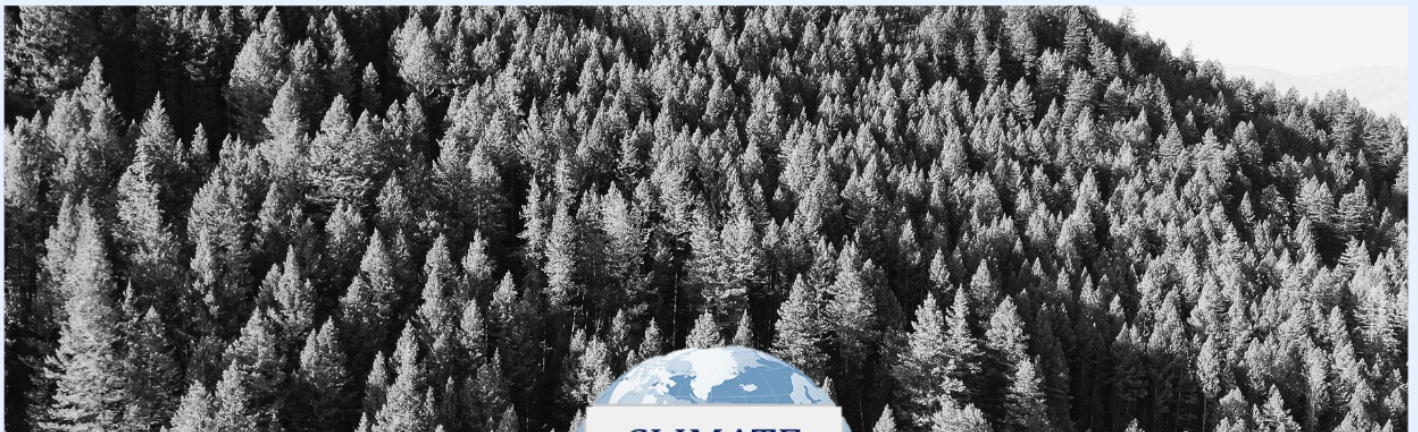


Towards an evidence-based and efficient design of climate and competitive investments **in the next MFF** ➡➡➡➡



Prepared by



About Climate Strategy & Partners

Climate Strategy & Partners (“Climate Strategy”) is a leading advisory and consulting firm in the areas of climate finance, innovation, and energy efficiency investments, with a focus on the corporate strategies and government policies required to effectively accelerate the transition to a net-zero emissions economy. For 16 years, the Climate Strategy team has been providing global companies, banks and Governments advice on how to deliver the economic transition to a low carbon economy. Climate Strategy’s chief executive, Peter Sweatman, has authored or co-authored 20+ white papers, and was the rapporteur to the EU Commission and UN Environment Finance Initiative’s Energy Efficiency Financial Institutions Group (EEFIG), leading a decade of ground-breaking work from 2013-23. Climate Strategy supported energy transition policy development at the G20 and in Spain, Mexico, France, and the UK. From 2016-2022, Climate Strategy’s subsidiary Energy Efficiency Capital Advisors (EECA) structured and supported ten energy efficiency private placements totalling over Euro 50 million for Spanish cities, companies and buildings for international investors.

About this Report

This report is co-authored by Peter Sweatman (CEO and founder of Climate Strategy) and Adriana Rodríguez (Public Finance Analyst at Climate Strategy), who have been supported by Mauricio Yrivarren (Senior Research Associate at Climate Strategy) for the report’s graphic design and who was also a reviewer. The report builds upon the inputs of multiple experts and stakeholder meetings, yet the views and conclusions expressed herein are attributable only to Climate Strategy & Partners, and not to the supporting organisations nor reviewers. The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the European Climate Foundation, as a funder, nor Climate Strategy & Partners, nor the authors concerning the legal status of any country, territory, city or area or of its authorities, or concerning delimitation of its frontiers or boundaries.

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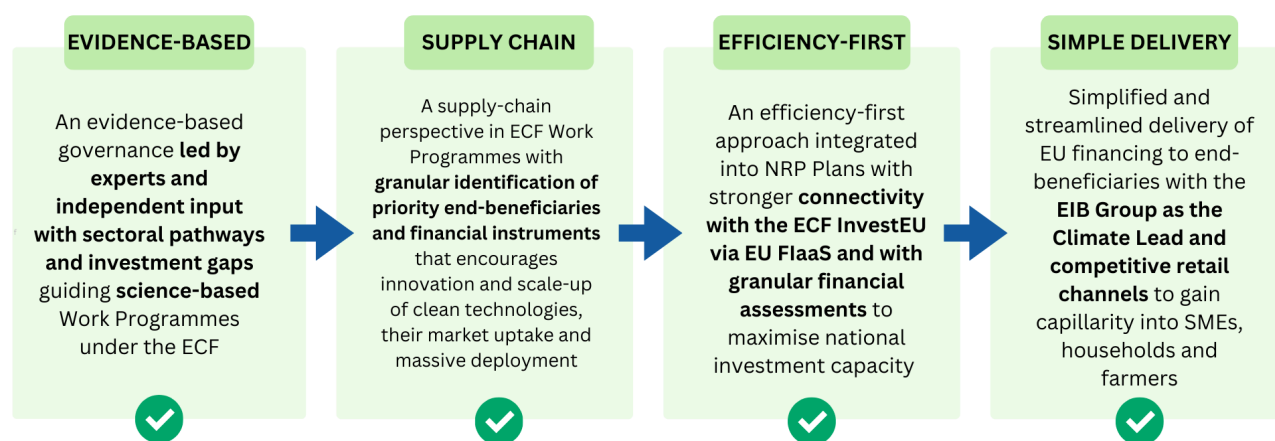
Executive summary

The Commission's proposal for the next Multiannual Financial Framework (MFF) offers an opportunity to bridge Europe's climate investment gaps and crowd-in private capital to strengthen clean industrial competitiveness and improve Europe's energy security. **This briefing builds on the recommendations from Climate Strategy's 2024 report¹ to evaluate the Commission's proposals from an "efficiency-first" perspective.** We use an economic "efficiency" frame to examine the EU budget proposal to ensure that decarbonisation and competitiveness are delivered fairly to beneficiaries using the appropriate instrument (grant or financial instrument). Grants are clearly the most valuable, and scarce, EU budgetary currency, and they have to be reserved to deliver innovation, research, social, climate and other environmental objectives where financial instruments will not work.

The scale of the challenge—an annual climate investment gap of at least €340–477 billion—and the limited fiscal space available at EU and national levels raises the question: **how can the Commission and Member States make the most of EU funds and crowd-in more private capital into the Transition?** An efficiency-first approach can ensure that the EU Budget is deployed with precision to fill in the gaps. **Financial efficiency also requires evidence-based Work Programmes with a targeted supply-chain approach to identify priority investments in the next EU budget. Further, a simplified delivery is needed to streamline and have EU finance reach those end-beneficiaries that need it the most.**

The European Competitiveness Fund (ECF) is proposed as the one-stop-shop for EU financial instruments and that can extend InvestEU support to grow strategic technologies from lab to scale. **Currently, Member State compartments in InvestEU provide an opportunity to deploy EU Financial Instruments as a Service (EU FlaaS) for national and regional authorities.** Under the ECF InvestEU toolbox, the impact of funds available under the National and Regional Partnership (NRP) Plans can use this mechanism to crowd-in private investments into mature clean technologies and solutions.

Four building blocks to drive a strategic and efficient design of climate and competitiveness investments in the next EU Budget 2028-2034

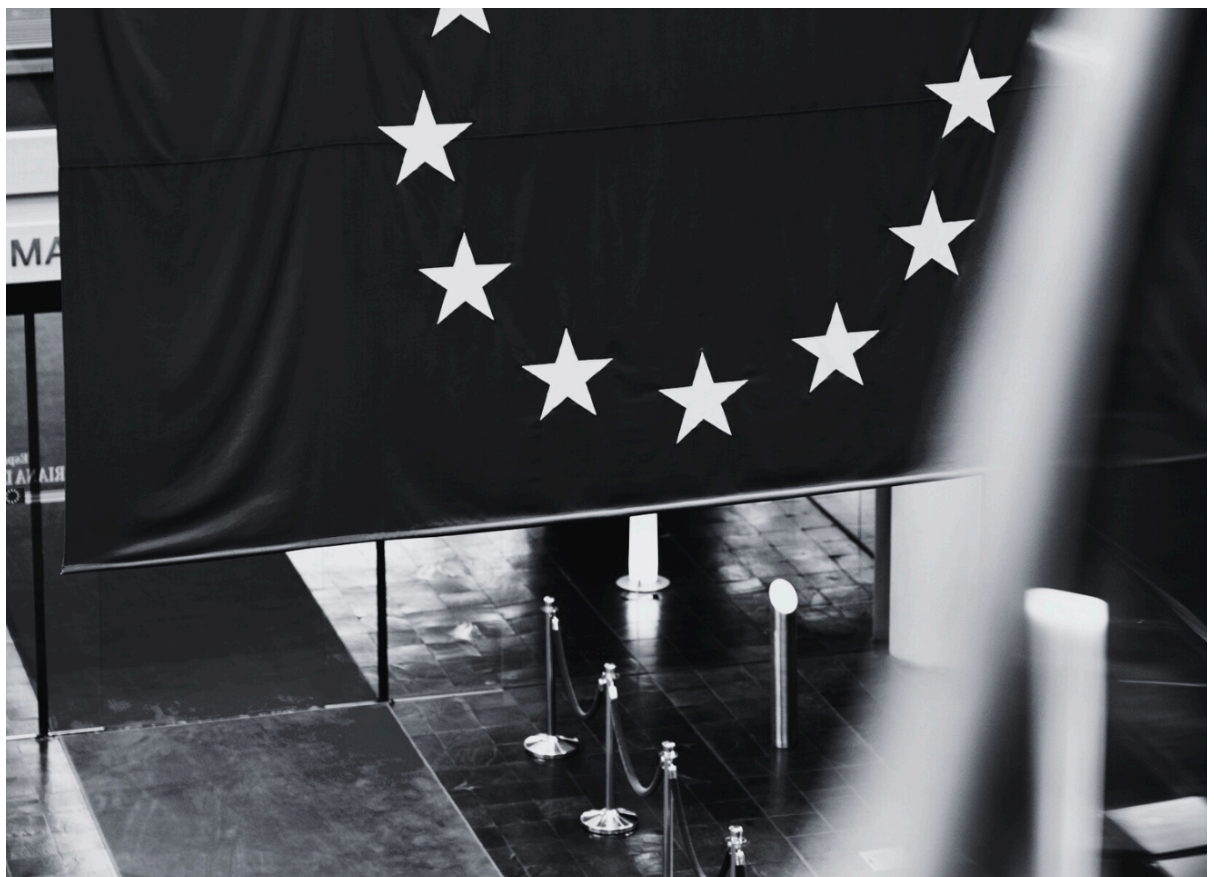


*Our premise: within a limited public budget, grants are the most valuable currency and should not be used where **financial instruments** are a better fit.*

This briefing provides a series of recommendations following **four core building blocks** for a strategic and efficient design of climate and competitive investments in the next MFF:

¹ Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

1. An **evidence-based approach** to the ECF Work Programmes should build on two pillars: first, an **expert-led** governance framework with independent input, and second, a **science-based** assessment of sectoral decarbonisation pathways and associated investment gaps to identify investment priorities. This should reflect that industrial investments only represent 5% of the total investment gap to reach net zero by 2050, while **clean industrial leadership will depend on the uptake of these technologies in the real economy via business actors and households** to decarbonise sectors with the highest investment gaps (transport, buildings and agriculture).
2. A targeted **supply-chain approach** in ECF Work Programmes will serve to identify the **financial instruments needed by clean technologies and solutions in a specific sector, and which end-beneficiaries require these instruments most**. An effective growth strategy for cleantech will also require that ECF Work Programmes **boost the uptake of clean technologies and solutions by end-consumers**, including smaller businesses and households.
3. Integrating an **efficiency-first approach** in Member States' NRP Plans can increase the use of financial instruments under funds under shared management, which historically has been low. **Offering asset-specific EU FlaaS in the ECF InvestEU can simplify this task for national and regional authorities and tap into higher leverage and lower funding costs**. Driving demand for the ECF InvestEU Member State compartment will require: first, **clarifying the connectivity** between the NRP Plans and the ECF InvestEU and facilitating access to this instrument for both national and regional authorities; and second, **establishing mandatory conditions and incentives for the development of granular financial assessments** that determine when grants are needed for achieving NRP objectives, and when EU Financial Instruments via ECF InvestEU are the preferred approach.
4. A **simplified delivery** of EU funding will require different approaches: a) European cleantech can benefit from a **proactive outreach led by the EIB as the Climate Bank** under the new SME initiatives in the ECF; b) the wider fabric of SMEs, and households, need **the lead of national promotional banks and competitive local retail channels** to deliver EU FlaaS under ECF InvestEU and in close coordination with NRP Plans.



