sonja Thielges
April 2026

A New Climate: Energy and Industrial Policy under Trump 2.0

Three Scenarios for Transatlantic Cooperation on the Way to 2030



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Foreword

The global political and economic order is confronted with a multifaceted crisis. The return of geopolitical rivalry, the erosion of multilateral institutions, and the increasing fragmentation of international cooperation define the context in which economic policy – climate, energy, and industrial policy – must now operate. This paper looks at this new reality: one marked not only by the urgency of the climate crisis, but also by systemic competition, economic insecurity, and rising political polarisation.

The transatlantic relationship, long a cornerstone of international cooperation, is now more and more characterised by uncertainty and divergence. President Trump's comeback to the White House has led to a major shift in U.S. policy, particularly towards unilateralism, and economic strategies driven by fossil fuels have weakened a key pillar of global climate governance. At the same time, Europe faces mounting pressures: Russia's continued aggression, China's growing industrial and technological influence, and the most recent instability caused by the war on Iran and counterattacks on the Gulf region. These overlapping crises expose structural vulnerabilities in Europe's economic and energy systems, while also testing the resilience of its political institutions.

Against this backdrop, the European Union and Germany are faced with a strategic imperative: to reconcile climate ambition with economic competitiveness and social justice in a more adversarial world. This requires moving beyond reactive policymaking towards a more coherent and proactive approach that strengthens resilience, reduces dependencies, and builds new partnerships. It also calls for a renewed commitment to the principles of solidarity, both within Europe and globally.

This paper contributes to that effort by exploring possible futures for transatlantic cooperation and outlining strategic pathways for Europe in an increasingly uncertain geopolitical landscape. By analysing different scenarios up to 2030, it highlights both the risks of fragmentation and the opportunities for renewed cooperation. Its recommendations emphasise the need for immediate action to enhance energy security and industrial resilience, along with longer-term investments in institutional capacity and international partnerships.

This paper is the result of a series of confidential conversations and workshops with climate, energy and industrial policy experts from Brussels, the United States, and Germany during Autumn 2025. We would like to thank everyone involved in the process for their trust, open and respectful comments and hope for a fruitful debate following this publication.

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1. Introduction

The victory of Donald Trump in the U.S. presidential elections in November 2024 has ushered in a new phase of uncertainty for international climate and energy policy. The large-scale retreat by the second Trump administration ("Trump 2.0") from national and international climate policy poses a challenge to Germany and the EU. They have not merely lost a climate policy partner. They are now also confronted with an increasingly adversarial partner which strategically uses the EU's dependence on U.S. fossil fuels and defence services to exert pressure on EU climate policy. Given the scale of the rollback in U.S. climate policy, it seems that partnering with the U.S. on climate policy may remain difficult even beyond the Trump administration. Relying on U.S. energy imports is increasingly becoming a liability. Geopolitical crises, including the current conflicts in the Middle East and Russia's ongoing war in Ukraine, further increase uncertainty regarding the future of climate collaboration. As EU industries face declining international competitiveness and diminishing exports, there are growing concerns about how Germany and the EU can navigate climate, energy and industrial policy in the coming years in a context of multiple interlinked crises, and what role the United States will play in this context.

Against that backdrop, this paper will address two strategic issues: how can the European Union and its Member States position themselves in climate, energy, trade, and industrial policy in order to (1) strengthen the resilience of international climate protection, and to (2) secure their own economic development prospects in the transition towards a net zero economy? With the disruption of the transatlantic relationship, the EU and Germany find themselves in an increasingly difficult situation, facing an unprecedented need to derisk from the U.S., diversify their international partnerships and strengthen their resilience and autonomy in a highly competitive, more adversarial world. At the same time, Europe and the U.S. are rooted in a long-shared history, and the EU should preserve the option of renewed transatlantic cooperation.

This paper addresses these questions by first providing a brief overview of key climate, energy and industrial policy developments in the United States, the EU and Germany, drawing on individual essays on each of the three regions. The second part of the paper then introduces three different scenarios for international climate and energy cooperation from a U.S., EU and German perspective: (1) An optimistic "Transatlantic Stabilisation" scenario; (2) a status quo-oriented "Low-Speed Decarbonisation" scenario; and (3) a pessimistic "Decoupled Decline" scenario. The analysis uses 2030 as its time horizon, since major policy crossroads can be anticipated within this time horizon, and 2030 is the upcoming target year for both EU and German climate targets, making developments in the lead-up to this target year particularly pressing. This scenario approach was chosen to accommodate the high levels of uncertainty policymakers are currently confronted with.

The scenarios are based on discussions in three thematic workshops with thought leaders and stakeholders on both sides of the Atlantic organised by the Friedrich Ebert Stiftung in the autumn of 2025. In a first step, the authors decided on a set of "crossroads", i.e. (geo)political events, crises and challenges connected to transatlantic climate, energy and industrial policy relevant to the path to 2030. These take into account shifts in the political landscape across the regions, which are marked by the increasing influence of populist and far-right parties that capitalise on growing inequality and on the effects of multiple, consecutive crises on the population. The paper does not, however, analyse the root causes of these developments. For each of these "crossroads", *plausible* outcomes were evaluated with three key performance indicators (KPIs) in mind: the decarbonisation trajectory; implications for a resilient, competitive and just low-carbon economy; and cooperative engagement. A subset of "crossroads" and KPIs was then chosen for the final scenarios. The three scenarios each represent plausible futures; their aim is not to predict outcomes, but rather to explore current uncertainties and describe a coherent vision of possible outcomes based on decision points and crossroads that contribute to those outcomes. For that reason, we do not discuss the probabilities of any particular scenario unfolding as described below.

The third part of the paper then develops forward-looking action recommendations for policymakers in Germany and the EU with the aim of avoiding the "Decoupled Decline" scenario and instead promoting climate policy progress, energy security and green industrial competitiveness.

2.
Taking Stock: The State of Climate and Energy Policy in the U.S., Europe, and Germany

2.1 United States: Volatility, Energy Dominance, and Selective Engagement

U.S. climate policy has long been characterised by volatility, oscillating between periods of engagement and withdrawal across administrations. The second Trump presidency, however, marks a qualitative shift: from passive disengagement to active climate antagonism, including deliberate efforts to extend this rollback beyond U.S. borders. Through executive orders, legislative action, and agency restructuring, the administration has moved to dismantle or substantially weaken the regulatory and fiscal architecture supporting decarbonisation. The One Big Beautiful Bill Act (OBBBA) has significantly curtailed Inflation Reduction Act (IRA) investments, accelerating the expiration of EV and renewable energy tax credits and suspending enforcement of vehicle fuel economy standards for the first time since the 1970s. The Environmental Protection Agency has initiated rulemaking processes to repeal greenhouse gas emissions reporting requirements for large emitters as well as the endangerment finding that has underpinned federal climate regulation since 2009, and the United States has withdrawn not only from the Paris Agreement but also from the United Nations Framework Convention on Climate Change (UNFCCC) itself.

However, the limits of this rollback are significant. The U.S. energy transition, while slowed and fragmented, has not been reversed. The cost competitiveness of renewable energy continues to outpace that of coal and, in many markets, natural gas. While the OBBBA clawed back an estimated $540 billion in IRA clean energy tax credits, significant elements of the legislation – including manufacturing, nuclear, storage, and carbon capture incentives – remain intact, as do the Infrastructure Investment and Jobs Act and the CHIPS and Science Act. State-level policy remains the backbone of the U.S. energy sector: even states with strong fossil-fuel interests, such as Texas, continue to deploy renewable energy and storage capacity at scale. Several populous states, such as California, Massachusetts, and New York, continue to have ambitious climate and renewable energy targets. Market fundamentals do not support the administration's "energy dominance" narrative: even the current surge in fossil energy prices resulting from the conflict in Iran is unlikely to prompt a dramatic expansion of U.S. oil and gas production, which remains at levels only marginally higher than in the final year of the Biden administration. The trajectory is one of deceleration rather than reversal – and the structural drivers of the energy transition remain largely outside federal control.

What distinguishes the second Trump administration from prior episodes of U.S. retrenchment is the aggressive and deliberate effort to constrain climate ambition abroad. This operates through at least three channels: first, the administration has withdrawn from or actively obstructed multilateral climate processes, exerting pressure on Small Island Developing States and opposing the decarbonisation of international shipping. Second, it has used trade, economic, and security leverage to weaken European climate policy: tariff threats and energy-related conditionalities – including pressure on the EU to expand LNG imports – seek to lock Europe into fossil-fuel dependencies, while the CBAM has become a specific target in the EU-U.S. trade framework. Third, U.S. retrenchment is generating political spillover effects within the EU, emboldening actors who seek to delay or dilute climate measures. In an open letter, for instance, the U.S. ambassador to the EU called for the repeal or weakening of the "growth-killing" Corporate Sustainability Due Diligence Directive (CSDDD) (Puzder 2025). In conceptual terms, the growing divide can be understood through the "petrostate vs. electrostate" lens: The United States, as the world's largest oil and gas producer, has doubled down on a fossil-fuel-based economic growth paradigm, while Germany and the EU aspire toward electrification for reasons of both environmental concern and greater energy security – an alignment of interests that appears largely irreconcilable under the current administration.

2.2. European Union: Climate Ambition under Pressure

The disruptive role of the U.S. in the world under the Trump administration, its undermining of multilateralism, and its dramatic pivot from clean tech and decarbonisation toward fossil fuel-based energy dominance has shaken Europe to its core. Its dependence on U.S. security guarantees at a time when it faces Russian aggression on its eastern flank leaves the EU and its institutions little room for manoeuvre.

At the same time, China has become a formidable clean tech power, posing a huge competitive challenge to the EU and leveraging this strength for geopolitical influence. These opposite and contradictory strategies by the two global powers place the EU in a delicate situation.

The EU has long regarded itself as a global leader in fighting climate change. Indeed, the European Green Deal, with all its supporting legislative packages, is globally unique and its decarbonisation targets are truly ambitious. At the same time, its fragmentation and limited fiscal capacity to mobilise large-scale investments pose serious hurdles to achieving these objectives.

It must also be noted that, in the past decade, EU policymakers have failed to recognise key geopolitical turning points and have been forced to react to unfolding events in order to minimise damage. These included the reliance on Russian fossil fuels - even after the annexation of Crimea, disregarding China's relentless clean tech advances and needing the U.S. Inflation Reduction Act (IRA) to recognise the importance of targeted clean tech industrial policy.

Driven by these geopolitical pressures, EU industrial and energy policies have shown a reactive and fragmented character in the last five years, while the EU's own climate ambition has also weakened. Examples include the pressure exerted on the European Commission by seven Member States, led by Germany and Italy, to scrap the prohibition of selling new diesel and petrol vehicles by 2035 (Pacheco 2025) and demands by ten Member States, led by Italy, to scrap or dilute the EU ETS (Pacheco 2026).

The EU lacks a clear and coherent clean tech strategy and the necessary investments to realise its ambitious climate policy targets. The last decade has seen a flurry of initiatives, communications and regulations with very detailed targets, but these have predominantly been reactive, delayed, and failed to achieve a critical mass. Crucially, there is a huge gap between actual investments and the investment needed to reach those targets (whether for 2030, 2040 or the 2050 net zero objective). Throughout the last decade, in many clean technologies, the EU has continued to slip behind China, rather than catching up with it.

