European Forum Alpbach 2026
Climate Track Report

Europe Has What It Takes and Now Needs to Commit to the Transition

BY THE KONTEXT INSTITUTE
AS CLIMATE TRACK REPORTING PARTNER

Executive Summary

As the official Climate Track reporting partner, the KONTEXT Institute brought together the wide range of climate discussions at the European Forum Alpbach 2026. Under this year's theme, “How Europe Wins”, speakers and participants from politics, business, science and civil society met in panels, hikes and other formats. They debated what it will take for Europe to stay on course with its climate ambitions amid geopolitical pressure, tight budgets and growing polarisation. The following report summarises the central challenges and solutions that emerged, as well as the open questions to carry forward on the path towards the European Forum Alpbach 2027 (EFA27). It integrates insights from the core sessions of the Climate Track as well as from the Lab “Triple Integration: Dilemmas and Synergies for Urban Climate Transformation”, a two-day co-creative deep-dive workshop.

Three challenges stood out. First, Europe underestimates itself. It has adopted a narrative of decline, even though its social systems, quality of life and democratic stability remain exceptional. Yet these strengths do not translate into a sense of agency, because political leaders rarely build on them and growing polarisation makes it harder to act together. Second, Europe treats symptoms. Policy tends to cushion immediate burdens, through fuel price cuts or compensation payments, while the underlying exposure remains unchanged. Third, Europe does not commit. Political will rather than technology is the binding constraint. Shifting priorities, from the political questioning of the EU Emissions Trading System (EU ETS) to unpredictable permitting, undermine the planning certainty that private investment depends on.

The discussions also pointed to ways forward. Europe can redefine itself as a strong, collaborative middle power. That means building partnerships on equal terms with countries in Asia, Africa and beyond around shared future interests such as secure value chains. Building resilience requires Europe to agree on systemic change, with clear visions of the target state for areas such as energy, water and transport, and with the capability to act under uncertainty rather than relying on detailed roadmaps. Finally, Europe needs coherent policy packages and must make use of decisive moments. Many measures only work in combination, so instruments have to be designed to reinforce each other. Crises, in turn, open windows for structural change, especially when they are paired with the deliberate sunsetting of systems that are already losing.

Looking ahead to EFA27, five questions remain open:

- How can climate be mainstreamed into the debates on security, competitiveness and finance?
- Why do agreed solutions so rarely reach political decisions, and how can implementation become more concrete?
- What can Europe as a middle power learn from others?
- How can regulatory stability be created and protected from short-term political pressure?
- How can the transformation be financed at a time of tight public budgets and how can private capital be better leveraged?

Key Challenges

1. Europe underestimates itself

The narrative of European decline is manufactured and Europe is adopting it. Sandrine Dixson-Declève (Executive Chair, Earth4All) inverted the usual diagnosis: Europe is not in the difficult situation it is in because it lacks competitiveness or arms itself too little, but because its success was perceived as a threat to others. She asked why the United States and Russia are so invested in creating chaos in Europe and pointed to documented capital flows into right-wing election campaigns as evidence that the pressure on Europe is deliberate. She told the audience to stop questioning Europe and to instead defend what it has built. What is missing, in her opinion, is leaders who are proud of Europe. Instead, they show an obsession with competitiveness modelled after a United States that is itself under severe strain and so lose sight of where Europe's own strengths lie.

Europe's evident strengths do not translate into a sense of agency. Maria Kalesnikava (Belarusian civil rights leader), who spent more than five years in prison for her cause, described Europe as still one of the best places in the world to live, with education, medical insurance and social protection at a level that functions as a working example for Belarusians of what democracy delivers. Bastian Herre (Politics & Society Lead, Our World in Data) supplied the same picture in aggregate: the number of democracies has grown steadily over the long run and life expectancy in Europe is the highest of any continent. And the willingness to act is there as well: according to Sandrine Dixson-Declève, roughly 70 percent of people globally say they are ready to pay their fair share of decarbonisation. Yet none of this translates into a sufficient sense of agency. Several speakers and participants observed that Europeans rarely see these strengths as a foundation from which to act with confidence and on their own terms. Sandrine Dixson-Declève pointed to a lack of trust, noting that roughly the same share of people who are willing to contribute do not trust their governments or elites to act. Maria Kalesnikava added that growing hate and aggression between people and communities, in politics as well as on social media, makes it harder to act together.

2. Europe treats symptoms

Policy often addresses the immediate effects of the transition and not the structural change underneath. Jonathan Barth (Senior Associate, Institute for Sustainability Leadership, University of Cambridge) talked about how we deal with losses that come with structural change. Policies mostly address the lost income during job loss and provide unemployment benefits when what people lose is identity, security and social networks. “It’s not the material losses that are so difficult, it’s the psychological fallouts”, Barth holds. Because the full extent of the losses is not even named or acknowledged most of the time, the instruments built to compensate for them cannot fully address the losses. The same blind spot exists at the level of systems. Kirsten Dunlop (CEO, Climate KIC) named what is missing there: deliberate sunsetting, the organized ending of systems that are already losing. We know how to deal with loss in songs and poetry, she noted, but we rarely apply that knowledge to economic systems. Sunsetting is hardly ever attempted, so old structures are defended rather than retired.