Introduction and Background

*"In a time of geopolitical instability, the budget will allow Europe to shape its own destiny, in line with its vision and ideals. A budget that supports peace and prosperity and promotes our values is the best tool we can have during these uncertain times."*²

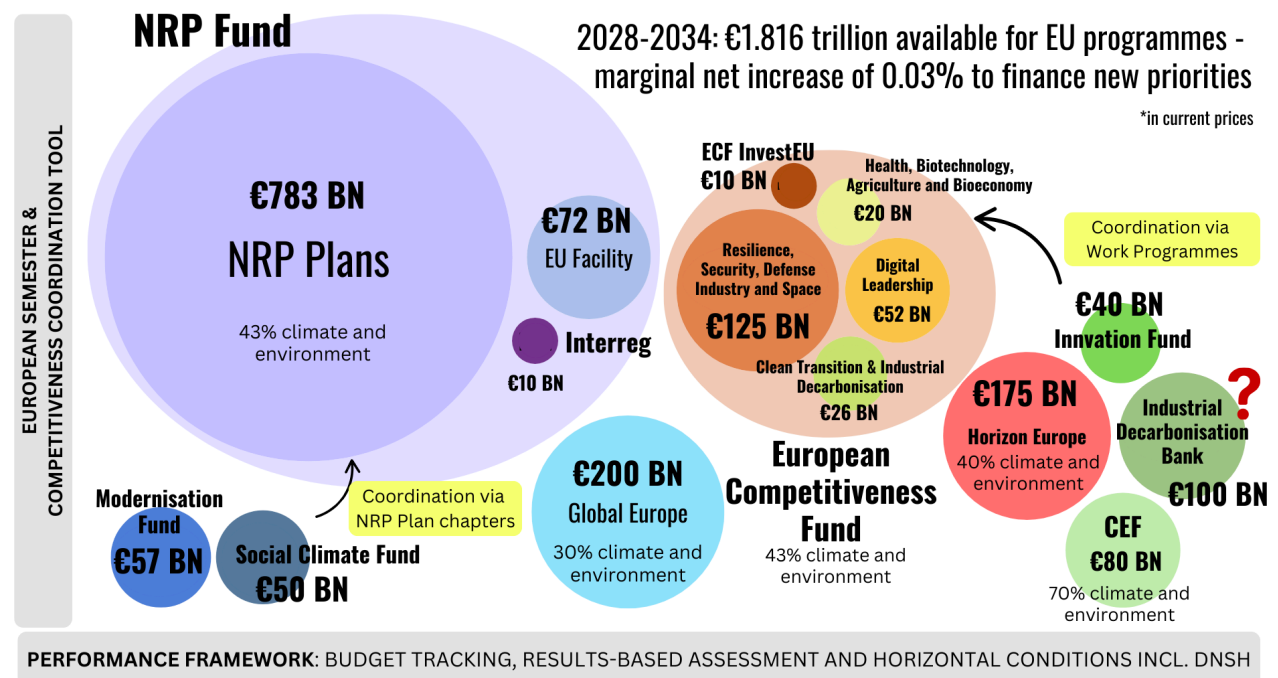
President von der Leyen, July 2025.



This July, the European Commission presented its proposal for the next Multiannual Financial Framework (MFF) 2028-34 as a critical resource to address prosperity, competitiveness and security and build a stronger Europe. To deliver on the Union priorities, the Commission proposes a more dynamic, simpler and policy-focused MFF that reflects ["a strategic statement of the Union's collective political ambition."](#) The proposal commits to continue the Union's efforts towards climate neutrality in 2050, to build resilience against climate change and improve energy security. It builds on the objectives set by the Clean Industrial Deal to combine decarbonisation and competitiveness via affordable energy prices, innovation and support for European clean technologies and products, and the creation of high-quality jobs in clean sectors.

The budget proposal will consolidate investments in key Union priorities under the governance of three big funds: 1) an **€865 billion European Fund for Economic, Territorial, Social, Rural and Maritime Sustainable Prosperity and Security**,³ of which over 90% (€783 billion) will be implemented by Member States via National and Regional Partnership ("NRP") Plans,⁴ 2) a **€234 billion European Competitiveness Fund ("ECF")**, and 3) a **€200 billion Global Europe instrument** (all in current prices).⁵

Chart 1: Size of climate-relevant EU funds in the Commission's proposal for the next MFF, and other non-MFF programmes, in current prices



² European Commission. (2025). *An ambitious budget for a stronger Europe: 2028–2034*. Available at https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1847

³ European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028–2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0565R%2801%29&qid=1753697054840>

⁴ Of this, at least €217.8 billion will be allocated to less developed regions, €295.7 billion for CAP Interventions and €34.2 for migration and internal security.

⁵ Note that throughout the document, budget sizes are always provided in current prices. Budget sizes are detailed in: European Commission. (2025). A dynamic EU Budget for the priorities of the future – The Multiannual Financial Framework 2028–2034. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0570>

The new NRP Fund is the combination and merger of several previous funds under shared management, including the flagship Cohesion Policy (the European Regional Development Fund (ERDF) and the Cohesion Fund), and the Common Agriculture Policy (CAP - including the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development). The NRP regulation sets out the overall architecture and rules for the implementation of funds under shared management, while two other sector-specific regulations for ERDF and Cohesion Fund, and for CAP, provide more detailed measures and conditions for the implementation of cohesion and agriculture priorities. These conditions are complementary to the NRP regulation.

The national plans developed under the Social Climate Fund (€50 billion) will become a chapter of the new NRP Plans.⁶ The investments planned by Member States under the Modernisation Fund (€57 billion) will have to coordinate with the measures established under the NRP Plans.⁷ **The NRP Fund marks a change in direction towards a “reforms for investments” approach in funds under shared management, as Member States will have to submit to the Commission an agenda of both reforms and investments in exchange for receiving EU funds.**⁸

The ECF merges 14 EU programmes managed directly by the Commission under a Single Rulebook that sets out the main investment objectives, governance mechanisms and operational principles of the fund. It also aims to build consistency, common rules and synergies with other EU programmes, including the NRP Plans. **The ECF will include 4 policy windows with an assigned financial envelope: Clean Transition and Industrial Decarbonisation (€26 billion), Digital Leadership (€52 billion), Health, Biotechnology, Agriculture and Bioeconomy (€20 billion), and Resilience, Security, Defense Industry and Space (€125 billion).**

The ECF also builds on a second phase of InvestEU (the “ECF InvestEU Instrument”), with a minimum financial envelope of €10 billion, that becomes a “one-stop-shop” of all EU financial instruments. However, article 21 of the ECF regulation clarifies that the **“minimum amount of the Union support from ECF delivered through ECF InvestEU Instrument shall be EUR 17 000 000 000”** to support the general and thematic objectives of ECF. ECF InvestEU is positioned as a “financial instrument toolbox” available for all policy windows under the ECF, and for Member States, to deliver funding via loans, equity, guarantees, and blended finance - all of which will be considered to be state aid consistent.⁹

Best-in-class focused funds for innovation and competitive capital deployment remain self-standing, particularly Horizon Europe and the European Innovation Council (€175 billion), and a much larger Connecting Europe Facility (€80 billion).¹⁰ Both funds are expected to coordinate with the ECF via Work Programmes. The ECF is also expected to coordinate closely with the Innovation Fund (€40 billion over the period 2020-2030), and a new Industrial Decarbonisation Bank (€100 billion, but yet to be developed), which stand outside of the MFF and are regulated by the Emissions Trading System (ETS) Directive. **This avoids reinventing new and tested procedures and establishing new funding structures, teams and technology applications that are already working relatively well.** Simplicity is always welcomed, but in funds that have a 10% success rate, the feedback from the 90% may prime speed over excellence. New structures can cause delays, new inefficiencies and bottlenecks, and undermine the existing know-how in the teams supporting specific EU funds.¹¹ The devil is in the detail of the interaction of the Innovation Fund with ECF and the design of the Industrial Decarbonisation Bank, which is expected to be published next year with the ETS review, as announced in the Clean Industrial Deal’s timeline.

⁶ Article 80 of NRP Regulation. European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028–2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0565R%2801%29&qid=1753697054840>

⁷ Article 82 of NRP Regulation: “When preparing their NRP Plans, Member States benefitting from the Modernisation Fund shall describe the investments they plan to submit to the investment committee set out in paragraph 5 of Article 10d of Directive 2003/97/EC over the next 3 years and provide an explanation of the synergies with the measures of the NRP Plan.”

European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028–2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0565R%2801%29&qid=1753697054840>

⁸ Article 21 of NRP Regulation. European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028–2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0565R%2801%29&qid=1753697054840>

⁹ Article 21 of ECF regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹⁰ CEF Energy (€29.9 billion, a 5x increase from the current period) and CEF Transport (€51.5 billion, a 2x increase) European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹¹ National authorities have already warned of the bottlenecks and delays that can come with the set up of new governance structures for new funds, instead of taking advantage of already existing structures with a proven track record. European Institute. (2023). How Czechia Can Utilize the Just Transition Fund. Available at <https://europeum.org/data/articles/umi-cesky-stat-cerpat-fond-spravedlive-transformace-final3-en.pdf>

The European Court of Auditors has also cautioned about the creation of new instruments with inefficient design choices due to lack of strong ex-ante impact assessments, leading to a “patchwork arrangement” that becomes “a source of complexity, and entails the risk of duplication.” European Court of Auditors. (2023). The EU Financial Landscape Report: A patchwork construction requiring further simplification and accountability. Available at https://www.eca.europa.eu/Lists/ECADocuments/SR23_05/SR_EU-financial-landscape_EN.pdf

Finally, the Performance Regulation proposed within the MFF legislative package establishes an overall climate and environment spending target of at least 35% across the MFF to “steer support towards the goals of the European Green Deal.”¹² Both the European Competitiveness Fund and the NRP Plans have a 43% target, Horizon Europe has a 40% target, and Connecting Europe Facility has a 70% target. The Performance Regulation also defines a set of common interventions, and indicators for outputs and results, to track in a transparent way the implementation of all MFF funds, including those implemented nationally, and ensure they deliver a set of horizontal Union priorities. It creates the legal basis to develop a single set of rules for the implementation of the ‘do no significant harm’ principle across EU programmes.

Reintroducing the “efficiency-first” perspective in the next MFF

This briefing examines the Commission’s proposals for the next MFF from an “efficiency-first perspective” to ensure the optimal investment support for Europe’s climate and competitiveness challenges. “Efficiency” in public investment can be defined as using sufficient public support to deliver system wide change, without crowding out the private sector or creating moral hazard.¹³ This means using the appropriate instrument (grant, loan, equity, guarantee) to deliver its maximum impact. As grants are the most valuable, and scarce, EU currency, they should not be used where financial instruments are a better fit.¹⁴ An efficiency-first approach for the EU budget could be informed by the “Energy Efficiency First Principle”, with ex ante consideration in all transition sectors and related investment decisions. For example, if offering a grant, can the same outcome be achieved with a loan? And for loans, can a guarantee achieve the same outcome more efficiently? **Efficiency can be considered as the first step when designing a new public support or investment.**



In a constrained budget, this kind of efficiency-oriented approach would enable limited public funds to be extended in selected asset classes and for some beneficiaries. The Commission has proposed an EU budget of €1.98 trillion, of which €1.816 trillion will be available for EU programmes, while the rest will be used to repay NextGenerationEU.¹⁵ If the amount required for debt servicing is excluded, the proposal would leave the EU with just a marginal net increase of 0.03% to finance new priorities.¹⁶ Moreover, given that security and defence spending is excluded from the 35% mainstreaming target for climate and biodiversity, the climate spending programmed for the next MFF is expected to be less than the €750 billion earmarked in the current MFF for climate.¹⁷ **This is a small contribution to Europe’s climate and energy transition given that those investment needs are in the order of an additional €340-477 billion annually,** as estimated by several Commission and think tank assessments¹⁸ and Mario Draghi’s report on competitiveness.¹⁹

¹² The mainstreaming target includes the European Union’s six environmental objectives (climate mitigation, climate adaptation, biodiversity, water, pollution, circular economy). European Commission. (2025). A dynamic EU Budget for the priorities of the future – The Multiannual Financial Framework 2028–2034. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0570>

¹³ Moral hazard occurs when “risk takers” in the private sector do not take into account risks that are underwritten by the Government, leading to Government taking all risks with no support from the private sector. Efficiency should also be understood in terms of “who is the most efficient actor to assess and manage specific risks” - e.g. the risk of a license getting approved, or the risk of a law being repealed or tariff getting changed is better managed by Government, but the credit risk of a developer or the cost of X tons of cement in 2026 is a risk that can be more efficiently taken up by the private sector.

¹⁴ This is also one of the recommendations from a E3G to Leverage private transition investment through the EU’s multiannual financial framework: “Optimising the use of EU grants. Grants should not be used for projects that are already marketable, and which therefore can already attract private investment. Rather, grants should be used to bring nascent technologies to market readiness.” Grants could also be prioritised for certain social reasons. See E3G. (2025). Leveraging private transition investment through the EU’s Multiannual Financial Framework (MFF). Available at <https://www.e3g.org/publications/leveraging-private-transition-investment-through-the-eus-multiannual-financial-framework-mff/>

¹⁵ Eurelectric. (2025). The billion-euro question: What’s in the new MFF?. Available at <https://www.eurelectric.org/blog/the-billion-euro-question-whats-in-the-new-mff/>

¹⁶ Jacques Delors Centre. (2025). Ripe for reform: What’s in the EU budget proposal and What Should Come Next. Available at <https://www.delorscentre.eu/en/publications/detail/publication/ripe-for-reform-whats-in-the-eu-budget-proposal>

¹⁷ Article 4 of Performance Regulation: “Defence and security spending shall be excluded from the basis for the calculation of the climate and environment spending target.”

¹⁸ Averages from European Commission. (2023). Investment needs assessment and funding availabilities to strengthen EU’s Net-Zero technology manufacturing capacity. Available at https://single-market-economy.ec.europa.eu/system/files/2023-03/SWD_2023_68_F1_STAFF_WORKING_PAPER_EN_V4_P1_2629849.PDF; European Commission. (2020). Communication on Europe’s moment: Repair and Prepare for the Next Generation. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020SC0098> ;

European Commission. (2022). Communication towards a green, digital and resilient economy: our European Growth Model. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0083>, Institute for Climate Economics. (2024). European Climate Investment Deficit report: An investment pathway for Europe’s future. Available at https://www.i4ce.org/wp-content/uploads/2024/02/20240222-i4ce3859-Panorama-EU_VA-40p.pdf, Institut Rousseau. (2024). Road to Net Zero: Bridging the Green Investment Gap. Available at <https://extranet.greens-efa.eu/public/media/file/1/8692>.