The EU has correctly identified its problems, as demonstrated by influential reports from Enrico Letta (2024) and Mario Draghi (2024), and has launched several measures to tackle these in its current political cycle, which began in December 2024. These measures include supporting the emergence of markets for clean tech (lead markets), continued carbon pricing, a more expedient and less bureaucratic regulatory framework, as well as expanded financial support. But relative to industrial policy interventions in China and the U.S., it lacks in scale, implementation and coherence. The targets are ambitious, but the instruments for achieving them are often insufficient.

These weaknesses and vulnerabilities left the EU unprepared for the shock posed by the Trump administration in multiple areas at the same time, such as trade, defence, and climate policy. Protecting EU economic interests while maintaining ambitious climate policy objectives means the EU should prioritise expanding its renewable energy and clean tech sectors. It is now clear that the EU approach of "strategic supplication" towards the U.S., largely due to its dependence on U.S. defence support in the Ukraine crisis, is reaching its limits.

2.3 Germany: Between Electrostate Ambition and Structural Constraints

Germany has pursued an ambitious climate and energy policy for over two decades. Its climate transformation is now facing a range of challenges. Renewable electricity accounted for 55% in the electricity mix in 2025. However, Germany also remains the largest coal producer in the EU and its share of renewables in gross final energy consumption in 2025 was only 23.3% (Umweltbundesamt 2026). Social justice issues have become more pressing in recent years. Lower-income households struggle with high energy prices. Incentives for low-carbon consumption patterns remain limited. Germany is also not fully on track to meet its legally binding climate targets of reducing emissions by 65% by 2030 and achieving climate neutrality by 2045 (Expertenrat für Klimafragen 2026). In addition, German manufacturers have come under significant strain due to factors such as high domestic energy prices, Chinese industrial policy and overcapacities in clean technologies as well as the U.S. tariff regime under the second Trump administration. The political debate has shifted from climate ambition toward industrial competitiveness. The government elected in 2025 has taken a more hesitant approach to climate policy. It has called on the EU to soften the impact of the ETS on industries such as chemicals (ntv 2026) and amended building legislation to enable fossil-based heating systems for a longer period (Bundesministerium für Wirtschaft und Klimaschutz 2026).

The transatlantic relationship has traditionally been important for both Germany's economic and climate policy. The United States remains one of Germany's most important trading partners. In the aftermath of the Russian invasion of Ukraine in 2022, dependence on U.S. energy imports has grown substantially. The U.S. has become Germany's main LNG supplier. Cooperation on climate issues has always experienced ups and downs and was highly dynamic under the Biden administration (Unger und Thielges 2025). Under the second Trump administration, Germany has lost an important partner in virtually all major international climate initiatives.

With the U.S. now pursuing a fossil-fuel-based energy dominance strategy, German and U.S. interests have diverged. Germany, as a country with few fossil fuel resources, benefits economically and strategically from expanding renewable energy and electrification. Despite reduced climate ambition, the government is continuing to pursue an electrostate strategy (Mitrova und Corbeau 2025) in supporting international climate cooperation with the aim of developing global markets for clean technologies and fair competition for German industries. In contrast, the United

States, as a major oil and gas producer, now promotes its petro-state policy centred on fossil fuels, reduced climate regulation, and pressure on allies to import U.S. energy. As a result, German and U.S. climate and industrial policy goals are increasingly at odds with each other. Germany's strong dependence on the U.S. for energy and on China for critical minerals and clean tech components pose severe challenges to its climate transformation. Overall, however, economic resilience and climate protection have become increasingly linked for Germany.

3.
Possible Futures for the Transatlantic Relationship: Three Political Pathways to 2030

3.1 Scenario I: Transatlantic Stabilisation – An Optimistic Outlook on the Revival of the Atlantic Alliance

Looking ahead to 2030, the "Transatlantic Stabilisation" scenario is characterised by a renewed, if incomplete, convergence between the U.S., the EU and Germany on climate and clean energy policy. A political course correction in Washington, combined with continued EU climate policy ambition and favourable technology and market dynamics, reopens space for transatlantic cooperation. Decarbonisation accelerates on both sides of the Atlantic, not through grand multilateral bargains but through a web of bilateral deals, minilateral technology partnerships and growing market pull for clean technologies. The Paris Agreement targets remain beyond comfortable reach, but the trajectory has shifted decisively: both the United States and the EU are on credible pathways towards their 2050 net zero objectives. For Germany, this scenario offers the most favourable external conditions for reconciling its electrostate ambitions with industrial competitiveness and energy security.

3.1.1 A Political Window for Climate Re-engagement

Under this scenario, the November 2026 U.S. midterm elections deliver a divided Congress, with Democrats retaking the House. This blocks further legislative rollback of the IRA and forces the administration into a defensive posture on energy policy. The surviving IRA tax credits – which proved politically untouchable because the majority of investment flowed to Republican-held districts – continue to drive deployment of solar, wind, batteries and green hydrogen. With some exceptions due to direct policy interference and state intervention, the private sector's already sunk costs create a powerful constituency for policy predictability and market-driven clean energy deployment. In 2028, a new president enters office on a platform that frames climate as an economic and security issue rather than an environmental cause. While not returning to the full ambition of the Biden era, the new administration signals readiness to re-enter the Paris Agreement and engage multilaterally on clean energy and trade. Critically, the Supreme Court avoids sweeping new constraints on EPA authority, preserving federal regulatory capacity for the incoming administration to rebuild.

In Germany, public opinion has shifted noticeably in the wake of the Iran conflict and the resulting energy crisis. EU Member States that have made greater progress with decarbonisation reinforce the message that renewable energy is critical for energy independence, while U.S. coercion and hostile rhetoric become a liability for the populist Alternative for Germany (AfD), causing it to lose momentum in the 2026–2027 cycle of state elections. This eases populist pressure on centrist parties to water down climate commitments. The federal government maintains its 2045 climate target and introduces innovative policy instruments to accelerate industrial decarbonisation, including strengthened carbon contracts for difference and a reformed industrial electricity price. The Greens recover some ground at the state level, creating bottom-up pressure for more ambitious climate policies.

At the EU level, the political centre holds: After Victor Orban's defeat in the 2026 Hungarian elections, a key blocking factor in Coundil decision-making has been removed. The Rassamblement National (RN) fails to win the 2027 French presidency. The same year, Spain's parliamentary elections do not produce a right-wing landslide. The 2029 European Parliament elections shift modestly rightward but do not produce a far-right majority capable of dismantling the Green Deal architecture. This political stability allows the EU to resist further backsliding: despite orchestrated opposition, the EU ETS is upheld, climate targets remain in place, and the Clean Industrial Deal is anchored in a competitiveness logic that positions decarbonisation as a source of resilience rather than a cost to be minimised. The 2028-2034 Multiannual Financial Framework, while still falling short of closing the documented investment gap, mobilises significantly more resources for industrial decarbonisation than earlier proposals, partly through the European Competitiveness Fund and expanded European Investment Bank (EIB) guarantees. Northern European frontrunners and Spain are joined by a re-energised Germany, narrowing the internal decarbonisation gap that had threatened EU cohesion.

3.1.2 Markets, Technology and Energy Security Align

The resolution of the Middle East crisis by late 2027 and a fragile but sustained settlement in Ukraine ease energy-price pressures and allow the EU to redirect fiscal resources from crisis management to climate transformation. Oil and gas prices decline to levels that reduce the geopolitical leverage of petrostates while simultaneously weakening the economic case for new fossil-fuel infrastructure. Still, memory of the energy shock caused by the Iran crisis remains fresh, highlighting the energy security dividend of renewable energy sources. This has driven renewed interest in

the energy transition and helped revitalise clean tech investment levels which had been flagging in recent years. The EU's dependence on U.S. LNG, while still significant, begins to recede as renewable energy deployment accelerates and electrification of heating and transport reduces overall gas demand. Germany's Energiewende regains momentum: The share of renewables in the electricity mix surpasses 80% by 2030, and grid bottlenecks are addressed through the mobilisation of both national and EU-level investment, including the ReArm Europe defence-spending escape clause, which frees fiscal space for dual-use infrastructure.

Key technology inflection points materialise favourably. Long-duration battery storage reaches commercial viability, easing intermittency concerns. Green hydrogen costs decline sufficiently to make it economically viable for hard-to-abate industrial sectors, particularly steel and chemicals, enabling competitive decarbonisation with supporting measures from the CBAM and Industrial Accelerator Act. The first small modular nuclear reactors begin deployment in the United States, while the EU and U.S. co-invest in shared technology platforms and standards for hydrogen and carbon capture, utilisation and storage (CCUS). Solar, wind and battery costs continue their learning-curve decline, and electricity demand growth in the U.S., driven by data centres and AI, is largely met with new renewables together with restarts and upgrades of older existing nuclear reactors rather than gas plants. Bipartisan permitting reform, pushed through by the divided U.S. Congress, helps address grid bottlenecks. Market-driven decarbonisation accelerates regardless of the pace of federal policy, and the structural economic case for fossil fuels weakens. Mixed decarbonisation signals, which in less favourable scenarios deter clean tech investment, give way to growing investor confidence as the policy and market environment aligns.

3.1.3 Rebuilding Transatlantic Cooperation and International Alliances

The post-2028 U.S. administration's return to climate engagement enables a new transatlantic framework. Following the tariff disruption of the second Trump administration, the U.S. and the EU negotiate a deal that lowers barriers for clean tech goods and aligns carbon-intensity standards for traded products in steel, aluminium and cement, revisiting the failed Biden-era Global Arrangement on Sustainable Steel and Aluminum (GASSA), but steering it towards a bilateral arrangement that makes the CBAM and U.S. instruments mutually compatible. The Climate Club initiated by Germany gains strength from this transatlantic anchor: India joins as a participant, attracted by technology-partnership offers and the EU-India Free Trade Agreement, which channels EU support toward India's green hydrogen and low-carbon steel ambitions. Common international definitions for low-carbon products begin to create green lead markets at meaningful scale. China remains a systemic competitor, but due to increasing inequality and internal tensions – also as a result of coordinated transatlantic and G7 pressure – adjusts its export-led economic model by putting greater emphasis on increasing domestic demand, thus reducing the most aggressive overcapacity practices in steel, EVs and other goods. The EU pursues a differentiated approach: robust trade defence where strategic dependencies are at stake and such measures appear necessary, based on objective criteria and applied irrespective of the targeted trade partner, combined with targeted cooperation on critical minerals and standards harmonisation.