Narrow, symptomatic measures can drive us even deeper into problems. Neal Haddaway (Photojournalist and Researcher) gave one example, arguing that the enforcement of labor law in Spanish greenhouse agriculture (checking workers' papers) matters, but on its own, as currently practiced, it costs those workers their jobs and pushes them into worse conditions elsewhere. Olivia Lazard (Fellow, Berggruen Institute) asserted that on a broader level, much of the European Green Deal consists of policies with a focus on green technology that still presuppose functioning markets which are threatened by the climate crisis destroying fundamental ecosystem functions. Jo Swinson (Director, Partners for a New Economy) held that all measures that presuppose economic growth as their primary target may be counterproductive as GDP growth is neither serving us nor in the long run physically possible due to material constraints. A “little bit of auxiliary rewilding or damage repair” cannot offset the damage our current economic system is creating. Recent Austrian policy responses follow the same pattern. When oil prices rose sharply, the government reduced fuel prices rather than accelerating electrification; when extreme heat damaged yields, the response was compensation payments to farmers rather than binding climate legislation. In both cases the immediate burden was cushioned while the exposure that produced it remained unchanged.

3. Europe does not commit

Europe is not clear on its priorities. Participants in the Triple Integration Lab identified political will, rather than technology, as the binding constraint on climate action. Philipp Offergeld (Interim Head of Climate-Resilient Society, Stiftung Mercator Germany) argued that the sense of urgency is missing at the level of decision making. The same lack of prioritisation shows in how Europe acts together. Jan Christoph Harder (President Region West | North | Rest of World, Škoda Group) gave the railways as an example of the distance between wanting a single market and building one: European railways still operate with differing signaling and power systems and while pilots are required to speak English, train drivers continue to work in their national languages. Several participants at Alpbach made the more general point that the importance of a single market is broadly agreed, while the willingness to give up national competences for it is not. Beyond political will, this also reflects the difficulty of speaking with one voice while balancing competing demands in a tense geopolitical situation.

Political indecisiveness is detrimental to private investment. Günther Thallinger (Board Member Investment Management & Sustainability, Allianz SE) stressed the importance of the CO_2 price in setting the right incentive structure, arguing that capital owners need to feel the emissions impact of what they finance. The instrument built to achieve this, however, is being undermined politically: the EU ETS price keeps falling because politicians publicly call the system into question, which removes the one long-term signal investors could otherwise plan against. Michael Strugl (CEO, Verbund) described the equivalent at project level, citing a photovoltaic project cancelled at a late stage by a court decision after every permitting procedure had been approved. His conclusion was that political priorities are not clear enough and that the resulting uncertainty is detrimental to economic planning. Manuel Heckmann (Managing Partner, Lineup Holdings) reported the same effect in capital markets, including a two-year wait for permits to upgrade a grid connection. In his account, what holds back private capital in the transition is not the cost structure but regulatory instability.

Key Solutions

1. Europe can redefine its position as a strong middle power

Europe strengthens its position through new partnerships rather than by following the United States. Siddharth Chatterjee (Chief Executive Officer, Global Neighbours) argued that the current pressure from the US may be "doing Europe a big favour" by forcing it to act on its own as Europe has great opportunities to build new partnerships. Several speakers stressed how much Europe has to gain from new collaborations, particularly with countries in Asia and Africa. Olivia Lazard held that Europe needs to reconceptualise itself as an influential middle-power and choose partners accordingly (alongside Canada and India, also less discussed candidates such as Mexico, Uzbekistan and South Africa). Haroon Sheikh (Senior Science Advisor to the Government of the Netherlands, VU University & WRR) explained why such agreements are becoming easier: countries whose priorities diverge today often align once the focus shifts to future ones, such as the shared interest in secure value chains. He cited a trade agreement between the Netherlands and South Africa that became possible on that basis. Sandrine Dixson-Declève added that these partnerships will only work if Europe leaves its colonial past behind and understands that material sovereignty does not mean independence but living "in cohort with other countries".

Europe needs to be clear about where it positions itself and what kind of competitiveness it pursues. Speakers agreed on the need for Europe to define its own position but differed on what it should be built on. Günther Thallinger framed economic competitiveness as a precondition without which Europe is not in the game geopolitically and the transformation cannot be achieved. In his view the two reinforce each other, as he argued it is very difficult to build a competitive economy that is not sustainable. Sandrine Dixson-Declève argued for a different basis, holding that the "obsession with competitiveness" is focused on shareholder value for a few and deepens inequality. This matters for climate policy, because the transition depends on public support, and that support breaks down when people have to carry the costs while the gains go to others. In her reading, the yellow vest protests in France were not a rejection of carbon pricing as such but of a higher tax on fuel introduced at the same time as the wealth tax was abolished. In her view tackling inequality and poverty should therefore be prioritised, since decarbonisation will not succeed without it. Europe thus has to reassess what kind of competitiveness it is pursuing and what it is meant to deliver.