¹⁹ European Commission. (2024). The Draghi report on EU competitiveness. Available at https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en

Member States have little fiscal capacity to step in and fill the climate investment gap.²⁰ **Depending on the year, region and sector, Climate Strategy finds that around 40% to 70% of the climate investment gap will need to be filled by private capital.**²¹ Given that public budgets are unable to fill this gap and fully boost the competitiveness of European clean industry, **how can the Commission and Member States make the most of EU funds and crowd-in private capital?** This is the question that a 2024 report by Climate Strategy set out to answer.²²

The development of **EU Financial Instruments as a Service (FlaaS), building on successful models from the InvestEU Member State compartment²³ and the Innovation Fund auctions “as a service”,²⁴** could support Member States in increasing their investment capacity, crowding-in private capital and putting their public budgets to best use. EU FlaaS can be designed to tailor a specific asset and region, and offer any type of financial instrument support (e.g. equity, guarantees, loans, etc.), hence this model can efficiently support the cleantech investment journey end-to-end - from innovation, to scale-up, and finally deployment in all European households and businesses. **Support for this model is promoted by the European Parliament’s Own Initiative Report on the next MFF²⁵ and the Clean Industrial Deal communication.²⁶** Climate Strategy’s 2024 report provides detailed descriptions for the design of EU FlaaS and how the may be developed on a sectoral and asset-specific basis.²⁷

The advantages of offering EU Financial Instruments as a Service for Member States in the next ECF InvestEU Instrument

EU Financial Instruments as a Service (EU FlaaS) offer a template, off-the-shelf EU-level instrument designed to deliver an efficient blended finance structure, tailored to a specific clean asset, and ring-fenced to a region or Member State. EU FlaaS can be built within the structure of a specific EU managed fund (e.g. InvestEU, the Innovation Fund, the EIC) and would be “activated” by national contributions, and deployed through local channels. In the current MFF, national contributions can come from Cohesion Policy, CAP or ETS revenues, and in the next MFF, from NRP Plans. Climate Strategy’s 2024 report includes some ideas of what EU FlaaS could be developed per sector, including: an EU Renovation Loan as a Service, a Solar Roof PV Loan as a Service, or an Electric Vehicle Loan as a Service.

Several reasons explain why designing and deploying EU FlaaS is more efficient and effective than designing and deploying national financial instruments. Off-the-shelf EU financial instruments can be delivered via ECF InvestEU - but also via the EIC for equity investments, the Innovation Fund for fixed premiums, and the new Industrial Decarbonisation Bank for CCFDs. **As a template instrument, it simplifies the administrative procedures for Member States, such as State Aid clearance, while being locally-adapted to each country’s national conditions.** This is particularly important as

²⁰ According to a study by the New Economics Foundation. (2024), under the new fiscal rules only three countries (Denmark, Sweden, Ireland) would be able to sufficiently meet their national climate and social investment needs. European Trade Union Confederation. (2024). Navigating Constraints for Progress: Examining the Impact of EU Fiscal Rules on Social and Green Investments. Available at <https://www.etuc.org/sites/default/files/publication/file/2024-04/Publication%20-%20Fiscal%20Rules%20Report.pdf>

Several Member States are also facing significant borrowing costs. Bloomberg (2025). French borrowing costs top Italy’s in historic market shift. Available at <https://www.bloomberg.com/news/articles/2025-09-09/french-borrowing-costs-top-italy-s-in-historic-market-shift>

²¹ Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

²² Ibid.

²³ InvestEU allows Member States to establish a compartment, with contributions from their national resources, aimed at increasing their investment capacity through the InvestEU budget guarantee. The compartment’s distribution for project funding relies on investment pipeline and management support from the EIB, their national promotional banks and private banks and investors. For further information, see the case study developed in the CS 2024 report in pages 60 to 64: Climate Strategy & Partners (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

²⁴ The Hydrogen Premium Auction, which is positioned “as a Service” for Member States under the Innovation Fund, is specifically designed with a particular focus on boosting national hydrogen manufacturing projects. The “auction as a service” component allows Member States to finance the national projects that are marked as eligible by CINEA but have not been awarded Innovation Fund money due to budget Limitations. For further information, see the CS report pages 83 to 84: Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

²⁵ “Considers that the idea of an umbrella Competitiveness Fund merging existing programmes as envisaged by the Commission is not fit for purpose; stresses that the fund should instead be a new instrument taking advantage of a toolbox of funding based on lessons learned from InvestEU and the Innovation Fund and complementing existing, highly successful programmes” European Parliament. (2025). European Parliament resolution of 7 May 2025 on a revamped long-term budget for the Union in a changing world. Available at https://www.europarl.europa.eu/doceo/document/TA-10-2025-0090_EN.html

²⁶ “To further increase funding in areas covered by the Clean Industrial Deal, interested Member States are encouraged to swiftly transfer their resources, to the InvestEU Member State compartment.” The CID also supports grants and auctions “as-a-service” instruments “as a proven model to pool EU and national resources in a harmonised and State aid compatible competitive selection.” European Commission. (2025). The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025DC0085>

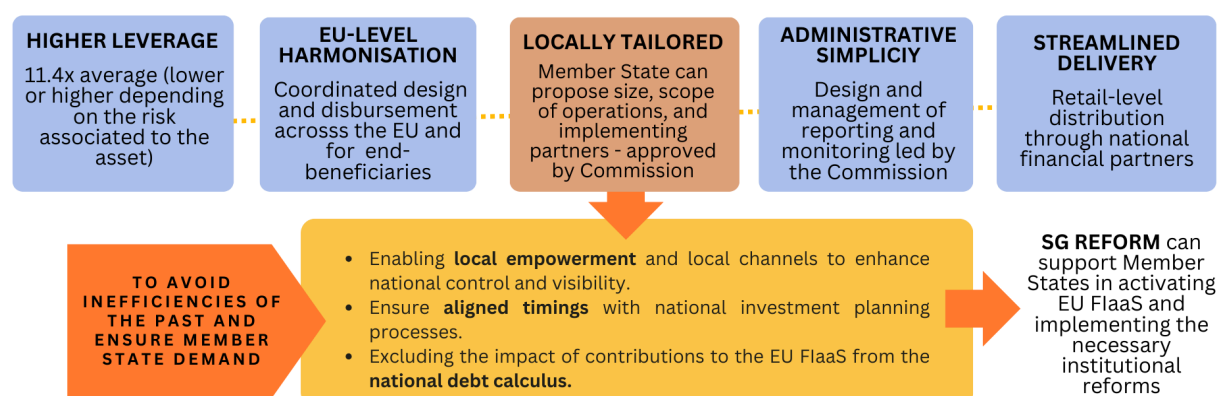
²⁷ Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

evidence from the European Court of Auditors,²⁸ the European Commission,²⁹ and from the Climate Strategy 2024 report, shows that Member States have struggled to design and implement financial instruments locally. This explains why the uptake of financial instruments in Cohesion Policy has plateaued at around 8% in the last two programming periods.

The guarantee of the EU budget should enable for end-beneficiaries to borrow at much lower costs and therefore this passes down lower interest rates to homeowners and SMEs,³⁰ which should incentivise a greater uptake of sustainable finance from their side. The leverage effect of InvestEU, currently at around 11.4x average, is much higher than that of national financial instruments due to an overall risk diversification based on a highly granular portfolio.³¹ This means that every euro of the NRP Plan put into ECF InvestEU can mobilise 11.4 times more - if the design of the new instrument follows the current InvestEU model.

Relying on an EU-level instrument also allows Member States to **take advantage of the knowledge support of EU institutions** - like the EIB and the 16 InvestEU implementing partners in the case of InvestEU, or CINEA in the case of the hydrogen auction as a service. We expect that this will also lead to **an acceleration of fund disbursement by using the networks and resources of competitive retail channels with reach to millions of SMEs and households** (see section 4). Finally, their EU-level design can **harmonise instrument deployment and application across the EU**, addressing the current “patchwork” of funding sources identified by the EIB, ECA and others that is complicating the delivery to end-beneficiaries.

Chart 2: Design characteristics and advantages of EU FlaaS



In the next MFF, EU FlaaS are offered via the new ECF InvestEU Instrument and directed and enlarged through national contributions from NRP Plans. For an effective design and operationalisation of EU FlaaS, including what sectors and assets could benefit from these EU-level instruments, the design of the ECF and InvestEU, their investment priorities, and the connectivity with NRP Plans are all fundamental components to get right. The following four building blocks provide key elements that should be integrated and improved from the Commission’s proposals for the ECF and NRP Plans. These recommendations aim to ensure that **Europe deploys its budget with precision, ensuring that every euro maximises competitiveness and decarbonisation outcomes.**

²⁸ European Court of Auditors. (2012). Financial Instruments for SMEs co-financed by the European Regional Development Fund” special report 2/2012. Available at https://www.eca.europa.eu/Lists/ECADocuments/SR12_02/SR12_02_EN.PDF

European Parliament. (2019). Financial Instruments in Cohesion Policy. Available at [https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/642214/EPRS_BRI\(2019\)642214_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/642214/EPRS_BRI(2019)642214_EN.pdf)

²⁹ Ibid.

³⁰ European Commission. (2025). Interim Evaluation of the InvestEU Programme Annexes to the Final Report. Available at <https://eurocid.mne.gov.pt/sites/default/files/repository/paragraph/documents/11576/investeufinaltechnicalannexclean.pdf>

³¹ The median achieved leverage as of 31 Dec 2020 for financial instruments under ERDF/CF was: 1.3x for loans, 1.8x for equity and 4.8x for guarantees. European Commission. (2024). Financial Instruments and Models for Energy Production. Available at <https://op.europa.eu/en/publication-detail/-/publication/e34f2a42-ab7a-11ee-b164-01aa75ed71a1/language-en>

1. An evidence-based approach for ECF Work Programmes in line with sectoral pathways and investment gaps

How should the new MFF governance mechanisms drive efficiency-first in science-based Work Programmes?

While the Commission's ECF proposal rightly identifies a broad range of activities that should be supported under the Clean Transition and Industrial Decarbonisation window,³² **the ECF Work Programmes will effectively mark its investment priorities and determine the need for specific EU financial instruments.** These Work Programmes will be developed by the Commission via implementing acts³³ and can be adopted annually, or multi-annually.³⁴ **They will grow in importance as they establish the specific calls under each policy window of the ECF, including the associated budget for each call and the underlying qualification conditions** - meaning the specific activities that will be supported, the award criteria, the eligible end-beneficiaries, the type of financing that those projects may receive, whether that is grants, financial instruments, or procurement, and the co-financing rate.³⁵

Therefore, getting the priorities under the ECF Work Programmes right will be critical to directing the necessary financing to the most pressing and material climate investment gaps, while boosting EU-wide competitiveness. With this purpose in mind, **an evidence-based approach³⁶ can ensure an independent, scientific and data-driven process to determine how the ECF can be deployed strategically, efficiently and impactfully.** This approach is critical for the development of all ECF Work Programmes, as climate investments are expected to be distributed across the ECF policy windows due to an overall 43% climate and environment mainstreaming target. For instance, decarbonisation investments in agriculture would derive from the Health, Biotechnology, Agriculture and Bioeconomy window (€21 billion),³⁷ and investments in enabling technologies for energy efficiency, for instance, would be determined by the Digital Leadership window (€52 billion).

Coordination and synergies with the work programmes of Horizon Europe, the Innovation Fund and CEF will also be key as they will add-up significant resources to the €26 billion envelope under the Clean Transition window, which is significantly small given the large climate investment gaps the EU faces. Overall, the ECF will require strong governance and different modes of operation, as it has a wide range of objectives in mind (e.g. from research, to first of a kind demonstrations, to large infrastructure projects), as well as a variety of end-beneficiaries that can benefit from these programs (e.g. large companies, universities, start-ups, SMEs, energy communities, citizens and NGOs).

An **evidence-based approach** to Work Programmes should build on two pillars: first, an **expert-led** governance framework with independent input, and second, a **science-based** assessment of sectoral decarbonisation pathways and associated investment gaps:

³² The list is of activities provided under Article 33 of the ECF regulations touches upon several relevant investment needs for decarbonisation, including: a) **"LIFE activities"** providing support to bottom-up projects for the demonstration, testing and market uptake of innovative solutions and best practices and awareness raising (in reference to the previous LIFE programme that has been merged under the ECF); b) **energy efficiency, energy storage, integrated renewable energy, energy renovations, heating and cooling solutions**; c) **clean energy and decarbonisation solutions in industry, and in cities**, in particular for energy, transport, and buildings; d) **clean tech manufacturing and its supply chain**, including through financial support to Strategic Projects under the Net Zero Industry Act; e) **sustainability and clean transition of SMEs**, including in tourism, construction and other economic sectors; and f) **market uptake, capacity building and skills** development for the clean transition, including clean energy transition and energy demand side activities.

European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

³³ Recital 86 of ECF Regulation: In order to ensure uniform conditions for the implementation of the ECF through certain measures set out in work programmes as well as certain measures in support of space policy, implementing powers should be conferred on the Commission.

European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

³⁴ Recital 51 of ECF Regulation: Work programmes could be adopted under an annual or multi-annual format. The latter could in particular be considered for the purposes of Union support provided for budgetary guarantees and financial instruments, with a view to provide predictability to implementing partners (...) Work programmes are also the appropriate place to allocate budget in accordance with evolving policy priorities, and they should set out contributions, specific conditions and expected results. European Commission (2025).

Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

³⁵ Article 15 of ECF Regulation: The work programmes may set out: (a) actions and associated budget from ECF as well as actions set out in the specific dedicated part of the work programmes indicated in paragraph 2; (b) instruments and form of funding; (c) eligibility and award criteria; d) a single co-financing rate per action for actual cost grants; (e) actions to which the Mutual Insurance Mechanism under Regulation (EU) [XXX] [Horizon Europe] applies; (f) rules applicable to actions concerning more than one specific objective; (g) actions to which specific rules apply, in particular on ownership, exploitation and dissemination, transfer and licensing as well as access rights to results; (h) actions which benefit from the mechanisms set out in Article 20. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

³⁶ An evidence-based approach should integrate several elements of transparency and use of data, proper use of experts with domain excellence, informed and open consultations with a wide range of stakeholders involved, and true adherence to the materiality principle - particularly if aiming for simplicity and low administration.