Throughout the period, subnational cooperation between EU Member States and U.S. states proves a vital bridge. The Transatlantic Clean Economy Bridge expands its network, and state-level carbon pricing – through newly participating states on both coasts – covers an increasing share of U.S. emissions. The U.S. Climate Alliance expands beyond 25 states, and California's emission standards are adopted by enough states to cover a majority of the U.S. auto market, providing regulatory alignment opportunities for European automakers. Germany and the EU deepen partnerships with Global South economies through Climate and Trade Investment Partnerships (CTIPs) with Nigeria, Brazil and Indonesia, partially offsetting lost U.S. trade volume and reducing supply-chain dependence on China for critical raw materials and clean tech components. Germany's development policy explicitly targets green industrialisation in partner countries, applying the principle of "made with Europe" rather than "made in Europe", an approach that builds durable alliances while lowering production costs for final products at home. Germany's non-permanent UN Security Council seat in 2027–2028 is leveraged to elevate the climate–security nexus, strengthening ties with climate-vulnerable developing countries and reinforcing the multilateral architecture that the Trump years had weakened. By 2030, the transatlantic relationship, while not restored to the depth of the Obama or Biden eras, operates on a foundation of shared economic interest in clean tech value chains, energy security and managed competition with China, marking a pragmatic stabilisation that sustains the momentum for decarbonisation on both sides of the Atlantic.

3.2 Scenario II: Low-Speed Decarbonisation: A Mixed Trajectory for (Transatlantic) Climate Cooperation in 2030

In the scenario "Low-Speed Decarbonisation", the year 2030 is characterised by slow progress towards a low-carbon economy across Germany, the EU and the U.S. This is by no means sufficient to reach the Paris Agreement temperature targets. Transatlantic climate cooperation is largely dormant. Transatlantic dependence in the energy and technology spheres, however, remains high. For Germany and the EU, limited progress on decarbonisation results in continued competitiveness challenges. Moreover, the changing climate is beginning to have more severe impacts. This significantly raises the costs of both disaster response and

adaptation, adding stress to the EU Member State economies that are already struggling from low growth rates.

3.2.1 The Political Challenge to Decarbonisation: Populist Demands and Polarisation

In Germany and the EU, elections at the subnational and national levels in the second half of the 2020s increase the share of right-wing populist parties in parliaments. Centrist parties are still in government in Germany. However, in Germany and in other EU Member States, the climate-sceptical stance of the populist parties contributes to diminished climate ambition among the governing parties. They fear an increasing public backlash against climate policy. Rather than introducing additional measures to address social justice challenges, governing parties respond by slowing the pace of transformation. There is also a growing divide among the EU Member States. Decarbonisation proceeds unevenly. Northern Europe and Spain emerge as frontrunners while Germany, Italy and Central and Eastern Europe experience climate backsliding. Limited consensus on climate policy among the Member States results in continued commitment to the climate targets for 2045 and 2050 – but largely in name only. In practice, however, there is little political will to implement climate policies to meet these targets. The 2030 targets are missed. The EU's 2040 and 2050 targets increasingly fall out of reach. Fragmentation among EU Member States weakens the EU's ability to shape international climate alliances.

In the United States, midterm elections in 2026 and the presidential election in 2028 result in a divided government that suffers from legislative gridlock on climate issues and beyond. A new but more moderate Republican president is elected in 2028. There is no political momentum for climate legislation. This is particularly problematic as the Supreme Court further curtails the EPA's authority to regulate greenhouse gas emissions, leaving climate progress even more dependent on market forces. State-level initiatives can compensate for some of the lacking leadership at the federal level, but face structural limits, with state-to-state competition for investment and jobs curbing regulatory appetite amidst broader economic turmoil.

3.2.2 The EU and the United States: Green Economies under Stress

The conflict that emerged in the Middle East in 2026, in addition to Russia's ongoing war in Ukraine, has ensured that oil and gas prices remain high for the remainder of the decade. Iran is no longer considered a reliable oil exporter. The United States therefore becomes an even more important source of oil and gas for the EU, further raising transatlantic dependence. The EU increasingly competes with Asia for LNG cargoes. Economic pressures in the EU to electrify and phase out fossil fuels increase due to these energy dynamics. Yet lacking political will benefits the incumbent fossil-based technologies and prevents transformation, while persistently high electricity rates deter more rapid electrification. With security issues related to Russia's continued war in Ukraine still high on the agenda and tying up both political and financial resources, funding for the climate transformation remains limited. The EU's energy-intensive industries struggle to remain competitive given high energy prices and continued fossil-fuel dependence. Public budgets decrease as economic activity and with it the tax base decline. While some flexibility in fiscal and budgetary rules, such as accounting for necessary clean infrastructure investment – like electricity grids – as dual use technology and thus rendering it eligible for the EU fiscal escape clause dedicated to defence expenditure, helps mitigate the investment shortfall in part, funding gaps and related tensions remain high.

In the U.S., only limited parts of the IRA remain in place. They support CCUS and blue hydrogen. The primary beneficiaries are the incumbent fossil-based industries. Some progressive U.S. states continue to pursue ambitious climate targets. They seek to implement corresponding climate policies. But this has become increasingly difficult as the federal government has restricted Chinese imports of electric vehicles, batteries and solar panels. This significantly increases the costs for clean technologies in the United States. In return, China has restricted critical mineral exports to the United States, increasing uncertainty in U.S. clean tech markets. Renewable energy capacity now only grows at a slow pace. What is more, this flagging growth means that the energy system is not decarbonising, since rapidly proliferating data centres add to overall electricity demand. As a result, fossil fuel production reaches new peaks, and exports of oil and LNG soar. This contributes to a new generation of long-lived capital assets in industries such as transport, chemicals and steel, leading to fossil energy lock-in effects.

The mixed decarbonisation signals from the EU and the U.S. deter investments in clean technologies and infrastructure (e.g. for CCS, H2, electricity grids), which are urgently needed to bring down the costs of the climate transformation. Green technologies do not advance as quickly as expected at the beginning of the 2020s.

3.2.3 Manoeuvring Green Trade Relations in the Face of Shifting Global Dynamics

As the U.S. has maintained its tariff regime towards the EU, economic relations between the EU and the United States have cooled off with trade decreasing significantly in non-energy goods. The German economy suffers severely due to its strong dependence on exports to the U.S.. Dependence on U.S. digital technologies including AI and cloud-based services also remains high, posing a risk to the EU economy.

In response, the EU seeks a more positive political and trade relationship with Global South countries. The relationship with China remains difficult, however. China's approach to industrial policy remains unchanged. German in-

dustry continues to suffer as a result of persistent Chinese overcapacities in key industrial segments such as steel, chemicals, or electric vehicles, and fails to compete successfully with heavily subsidised and increasingly technologically advanced Chinese clean tech products. Due to U.S. restrictions on clean tech imports from China, however, the EU becomes an even more important destination for Chinese exports, exacerbating competitive impacts on domestic EU manufacturers. China offers guarantees for reliable critical mineral exports, but only in exchange for continued market access to the European Union.

The EU succeeds in completing additional CTIPs with Brazil, Nigeria and Indonesia, and also develops partnerships in the extraction and processing of critical raw materials. Trade with these countries begins to pick up, partially offsetting lost trade with the U.S. These trade relations are further supported by Germany and the EU making progress on common international definitions and standards for low-carbon products through the Climate Club. But with most major other economies absent from the initiative, green markets remain fragmented and develop in parallel at the international level.

3.3. Scenario III: Decoupled Decline with Transatlantic Rupture

Looking ahead to 2030, the "Decoupled Decline" scenario is characterised by growing divergence in transatlantic relations, a rupture that gains momentum after the U.S. withdraws its support for Ukraine, weakens security guarantees for Europe, and enters into transactional deals with Russia as its military engagement in the Middle East became a war of attrition. Once the price of gasoline in the U.S. surpasses the $5 mark, the U.S. curbs its oil and LNG exports to Europe in an escalating trade war. The U.S. doubles down on a fossil-fuel-first industrial strategy with no federal decarbonisation pathway. The EU and Germany in particular sink into a prolonged energy crisis that starts to show signs of being in a fossil-fuel trap. Both sides of the Atlantic weaken or abandon climate policy targets and decarbonisation. For the U.S. administration, this is framed as a victory; for many European leaders, it is perceived as a defeat. Global climate policy engagement comes to a standstill; the UNFCCC loses its significance, and COP events become increasingly hollowed out. Nationally Determined Contributions (NDCs) only exist on paper, and the world embarks on a high-emissions scenario with catastrophic consequences for the future.

3.3.1 A Political Rollback of Climate Engagement

As for the political landscape, all regions shift further to the right. In the 2026 U.S. midterm elections, which some observers believe to have been manipulated by government interference, Republicans retain or expand majorities in both chambers of the U.S. Congress, with the right-wing Make America Great Again (MAGA) movement maintaining its dominance. Trump becomes effectively unconstrained. Remaining IRA clean-energy tax credits are repealed or reduced, new legislation fast-tracks fossil-fuel permissions, weakens the National Environmental Policy Act and the Endangered Species Act, and further restricts the authority of the Environmental Protection Agency. The (fossil) "energy dominance" agenda is codified.

The extreme right Eurosceptic AfD wins a series of regional elections in Germany and shifts the federal coalition government to the right. Hit hard by the second energy crisis of this decade, the country falls back into recession and the competitiveness of its industry declines further. Germany abandons its 2045 climate target as net zero falls entirely out of reach and decarbonisation efforts come to a standstill. The most consequential political moment for Europe materialises when the Rassemblement National wins the 2027 French Presidential election and keeps its hardline profile, while Spain shifts to the right in parliamentary elections. The political centre loses its dominant position at the 2029 European Parliament elections and, for the first time, the President of the European Commission comes from a right-wing nationalist party. The disintegration of the EU accelerates as it ceases to be a political union and increasingly resembles a free-trade area.

Meanwhile, the EU is buffeted by multiple compounding crises. Following the withdrawal of the U.S., Russia makes military advances in Ukraine and Europe struggles to maintain its support. Russia remains a permanent threat and the pace of EU rearmament accelerates, depleting the expanded financial framework and diverting resources from welfare and climate spending at a time of already shrinking public budgets and declining fiscal space. The economy comes to a standstill, inflation picks up again, and economists warn of the return of stagflation across Europe. With the growing influence of the far-right, climate policy suffers a radical reversal. Key elements of the European Green Deal are abandoned, the EU ETS is rolled back, targets for renewables are withdrawn. In the Multiannual Financial Framework, green spending targets are removed from financial allocations.

3.3.2 Markets, Technology and Energy Security

The U.S. Congress repeals most IRA clean-energy provisions through reconciliation. Executive orders halt disbursements from the Department of Energy and the Environmental Protection Agency and slowed or denied permitting procedures strand a growing number of private-sector decarbonisation projects. The U.S. deepens its fossil-fuel-first industrial strategy and locks into a fossil-heavy electricity mix for years, with rapidly rising emissions. U.S. clean tech competitiveness collapses, while it doubles down on LNG and oil exports as geopolitical leverage. Key technologies fail to deliver at scale: energy storage remains expensive, hydrogen does not prove economically viable, CCS underperforms. AI breakthroughs continue to drive energy demand without corresponding clean energy supplies.

After a temporary pause, the trade war escalates as the U.S. imposes retaliatory tariffs on EU goods in response to the CBAM, which it labels protectionist. The EU retaliates and clean tech supply chains are further disrupted. The U.S. conditions energy exports (LNG) on political compliance, weaponising energy trade. With growing energy supply uncertainty and price spikes, German industry loses further ground in global competition, and the German Energiewende is stalled. Deindustrialisation is rampant, and while this results in declining emissions from the sector, it also gives rise to false claims that decarbonisation mandates are at fault.