2. Europe must think big to build resilience

Building resilience requires Europe to agree on systemic change. Günther Thallinger described why systemic change has become unavoidable. As the climate crisis progresses, risks accumulate, correlate and become systemic to a point where insurance stops functioning. Uninsurable risk instead becomes an indicator for where systemic change is needed. What follows for policy, in his account, is the need for resilience plans built on clear visions of the target state (for example, for the energy market, for water security, for the transport system) properly discussed and aligned across Europe, after which the question of how to get there can be addressed. Haroon Sheikh added that a transformation on that scale requires the will to change, reinvent and adapt rather than to preserve existing privileges and standards, and the readiness to accept the pain that comes with it.

Europe should work with uncertainty rather than fight it. Kirsten Dunlop argued that a resilient future cannot be reached through roadmaps, since transformation is too messy for that. What is needed instead is the capability to act under uncertainty, which in her account involves an identity shift rather than a technical solution. Such a shift is difficult, as a stable identity has long been seen as a virtue. In her view, however, the real risk lies not in change itself but in the inability to transform. Loes Damhof (UNESCO Chair for Futures Literacy, Hanze University of Applied Sciences) explained one approach to building such capability through imagination. This can mean deliberately exploring futures that seem implausible today or asking what a sector could look like in 50 years rather than five, since a short horizon remains constrained by present capabilities and tends to reproduce them. Planning and preparation remain useful in her view but stay limited by the attempt to eliminate uncertainty.

3. Europe needs coherent policy packages and decisive moments

Many policy instruments only work in combination. Neal Haddaway made the case through the food system, using the example of the greenhouses in southern Spain, where large parts of Europe's vegetables are grown and many migrant workers without papers work under exploitative conditions. Stricter labour inspections alone cost these workers their jobs and pressure on producers alone moves production to places with weaker standards. Only if enforcement in the greenhouses, verification along supply chains and combined social and economic policies happen together can the problem be resolved rather than shifted elsewhere. Participants in the Triple Integration Lab described a comparable requirement across the transition as a whole, where mitigation, adaptation and carbon dioxide removal need to be pursued together as coordinated policy. None of them can fully substitute for another. Overstating the potential of removal in particular risks becoming a moral hazard if it is treated as an alternative to reducing emissions. The same applies to climate targets and enabling climate policy. Targets set direction without creating the conditions for delivery, while measures without a target have nothing to be measured against.

Crises open windows that deliberate sunsetting can turn into structural change. Manuel Heckmann observed that Europe reduced Russian gas from around 45 percent of supply to almost nothing within a single electoral period, which he believes shows that the binding constraint on speed is political rather than technical. Such moments can be used for larger transformative steps, particularly when rapid change is accompanied by deliberate sunsetting. Kirsten Dunlop explained that endings can be organised rather than left to happen: systems that are already losing can be brought to a planned close, with the losses named and the succession prepared in advance.

Outlook to key questions on the path towards EFA27

Climate needs to be mainstreamed beyond the Climate Track. Within the track, climate was discussed in connection with security, competitiveness and finance. Speakers linked energy dependence to security, sustainability to economic strength and uninsurable risk to the stability of the financial system. The next step is to systematically carry these links into the other tracks as well, so that climate becomes part of the debates on security, economy and democracy and is not only discussed among those already working on it. Such integration is a precondition for the necessary systemic change. A key question on the path towards EFA27 is therefore which formats can bring the climate perspective into sessions on defence, industrial policy or financial markets.

The path towards EFA27 offers the opportunity to move from shared ideas to their implementation. Many of the solutions raised in the Climate Track found broad agreement among speakers and participants, but this agreement does not yet extend to the wider political arena, where the same ideas are often contested or put on hold. Alpbach's strength lies in asking the big questions. The coming year offers the chance to complement them with the question of implementation: who needs to act, with which instruments and on what timeline. This also means bringing more people into the room who are sceptical of these solutions or responsible for putting them into practice, so that ideas can be tested against the conditions under which political decisions are actually made.

Europe's role as a collaborative middle power needs to become more concrete. The discussions made clear why partnerships matter. What remains open is what Europe can offer and what it needs in return, in which fields it should cooperate, and with whom. Possible areas range from critical raw materials and renewable energy to grid infrastructure, clean technologies and joint investment. It is equally open how Europe positions itself towards China, where speakers saw both competition and room for cooperation. Looking at other middle powers could help answer these questions and show how influence can be built through partnership rather than dominance.

How to create regulatory stability without losing the ability to adapt remains an open question. For EFA27, this means asking which decisions and instruments need long-term protection from short-term political pressure and how permitting procedures can deliver decisions that hold. Equally relevant is what such stability would be worth, for investors planning over decades as well as for public budgets that depend on private capital to share the costs of the transition.

Financing the transition with tight public budgets requires clearer answers on where public money achieves the most. Open questions include how public funds can be directed towards measures that mobilise private investment rather than replace it, how spending that only cushions symptoms can be redirected towards structural change and what European capital markets need to finance the transition at scale. Answering them will be central to turning the ideas discussed in Alpbach into action.