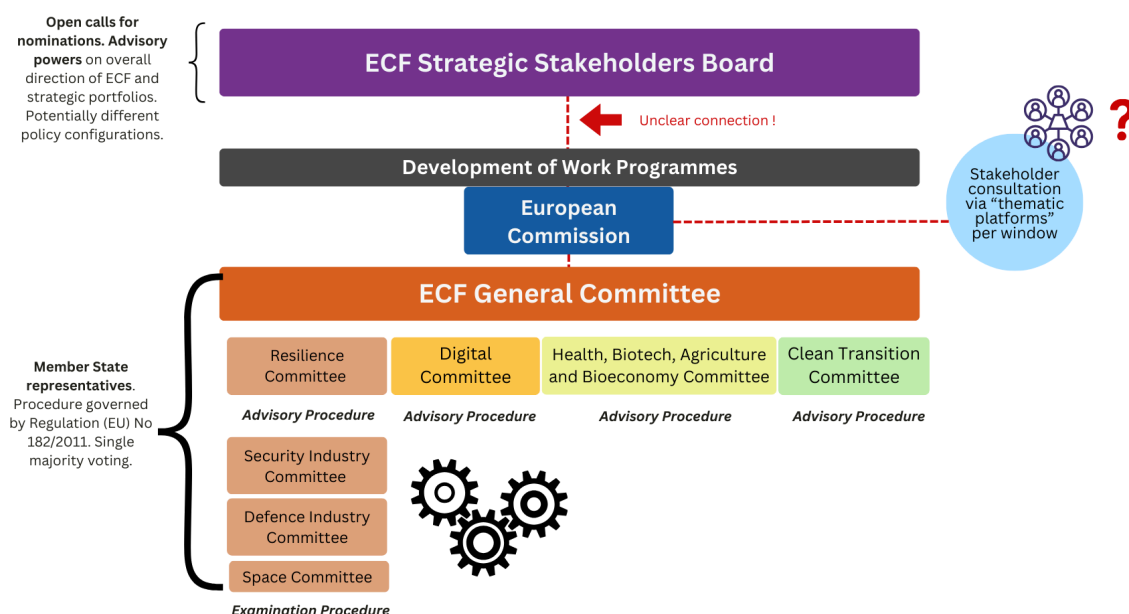
³⁷ Article 3 of ECF Regulation: "For support to bioeconomy policy, the specific objectives of fostering an innovative and competitive bioeconomy in the Union, including in the areas of biobased materials and products, biomanufacturing, innovative food products and biochemicals; including support to SMEs, start-ups and scale-ups, contribute to the development and scalable production and uptake, availability and accessibility of bioeconomy innovations, including those based on cross-sectoral cutting-edge biotechnology; strengthen supply chains and increase their resilience" and "For support to the agriculture and food security, the specific objective of fostering the competitiveness, sustainability, and resilience of the agriculture, fisheries and aquaculture, forestry and rural and coastal areas and their role in the transition to a climate-neutral climate-resilient, water-smart, nature-positive economy and the protection of natural resources biodiversity while contributing to long term food security in the Union." European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

A. An expert-led governance framework for ECF Work Programmes

When developing the ECF Work Programmes via implementing acts, the Commission will be assisted by a **Committee procedure**, as regulated under Article 83 of the ECF and Regulation (EU) No 182/2011, which lays down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers. An ECF General Committee will be established for matters concerning the general objectives of the ECF, and then one committee will be created per policy window, including a "**Clean Transition Committee**".

Regulation (EU) No 182/2011 establishes that these committees will be composed of representatives of the Member States, who will be able to submit amendments to the Commission's proposals for Work Programmes.³⁸ Under an advisory procedure, the committee will issue an opinion approved under a single majority vote, which shall inform the Commission's final implementing act.³⁹ This procedure is established for all windows except for those related to defense, security and space, which will follow an examination procedure. Under an examination procedure, a negative opinion from the committee, or the opposition from a single majority, may prevent the Commission from adopting an implementing act, unless appealed and "duly justified imperative grounds of urgency".⁴⁰

Chart 3: Governance of ECF and Work Programmes as proposed by the Commission



While the political steering of Work Programmes is important to build consensus among Member States on what are the climate priorities that the ECF should target, **experts and independent input are critical to ensure that the identified priorities also match with what, in reality, can boost Europe's climate transition and competitiveness.** This evidence-based approach, which should build on the studies conducted by independent experts (e.g. scientists, academics and researchers), would also benefit from the **input of a variety of private sector stakeholders with insights on the ground**, including civil society, small and large businesses and industry associations, housing and community networks, federations of energy communities, universities, etc. All of them should meaningfully contribute to the broader governance of the ECF, as well as the specific architecture of the Work Programmes.

³⁸ Article 3 of Council of the European Union. (2011). Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers. Available at <https://eur-lex.europa.eu/eli/reg/2011/182/oj/eng>

³⁹ Article 4 of Council of the European Union. (2011). Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers. Available at <https://eur-lex.europa.eu/eli/reg/2011/182/oj/eng>

⁴⁰ Article 5 and 8 of Council of the European Union. (2011). Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers. Available at <https://eur-lex.europa.eu/eli/reg/2011/182/oj/eng>

Article 14 of the ECF regulation mandates the Commission to “ensure that stakeholders are consulted in the development of the work programmes, with the creation of one or several thematic platforms per window”, but no more details are developed in this regard, nor the specific powers of these stakeholder platforms vis à vis the Member State committees. **Establishing robust mechanisms for these stakeholder thematic platforms to be meaningful and well-integrated in the committee procedures** will be fundamental to ensure that Work Programmes are aligned both with science, and with the reality of stakeholders on the ground, who will be the recipients of EU funding.



Another important landing point for meaningful input by experts and private and civil society actors is the ECF Strategic Stakeholders Board. This Board will be created to *advise* on the overall direction for the ECF and the identification of strategic portfolios of projects within and across activities of the ECF, for which it may be composed in different policy-oriented configurations.⁴¹ The Commission will appoint its members based on an open call for nominations or expressions of interest, “taking into account the need for balance in sector, organisation type, including private investors, and size, expertise, gender, age and geographical distribution.” **However, the mechanisms by which the Board will provide an effective framework for the development of Work Programmes should be clarified and strengthened, as in the Commission’s proposal this is currently unclear.**⁴² Multistakeholder consultations with researchers and industry, civil society, as well as investors and end-users, are only mentioned once in recital 57, but it appears that they may be structured via the ECF Stakeholder Board with the view to inform the Work Programmes.

For the design and implementation of financial instruments and the budget guarantee under the ECF InvestEU Instrument, a set of investment guidelines will be developed by the Commission in “close dialogue” with implementing partners (e.g. EIB Group and national promotional banks). This dialogue is critical to create buy-in and provide “the necessary predictability and visibility to the implementing partners and investors, in order for them to set up their organisational capacity and originate the pipeline of investments, while allowing the necessary flexibility to ensure an adequate policy steer during implementation.”⁴³ The guidelines will include the description of the policy areas of intervention and investment focus with a view to ensuring additionality and crowding in private and public investment. An **Advisory Board on ECF InvestEU Instrument** will also be established and have one representative of each implementing partner and one representative of each Member State. The Board shall “provide advice on the design of financial products and on the strategic and operational direction in its area of competence. It shall also provide advice on the coordination with the EIC to ensure complementarity with other Union funding or private investments”.⁴⁴

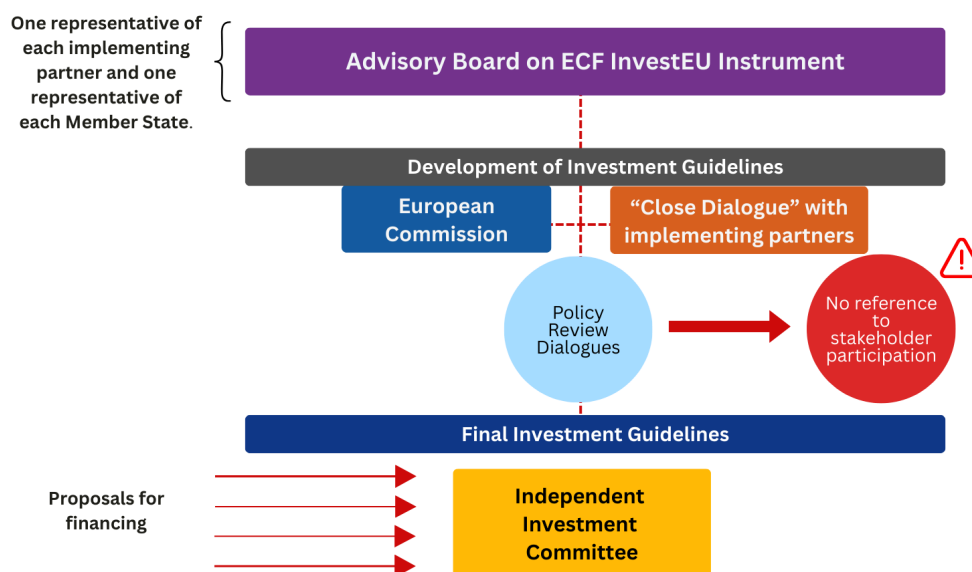
⁴¹ Article 14 of the ECF Regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

⁴² So far the links between the development of Work Programmes and the ECF Strategic Stakeholders Board are unclear, while it appears the Board’s role may be mainly an advisory one. If this is to be the main stakeholder and expert-driven body within ECF, the links with the development of Work Programmes must be stronger and as important as those of the committees of Member State representatives.

⁴³ Recital 52 of ECF Regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

⁴⁴ Article 14 of the ECF Regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

Chart 4: Governance of the ECF InvestEU Instrument⁴⁵ as proposed by the Commission



The ECF InvestEU investment guidelines can steer the design of EU Financial Instruments as a Service (EU FlaaS) with the lead of the EIB Group, the national promotional bank architecture, and in consultation with local financial institutions. The role of independent experts with sector-specific knowledge would also be valuable in identifying which EU FlaaS are needed based on the priority clean assets that need to be deployed for sectoral decarbonisation. Private sector stakeholders such as civil society and industry are also important to consult with to understand how the uptake of these instruments will take place. **Expert and stakeholder input for the design of EU FlaaS should be embedded both in the Advisory Board on the ECF InvestEU Instrument and in a series of "Policy Review Dialogues"** that will be established with the Commission and Implementing Partners to "discuss progress with the implementation of the financial products and engage on relevant policy developments".

Developing asset-specific financing via EU FlaaS to simplify instrument design, facilitate access for end-beneficiaries and increase the multiplier effect on EU financing

For the design of financial instruments under the ECF InvestEU, greater specificity on the target asset class will be critical to reduce "time to market" and ensure greater harmonisation and comparability of financial instrument performance across the EU. Designing financial instruments tied to the asset would integrate the regional default risk ratios and instrument-specific leverage factors. Collateral requests will vary depending on sector, region, instrument and technology. For instance, looking at the very low mortgage default rates across Europe⁴⁶, it is expected that default rates for collateralised buildings lending and renovation loans would be very low compared to, for instance, generic SME lending. **This means that if an EU Renovation Loan, a Solar Roof PV Loan, or an EV Loan "as-a-service" were specifically designed and implemented via the Member State compartment, the amount of cash collateral that Member States would need to put in the national compartment for coverage would be much smaller than the generic InvestEU amount. This could create 50-100x leverage ratios - as compared to the average for InvestEU of 11.4x.**

⁴⁵ Article 14: An independent **Investment Committee** will be created to "examine the proposals for financing and investment operations submitted by implementing partners" and "verify the compliance with the applicable rules of the proposals for financing under the ECF InvestEU Instrument".# The Commission only specifies that its members shall have "a wide knowledge of the sectors covered by the ECF and a wide knowledge of the geographic markets in the Union". European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

⁴⁶ European Central Bank. (2024). Financial Stability Review, November 2024. Available at <https://www.ecb.europa.eu/press/financial-stability-publications/fsr/html/ecb.fsr202411~dd60fc02c3.en.html>

Instrument design can feel like reinventing the wheel, and be slow, repetitious and stressful for those without the necessary skills. **Offering a set of template, asset-specific EU Financial Instruments via ECF InvestEU would simplify the education exercise with national authorities and the identification process of which instruments they need to deliver their priorities in NRP Plans.** “Local tailoring” of the national compartments (i.e. size, scope of operations, implementing partners) is also important to take into account national and regional circumstances, and the extent of this needs to be pre-cleared for State Aid (at the EU and instrument level ex ante, as a service to Member States). This would deliver administrative simplicity for national authorities by delegating technical tasks to the Commission and the EIB in the design and monitoring of the new financial instruments “as-a-service”.

The EIB Group should lead the design of EU Financial Instruments in close dialogue with national promotional banks and local, sector-specific retail lenders, who have the necessary knowledge on which assets must be deployed in their sector and the needs of end-beneficiaries.⁴⁷ **This design process can be embedded in the development of the ECF Work Programmes and Investment Guidelines, in consultation with private sector stakeholders (experts, civil society and end-users) in the mandated Policy Review Dialogues.** For this purpose, a permanent platform should be established among EIB Group, implementing partners and other national retail lenders and channels to design targeted EU FlaaS, following the example of the pan-European Investment Platform for Affordable and Sustainable Housing.⁴⁸

The EU has designed thousands of instruments tailored to deliver specific outcomes and much of that resident knowledge exists within the EIB Group and the promotional bank architecture. Best-in-class instruments tailored to the regional needs and asset class of the project can be provided at the “fund level”. Member States can then empower managing agencies to take a lead role in project pipeline identification and deployment, potentially packaged together with tied technical assistance grants, and extra support to vulnerable communities. **SG Reform’s teams should also be engaged during the design of NRP Plans to support the specific co-development of collaborative national policies and instruments to better leverage best practices across Member States.**

An asset-based approach to EU financing can also help simplify reporting, and be based on existing positive lists of clean assets, such as the ones developed by the EBRD⁴⁹ for many countries. This will simplify the application process for beneficiaries while ensuring a transparent reporting framework for the retail channel. Spain is developing a similar list for the new ICO Green Line,⁵⁰ which identifies “Green interventions” in support to the climate transition of SMEs and households that would only require a self-declaration of compliance from end-beneficiaries.