China ramps up its subsidies for clean tech in new areas such as heat pumps, electrolysers, and green steel, expanding its already dominant position in clean tech markets, and leaving Germany and the EU economically and politically highly dependent.

In this scenario, the EU (and Germany) are disadvantaged relative to both superpowers, with U.S. technology and fossil energy dominance on the one hand, and dependence on China in clean tech on the other. As ambitious EU decarbonisation targets can only be met with Chinese technology, political resistance increases and the EU abandons its targets.

3.3.3 The Breakup of Transatlantic Cooperation and the Decline of International Alliances

The transatlantic relationship becomes increasingly adversarial in economic policy, prompted by the withdrawal of the U.S. from defence cooperation and due to its increasingly overt alignment with Russia. This, in turn, stymies any prospect of transatlantic climate policy cooperation. As the U.S. turns inward, transatlantic cooperation is suspended in all but name. The U.S. is institutionally incapable of credible international climate commitments, and the EU's international engagement becomes limited. More out of necessity than choice, the EU turns inward, becoming a "Fortress Europe" both in migration and trade. With the breakdown of multilateralism and a fragmented EU being squeezed between two global powers, the "Brussels Effect" (the capacity of the EU to shape global regulatory standards) ceases to function effectively, and the EU loses global significance.

Even subnational transatlantic cooperation becomes difficult, as the EU has no reliable U.S. interlocutor on climate, and persistent uncertainty makes any partnership or investment difficult. The U.S. significantly weakens the role of the UN, takes climate and clean energy off the G20 and G7 agendas, and applies pressure on future G20/G7 presidencies to do the same. The G20 stops its work on decarbonisation and a socially just transition. With the U.S. gone and India and China not participating, the Climate Club membership begins to crumble, international cooperation on industrial decarbonisation comes to a standstill.

The increasing frequency of climate-attributed extreme weather events begins to cause increasingly severe material damage, loss of life, and increasing migration, yet any link to climate change – and the absence of any adequate political response – is vehemently denied on both sides of the Atlantic (in the U.S. it is even prosecuted as spreading misinformation). Inequality and tensions grow, with frequent outbreaks of public unrest. Rising migratory pressure from impacted areas in Northern Africa and the Middle East – where record heat and other weather extremes result in prolonged drought and the worst famine in centuries – further radicalises political discourse in Europe and draws public attention away from climate policy and decarbonisation. Far-right parties capitalise on these trends and further solidify their legislative majorities for years to come. The world enters into a vicious downward spiral, with Europe caught in its centre.

4.
Strategic Implications and Joint Recommendations for Germany and the EU

The analyses in this paper converge on a central finding: The transatlantic climate relationship has entered a qualitatively new phase. The second Trump administration is not merely disengaging from climate action, but actively seeking to export climate retrenchment, constrain European ambition, and fragment the international coalitions on which effective climate governance depends. At the same time, the structural drivers of the global energy transition – the cost competitiveness of renewables, the electrification of transport and heating, growing demand for energy security – remain powerful. Government actors in Germany and the EU can play an important role in amplifying these drivers through rule-setting and economic incentives. Some of the front-loaded investment needed for the green transition has to be co-financed by public resources, and it will be necessary to accompany the ensuing investments with proactive industrial, trade, and just transition policies. Whether Europe can harness these drivers depends on choices that must be made now.

For European and German policymakers, the implication is clear: hoping for a return to transatlantic climate alignment in the short term is not a strategy. The EU's approach of "strategic supplication" towards the current U.S. administration has reached its limits. What is needed instead is a dual-track approach: immediate no-regret measures that strengthen resilience and advance decarbonisation regardless of external conditions, and medium- to longer-term investments in institutional capacity, partnerships, and diplomatic architecture that position the EU to move decisively when the global context – and especially the transatlantic relationship – become more favourable again.

4.1 Short-Term No-Regret Measures: Resilience, Energy Security and Competitiveness

A first priority is to accelerate renewable energy deployment and resolve the electricity grid bottleneck that is holding back electrification of industry and the integration of clean energy. The crisis in the Middle East, with soaring fossil fuel prices, should serve as a final wake-up call – after Russia's annexation of Crimea in 2014 and its invasion of Ukraine in 2022 – to build genuine energy resilience and reduce the EU's remaining dependence on energy exports by hostile nations. REPowerEU was an important step in this direction and the EU Grids Package launched in 2025 also offers potential; but without narrowing the clean energy investment gap, the agreed objectives remain unrealistic. Three times more renewable energy capacity is stuck in grid interconnection queues than is needed to meet the EU's 2030 targets (Beyond Fossil Fuels 2025). Even as fiscal space narrows and defence spending has emerged as an overriding priority, energy security must be pursued with renewed urgency. The Resilience and Recovery Facility (RRF), a useful and innovative instrument set up in wake of the pandemic, comes to an end this year; as the world enters a new energy crisis, political rejection of a successor EU financing facility should be seriously reconsidered. Investing in the future is far more promising than *ad hoc* crisis management measures – such as subsidising fossil fuel consumption or watering down the EU ETS – that provide short-term relief but prolong the status quo.

Second, the EU must defend and strengthen its core climate policy instruments, above all the EU ETS and the accompanying CBAM. These instruments not only drive decarbonisation domestically but also serve as the backbone of the "Brussels Effect" – the EU's ability to shape climate-related standards and norms globally. Weakening the EU ETS or CBAM in response to short-term competitiveness pressures would undermine the EU's international credibility and surrender the policy space to rivals. Any production subsidy or state aid should be strictly conditional on decarbonisation targets and be temporary. Still, the EU must also develop a more proactive outreach strategy and actively engage affected trade partners – especially in the developing world – to solidify its role as a global climate leader and model for sustainable prosperity.

Third, diversification of energy suppliers and trade partners must be pursued with greater urgency. The fact that the U.S. accounted for 95% of Germany's LNG imports in 2025 illustrates the vulnerability that arises from excessive concentration. The same logic applies to critical mineral supply chains, where advancing EU production, processing and recycling capacity is essential, complemented by international partnerships supported by de-risking instruments.

Fourth, the EU and its Member States must address the social justice dimensions of the transformation more comprehensively. Currently, "just transition" policies remain limited – focused mostly on carbon-intensive regions – and inward-looking, often ignoring the implications of decarbonisation for the Global South. Failure to broaden this agenda risks the far-right instrumentalisation of climate policy and erodes the domestic political coalition needed

to sustain ambitious action. The current geopolitical crisis should be used to redefine climate policy objectives in less technocratic terms by directing attention to energy security with reduced dependence on volatile fossil fuel markets. A more positive narrative highlighting how renewables and the clean energy transition can make life better and more affordable, emphasising economic opportunity and job creation, can help increase public acceptance of the energy transition.

Fifth, advancing digitalisation across energy systems and industrial processes will strengthen both competitiveness and decarbonisation objectives simultaneously, representing a clear win-win investment regardless of the external environment.

4.2 Medium- to Longer-term Measures: Guardrails and Institutional Reforms

Beyond immediate resilience-building, the EU must invest in institutional and diplomatic capacity that will allow it to hit the ground running when the global context shifts. This means preparing now for the inevitable changes that will come relative to the current political context, rather than simply reacting to the challenging present.

As regards the transatlantic relationship, the EU needs greater self-reliance and selective derisking, while keeping the door open for a reset when conditions become more favourable. The bilateral climate and energy partnership launched under President Biden continues to exist largely on paper, with the Transatlantic Clean Economy Bridge – fostering subnational dialogue – as the sole remaining active initiative. Building and maintaining cooperation with subnational U.S. actors (states, cities, companies) is therefore critical: these partnerships sustain institutional memory, build trust, and create the infrastructure for rapid re-engagement when federal policy shifts. Much of Europe's climate policy architecture rests on concepts first developed and often abandoned in the United States – emissions trading, border carbon adjustments, clean-energy vehicle standards, industrial policy. Nurturing these intellectual and policy connections at the subnational level helps preserve the transatlantic policy commons even when the federal government has turned against it.

In the multilateral arena, functioning global institutional structures remain indispensable for addressing the climate and biodiversity crises. The UNFCCC and its annual summits have struggled to remain relevant, but the EU should lead in strengthening them and bringing together like-minded nations in a "coalition of climate ambition". This includes middle powers and Global South economies that share an interest in accelerating the energy transition and potentially China, too. Leveraging the CTIPs to enhance competitiveness, diversify supply chains, secure access to critical raw materials, and support the global green transition would also boost the EU's global standing. Similarly, the JETPs which were launched to help coal-dependent emerging economies transition to low-carbon energy in a socially inclusive manner should be revived. Through these partnerships, the EU can present a credible alternative for Global South countries to extractive practices by economic coercion (China) and economic and military coercion (U.S.). Strategic partnerships and projects with the Global South through private investments and the Global Gateway Initiative could be seen as an opportunity to accelerate not only the green and digital transitions on a global scale, but also to accelerate the transition to a more global circular economy for critical raw materials, while applying high labour and environmental standards. The framework to set the terms of cooperation on critical raw materials (CRM) with a third country needs to foster value addition in the country and contribute to long-lasting benefits through green industrialisation.

Finally, the EU must guard against the worst-case scenario – in which the United States continues its fossil energy dominance through resource imperialism while China strengthens its leadership in global clean tech markets, leaving Europe marginalised in both domains. An alternative strategy – in which the EU retreats from its climate ambitions, extending its decarbonisation into an uncertain future - would be a failure, and send a highly problematic signal to countries around the world vacillating with their own decarbonisation ambitions: It would take a further toll on the EU's international credibility, which has already been shaken through insufficient outreach efforts around trade-related policies such as the Carbon Border Adjustment Mechanism (CBAM), the EU Deforestation Regulation, CSDDD, and other measures meant to advance EU policy priorities with extraterritorial effect. Trade and diplomatic tensions vis-à-vis the Global South have ensued. It would, moreover, isolate the EU internationally and cede the leadership role to China on its own terms. The worst outcome for Europe is not the difficult situation it presently faces, but its passive acceptance. The long shadow of "Trump 2.0" is real, but it need not be permanent – provided Europe finds the strategic clarity and political will to move beyond it.

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Annex: Scenario Cross-Roads Matrix

A comparative analysis of major upcoming crossroads or decision points across three geographies – the United States, the European Union, and Germany – with three plausible outcome trajectories for each. Three KPIs are used to evaluate each crossroads: (1) Progress on decarbonisation; (2) Progress toward a resilient, competitive, and socially just low-carbon economy; (3) Cooperative engagement (EU–U.S., and with China and the wider international community).

