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Insights

Europe's New Climate Resilience Framework: What Businesses Need to Know

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After a summer of new heat records, drought, productivity losses and premature deaths, the European Commission has for the first time proposed a common framework for climate resilience to embed "resilience by design" across European policymaking and investment.[1]

At its core is a proposed new Climate Resilience Law, complemented by a series of practical measures and further initiatives the Commission plans to develop, including an EU Action Plan for Energy-Efficient Cooling and Heating and new digital tools to support climate-risk assessment and planning, with the aim of making resilience a more mainstream consideration.

While the proposed law does not directly regulate companies and is targeted at Member State governments, its longer-term implications could nevertheless be substantial, particularly for sectors such as insurance, energy and infrastructure, but also for agriculture and water-intensive businesses. By creating a common baseline for public authorities, the proposal is expected to influence how projects are permitted, where assets can be located, what governments procure and fund and how resilience is addressed in infrastructure, financial services and sector-specific regulation.

For companies with long-lived assets or significant exposure to the European market, climate resilience may therefore increasingly become a factor in commercial viability and market access rather than simply an ESG consideration.

The immediate challenge is not a new corporate compliance regime. It is the anticipation that climate resilience progressively changes the economics and market conditions of doing business in Europe. With the rules still being shaped, now is the time to prepare for their impact and, where necessary, influence their design.



[1] European Commission, Climate Resilience Framework for a better prepared and protected Europe, 27 October 2026

What Is Changing?

The proposed law introduces a common EU reference trajectory of 1.5°C warming by 2030, 2°C by 2050 and 3°C by the end of the century. EU and national authorities would use it, alongside more severe scenarios, to assess climate risks and develop strategic resilience plans covering areas including spatial planning, energy, transport, communications, water, buildings, food security and financial systems. Public activities covered by the framework include regulatory decisions, authorisations and public procurement. Authorities would be encouraged, rather than obliged, to apply the reference trajectory in those functions and the plans would aim to bring residual risks down to a "tolerable" level, a broad notion that includes financial and political constraints. Assessments and plans would be renewed every five years.

This does not mean that every project or company will immediately have to demonstrate compliance with a 3°C climate test. Rather, governments will increasingly base planning and investment decisions on common forward-looking assumptions instead of historical climate conditions. The reference trajectory will remain a planning baseline that reflects where current policies lead, not a lowering of the 1.5°C Paris Agreement goal; more adverse scenarios and tipping points are also to be tested.[2]

The strongest business effects are therefore likely to emerge progressively through sector legislation, national resilience plans, permitting decisions, technical standards, procurement and public funding.

Business Implications of the New Framework

Long-lived assets could increasingly be assessed against future flooding, heat, wildfire, drought or water stress, making location and resilience more relevant to permitting, public support and project economics.

Resilience may also influence access to markets and capital. Suppliers able to demonstrate performance under future climate conditions could gain an advantage in public tenders, while physical climate risk becomes more visible in insurance, lending and asset valuations.

The framework also creates opportunities for providers of adaptation technologies, including water efficiency, grid resilience, climate analytics and resilient construction. The accompanying Communication also announces an EU Action Plan for Energy-Efficient Cooling and Heating (2027) and reconfirms an integrated EU Heatwave Plan (without a timeline), which could shape demand for efficient cooling, heat pumps and building renovation.[3]

[2] UNFCCC, The Paris Agreement

[3] European Commission, Communication on the EU Framework for Climate Resilience, 27 October 2026

Where Could the Impact Be Most Significant?

Insurance and Financial Services

Insurance is likely to be one of the most important channels through which resilience becomes commercially tangible. Only around a quarter of catastrophe losses in Europe are currently covered by private insurance and the Commission is establishing a Climate Insurance Alliance to explore ways to increase coverage and reduce the protection gap.