The ECF Work Programmes will have to coordinate with the Work Programmes of Horizon Europe under the Competitiveness component of Pillar 2⁵¹ (which has the same headings as the ECF policy windows)⁵². They will also set out policy priorities that will steer EIC challenges.⁵³ **To support this coordination, SET Plan groups can have an extended and more meaningful advisory role within the ECF Strategic Stakeholders Board and the thematic stakeholder platforms that will be created under each window.**⁵⁴

⁴⁷ For instance, taking the example of the Common Agriculture Policy which will now be part of the NRP Plans and is expected to have a reduced budget: It is clear that there is a greater role in EU Budget design for agricultural and specialist banks. The EIB is currently discussing with banks in the agricultural sector the potential for the insurance sector to support the resilience of farmers. EU institutions, think tanks, NGOs and experts have raised concerns about inefficiencies in the CAP and Member States’ Strategic Plans, as well as inconsistencies in CAP’s earmarked climate expenditures. A more efficient approach to financing the transition of small and young farmers with tailored EU Financial Instruments as a Service for agriculture investments via the ECF InvestEU Member State Compartment could release pressure from the CAP budget to fill the additional climate investment gap. This would particularly benefit R&I investments in early stage cleantech to transition the food system into a more sustainable one, while strengthening EU industrial capabilities in these new agro-food sectors. European Scientific Advisory Board on Climate Change. (2024). EU Climate Advisory Board: Focus on immediate implementation and continued action to achieve EU climate goals. Available at <https://climate-advisory-board.europa.eu/news/eu-climate-advisory-board-focus-on-immediate-implementation-and-continued-action-to-achieve-eu-climate-goals>

⁴⁸ European Commission. (2025). European Commission and EIB group lay foundations for a new pan-European investment platform for affordable and sustainable housing. Available at https://ec.europa.eu/commission/presscorner/detail/en/ip_25_671

⁴⁹ European Bank for Reconstruction and Development (n.d.). Green Technology Selector online platform. Available at <https://www.techselector.com/ts-en/>

⁵⁰ Ministry of Economic Affairs and Digital Transformation, Government of Spain (n.d.). Green Paper on Sustainable Finance. Available at https://portal.mineco.gob.es/RecursosArticulo/mineco/ministerio/participacion_publica/audiencia/ficheros/Libro_Verde_Finanzas_Sostenibles.pdf

⁵¹ Article 34 of the ECF Regulation: Work programmes adopted in accordance with the rules of this Regulation under this chapter shall integrate in a specific dedicated part and ensure coherence with the Competitiveness and Society activities supported under the Regulation (EU) [XXX] [Horizon Europe Framework programme for Research and Innovation]. Also see Article 7: “The Commission shall ensure the consistent implementation of the European Competitiveness Fund, the Framework Programme for Research and Innovation and the Innovation Fund.”

⁵² European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

⁵³ European Commission. (2025). establishing Horizon Europe, the Framework Programme for Research and Innovation, for the period 2028-2034. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2025%3A543%3AFIN&qid=1752739335598>

⁵⁴ Recital 53 of ECF Regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

⁵⁴ The SET Plan was established in 2007 and since the creation of the energy union in 2015, it became one of the main instruments of the energy union’s 5th pillar on research, innovation and competitiveness. The SET Plan is composed of 15 working groups to help promote cooperation among EU countries, companies and research institutions. It does so by helping to coordinate national research and innovation activities in developing low-carbon energy among EU countries and associated countries, as well as aligning national research and innovation programmes with its agenda. European Commission. (2023). Strategic Energy Technology Plan. Available at https://energy.ec.europa.eu/topics/research-and-technology/strategic-energy-technology-plan_en

The ECF Work Programmes are also posed to “ensure coherence with the types of actions planned to be implemented under the Innovation Fund”⁵⁵. The Industrial Decarbonisation Bank is also set to be placed under the governance of the ECF. But the details of how this will move forward are yet to be developed, as both funds are outside the MFF.⁵⁶

An Industrial Decarbonisation Bank to serve competitive transitions in industry in Member States: Identifying and investing €100 billion

The Clean Industrial Deal (CID) announced an Industrial Decarbonisation Bank (IDB) with a budget of €100 billion seemingly as a sum of funds earmarked for the Innovation Fund, any additional revenues resulting from parts of the ETS, and including part of the updated ECF InvestEU.⁵⁷ This new “Bank” will be governed within the ECF. Little is known about how this will work in practice, **particularly whether it will be a self-standing non-budgetary instrument like the Innovation Fund, or whether it will become part of the Clean Transition window of the ECF.**

The Innovation Fund is already a critical instrument delivering competitively into creating net zero markets in Europe by bridging the scale-up growth finance gap that breakthrough European cleantech producers face. **The IDB needs to be an independent and additional resource offering direct support to finance the transition of European industry. As such it also needs to be self-standing and independent and not cannibalise existing pledged funding streams, like ETS revenues.**

The IDB is clearly targeted to the transition of energy-intensive industry and will support “projects with carbon emission reduction as a metric to enable technology-neutral support across industrial sectors, including through carbon contracts for difference”. Further, it will be designed to ensure a competitive selection and a fair distribution of support across Member States and complement the ETS price signal and help bridge the funding gap in both capital and operational expenditures.

As an example, the Commission launched a €1 billion pilot auction to support projects that decarbonise industrial process heat through innovative electrification technologies.⁵⁸ **This heat auction is a positive step with the necessary strategic prioritisation to support the deployment of the most efficient cleantech solutions for the electrification of industry** (vis-a-vis an untargeted use of green hydrogen which is less efficient to produce). **The use of competitive bidding mechanisms is necessary to ensure a cost-efficient use of EU financing,** and has to consider a combination of upfront capital investments as well as on-going operational support to de-risk cleantech scale-up and lever private capital.

European industry has benefitted from the free allocations of ETS allowances for years and indirect cost compensation from Member States’ national ETS allocations. The signalling for the investment in low carbon technologies to reduce the cost of emissions has been abundantly clear. **Direct support for industrial decarbonisation remains necessary, but cannot be a crutch for companies who haven’t seen the writing on the wall. IDB investments have to be smart and focused on deployment of cleantech at competitive prices and at scale.**⁵⁹

There are some ‘no-regret’ sectors - those with the greatest impact on EU net zero goals (like cement and steel) - guided by robust techno-economic analysis and innovation potential. These can be the focus for competitive EU-wide instruments such as output-based CCFDs, **linked to emissions reduction results for**

⁵⁵ Recital 10 of ECF Regulation.

European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

⁵⁶ The Innovation Fund is governed under a Delegated Regulation supplementing Directive 2003/87/EC that establishes the Emissions Trading System. This Directive is expected to be reviewed in 2026.

⁵⁷ European Commission. (2025). The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation (COM/2025/85 final). Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0085>

⁵⁸ (1) Electrifying industrial process heat via technologies such as heat pumps, electric boilers, resistance heating, induction heating, plasma torches, electric shockwave heating. (2) Using direct renewable heat (such as solar thermal and geothermal) for industrial processes. European Commission. (2025). Draft Terms and Conditions – Innovation Fund Heat Auction 2025. Available at https://climate.ec.europa.eu/document/download/cfde57b3-d80f-43e1-9ee4-cd96c42c6ca8_en?filename=if_2025_draft_t_c_heat_auction_en.pdf

⁵⁹ E3G. (2025). Powering Europe’s industrial foundation: Securing the future of energy intensive industries in a changing economy. Available at <https://www.e3g.org/publications/powering-europe-s-industrial-foundation/>

the most impactful and strategic clean technologies and solutions,⁶⁰ and allocated through competitive processes, which could offer a more predictable and fairer alternative to today's patchwork of national subsidies. A joint letter⁶¹ signed by 16 think tanks, NGOs and cleantech associations asked for a CID that incentivises industries to integrate cleantech into their processes and shift to a decarbonised, circular and innovative business model. This should be a clear condition for receiving any public funding, ensuring that industries adopting cleantech are supported, while those failing to meet sustainability goals and emissions reduction are incentivized to accelerate their transition.

There is a risk that the new IDB will divert or deplete resources which are legally pledged to the Innovation Fund, which is a successful instrument already supporting Europe in bridging cleantech from lab-to-market. The lessons learned and the independence and reach of the Innovation Fund, as it bridges the innovation gap for the most impactful cleantech, cannot simply be diverted to provide general corporate funding to unspecified and non-ringfenced decarbonisation funding for industrial incumbents. The Innovation Fund is over subscribed and reducing its budget for the demonstration and manufacturing of cleantech must be avoided. **Instead, the Bank should derive part of its resources from Member States' allocations of national ETS revenues and deliver this financing to industries under the ETS regime via CCFDs for the deployment of cleantech in their sites. This can be done following the successful model of the Hydrogen "bank" auctions-as-a-service, via an as-a-service compartment for CCFDs.**

Via the ECF InvestEU Member State Compartment, the new IDB can gather further resources to capitalise manufacturing guarantees for delivering cleantech to industry. These guarantees can be developed under the Work Programmes of the ECF and ETS revenues, also offering support via the InvestEU budget guarantee to the eligible applicants of the Innovation Fund, as envisioned in article 21 of the ECF regulation.

The development of decarbonisation pathways for key industrial sectors can ensure an efficient and strategic targeting of the Bank's resources and identify the design of CCFDs and other competitively bid financing mechanisms. The EU needs to plan which, and how many, strategic green industrial products and supporting technologies it needs to own the supply chains of, based on these sectoral industrial transition plans. The Buy European criteria also need to balance the value-add of manufacturing sectors vis-a-vis clean technology production and end use sector competitiveness (the demand side).



Overall, establishing an evidence-based, expert-led governance framework for the ECF should ensure that the scarce resources under the different windows are well and strategically allocated in the forthcoming Work Programmes and investment guidelines. This will also be particularly important for determining how many and for what priorities EU FlaaS are needed. **One concerning measure put forward by article 20 of the ECF regulation aims to bypass applicable Union laws or other sectoral policies for "actions of imperative public interest or critical time-sensitivity" that "cannot otherwise be effectively implemented."** This article risks disturbing the checks-and-balances of the ECF governance mechanics and an evidence-based approach to the Work Programmes. Therefore, it requires due attention to ensure it doesn't become a loophole for investments with lack of additionality and misaligned with the Union's climate and energy targets.

⁶⁰ Based on: Climate impact, System effects, Timing, DNSH and Efficiency: Bellona Europa. (2024). How to allocate carbon pricing resources. Directing ETS and CBAM revenues towards effective climate action - Briefing paper. Available at <https://network.bellona.org/content/uploads/sites/6/2024/04/Brief.pdf>

⁶¹ Institute for Climate Economics (I4CE). (2025). Joint Letter on the Clean Industrial Deal: The Clean Industrial Deal must deliver a bold strategy to reinforce Europe's Global Leadership in Cleantech and build a Competitive Net Zero Economy. Available at https://www.i4ce.org/wp-content/uploads/2025/02/Open-letter_clean-industrial-deal_5-february.pdf

B. Science-based assessments of sectoral decarbonisation pathways and investment gaps

In relevant thinking at the Commission level, the ECF had been envisioned as an instrument to support European industry in gaining leadership in critical technologies against international rivals.⁶² This explains why the ECF is a shared competence between the Commissioner for Budget, the Commissioner for Industrial Strategy, and the Commissioner for a Clean, Just and Competitive Transition. **However, industrial investments only represent 5% of the total investment gap to reach net zero by 2050 (around €16 billion annually), of which around 70% is expected to come from private finance.**⁶³ The EU Competitiveness Compass and Mario Draghi's landmark report⁶⁴ position decarbonisation as a "transformational imperative" to strengthen European competitiveness, particularly by lowering energy prices, improving energy security, boosting Europe's lead in clean technologies, and preventing climate risks. **Within a limited budget, investment priorities in the ECF Work Programmes should be chosen using an evidence-based approach that anticipates these material impacts on Europe's climate challenges.**

Competitiveness is not only technological leadership in the production phase, but also leading market demand for clean technologies by supporting their deployment in the real economy via business actors, as well as households.⁶⁵ EU funding should aim at generating positive social and economic impacts locally, which means considering what competitiveness means for smaller businesses, households and farmers. For them, competitiveness manifests via lower energy prices, energy security, the creation of jobs in clean sectors and reduced climate risks. What matters for them, therefore, is being able to access the necessary transition assets (e.g. renovations, solar panels, EVs, etc.) that will boost their own competitiveness and deliver the benefits of the climate transition.

The ECF Work Programmes should consider this more holistic definition of competitiveness, beyond the traditional definition of industrial production capacity, which can build on the Competitive Sustainability Index ("CSI") developed by the Cambridge Institute for Sustainable Leadership. The CSI builds on four dimensions: Economy/Prosperity, Society/Fairness, Governance/Stability, and Environment/Greenness.⁶⁶

A holistic definition of competitiveness is even more important now that InvestEU has been integrated as the "horizontal delivery tool"⁶⁷ for Union priorities within the ECF. **A narrow focus of the ECF Work Programmes risks excluding relevant decarbonisation priorities that would benefit from the multiplier effect that InvestEU can offer to EU investments.** While the €26 billion financial envelope of the Clean Transition window is relatively small, if delivered via the budget guarantee of ECF InvestEU, it could mobilise on average €296 billion of private investments.

The scope of activities that can be supported under the Clean Transition window⁶⁸ looks toward a holistic definition of competitiveness, as apart from cleantech manufacturing and industrial decarbonisation, it includes demand-side investments, skills and capacity building, and mentions relevant sectors for the transition like buildings and transport. **The Work Programmes must follow an evidence-based approach that builds on: first, identifying where the largest investment gaps are located, per sector, and per transition asset class; second, determining which investments can drive the largest emissions reductions in these sectors; and finally, a granular assessment of how these decarbonisation investments can boost competitiveness gains for Europe, and what positive social and economic impacts can be derived locally.**

⁶² The idea of creating a European Competitiveness Fund originated with President von der Leyen's announcement in 2022 to create a Sovereignty Fund that would secure EU competitiveness in critical technologies, in response to the US inflation reduction act. This then became the Strategic Technologies for Europe Platform (STEP), with only a €1.5 billion top-up mostly directed at defence spending. In a reaction blog to the President's announcement, former Commissioner for Industry, Thierry Breton, proposes that this Sovereignty Fund should become the necessary funding lever for European industrial policy. Science|Business. (2025). EU's plan for critical technologies ends in shadow of promised Sovereignty Fund. Available at <https://sciencebusiness.net/news/industry/eus-plan-critical-technologies-ends-shadow-promised-sovereignty-fund>; European Commission. (2022). Statement by President von der Leyen on the REPowerEU plan. Available at https://ec.europa.eu/commission/presscorner/detail/cs/STATEMENT_22_5543

⁶³ See Commission impact assessment for the 2040 target and the Institute Rousseau assessment. European Commission. (2024). Commission Staff Working Document Impact Assessment Report: Europe's 2040 climate target and path to climate neutrality by 2050: building a sustainable, just and prosperous society. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52024SC0063> Institut Rousseau. (2024). Road to Net Zero: Bridging the Green Investment Gap. Available at <https://extranet.greens-efa.eu/public/media/file/1/8692>.