United States

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
1. 2026 U.S. Midterm Elections Control of the House and Senate determines whether the Trump administration can continue its legislative rollback of climate policy or faces gridlock. Key races in swing states (PA, WI, MI, AZ, GA, NV) will signal the durability of energy-populist politics vs. backlash.	Democrats retake at least the House, blocking further IRA repeal efforts and new fossil-fuel legislation. Climate and clean-energy investments become bipartisan constituency goods in red-state districts that benefit from IRA projects. Congressional oversight of EPA rollbacks resumes. **KPI 1.1** Decarbonisation trajectory stabilised legislatively **KPI 1.2** IRA-funded projects continue, market confidence holds **KPI 1.3** Congressional counterweight reopens space for transatlantic climate dialogue	Split result: narrow margins in both chambers lead to legislative stalemate. Neither side can advance or repeal major energy legislation. IRA survives by default, but implementation slows under executive neglect. Partisan trench warfare on energy permitting. **KPI 1.1** Decarbonisation drifts without new policy momentum **KPI 1.2** Investment uncertainty grows; some IRA programs survive, others are starved of appropriations **KPI 1.3** No clear U.S. partner for EU on climate; subnational engagement continues by necessity	Republicans expand majorities in both chambers. Remaining IRA clean-energy tax credits are repealed or narrowed. New legislation fast-tracks fossil-fuel permitting, weakens NEPA, and restricts EPA authority. Energy dominance agenda is codified. **KPI 1.1** Decarbonisation reversed at federal level **KPI 1.2** Capital flight from U.S. clean tech; economic competitiveness narrows to fossil fuels **KPI 1.3** Federal U.S. an active obstacle to transatlantic climate cooperation
2. Fate of the Inflation Reduction Act and federal clean-energy architecture The IRA's $370bn+ in clean-energy incentives are the backbone of U.S. decarbonisation. Key question: do tax credits, loan programs, and manufacturing subsidies survive Trump 2.0 through institutional inertia, red-state constituency interest, and private-sector lock-in, or are they dismantled?	Most IRA tax credits prove politically untouchable because the majority of investment has flowed to Republican-held districts. The private sector's sunk costs create a powerful lobby for continuity. Core incentives for EVs, batteries, solar, wind, and hydrogen survive. DOE Loan Programs Office continues disbursing. **KPI 2.1** U.S. remains on a credible path toward significant emissions reductions through market-driven deployment **KPI 2.2** U.S. clean-tech manufacturing scales up; transatlantic industrial partnerships (e.g. on batteries, green steel) become viable **KPI 2.3** Shared economic interest in clean-tech value chains supports cooperative engagement	Partial survival: some credits (e.g. for mature technologies like solar/wind) are scaled back or means-tested; EV incentives weakened by tightened domestic-content and China-exclusion rules; hydrogen and CCS credits survive because they serve fossil-adjacent industries. Implementation is slow and bureaucratic. **KPI 2.1** Decarbonisation continues but unevenly, with fossil lock-in in certain sectors **KPI 2.2** Mixed signals deter long-term investment; EU and U.S. clean-tech sectors develop in parallel rather than together **KPI 2.3** Bilateral friction over subsidy competition (IRA vs. EU Green Deal Industrial Plan) persists without resolution framework	Congress repeals most IRA clean-energy provisions through reconciliation. Executive orders halt disbursements from DOE and EPA. Private-sector projects are stranded. The U.S. reverts to a fossil-fuel-first industrial strategy with no credible federal decarbonisation pathway. **KPI 2.1** U.S. emissions trajectory flattens or rises **KPI 2.2** U.S. clean-tech competitiveness collapses; EU faces Chinese and fossil-state competition without a U.S. partner **KPI 2.3** No basis for transatlantic climate-industrial cooperation; EU turns to other partners

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
3. Supreme Court: regulatory authority and future vacancies Post-Chevron (Loper Bright, 2024), the Court has already curtailed agencies' regulatory discretion. Upcoming cases on EPA's authority under the Clean Air Act, Waters of the U.S., and the major questions doctrine could further constrain federal climate action. Vacancies (Justices Thomas, 70s; Alito, 70s; Sotomayor, 70s) could reshape the bench for decades.	The Court avoids sweeping new constraints on EPA authority. No vacancy arises during Trump's term, or a vacancy on the liberal wing is replaced after a future Democratic president takes office. Federal regulatory capacity to address emissions remains intact, even if reduced. **KPI 3.1** Federal regulatory tools for decarbonisation survive, permitting executive-branch climate action under future administrations **KPI 3.2** Regulatory certainty supports clean-energy investment **KPI 3.3** U.S. retains institutional capacity for international climate commitments	The Court further narrows EPA's authority but does not eliminate it. Future administrations face higher legal hurdles for ambitious regulation but can still act on well-defined statutory mandates. One vacancy arises and is filled by Trump, shifting the Court modestly further right but not transformatively. **KPI 3.1** Decarbonisation increasingly dependent on legislation and market forces rather than regulation **KPI 3.2** Regulatory uncertainty persists; investment decisions become more state- and market-dependent **KPI 3.3** Credibility of U.S. climate commitments weakened but not destroyed	The Court issues rulings that effectively strip EPA of authority to regulate greenhouse gases under existing statutes. Sotomayor retires or leaves during Trump's term and is replaced by a young conservative, cementing a 7–2 supermajority for a generation. Future administrations cannot regulate emissions without new legislation—which is near-impossible to pass. **KPI 3.1** Federal decarbonisation pathway blocked for a generation absent new legislation **KPI 3.2** Structural regulatory risk deters long-term clean-energy investment at scale **KPI 3.3** U.S. institutionally incapable of credible international climate commitments; transatlantic cooperation loses its federal anchor
4. 2028 U.S. Presidential Election The post-Trump succession question: does the GOP nominate a continuity candidate (e. g. Vance, DeSantis) or a more moderate figure? Can Democrats present a compelling alternative? The outcome determines whether Trumpism was an interlude or a realignment, with direct consequences for the Paris Agreement, transatlantic relations, and U.S. climate credibility.	A Democratic or moderate Republican candidate wins on a platform that includes climate as an economic and security issue. The U.S. re-enters the Paris Agreement and signals readiness to re-engage multilaterally. Clean-energy industrial policy is framed as competitiveness and jobs. **KPI 4.1** U.S. returns to credible decarbonisation trajectory with federal backing **KPI 4.2** Transatlantic cleantech partnerships revitalised; regulatory alignment possible **KPI 4.3** Full restoration of cooperative engagement; U.S.–EU–Germany climate diplomacy resumes at the highest level	A GOP successor wins on a populist-nationalist platform but with less personal chaos than Trump. Climate is not a priority but is not actively sabotaged; all-of-the-above energy rhetoric. Bilateral relations normalise somewhat, but no return to Paris or multilateral climate leadership. **KPI 4.1** Decarbonisation continues via markets and states but lacks federal ambition **KPI 4.2** Transatlantic relations stabilise on trade/security but climate remains secondary **KPI 4.3** Functional coexistence; cooperation limited to energy security and critical minerals	A MAGA-continuity candidate (e. g. Vance) wins decisively, interpreting the mandate as endorsement of fossil-fuel nationalism and disengagement from multilateral institutions. Remaining climate infrastructure is dismantled. The U.S. doubles down on LNG/oil exports as geopolitical leverage. **KPI 4.1** Federal decarbonisation abandoned for the foreseeable future **KPI 4.2** EU and Germany must treat the U.S. as a structural climate adversary, not a partner **KPI 4.3** Transatlantic cooperation on climate effectively dead at federal level; only subnational and private-sector channels remain

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
5. U.S.–China strategic competition and clean-tech supply chains A geopolitical variable with implications for the transatlantic alliance: how does the U.S.–China rivalry evolve? A Taiwan crisis, escalating tech decoupling, or a modus vivendi all have profound implications for clean-tech supply chains (batteries, solar, critical minerals, rare earths), global climate governance, and the space for transatlantic coordination.	Managed competition: the U.S. and China maintain guardrails. No Taiwan crisis. Clean-tech supply chains diversify gradually, with the U.S. and EU cooperating on critical-mineral sourcing and processing (e.g. via the Minerals Security Partnership). Space for trilateral climate diplomacy remains. **KPI 5.1** Clean-tech deployment accelerates as supply chains stabilise and diversify **KPI 5.2** Transatlantic coordination on critical minerals and industrial decarbonisation deepens **KPI 5.3** Multilateral climate processes (COP, G20) continue to function with both U.S. and Chinese participation	Intensified tech and trade decoupling but no military confrontation. U.S. restricts Chinese clean-tech imports aggressively (EVs, batteries, solar panels), raising costs for its own transition. EU is caught in between, pressured by both sides. Critical-mineral supply remains tight. **KPI 5.1** U.S. decarbonisation slowed by higher costs; EU faces difficult sourcing choices **KPI 5.2** Transatlantic cooperation complicated by divergent approaches to China **KPI 5.3** Climate governance fragmented; COP processes lose effectiveness	A Taiwan crisis or severe escalation leads to a full economic and technological decoupling. Critical-mineral and clean-tech supply chains are severed. Energy prices spike globally. Both the U.S. and EU pivot to security and energy independence over decarbonisation. Climate cooperation becomes collateral damage of great-power confrontation. **KPI 5.1** Global decarbonisation set back by years as clean tech costs spike and fossil fuels are securitised **KPI 5.2** EU forced into alignment with U.S. security priorities at the expense of climate objectives **KPI 5.3** Multilateral climate architecture collapses; two-bloc world emerges
6. U.S. state and subnational climate coalitions With federal action constrained, the U.S. Climate Alliance (25 governors), California's regulatory leadership, and initiatives by cities, utilities, and corporations become the de facto U.S. climate policy. Key variables: California's Advanced Clean Cars rules, RGGI and state-level carbon pricing, state renewable portfolio standards, and governor elections in 2026 and 2028.	The U.S. Climate Alliance expands beyond 25 states. California's emission standards are adopted by 15+ states, covering a majority of the U.S. auto market. State-level carbon pricing spreads. Major utilities commit to net zero by 2035–2040 regardless of federal policy. Subnational actors become credible transatlantic partners. **KPI 6.1** Subnational action compensates for federal retreat; U.S. emissions continue to decline **KPI 6.2** State and corporate climate action creates market pull for clean-tech, maintaining U.S. competitiveness in key sectors **KPI 6.3** EU and German Länder/states can engage directly with U.S. subnational actors; a parallel track of transatlantic climate cooperation operates below the federal radar	The coalition holds but does not expand significantly. Federal pre-emption efforts (e.g. blocking California's Clean Air Act waiver) create legal uncertainty. Blue-state progress is offset by backsliding in red states. Corporate commitments weaken under political pressure against ESG. **KPI 6.1** Decarbonisation continues but unevenly, with growing divergence between states **KPI 6.2** Fragmented U.S. market complicates investment and regulatory alignment with the EU **KPI 6.3** Subnational cooperation persists but cannot substitute for federal-level engagement	Federal pre-emption succeeds: the administration revokes California's Clean Air Act waiver and challenges state-level climate regulations. Anti-ESG legislation proliferates. Key governor races flip, shrinking the Climate Alliance. Corporate climate commitments are abandoned under shareholder and political pressure. **KPI 6.1** The last reliable engine of U.S. decarbonisation is weakened **KPI 6.2** Regulatory patchwork deters investment; U.S. loses clean-tech competitiveness **KPI 6.3** Even subnational transatlantic cooperation becomes difficult; EU has no reliable U.S. interlocutor on climate