The package does not introduce compulsory climate insurance and the Climate Insurance Alliance is due to deliver the first set of specific and actionable measures only by the end of 2027. However, governments may seek to broaden private coverage and public-private risk sharing. For insurers, this creates both opportunity and risk: a larger market, but greater exposure to increasingly frequent and correlated losses. Prevention and adaptation will therefore become increasingly important to keeping risks insurable.

For other businesses, resilience measures could increasingly affect premiums, deductibles or availability of cover and, in some cases, whether an asset remains insurable at all. Banks and investors could reinforce the link between resilience, insurability, financing conditions and asset value.

Infrastructure, Energy and Transport

These sectors combine long asset lives with high exposure to physical climate risk and are among the clearest candidates for more direct requirements. Operators may need additional investment to protect grids and substations, adapt transport infrastructure to extreme heat, increase redundancy or secure water supplies.

For operators with large existing networks, the key issue will be as much who pays as what technical standards apply. The rail sector estimates that extreme weather caused more than €2 billion worth of damage to EU networks in 2024-25.[4] How resilience expenditure is recovered could materially affect operators, while creating opportunities for engineering, equipment and technology providers.

Real Estate and Construction

Buildings sit at the intersection of planning, insurance and finance. More systematic climate-risk assessment could influence where new development is permitted and the resilience measures expected in high-risk areas, while resilience could progressively feed into renovation and building requirements.

For existing assets, adaptation costs, insurance premiums and financing constraints could translate into valuation pressure. Conversely, resilient buildings may become more attractive, while construction and technology providers could benefit from demand for resilient renovation and protection measures.

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[4] CER, A climate-resilient railway for Europe's future: Priorities for the new European climate resilience framework, 25 February 2026

Water-Intensive Businesses and Agriculture

Water security is increasingly becoming an economic rather than solely environmental issue. Agriculture and food production are directly exposed, but implications extend to chemicals, energy, semiconductors and data centres.

Forward-looking assessments of drought and water availability could influence site selection and capacity expansion and drive stronger requirements around efficiency, reuse and storage. Water quality and treatment costs may also rise, while suppliers of water-efficiency and recycling technologies could see growing demand.



How Will the Proposal Be Financed?

The Commission has proposed no new dedicated funding for the framework, instead relying largely on existing resources at a time when the EU's next seven-year budget is under negotiation. The accompanying communication merely recalls the Commission's proposal for the next long-term budget and does not envisage, for example, a contribution from the fossil fuel sector to adaptation financing. It points to national public support for companies investing in resilience, while the European Investment Bank plans to allocate at least €30 billion to climate adaptation measures.

As Europe faces more frequent and costly extreme weather, a central question will therefore be how adaptation costs are shared between governments, businesses, asset owners, insurers and investors.

Why and How Should Businesses Prepare Now?

The European Climate Resilience Law remains a Commission proposal and will now be negotiated by the EU's co-legislators. Many of the most important business implications will also be determined later through sector-specific legislation, national resilience plans, standards and initiatives such as the Climate Insurance Alliance. Despite the formal process ahead, the EU is prioritising work on this matter, as the Commission has warned: "While these were the hottest summer months ever recorded, they will probably be the coolest of the years to come..."[5]

Companies with potentially exposed assets should assess where resilience could materially affect permitting, investment costs, insurance, financing, procurement or asset values and identify where future rules could create disproportionate costs or unintended consequences. Providers of resilience solutions should consider where new standards, public procurement criteria and financing mechanisms could favour their technologies and how early engagement could help establish a competitive position.

Because the proposal addresses Member States and public authorities rather than the private sector and its test of "tolerable" residual risk is broad, its practical weight will depend on how it is amended and implemented. Companies and business associations may therefore wish to engage in the negotiations on, among other things, the definition of tolerable risk, whether authorities should have a duty rather than a mere encouragement to apply the reference scenarios and the role of resilience criteria in public procurement and funding.

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[5] European Commission, Communication on the EU Framework for Climate Resilience, 27 October 2026

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