⁶⁴ European Commission. (2024). The Draghi report on EU competitiveness. Available at https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en

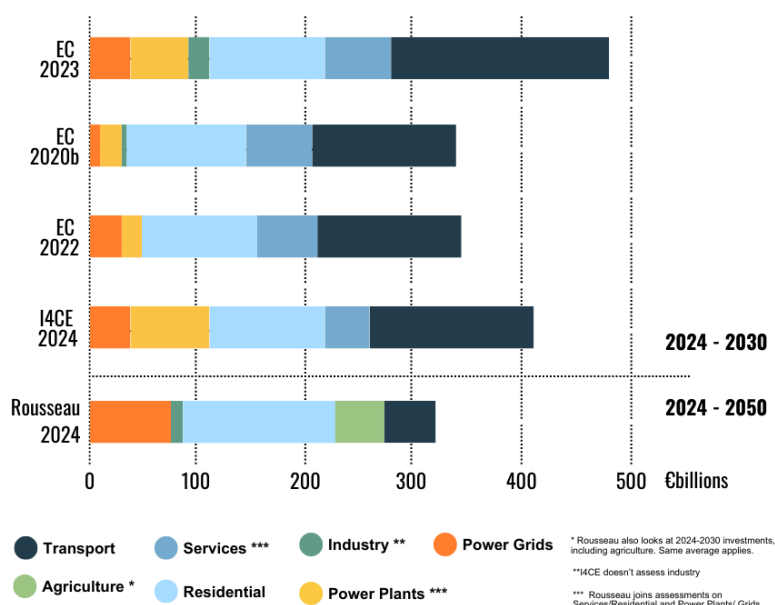
⁶⁵ This is supported by a letter signed by 16 signatories: Climate Strategy & Partners. (2025). Joint letter on the MFF and the European Competitiveness Fund: A targeted European Competitiveness Fund to deliver climate and energy security for European citizens and SMEs. Available at <https://www.climatestrategy.es/press/MFFECFLetter13052025.pdf>

⁶⁶ Competitive sustainability is defined as the ability of an economy, its companies and industrial ecosystems to excel relative to international peers in a competitive transition to a sustainable economic model through investment in purposeful innovation. University of Cambridge Institute for Sustainable Leadership. (2024). Competitive Sustainability Index 2024 – Summary. Available at https://www.cisl.cam.ac.uk/files/2024_competitive_sustainability_index_summary.pdf

⁶⁷ Article 21 of ECF Regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

⁶⁸ As listed in Article 33. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

Chart 5: Annual EU Climate Investment Gap (public & private) (€billions /year)⁶⁹



The tools for driving evidence-based Work Programmes already exist. At the national level, the National Energy and Climate Plans (NECPs) have set granular targets and measures for decarbonisation per sector, which together with other sectoral strategies like the National Building Renovation Plans (NBRPs), and the Climate Adaptation Plans, provide an adequate framework for what priorities should be set under the ECF Work Programmes.⁷⁰ The EU Taxonomy for Sustainable Activities is a detailed framework that provides sectoral benchmarks and standards per industry classification code to help determine which economic activities make significant contributions to climate mitigation, and therefore could receive support from the ECF Work Programmes to reach. The Taxonomy defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and the broader environmental goals.⁷¹ Moreover, several Commission-led assessments and independent think tank reports⁷² assess the investment gap to meet Europe's climate and energy targets and transition the highest-emitting sectors (Buildings, Transport, Agriculture, Industry and Energy). This set of national and EU tools can form the "toolbox" for the development of evidence-based Work Programmes.⁷³ The Work Programmes may then decide to integrate EU Preference criteria⁷⁴ for investments in those strategic clean technologies where the EU wants to keep or build its comparative advantage.⁷⁵

⁶⁹ Averages from European Commission. (2023). Investment needs assessment and funding availabilities to strengthen EU's Net-Zero technology manufacturing capacity. Available at https://single-market-economy.ec.europa.eu/system/files/2023-03/SWD_2023_68_F1_STAFF_WORKING_PAPER_EN_V4_P1_2629849.PDF; European Commission. (2020). Communication on Europe's moment: Repair and Prepare for the Next Generation. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020SC0098>; European Commission. (2022). Communication towards a green, digital and resilient economy: our European Growth Model. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0083>; Institute for Climate Economics. (2024). European Climate Investment Deficit report: An investment pathway for Europe's future. Available at https://www.i4ce.org/wp-content/uploads/2024/02/20240222-i4ce3859-Panorama-EU_VA-40p.pdf; Institut Rousseau. (2024). Road to Net Zero: Bridging the Green Investment Gap. Available at <https://extranet.greens-efa.eu/public/media/file/1/8692>.

⁷⁰ Improved granular data is still needed on the national climate investment needs. The Commission's 2023 EU-wide review of the draft updated NECPs points out, Member States have failed to deliver them: "a solid assessment of investment needs backed by concrete measures to attract private finance, as the bulk of investment necessary to reach the Union's climate and energy targets must come from private sources, is still mainly absent from the plans." European Commission. (2023). Proposal for a Council Recommendation on Economic Policy Reforms. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2023%3A796%3AFIN>. This is also an issue at the EU-level: the European Climate Neutrality Observatory points out that the EU currently has no consistent tool to ensure the annual monitoring of the EU climate investment gap. European Climate Neutrality Observatory (2023). State of EU progress to climate neutrality – Flagship Report June 2023. Available at https://climateobservatory.eu/sites/default/files/2023-06/ECNO_Flagship%20report%20-%20State%20of%20EU%20progress%20to%20climate%20neutrality_June%202023.pdf

⁷¹ European Commission (n.d.). EU Taxonomy for Sustainable Activities. Available at https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

⁷² European Commission. (2023). Investment needs assessment and funding availabilities to strengthen EU's Net-Zero technology manufacturing capacity. Available at https://single-market-economy.ec.europa.eu/system/files/2023-03/SWD_2023_68_F1_STAFF_WORKING_PAPER_EN_V4_P1_2629849.PDF; European Commission. (2020b). Communication on Europe's moment: Repair and Prepare for the Next Generation. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020SC0098>; European Commission. (2022). Communication towards a green, digital and resilient economy: our European Growth Model. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0083>; Institute for Climate Economics. (2024). European Climate Investment Deficit report: An investment pathway for Europe's future. Available at https://www.i4ce.org/wp-content/uploads/2024/02/20240222-i4ce3859-Panorama-EU_VA-40p.pdf; Institut Rousseau. (2024). Institut Rousseau. (2024). Road to Net Zero: Bridging the Green Investment Gap. Available at <https://extranet.greens-efa.eu/public/media/file/1/8692>.

⁷³ New sectoral pathways being developed by, for instance, DG CLIMA and JRC, are also useful tools to add in the support of Work Programme development.

⁷⁴ Article 10 of ECF regulation. See T&E's report for how to do "Made in Europe" rules:

European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

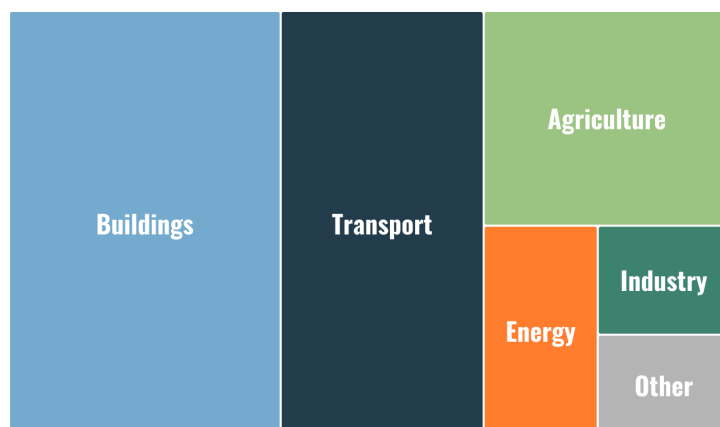
Transport & Environment. (2025). "Made in Europe" rules: how to do them. Available at <https://www.transportenvironment.org/articles/made-in-europe-rules-how-to-do-them>

European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

⁷⁵ Recital 12 of ECF Regulation: The Work Programmes are also set to be aligned with the Competitiveness Coordination Tool by ensuring their "coherence with the selected projects and competitiveness priorities identified under the Tool" - but little more is known about this Tool.

European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

Chart 6: Annual additional public investment by sector (in €billion per year) (Institute Rousseau 2024)



The EU climate investment gap ranges between €340 to €477 billion annually, with the public component representing 30-60% of this (over €200 billion annually), depending on the sector, source, prosperity of the target region, the type of asset being built and the end-beneficiary. Climate Strategy's 2024 report⁷⁶ looks at the Commission's and think tank assessments to provide a sectoral breakdown of the decarbonisation assets and solutions that must be deployed and what EU Financial Instruments as a Service are required to finance this deployment. **This type of evidence-driven and granular assessment of the EU policy and technological targets, the associated investment gaps and the type of financing needed (e.g. grants or financial instruments) is the kind that should guide the development of the ECF Work Programmes.**

Energy and Grids

20%⁷⁷ of the overall investment gap (€70 billion annually). Dominated by large players with relatively easy access to private finance. **The main bottleneck is the upgrade and expansion of grids, where EU action is needed to address regulatory barriers to unlock private capital and increase EU funding for Member State interconnections through the Connecting Europe Facility.** A proactive EU funding strategy of blended public/private instruments is required to accelerate the millions of smaller-scale SME and home retail transactions.

Buildings

39% of the total investment gap until 2050 (€142 billion annually) and the largest public gap. **Building renovation is the critical decarbonisation lever but activity remains too low, arguably in part because EU funds have not delivered enough grants and blended finance solutions.** Climate Strategy identifies a residential buildings investment need of €500 billion of public funding by 2030 (around €70 billion annually) to lever the necessary €1.5 trillion of private finance. For the tertiary sector, I4CE finds an investment gap in renovations of €42 billion annually. Heat pump deployment will require an additional €36 billion per year by 2030.

Transport

53% of the total investment gap until 2050 (€214 billion annually). **Public funding estimates vary depending on the future vision of shared mobility and public transport.** T&E sees a "realistic" contribution from the public sector in private road transport, aviation and maritime decarbonisation of €38 billion annually by 2030. **Rail is the greatest single-asset public finance gap at €29-36 billion annually.** Due to their low maturity levels, new e-fuels for aviation and maritime will require greater levels of public funding (approximately €10 billion annually). **Initial signs exist of an overuse of EU funds for private transport instead of public transport and infrastructure.** The total budget of the Connecting Europe Facility Transport is only 10% of the annual public finance gap in rail.

Industry and cleantech

Industrial decarbonisation is 5% of the total investment gap until 2050 (€16 billion annually), of which approximately €5 billion annually would come from public funding. At least €18 billion of public funding is needed in total in the 2024-30 decade to support the manufacturing of strategic cleantech. **The sector is dominated by large enterprises with good access to finance, where the main lever is carbon pricing signals. More blended finance instruments should focus on de-risking investments in industrial SMEs and the deployment of cleantech.**

Agriculture

12% of the total investment gap until 2050 (€47 billion), of which most would come from public funding (€44 billion). **Access to private finance is particularly difficult for small farms and young farmers, with the green financing gap estimated at €18.9 billion.** Reforming CAP (€378.5 billion for 2021-2027) is fundamental to integrate mandatory emissions reduction targets, optimising direct income support schemes to contribute to climate mitigation, and integrating grant schemes and financial instruments to support the development and scale-up of agri cleantech companies.

⁷⁶ Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

⁷⁷ Note that the sectoral shares of the total investment gap do not add up to 100% as they are averages from different studies with varying estimates

Sectoral decarbonisation solutions come in radically different sizes, with different remuneration regimes, varying degrees of technological maturity, and with no “one size” for all European regions. However, **approximately 77% of the total investment gap is found in demand-side sectors (buildings, transport and agriculture)**, where public funding needs are much higher to support vulnerable communities and provide clean public goods, and where asset deployment at a retail level for SMEs and households must be accelerated. These are also the communities where the direct and indirect impact of climate change is much more felt. **As the next section further outlines, the ECF Work Programmes should adequately reflect these needs and provide them with the most efficient financing solutions.** If developed following independent expert input, and in consultation with stakeholders, social partners and business associations,⁷⁸ the Work Programmes can become an effective framework for a competitive sustainability that targets, and reaches, both industrial and non-industrial actors, as well as EU citizens.



⁷⁸ Such as SME associations or federations of energy communities.

2. A supply chain approach in ECF Work Programmes that supports market uptake of cleantech and solutions

Zooming-in to identify the priority end-beneficiaries and the most efficient forms of funding

The Commission has positioned the ECF as the Union's toolbox to providing "seamless support to European innovators from research to deployment, from ideas to start-up to scale-up" and helping "the Union build a competitive edge in strategic sectors, including by facilitating multi-country and cross-border projects with high EU value added."⁷⁹ Given the limited EU budget, the Commission recognises the importance of an efficient approach to supporting strategic and innovative European projects: "we must make full use of every euro in the EU budget to invest in areas where EU value added is greatest and to attract private and public investment."⁸⁰ With an efficiency aim in mind, **the Commission proposes an expanded use of financial instruments and budgetary guarantees in ECF via a second phase of InvestEU to "increase leverage and allow the EU budget to play a stronger role in de-risking private investment and unlocking financing by institutional investors."**⁸¹

The Commission's proposal addresses **concerns raised by Enrico Letta's report on the Single Market:**⁸² **"there is a funding gap not just with respect to amounts, but also with respect to the type of funding that is available."** Traditional public funding schemes do not always well address the specific financial needs of a given sector, particularly when it comes to the development and deployment of new clean technologies.⁸³ **The ECF Work Programmes should follow granular supply-chain assessments of the financial instruments that each clean technology in a specific sector requires** - particularly those that are strategic for the EU's competitiveness interests - to guarantee their path to full-on commercialisation and success in the market.