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
7. U.S. energy market dynamics: natural gas, renewables, grid, and AI-driven electricity demand Market fundamentals may matter more than policy. Key variables: the pace of renewable cost reductions; the natural gas price trajectory (with LNG export expansion); electricity demand growth driven by AI data centres, electrification, and reshoring; and the massive challenge of grid modernization and transmission buildout. These interact with German/EU energy import needs.	Solar, wind, and battery costs continue their learning-curve decline. Grid bottlenecks are addressed through bipartisan permitting reform. AI-driven demand growth is largely met by new renewables and nuclear restarts. U.S. LNG remains available to Europe at competitive prices during the transition, and declining domestic gas demand over time reduces upward price pressure. **KPI 7.1** Market-driven decarbonisation accelerates regardless of federal policy **KPI 7.2** U.S. energy abundance supports both domestic and transatlantic energy security **KPI 7.3** Shared interest in energy technology and trade underpins transatlantic cooperation	Renewables grow but grid constraints create bottlenecks. AI data-centre demand absorbs much new clean generation, slowing broader grid decarbonisation. LNG export growth tightens domestic gas markets, raising prices for U.S. industry and consumers. EU competes with Asia for LNG cargoes. **KPI 7.1** Decarbonisation slowed by grid and demand-growth challenges **KPI 7.2** Energy price volatility creates friction between U.S. exporters and European importers **KPI 7.3** Transatlantic energy trade continues but under growing competitive tension	Grid modernization stalls due to permitting failures and lack of investment. Surging electricity demand from AI and electrification is met primarily by new gas plants, locking in fossil infrastructure. LNG export boom raises U.S. domestic gas prices, triggering accelerated exploration and new record fossil fuel investments. U.S. renewables plateau. **KPI 7.1** U.S. locks into fossil-heavy electricity mix for years; emissions rise **KPI 7.2** EU faces LNG supply uncertainty and price spikes; German Energiewende endangered **KPI 7.3** Energy becomes a transatlantic flashpoint rather than a cooperative agenda
8. Technology inflection points: storage, hydrogen, fusion, CCS, next-gen nuclear Breakthrough developments in key technologies could reshape the energy landscape. Long-duration storage and green hydrogen at scale would solve intermittency and hard-to-abate sectors. Fusion or advanced nuclear breakthroughs would likewise be transformational. CCS viability determines whether fossil fuels have a long-term future. These outcomes create or foreclose possibilities for transatlantic technology partnerships.	Long-duration storage and green hydrogen reach commercial viability before 2030. Next-gen nuclear (SMRs) begins deployment. Fusion achieves net-energy milestones, attracting massive investment. U.S. and EU co-invest in shared technology platforms and standards. The economic case for fossil fuels weakens structurally. **KPI 8.1** Technology breakthroughs accelerate decarbonisation beyond policy-driven trajectories **KPI 8.2** Transatlantic technology partnerships (on hydrogen, SMRs, fusion) create deep industrial ties **KPI 8.3** Joint standard-setting and technology governance strengthen cooperative engagement globally	Technologies advance but more slowly than hoped. Green hydrogen remains expensive outside niche applications. CCS proves workable but is used primarily to extend fossil-fuel operations. SMRs face regulatory and cost delays. Technology develops in national silos with limited transatlantic coordination. **KPI 8.1** Decarbonisation continues on current trajectory: no transformational acceleration **KPI 8.2** Limited technology cooperation; EU and U.S. pursue parallel rather than joint pathways **KPI 8.3** No shared framework for technology governance; standards diverge	Key technologies fail to deliver at scale: storage remains expensive, hydrogen economics don't pencil out, CCS underperforms, SMRs are delayed by a decade. The fossil-fuel industry uses technology failure narratives to argue that the energy transition is unrealistic. AI breakthroughs drive energy demand up without corresponding clean supply. **KPI 8.1** The green technology will save us narrative collapses, undermining political support for decarbonisation **KPI 8.2** No technology basis for transatlantic clean-tech partnership; fossil fuel trade dominates **KPI 8.3** Technology pessimism weakens climate ambition on both sides of the Atlantic

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
9. U.S. tariff and trade architecture and the transatlantic economic relationship U.S. trade policy (including the 2025 tariff regime, possible EU–U.S. deals, and the treatment of carbon-intensive imports) directly shapes the transatlantic climate-energy nexus. A key question is whether the U.S. and EU can agree on mutual carbon-content-based trade instruments or remain locked in a subsidy-and-tariff spiral.	After initial tariff chaos, the U.S. and EU negotiate a framework deal that lowers barriers for clean-tech goods and aligns carbon-intensity standards for traded products (steel, aluminium, cement), possibly as a result of favourable midterm election outcomes. A climate club-like arrangement emerges bilaterally, even if not globally. EU CBAM and U.S. trade tools are made compatible. **KPI 9.1** Carbon-aligned trade supports decarbonisation in both economies **KPI 9.2** Transatlantic clean-tech trade expands; industrial competitiveness strengthened **KPI 9.3** EU–U.S. trade framework becomes a model for cooperative climate governance	Tariffs are reduced but not eliminated. The EU–U.S. deal is narrow, focused on security goods and LNG rather than climate. EU CBAM proceeds unilaterally, creating friction with the U.S. Clean-tech trade continues but under a patchwork of bilateral arrangements rather than a coherent framework. **KPI 9.1** Trade policy is neutral to decarbonisation; neither helps nor hinders **KPI 9.2** Competitiveness disputes persist; subsidy rivalry continues **KPI 9.3** Transatlantic coexistence on trade but no strategic alignment on climate	Trade war escalates: the U.S. imposes retaliatory tariffs on EU goods in response to CBAM, which it labels protectionist. EU counter-retaliates. Clean-tech supply chains are disrupted. The U.S. conditions energy exports (LNG) on political compliance, weaponising energy trade. WTO-based rules erode further. **KPI 9.1** Trade conflict raises costs of decarbonisation on both sides **KPI 9.2** Industrial competitiveness suffers as trade barriers fragment markets **KPI 9.3** Transatlantic relationship becomes adversarial on economic policy, poisoning climate cooperation
10. Exogenous shocks: extreme weather, energy crises, domestic instability Wildcard events, such as a catastrophic hurricane season, a major grid failure, an oil-price shock from Middle East escalation, a domestic political crisis, or a pandemic, abruptly shift political priorities. The increasing frequency of climate-attributed extreme weather in the U.S. may be the most powerful driver of public opinion and political will.	A sequence of severe, clearly climate-attributed weather events (mega-hurricane à la Katrina, Western drought, Midwest crop failure) shifts U.S. public opinion decisively. Climate becomes a kitchen-table issue. Insurance market failures in coastal/fire-prone areas create bipartisan urgency. A Sputnik moment for climate. **KPI 10.1** Public demand accelerates political action on decarbonisation **KPI 10.2** Climate adaptation and resilience spending creates new transatlantic cooperation opportunities **KPI 10.3** Shared vulnerability strengthens the case for cooperative engagement	Extreme weather events occur but are politically absorbed: relief spending flows, but no structural policy change follows. A Middle East energy-price shock briefly raises attention to energy security but reinforces drill more rather than transition faster narratives. Public opinion shifts gradually but insufficiently to change electoral dynamics. **KPI 10.1** Decarbonisation trajectory unaltered: no catalytic effect **KPI 10.2** Energy security dominates the agenda; climate framed as a long-term concern **KPI 10.3** Transatlantic relations focused on crisis management, not structural cooperation	A major domestic crisis (constitutional confrontation, widespread civil unrest, severe economic recession) absorbs all political bandwidth. Climate policy becomes irrelevant in the face of immediate instability. Alternatively, an energy-price shock triggers a drill-baby-drill response that entrenches fossil fuels. Global uncertainty depresses investment in long-term transitions. **KPI 10.1** Decarbonisation drops off the political agenda entirely **KPI 10.2** Economic instability undermines the financial basis for the energy transition **KPI 10.3** U.S. turns inward; transatlantic cooperation suspended in all but name

European Union

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
1. Industry and energy policy, short-term vs. long-term competitiveness Key decisions in energy and industrial policy (IAA details, ETS review, simplification agenda) and EU MFF (2028–2034) with expected agreement by end of 2026, but more likely in 2027.	In face of industry lobbying in a tense international environment the EU avoids further watering down climate policy objectives (for the IAA the scope and scale of local content rules will be matched to industry specifics and avoid conserving fossil-fuel based structures, ETS will be upheld, competitiveness will not be reduced to deregulation and necessary investment for renewables and grid expansion will be mobilised. **KPI 1.1** Decarbonisation – staying on track with chance for clean-tech competitiveness **KPI 1.2** Energy and clean-tech resilience in progress **KPI 1.3** Co-operative engagement is possible	Continue backsliding on climate and energy targets but not giving up mid and long-term objectives – drifting. **KPI 1.1** Differential speed in decarbonisation and competitiveness – divisions within the EU growing (Northern Europe and Spain as forerunners, Germany, Italy and CEE backsliding) **KPI 1.2** Resilience develops unevenly across Member States. **KPI 1.3** Co-operative engagement challenged	Giving up Green Deal objectives, scrapping the ETS, subsidising energy price without decarbonisation criteria, enhancing trade protection measures. **KPI 1.1** Sinking into a fossil fuel trap **KPI 1.2** Increased vulnerability **KPI 1.3** More dependence on petrostate America
2. Elections Hungary general (April 2026), France presidential (April 2027), Spain general (2027), Italy general (2027), Poland general (2027), European Parliament (2029).	In 2026 Orbán loses in Hungary (accepts the result) clearing one blocking factor in EU policies. In 2027 RN will not win the French presidency. In 2027 Spanish parliamentary elections would not bring a right-wing landslide. In 2029 EP elections will not bring a further slide towards the far-right. **KPI 2.1** Decarbonisation agenda not derailed **KPI 2.2** Clean-tech competitiveness not questioned **KPI 2.3** EU still able to maintain unity and a common position in world affairs	RN wins French presidential elections but changes profile in power following a more pragmatic approach in Meloni's footsteps. In 2029 EP elections shift further to the right, but the political centre holds. **KPI 2.1** Decarbonisation slowed down **KPI 2.2** Clean-tech competitiveness erodes **KPI 2.3** International engagement in drifting mode	RN wins and keeps hard-line profile, Spain shifts to the right, EU Parliament in 2029 dominated by right and far-right. **KPI 2.1** Climate targets downscaled and Green Deal abandoned **KPI 2.2** Clean-tech competitiveness is off the agenda, deregulation and protectionism are the driver **KPI 2.3** EU International engagement is limited, the EU turns inward ('Fortress Europe' both in migration and trade)