Supporting EU citizens in accessing EU finance for their just transition must therefore also be a core priority of the ECF.

But the scope of the ECF cannot stop at the production and scale-up phase of the supply chain. The ECF should also boost the uptake of clean technologies and solutions by end-consumers, particularly EU-made ones in strategic sectors. Public and private funding spent on supporting the growth of the European cleantech industry will otherwise be wasted if end-consumers are not incentivised, nor able, to buy European clean products. At the same time, demand-side policy levers such as forward-looking standards and public procurement are critical to create the lead markets for these clean technologies.⁸⁴

The Commission acknowledges that the next EU budget must be ambitious in size and designed to "achieve our climate goals and support businesses, especially small businesses, and citizens in the transition to a zero-emission economy".⁸⁵ **The ECF also includes a just transition objective to ensure "a sustainable, decarbonised and digital economy that is fair and supporting workers and communities."**⁸⁶ **Supporting EU citizens in accessing EU finance for their just transition must therefore also be a core priority of the ECF.**

The ECF Work Programmes should integrate a **targeted supply chain approach** that is detailed enough to identify **which end-beneficiaries require support from EU funding to grow and commercialise clean solutions, and which type of EU financial instruments will address their needs best.** This will be particularly important to effectively address the financial needs of cleantech scale-ups, and of the consumers of this cleantech - that is, EU citizens, SMEs and farmers.

⁷⁹ European Commission. (2025). A dynamic EU Budget for the priorities of the future – The Multiannual Financial Framework 2028–2034. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0570>

⁸⁰ Ibid.

⁸¹ Article 21 of ECF regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

⁸² Enrico Letta. (2024). Much More Than a Market. European Council. Available at <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>

⁸³ The OECD applauds EU support for start-ups, but warns that grant funding can lull innovators into a false sense of security: Science|Business. (2025). Business accelerators are better than grants, OECD tells EU. Available at <https://sciencebusiness.net/r-d-funding/eu-budget/business-accelerators-are-better-grants-oecd-tells-eu>

⁸⁴ Chapter 7. Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

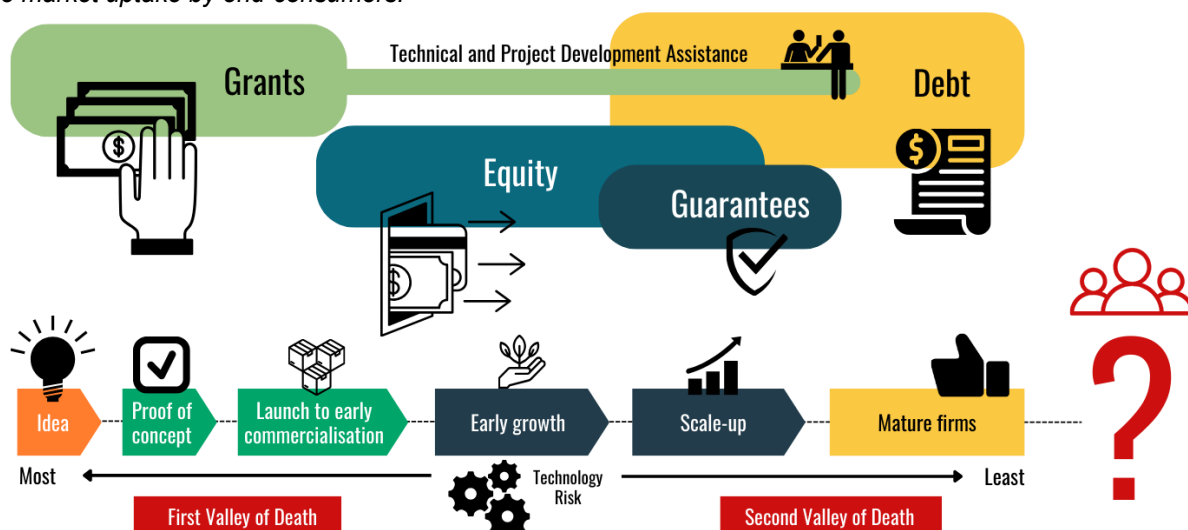
⁸⁵ European Commission. (2025). A dynamic EU Budget for the priorities of the future – The Multiannual Financial Framework 2028–2034. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0570>

⁸⁶ Article 3 of the ECF. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

A. An EU financial instruments toolbox for small and innovative cleantech scale-ups

The bulk of pre-2030 climate investments are in mature commodity assets that come with revenues, or savings, and hence can pay back private sector contributions in full, or in part. CapGemini looked at the 55 technology strategies required to decarbonise Europe's economy and the relative technology maturity of those investments by decade (see Graph 14).⁸⁷ The majority of the climate investments required for market scale before 2030 are mature (like solar, wind, insulation, heat pumps, EVs, etc.). Similarly, the Commission has identified that most of the technologies needed to reach the proposed 2040 target of 90% emissions reductions are also mature - i.e. in a Technology Readiness Level (TRL) of at least 8 (out of 9).⁸⁸

Chart 7: Different forms of funding will be needed throughout the growth journey of a clean technology, all the way to the market uptake by end-consumers.



A successful leverage strategy of private capital via financial instruments for mature clean technologies will ensure that the limited €26 billion budget of the ECF Clean Transition window is efficiently used. Grants should be kept to boost R&I investments for cleantech in low Technological Readiness Level ("TRL") via Horizon Europe, and to provide clean public goods and infrastructure (e.g. railways and grids, particularly via CEF). Most social investments that require grants are expected to be funded under the NRP Plans, particularly due to a 14% mainstreaming target for social objectives.⁸⁹ Biodiversity objectives under the ECF, and what would now be called "LIFE Activities" (after the discontinuation of the LIFE Programme), may also require grants, particularly for projects that are more focused on the environment, nature-based solutions awareness raising and community bottom-up projects.⁹⁰ There is also a clear gap in technical and administrative expertise to efficiently implement biodiversity goals on scale.

In particular for scaling up cleantech, access to debt instruments is critical for building first-of-a-kind facilities and reaching commercialisation. It is at this later stage of scaling up where the EIB finds that the cleantech financing gap in Europe is most worrying⁹¹ and where scale-ups face a longer and deeper "valley of death" than other innovative companies. The new EIB guarantee facilities for wind (€5 billion and a new top-up of €1.5 billion), grids (€1.5 billion), and for cleantech companies (€250 million)⁹² have been positive steps in the right, "efficient" direction by leveraging the multiplier power of guarantees. The new ECF InvestEU Instrument offers another opportunity to build on the success of the EIB guarantee programs and increase their size, particularly for strategic cleantech sectors.

⁸⁷ Capgemini Research Institute. (2020). Net Zero 2020: How Companies Can Hit Their Bold Climate Goals. Available at <https://www.capgemini.com/wp-content/uploads/2020/10/Net-zero-main-report-2020.pdf>

⁸⁸ European Commission. (2024). Impact Assessment on Europe's 2040 climate target. Available at [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52024SC0063%3ADACC%20\(TRL%20of%207\)%20and%20BECCS%20\(TRL%20of%205.5\)%20are%20less%20mature%20today%2C%20and%20need%20to%20be%20further%20developed%20over%20the%20coming%20years.%20These%20two%20technologies%20will%20come%20into%20play%20only%20between%202030%20and%202040.%20](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52024SC0063%3ADACC%20(TRL%20of%207)%20and%20BECCS%20(TRL%20of%205.5)%20are%20less%20mature%20today%2C%20and%20need%20to%20be%20further%20developed%20over%20the%20coming%20years.%20These%20two%20technologies%20will%20come%20into%20play%20only%20between%202030%20and%202040.%20)

⁸⁹ Article 10 of NRP Regulation: 14 % of the financial envelope of the NRP Plans shall be dedicated to meeting the Union's social objectives. European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028–2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0565R%2801%29&qid=1753697054840>

⁹⁰ To combine social and reindustrialisation objectives, the ECF should also support renewable projects with clear benefit sharing mechanisms. This may include, inter alia, (offshore) wind developers offering shares to community energy groups, and the set up of local community funds. Climate Action Network (CAN) Europe. (2025). Community engagement and benefit-sharing of Renewable Energy Projects. Available at <https://caneurope.org/community-engagement-and-benefit-sharing/>

⁹¹ European Investment Bank. (2024). The Scale-Up Gap: An Analysis. Available at https://www.eib.org/attachments/lucalli/20240130_the_scale_up_gap_en.pdf

⁹² European Investment Bank. (2025). EIB Group increases 2025 financing ceiling to record EUR 100 billion to step up investments in security and defence, energy grids and Europe's tech leadership. Available at <https://www.eib.org/en/press/all/2025-247-eib-group-increases-2025-financing-ceiling-to-record-eur100-billion-to-step-up-investments-in-security-and-defence-energy-grids-and-europe-s-tech-leadership>

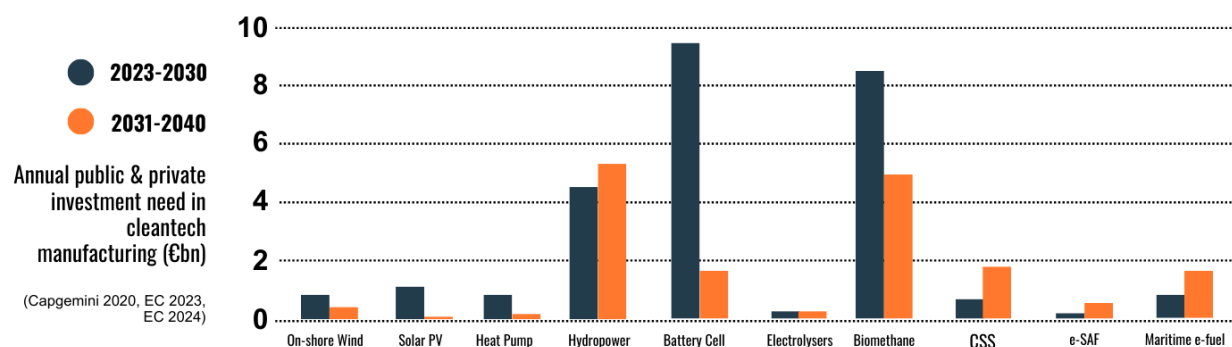
The ECF Work Programmes should earmark part of the €26 billion budget of the Clean Transition window to build an ambitious cleantech guarantee facility implemented via the ECF InvestEU Instrument and managed by the EIB, potentially under the Scale Up Facility established in article 22 of the ECF regulation. In 2023, Cleantech for Europe proposed⁹³ an initial scheme under the current MFF to cover at least €5 billion euros of cleantech manufacturing guarantees (for instance up to €200 million for 25 companies), and if successful expand to €20 billion euros (for instance up to €200 million for 100 companies) by 2027. The next Multiannual Financial Framework (starting in 2028) would be an opportunity to scale by another order of magnitude.

An integrated supply chain approach to developing targeted EU financial instruments for cleantech can further be supported via dedicated value-chains scale up calls. The ECF Work Programmes may now integrate these “Single Market Value Chains Builder” calls - which will support both project preparation and crowding in of additional public and private capital to integrate European suppliers, manufacturers, and innovators from different Member States.⁹⁴ This type of calls will require understanding better what are the needs of the different supply chain actors, and can thus drive the development of granular ECF Work Programmes supported by the financial instruments toolbox of the ECF InvestEU.

Bridging the cleantech investment gaps with “as-a-service” compartments in the ECF Scale Up Facility for public guarantees and the EIC Accelerator for equity

At least €27 billion is needed annually before 2030 to support the manufacturing of 10 clean technologies, of which approximately 20% (€5.4 billion annually / €37.8 in total) is expected from public funding. In the 2031-2040 decade, the need is reduced to €16 billion annually.⁹⁵ Article 22 of the ECF regulation mandates the creation of a “Scale Up Facility” managed by the EIB Group with National Promotional Banks to provide “a comprehensive set of financing tools tailored to the unique needs of scale-ups, including indirect and direct equity and quasi-equity, venture debt, loans, guarantees and blended finance (...) The facility shall target SMEs and small midcap companies and Mid-cap companies.” Given the limited €26 billion budget under the Clean Transition window, and the many priorities across sectors that it will have to tackle, finding increased resources for bridging the public investment gap in cleantech and crowding-in private capital is critical.

Integrating an “as-a-service” compartment within the Scale Up Facility and linking it to the ECF InvestEU instrument would enable Member States to tap into the EU budget guarantee for the creation of national manufacturing guarantee schemes for cleantech champions in their countries. The Work Programme under the ECF Clean Transition window may earmark part of the €26 billion budget to the Scale Up Facility, which would then allow for contributions from national and regional authorities. This process can be linked with the development of the sections of NRP Plans focused on the clean transition and industrial competitiveness, as well as with Member States’ plans for allocating national ETS revenues.



⁹³ Cleantech for Europe. (2023). Scaling Cleantech Manufacturing. Available at https://assets-global.website-files.com/626fd2b7495a6f980eab20c8/656dad1b9339313ae2e3eab2_CTFE_cleantech_manufacturing_vf03.pdf.

⁹⁴ Article 16 of ECF Regulation: Single Market Value Chains Builder.

European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

⁹⁵ Climate Strategy & Partners. (2025). Industry & Cleantech Brief. Available at <https://www.climatestrategy.es/press/Industry&Cleantechbrief.pdf>

The Scale Up Facility will also offer equity instruments, but to avoid overlaps and complexity for end-beneficiaries, this should be done in tight coordination with the European Innovation Council (EIC) Accelerator, which will be expanded under the Framework Programme 10 (FP10).⁹⁶ The EIC Accelerator provides equity to support SMEs in developing and scaling up innovations. In the current MFF, the budget of the EIC Accelerator is relatively small⁹⁷ but has been highly oversubscribed. The 2021 calls for the EIC Accelerator had a success rate of 5.4% with just 65 out of an estimated 1,196 applicants having been successful.⁹⁸ **In the next FP10, the Commission has proposed to increase the budget of the EIC to approximately €38.8 billion.**⁹⁹

The Advisory Board on ECF InvestEU Instrument will provide advice on the coordination with the EIC.¹⁰⁰ The ECF Work Programmes will also set out policy priorities that will steer EIC challenges,¹⁰¹ and this should serve to earmark an ambitious budget within the EIC for cleantech, in line with the 40% climate mainstreaming that applies across Horizon Europe. **An “as-a-service” compartment under the EIC could also pool-in Member States resources to develop national equity schemes for cleantech.** This delegation to the EIC Accelerator would take advantage of its well-established teams, knowledge base and evaluations procedures, without having to reinvent new equity structures in the next MFF or at the national level.