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
3. Trade policy, EU–U.S. U.S. trade policy, future of the EU–U.S. trade deal after the 150 days, when the currently imposed 15% global tariff after SCOTUS decision expires, possible EU response, ratification.	After chaos and uncertainty, stability returns, U.S. tariffs remain in place although at a lower level; the trade deal gets ratified, and fossil fuel purchase commitments are not being taken literally; EU exports to U.S. stabilise at a lower level than before tariffs but no dramatic effect. **KPI 3.1** No harm – no benefit for the decarbonisation agenda **KPI 3.2** Opportunities to advance EU clean tech in and with the U.S. **KPI 3.3** Transatlantic cooperation restored	Pressure continues with EU responses. **KPI 3.1** U.S. fossil energy dominance slows down EU decarbonisation agenda **KPI 3.2** Pressure on EU energy-intensive industries continues (state level deals clean-tech) **KPI 3.3** Transatlantic coexistence continues, but at a lower level	Breakdown, derisking from U.S.. **KPI 3.1** U.S. relationship is a risk factor in decarbonisation **KPI 3.2** Export industries suffer and look for diversification **KPI 3.3** Transatlantic relations on ice, waiting for better times
4. EU technology dependence From U.S. in digital, from China in clean-tech.	EU takes action to limit its dependence on U.S. digital technology (platforms, cloud services, data) by standard setting but also by boosting own development; EU launches an investment and innovation offensive to get out from the trap where its competitiveness and R&D&I are rooted in Industry 2.0 mid-tech. As regards China, selective policies are in place to defend own clean tech but leaving room for competition and potential innovation partnership for competitive coexistence. **KPI 4.1** Decarbonisation progress based on mainly EU technology **KPI 4.2** Strong EU competence in both digital and clean tech **KPI 4.3** Co-operation on basis of mutual advantages	Tensions with both China and the U.S. continue, the EU opts for a hedging strategy but maintaining a relatively strong position. **KPI 4.1** Trade-offs in decarbonisation progress but not giving up targets **KPI 4.2** Wins and losses, differentiated by industry and country **KPI 4.3** Muddling through	Losing to both superpowers: U.S. tech and fossil energy dominance; China keeps dominating clean tech. **KPI 4.1** Decarbonisation targets can only be met with Chinese technology, and political resistance builds up. **KPI 4.2** EU competitiveness suffers with decline in growth and wellbeing **KPI 4.3** EU on the receiving end, not in control – tensions within the EU grow

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
5. Russia's war in Ukraine A basic condition of EU sovereignty.	An acceptable settlement reached – (even if bitter) that preserves sovereignty of Ukraine with security guarantees. **KPI 5.1** As the EU can focus on its own priorities, advancing the green agenda becomes easier **KPI 5.2** EU can assert itself more vis-à-vis the U.S. being less dependent on U.S. security shield **KPI 5.3** A transatlantic relationship on a more balanced footing becomes possible	A war of attrition continues. **KPI 5.1** Security remains top priority, energy resilience overshadows decarbonisation ambitions **KPI 5.2** Europe still in limbo, prolonged uncertainty **KPI 5.3** Transatlantic relationship remains strained	Russia 'wins' making energy and trade deals with Trump's America; reconstruction of the 'rest of Ukraine' is the EU's responsibility with high costs, while Russia remains a threat to Europe. **KPI 5.1** Decarbonisation is not a priority anymore **KPI 5.2** The EU is more vulnerable and its dependence on the U.S. remains **KPI 5.3** Subordination in the transatlantic relationship
6. EU–China relations Trade, investment, technology transfer.	China accommodates its economic model (more domestic demand-based growth, less aggressive export strategy) but remains at the forefront of innovation in key technologies. It does not become a liberal democracy but maintains political stability with output legitimacy. The EU finds a way for a balanced partnership and coexistence with mutual benefits. **KPI 6.1** Chinese clean tech does not pose a threat to EU industry but helps advancing decarbonisation **KPI 6.2** Innovation partnerships, more balanced exchange **KPI 6.3** Co-operation with China also in the Global South	Competition with China as an adversary – in all markets, in China, on EU markets and in the rest of the world. **KPI 6.1–6.2** More loss than benefit for the EU, both in decarbonisation and competitiveness **KPI 6.3** Europe continues navigating between the two hegemons	Breakdown of the relationship, derisking and decoupling. China continues to expand in the rest of the world undermining the position of the EU. **KPI 6.1** Decarbonisation in the EU becomes more expensive and slows down **KPI 6.2** EU industry survives behind protective wall, but loses long-term competitiveness and markets in the rest of the world **KPI 6.3** More alignment with the U.S., but in a dependent position

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
7. EU integration vs. fragmentation The future trajectory of the European project.	EU grows up to the challenges and moves towards further integration – develops EU level fiscal capacity and Eurobonds. **KPI 7.1** Necessary given the global challenges and investment need, helps also to achieve climate policy targets **KPI 7.2** Good for developing clean-tech competitiveness **KPI 7.3** Helps the EU to raise its global standing, including also a more balanced transatlantic relationship	Muddling through from crisis to crisis – EU at different speeds (coalitions of the willing principle – in climate policy, but also in defence and migration). **KPI 7.1** Current trajectory continues in decarbonisation **KPI 7.2** Current trajectory continues in resilience and competitiveness **KPI 7.3** Prolonged dependence on superpowers, limited influence in global matters	Break-up as a political entity, becomes a free trade zone with loose cooperation of sovereign states (Reset EU playbook of the far-right). **KPI 7.1** Reversing climate policy progress **KPI 7.2** The EU loses political and economic influence **KPI 7.3** The EU fragments into different international alliances., end of the EU as we knew it
8. EU security agenda ReArm Europe, EU as global, regional or middle power.	ReArm EU €800bn + lifting national defence budgets with national escape clause of 1.5% + joint defence procurement. Projects like FCAS can move ahead (putting aside national and company minority interests). **KPI 8.1** Does not help decarbonisation agenda **KPI 8.2** Some spillovers for technology, but crowding out resource from clean-tech development **KPI 8.3** Balancing effect in transatlantic relations	Differential spending by Member States, a few strategic projects move on, but fragmentation remains. **KPI 8.1** Neutral effect on decarbonisation progress **KPI 8.2** No direct effect on competitiveness **KPI 8.3** Continued dependence	Fragmentation with waste of resources. **KPI 8.1** Decarbonisation efforts may continue, but lack of co-operation in defence brings likely the same in climate efforts and backsliding to continue **KPI 8.2** Fragmentation does not help resilience either **KPI 8.3** Depending on how global conflicts develop, with an easing of conflicts EU might be lucky, but in a wolves' world it will be marginalised
9. EU in the world Climate, energy policy, critical raw materials.	With reinforced multilateralism, the EU reasserts itself using its vast internal market to influence the international political agenda building on the Brussels effect in the fight against global warming – Green Deal and the CBAM –, the management of industrial chemicals (REACH), the protection of personal data (GDPR), and regulating artificial intelligence (AI Act). **KPI 9.1** Promotes global decarbonisation **KPI 9.2** Maintains and strengthens resilience and clean-tech competitiveness **KPI 9.3** Builds on and upholds cooperative engagement	With multilateralism under pressure, the EU builds coalitions with middle powers. With initiatives as the Global Gateway and Clean Trade and Investment Partnerships tries to present an alternative to coercive practices by the U.S. and China. In certain areas some co-operation with the U.S. is possible on a pragmatic basis. **KPI 9.1** Attempt to maintain global decarbonisation effort **KPI 9.2** While under pressure, its clean-tech competitiveness and resilience can be maintained in certain areas, while falling back in others **KPI 9.3** Global collaborative effort remains challenged	With breakdown of multilateralism and the EU being squeezed between two global hegemons, the Brussels effect does not work anymore and the EU (with the values it represents) loses significance. **KPI 9.1** Backtracking in global decarbonisation **KPI 9.2** Losing resilience **KPI 9.3** Cooperative engagement breaks down

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
10. Climate change, extreme weather events, adaptation efforts The increasing frequency of climate-attributed extreme weather events in the EU and their political and policy consequences.	The increasing frequency of climate-attributed extreme weather events causes massive damage in the EU, wildfires in the South, floods in central Europe. Public awareness increases. Adaptation to climate change moves to the centre of the policy agenda, while decarbonisation and clean energy investments continue. **KPI 10.1** Progress in decarbonisation **KPI 10.2** Both decarbonisation and adaptation create demand for EU industry **KPI 10.3** External shocks reinforce global collaborative effort	The increasing frequency of climate-attributed extreme weather that causes massive damages across the EU focuses policies on short term rescue services and catastrophe relief efforts, longer term investments into decarbonisation are secondary, but still continuing. **KPI 10.1** Decarbonisation slowing down, but still happening **KPI 10.2** Resilience is eroding **KPI 10.3** Global collaboration continues at a lower level with 'my country first' priorities	The increasing frequency of climate-attributed extreme weather events causes massive damage and mass migration. Inequality and tensions are growing. Public unrest grows, far-right parties strengthen, EU fragmentation speeds up. **KPI 10.1** Decarbonisation off the agenda **KPI 10.2** Economic crisis with loss of resilience **KPI 10.3** Rising international conflicts, lack of cooperation

Germany

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
1. 2026–2027 Cluster of state elections in Germany State elections determine whether there is bottom-up pressure to decarbonise. Upcoming elections: Baden-Württemberg, Rhineland-Palatinate, Saxony Anhalt, Berlin, Mecklenburg-Western Pomerania, North Rhine-Westphalia, Saarland, Schleswig-Holstein, Bremen, Lower Saxony) (and then more along the road to 2030).	AfD loses seats in state-level parliaments, green party increases seats. **KPI 1.1** Decarbonisation (re-) gains momentum through bottom-up pressure **KPI 1.2** Progress is made on competitiveness through decarbonisation, social justice programs implemented successfully **KPI 1.3** International cooperation (with China, with U.S. subnational governments, with the G20 countries) drives international climate policy	AfD and green party maintain seats, state-level parliaments mirror current federal government. **KPI 1.1** Commitment to decarbonisation is maintained but political ambition is low **KPI 1.2** Mixed political signals slow down progress, continued competitiveness challenges, social justice concerns are neglected **KPI 1.3**. Germany cooperates with select U.S. subnational governments, relations with China remain strained, some Global South cooperation	AfD scores major wins, climate scepticism moves up the political agenda in other parties as well. **KPI 1.1** Commitment to decarbonisation fades, fossil-fuel-based economy is locked in politically **KPI 1.2** The transition to a low-carbon economy is halted.; de-industrialization due to lack of competitiveness, social justice issues cause conflicts **KPI 1.3** Cooperation with progressive U.S. subnational actors is given up entirely, relations with China and other G20 countries deteriorate

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
2. Trade war with the U.S. The U.S. tariff regime and energy exports: its implications for Germany and the transatlantic relationship	Tariffs remain stable, Germany resumes exports to the U.S.. at pre-Trump II levels, energy exports to Germany flow freely. **KPI 2.1** Decarbonisation progresses **KPI 2.2** Progress towards a competitive low-carbon economy is made, reduced energy prices decrease social challenges to some extent **KPI 2.3** The Germany–U.S. relationship remains stable and cooperative.	Tariffs increase; trade is reduced. **KPI 2.1** Decarbonisation progress slows down due to limited public climate funding **KPI 2.2** German economy suffers as exports deteriorate, no progress on social justice **KPI 2.3** Relationship to the U.S. cools off, Germany seeks to improve trade relationship with China and others	Trade war escalates, LNG export ban for Germany issued, energy crisis in Germany. **KPI 2.1** Decarbonisation becomes inconsistent and crisis-driven **KPI 2.2** German economy in dire crisis, LNG supply interrupted, grave social issues emerge **KPI 2.3** Transatlantic relationship in crisis, China continues to flood the markets with cheap clean tech
3. War in the Middle East Oil and gas supply and prices and their impact on the German economy and decarbonisation efforts	Crisis is resolved quickly; Strait of Hormuz is re-opened. **KPI 3.1** Decarbonisation proceeds at its current level **KPI 3.2** Blow to German economy is limited, social justice issues ease due to lower energy prices, renewable energy (and infrastructure) receives a public and private investment boost **KPI 3.3** U.S.-German energy cooperation remains important, Germany seeks to diversify energy relations with other partner countries	Crisis lingers for months; oil and gas supplies remain interrupted. **KPI 3.1** Decarbonisation slows down due to lacking public funds **KPI 3.2** German economy suffers due to high oil and gas prices, public funds are re-directed and limited for decarbonisation matters **KPI 3.3** Energy and climate cooperation remains strained and uncertain	Crisis lingers for more than a year, limited funds for climate matters; oil and gas production in the U.S. picks up in response. **KPI 3.1** Decarbonisation comes to a halt **KPI 3.2** German economy takes a severe blow, social issues intensify, investments in low-carbon economy severely limited **KPI 3.3** Transatlantic oil and gas relations are strengthened, international climate relations are neglected
4. Climate Club The success or failure of the Climate Club initiative and its implications for industrial decarbonisation.	Climate Club gains strength, India and/or China join, common definition for low-carbon steel and cement are agreed and private finance for industrial transformation is mobilised at a large scale. **KPI 4.1** Decarbonisation especially in the industrial sector begins to accelerate quickly **KPI 4.2** Low-carbon economy gets important impetus, resilience and competitiveness of the German economy begins to grow **KPI 4.3** Climate Club success boosts international climate cooperation, relations with China and the U.S. improve	Climate Club maintains its current membership, common definitions for steel/cement are agreed upon but the club suffers from the absence of major economies. **KPI 4.1** Decarbonisation progresses in Germany and a limited number of Climate Club countries **KPI 4.2** Some improvements on socially-just low-carbon transformation but pressure on the German economy from non-Climate Club members, especially China stays high **KPI 4.3** Engagement with the U.S. and China remains difficult, more progress with Global South Countries, e. g. South Africa, Brazil	With the U.S. gone and India and China missing, Climate Club membership begins to crumble, international cooperation on industrial decarbonisation comes to a standstill **KPI 4.1** Decarbonisation slows down significantly **KPI 4.2** Competitiveness of German industries suffers immensely, high unemployment undermines social justice **KPI 4.3** International engagement on clean industries is left to private sector initiatives

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
5. G20/G7 presidencies U.S.A (2026/2027) The impact of U.S. presidencies of the G20 and G7 on the global climate and clean energy agenda.	There are no ministerial/working group meetings on climate/clean energy during the U.S. G20 and G7 presidencies, but the final communiqué still includes language on climate from the rest of the G20/G7; future presidencies resume the workflow on decarbonisation and just transition. **KPI 5.1** Decarbonisation progresses **KPI 5.2** Germany maintains its stance on the low-carbon economic transformation **KPI 5.3** International engagement concentrates on the G20 without Russia and the U.S.	There are no ministerial/working group meetings on climate/and clean energy during the U.S. G20 and G7 presidencies and no language on climate in the final communiqués, future presidencies limit the climate work to non-contentious issues including adaptation. **KPI 5.1** Decarbonisation in Germany is put into question increasingly due to international pressure **KPI 5.2** With G7 and G20 efforts on climate and clean energy reduced, investment uncertainty in Germany's transition grows **KPI 5.3** Germany's international engagement on issue areas like adaptation and nature-based climate solutions continues but cooperation on decarbonisation becomes increasingly challenging	U.S. takes climate/clean energy off the G20 and G7 agenda and puts pressure on future G20/G7 presidencies to do the same, G20 stops its work on decarbonisation and just transition. **KPI 5.1** With decarbonisation being taken off the international agenda increasingly, Germany's decarbonisation efforts face significant headwinds **KPI 5.2** Lacking G20 and G7-level engagement in social justice and low-carbon economy leave Germany's transition vulnerable **KPI 5.3** With the G7 and G20 missing as actors in international climate and clean energy governance, Germany's international engagement on climate issues re-focuses on remaining formats including the UNFCCC COPs as well as bilateral cooperation
6. German 2045 climate target The trajectory of Germany's domestic climate ambition and its interaction with EU and international commitments.	Germany maintains an ambitious 2045 climate target and introduces innovative policies to move the economy towards this trajectory. **KPI 6.1** Decarbonisation proceeds **KPI 6.2** German economic resilience and competitiveness increases, social justice programs are improved **KPI 6.3** A credible, ambitious climate target facilitates Germany's international engagement, especially with Global South countries	Germany adds flexibilities to its 2045 climate targets (EU climate law changed accordingly). **KPI 6.1** Pace of decarbonisation decreases **KPI 6.2** Domestic transformation in Germany is postponed **KPI 6.3** Germany tightens its collaboration with developing markets to achieve its GHG reductions	Germany abandons its 2045 climate target as net zero comes out of reach. **KPI 6.1** Decarbonisation efforts are slowed down significantly **KPI 6.2** German industries suffer severe international competition from countries with cheaper energy, laxer standards **KPI 6.3** Germany struggles to engage on climate matters due to a severe lack of credibility; spillover effects: other countries follow suit in reducing their climate ambition

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
7. China industrial policy Development of Chinese overcapacities (steel, chemicals, etc.) and their impact on Germany	China agrees to adjust its policies to significantly reduce global overcapacities in steel, chemicals, electric vehicles. **KPI 7.1**. Decarbonisation is now facing the challenge of more expensive solar and wind components from China **KPI 7.2** Competitiveness of German industries increases, German clean-tech investments increase, transformation to a low-carbon economy progresses **KPI 7.3** German engagement with China improves, both jointly serve as electro-state drivers; relationship with the U.S. remains difficult due to diverging industrial policy interests	China leaves its industrial policy unchanged **KPI 7.1** Decarbonisation progresses due to loss of German industrial production **KPI 7.2** German industry continues to suffer from overcapacities and heavily subsidised products, loses market shares and moves its production elsewhere; jobs are lost in Germany, providing an extra challenge to a socially just transition. **KPI 7.3** Engagement with both China and the U.S. remains difficult	China ramps up its subsidies for clean tech in new areas such as heat pumps, electrolyzers, green steel. **KPI 7.1** Decarbonisation progresses due to continued availability of cheap Chinese clean-tech products **KPI 7.2** German industries can no longer compete, and China dominates more and more clean-tech markets, leaving Germany economically suffering and highly dependent on China. **KPI 7.3** Relations with China and the U.S. are strained; Germany all the more seeks to strengthen ties with the other G20 countries and further Global South partners
8. Germany UN Security Council (UNSC) membership Germany's bid for a non-permanent seat for 2027–2028 and its implications for climate diplomacy.	Germany wins a non-permanent seat for 2027–2028, manages to put the climate-security nexus high on the agenda of the UN. **KPI 8.1** Decarbonisation proceeds, energy-related discourse is more and more securitised **KPI 8.2** Security related issues emphasise importance of low-carbon transformation, attracting clean-tech investments in Germany **KPI 8.3** Germany able to use its seat to deepen collaboration with the Global South, cooperation with the U.S. and other petro-states increasingly difficult	Germany does not win a non-permanent seat and fails to use the UNSC as a means to boost global awareness on the climate-security nexus. **KPI 8.1** Decarbonisation proceeds but fossil-phase out remains challenging due to lack of awareness on security risks **KPI 8.2** With the climate-security nexus not high on the agenda, investments stagger, German industries struggle to gain competitiveness, social justice issues increase **KPI 8.3**. Engagement with the U.S. and China unchanged, no additional drive for Global South cooperation	Germany wins a non-permanent seat, but Donald Trump renders the UN irrelevant, putting pressure on other countries to leave the UN during his presidency in order support his exclusive Board of Peace; the UN thus no longer serves to amplify the climate issue. **KPI 8.1** Decarbonisation slows down significantly in Germany and internationally **KPI 8.2** A highly fragmented international landscape with no multilateral climate coordination deters clean tech investments, German clean-tech transformation is slowed down, fossil energy available at cheap prices complicates the transformation **KPI 8.3** Cooperative engagement on climate is reduced to bilateral and non-state cooperation, government-coordinated international signals are missing

CROSSROADS DESCRIPTION	POSITIVE TRAJECTORY	MIXED TRAJECTORY	DESTABILISING / ADVERSE TRAJECTORY
9. 2029 German parliamentary elections The outcome of the next federal election and its implications for climate policy, industrial strategy, and international engagement.	A strong green-black coalition wins the parliamentary majority/shapes the government. **KPI 9.1** Decarbonisation speeds up **KPI 9.2** Ambitious new climate policies are introduced, taking into account both clean-tech based industrial growth and a socially just transformation **KPI 9.3**, Ties with the Global South and G7 countries (excluding the U.S.) are strengthened	The current black-red coalition continues but AfD also has strong results; climate policy continues to come under attack. **KPI 9.1** Decarbonisation is slowed down **KPI 9.2**, The climate target for 2045 is rendered unattainable, raising investment uncertainty in clean tech; German industry continues to struggle from lack of competitiveness **KPI 9.3** Cooperative engagement continues but Germany's credibility in the international arena is significantly reduced, making collaboration challenging	AfD wins more than 50% of the vote. **KPI 9.1** Decarbonisation plateaus **KPI 9.2** Climate policy is weakened, investment signals for clean technologies are weakened significantly **KPI 9.3** Ties with the U.S. are strengthened based on shared AfD-MAGA beliefs and interests, international climate engagement is not pursued any further

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A New Climate:
Energy and Industrial Policy under Trump 2.0

The 2024 election of Donald Trump marks a turning point for transatlantic climate, energy, and industrial policy. Yet even if U.S. politics moderates, for example with Democrats regaining Congress or the presidency – the transatlantic relationship will not return to pre-2016 norms. U.S. politics will remain polarised, post-war security guarantees are unlikely to be restored, fossil energy will retain a dominant role, and the great-power rivalry with China will reshape the global order. In a multipolar landscape, the EU must position itself between competing major powers while confronting persistent pressures: Russian aggression, Chinese competitive challenges, Middle Eastern instability, and growing migration from Africa driven by climate change and demographic pressures. Drawing on stakeholder workshops and a structured scenario-building exercise, this paper compares climate and energy policy developments in the United States, the EU, and Germany, and develops three scenarios for transatlantic cooperation to 2030 – "Transatlantic Stabilisation", "Low-Speed Decarbonisation" and "Decoupled Decline" – illustrating trajectories ranging from renewed cooperation to stagnating progress and, in the worst case, a breakdown of transatlantic climate policy. In the U.S., a shift toward fossil-fuel–oriented energy dominance coexists with persistent market drivers favouring renewables. The EU remains committed to the Green Deal but faces insufficient investment and political fragmentation. Germany faces tensions between climate targets and economic pressures from high energy costs and international competition.
The paper concludes with strategic recommendations centred on a dual-track approach: short-term measures to strengthen energy security and competitiveness, alongside longer-term investments in institutional resilience and greater independent European climate leadership. Key priorities include accelerating renewable energy deployment, safeguarding core climate policy instruments, diversifying supply chains, and building the EU's capacity for autonomous climate action even in the absence of reliable transatlantic cooperation and amid deepening geopolitical uncertainty.

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