The ECF regulation notes that “existing deep-tech scale-up financing under the Scaleup Europe Fund announced in the Startup Scaleup Strategy will be carried out under the terms agreed in the current MFF. All future scaleup financing in the MFF 2028-2034 will take place under the ECF.”¹⁰² **The Commission should clarify the role of the EIC vis-a-vis the Scale Up Facility. This may mean that the latter could provide more added-value by limiting its focus to cleantech guarantees, particularly given the budget constraints in the Clean Transition window.**

The Scale Up Facility may also provide an added value if it delivers output-based support to cleantech under the Clean Transition window. Under article 35 of the ECF regulation, the Work Programmes for the Clean Transition window can deliver funding via these mechanisms and Carbon Contracts for Difference (CCFDs) and fixed premium contracts are good and well tested examples. A joint letter¹⁰³ published by nine NGOs, think tanks and cleantech organisations ahead of the Clean Industrial State Aid Framework strongly encouraged the Commission to move towards these types of output-based support for cleantech to ensure a more efficient and climate-aligned expenditure.



⁹⁶ European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Sovereignty Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0543R%2801%29&qid=1753799631598>

⁹⁷ The EIC Accelerator received €675 million in 2024, and €634 million in 2025, as an allocation from the overall €10 billion budget of the EIC for the 2021-2027 period. The Accelerator provides support for innovation in SMEs with grants and equity investments, and has a 35% earmark for climate projects (meaning €236 million in 2024). In the 2025 EIC Work Programme, a new scale-up scheme has been introduced with a €300 million budget, following the Strategic Technologies Europe Platform (STEP) regulation. European Innovation Council. (2024). Work Programme 2024. Available at https://eic.ec.europa.eu/eic-2024-work-programme_en.

⁹⁸ Segler Consulting. (2021). The June 2021 EIC Accelerator Results and the Stabl Energy GmbH Success Story. Available at <https://seglerconsulting.com/the-june-2021-eic-accelerator-results-and-the-stabl-energy-gmbh-success-story/>.

⁹⁹ Article 6 of FP 10 regulation. European Commission. (2025). establishing Horizon Europe, the Framework Programme for Research and Innovation, for the period 2028-2034. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2025%3A543%3AFIN&qid=1752739335598>

¹⁰⁰ Article 14 of ECF regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹⁰¹ Recital 53 of the ECF regulation.

¹⁰² European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹⁰³ Recital 52 ECF Regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹⁰³ Transport & Environment. (2025). Joint Letter: Making EU state aid work for clean manufacturing. Available at <https://www.transportenvironment.org/articles/making-eu-state-aid-work-for-clean-manufacturing>

B. EU Financial Instruments as a Service for retail investments in households, SMEs and farmers

To provide for the 77% of the EU climate investment gap that lies in demand-side sectors, the next MFF needs to deliver efficient financing for households, SMEs and smallhold farmers that are looking to acquire clean assets (e.g. solar rooftop panels, heat pumps, electric vehicles, building renovations, etc.). Delivering these clean assets can support them in becoming more competitive and resilient and will require millions of similar but small retail transactions across Europe. **These are the types of end-beneficiaries that also face the greatest difficulties in accessing affordable private finance for their transition.**¹⁰⁴

Following a supply chain approach to develop the ECF Work Programmes can help identify when a retail instrument is needed to support the uptake of a particular cleantech, and for which specific end-beneficiaries. At the higher, strategic level, the evidence-based approach advocated in the previous section will also serve to identify in which sectors, and for what specific clean assets, these retail instruments are critical to accelerate the climate transition. **With the option to include EU preference criteria in the ECF Work Programmes, retail financial instruments under the ECF could also boost the uptake of EU-made clean tech and solutions, subject to those criteria being aligned with NECPs and EU manufacturing capacities.**



While most of the EU funding for SMEs, households and farmers will come from Member States' NRP Plans, **the budget guarantee of the ECF InvestEU Instrument can deliver efficient and affordable financing solutions, such as guaranteed loans, to directly address the difficulties that small businesses and households often face when trying to access transition finance via private lenders.** Climate Strategy's 2024 report¹⁰⁵ highlights the many benefits associated with delivering retail financial instruments at the EU level via the budget guarantee, particularly lower borrowing costs and higher leverage factors than national financial instruments.¹⁰⁶ Simplicity for the end-beneficiary and greater leverage multipliers can be further achieved if these instruments are designed targeting specific clean assets.

Building on the InvestEU Member State compartment model, the next ECF InvestEU can offer EU Financial Instruments as a Service (FlaaS) for Member States attached to a specific clean asset (e.g. an EU Renovation Loan as a Service, or Solar PV Loan as a Service). As the next section will further explain, EU FlaaS can provide lower funding costs and guarantees to support countries in maximising their investment capacity in mature clean assets and aligning their NRP Plans with Union priorities. The current long list of activities and competing priorities that can be financed under the Clean Transition window raises concerns about the small size of its €26 billion budget, which is insufficient (even when multiplied by 11.4x) to address all the sectoral investment gaps the EU faces. Therefore, **EU FlaaS can be kickstarted with some contributions from the Clean Transition window, but then be enhanced with national contributions from NRP Plans.**



¹⁰⁴ Small farms (75% of the farm population) and young farmers faced the greatest difficulties in accessing finance, in terms of loan rejections and discouragement to apply for bank products. This was especially the case for long-term loans, which are essential to support the long-term ecological transition of farmers: Fi-Compass. (2023). Financing gap in the agriculture and agri-food sectors in the EU. Available at https://www.fi-compass.eu/sites/default/files/publications/FinancingGapAgricultureAgrifood_RTW_0.pdf One in four SMEs report "severe difficulties" in accessing finance and they enjoy less favourable credit terms than larger companies. Fi-Compass. (2020). SME Financing Gap Analysis in the EU. Available at <https://www.fi-compass.eu/library/market-analysis/gap-analysis-small-and-medium-sized-enterprises-financing-european-union>

¹⁰⁵ Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

¹⁰⁶ 11.4x average leverage for InvestEU versus an average 3.8x leverage for financial instruments under ERDF and CF. The data to calculate achieved leverage has been provided for: 613 loan FIs, with a median achieved leverage of 1.3 (571 and 1.3 in 2021); • 89 guarantee FIs, with a median achieved leverage of 5.2 (87 and 5.3 in 2021); • 241 equity FIs, with a median achieved leverage of 2.0 (223 and 1.9 in 2021). European Commission. (2022). Summary Data of Financial Instruments 2014-2020. Available at https://ec.europa.eu/regional_policy/sources/funding/financial-instruments/summary_data_fi_1420_2022.pdf

Piloting demand-side asset-specific financial instruments in InvestEU: A new EU Renovation Loan as a Service for Member State

Building decarbonisation accounts for 39% of the total climate investment gap by 2050 -around €142 billion annually- and represents the largest shortfall in public investment.¹⁰⁷ **Sustainable Urban Development is therefore identified as a core priority in the Commission's proposals for the ERDF and the Cohesion Fund post-2027,**¹⁰⁸ which recognises the need to lower energy costs and address the climate challenges faced by households and SMEs. NRP Plans should integrate urban development strategies to support, among other measures, greater energy efficiency in urban areas.¹⁰⁹



Moreover, many of the industrial sectors associated with building renovations (e.g. heat pumps, insulation materials) are strategically important for EU competitiveness, while the Renovation Wave will create significant green jobs in Europe. However, building renovation activity across the EU remains too low,¹¹⁰ partly because EU funds have not delivered enough grants and blended finance instruments.¹¹¹ Specific recommendations for the buildings sector are presented in Climate Strategy's 2024 report on the next MFF, in chapter 6, pages 85 to 88.¹¹² The most impactful is the proposed EU Renovation Loan as a Service, a financial concept that has been in development with expert input since 2022¹¹³ and further elaborated revisited in detailed reports in 2023.¹¹⁴

The EU Renovation Loan ("ERL") is a long-term (30 year) financial instrument with a low (near-zero) coupon structure, enabling eligible homeowners to borrow the funds needed for a deep renovation of their property, with the option to roll up part of the interest until the property is sold or transferred, or the loan reaches maturity. Interest on an EU Renovation Loan would be set at EU borrowing costs and accrue under an EU Green Guarantee (similar to that provided under InvestEU) ensuring access to low-cost financing to older and less affluent EU homeowners. ERLs are collateralised obligations with a second-lien on the building refurbished after the primary mortgage (if any). Combined loan-to-value (LTV) for ERL and any existing mortgage would be capped at 100%. In principle, the financial cost of an ERL would be covered by the value of the energy savings and therefore allow homeowners, especially retirees and those with limited incomes,¹¹⁵ to achieve a net-cashflow positive from day one.

An EU Renovation Loan can be designed as a Financial Instrument as a Service under the ECF InvestEU, and can already be piloted in the current InvestEU program at the EU level via EIB and its existing PF4EE and counterparty bank networks. Simultaneously, Member States can be provided technical assistance by SG REFORM and the EIB to draw down specific "Renovation Loans as a Service" under a pre-State Aid cleared, one-design tailored Member State Compartment under InvestEU. Currently under InvestEU, renovation products are part of the wider sustainability guarantee that covers SMEs and households under the Sustainable Infrastructure window. But these products have not been successful at delivering finance for residential renovations at scale. The initiative announced by President von der Leyen in her State of the Union speech in 2025 to revise State aid rules to enable housing support measures is a step in the right direction to promote these instruments further.¹¹⁶ A new mandate for doubling investments in sustainable and affordable housing through Cohesion Policy, as proposed by President Von der Leyen's mission letter to Commissioner Jorgensen,¹¹⁷ and potentially under the new NRP Plans, could be a relevant avenue for raising funds for building renovations via a Renovation Loan InvestEU Member State compartment approach.

¹⁰⁷ Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

¹⁰⁸ Article 5 on Sustainable Urban Development. European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Clean Tech Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0552&qid=1753798380292>

¹⁰⁹ Recital 9 of European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Clean Tech Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0552&qid=1753798380292>

¹¹⁰ The annual amount of deep renovations in the EU28 is only around 0.2%, with relatively small variation when looking at individual Member States. European Commission. (2019). SET-Plan Information System – Final Report. Available at https://energy.ec.europa.eu/system/files/2019-12/1.final_report_0.pdf

¹¹¹ Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

¹¹² Ibid.

¹¹³ Climate Strategy & Partners. (2022). The EU Renovation Loan: a new instrument to fund the EU Renovation Wave. Available at https://www.climatestrategy.com/en/informe_23.php

¹¹⁴ Climate Strategy & Partners. (2023). Informe 27. Available at https://www.climatestrategy.com/en/informe_27.php

¹¹⁵ Cooperative "One Stop Shops" such as Ecovision (Ireland), Les7Vents (France), and Energent (Belgium), show promising results: cooperative-led approaches to housing renovations can also boost demand by households due to increased trust and capillarity within the local community.

¹¹⁶ European Commission. (2025). State of the Union 2025. Available at https://ec.europa.eu/commission/presscorner/detail/en/fs_25_2065

¹¹⁷ European Commission. (2024). Mission letter – Jørgensen. Available at https://commission.europa.eu/document/download/1c203799-0137-482e-bd18-4f6813535986_en?filename=Mission%20letter%20-%20JORGENSEN.pdf

Until now the EIB hasn't designed a specific product just for building renovations. The ECF's Clean Transition Work Programme should earmark part of its €26 billion budget to enhance the budget guarantee under the ECF InvestEU and create a compartment exclusively dedicated to building renovations. This would provide a design that is granular enough to take into account the risks and default rates of the specifics of the residential or commercial buildings sectors in each Member State, and have default rates and collateral requirements that are commensurate, and expected to be lower than SMEs (for ERL collateralised with a primary residence). **Usefully, and as a part of making housing more affordable, an EU Renovation Loan could be initiated with a set-aside guarantee of some Euro 1-3 billion, to better build data on defaults and understand the mechanics of the retail market renovation segments with lenders across several Member States.**

One of the main barriers to tailoring the design of, and delivering, renovation loans is the lack of granular data. A standard cohesion product can make renovation loans more accessible to the harder to fund homeowners, and tying these loans to upgraded Energy Performance Certificates and real data is a way forward. The Taxonomy for Sustainable Finance, as currently for building renovations, should look at whether the building being financed is "green", instead of at the finance attached to it. This creates hurdles in labeling renovation finance as green.

In the Commission's proposal for the ECF, the focus on the demand-side and end-consumer segment of the supply chain for clean assets can be further developed. The general objective of the ECF, defined in Article 3 of the proposal, "is to increase European competitiveness, notably in strategic sectors and technologies along the investment journey". Article 2¹¹⁸ defines this investment journey with a list of activities primarily focused on the supply of cleantech. While this is not an exhaustive list of activities and recipients, **non-industrial SMEs, energy communities, small farmers and households (which are not referenced at all in the proposal) should be specifically mentioned** and taken into account in the definition of "investment journey", and when designing the ECF Work Programmes and Investment Guidelines. This gap at the end of the cleantech supply chain could otherwise lead to an inefficient and wasteful use of EU resources towards supplying clean assets that will not be taken up by end-consumers.



Article 3.2.a. sets the objectives of the Clean Transition and Industrial Decarbonisation window: "support to decarbonisation of European industry, including SMEs and energy intensive industries, clean tech manufacturing and its supply chains, and contributing to the shift towards a sustainable, circular, energy-, water- and resource efficient, climate-neutral and resilient economy." It is positive to see that among the activities included within this investment scope there is a reference to the uptake of lead markets for clean products, as well as the need to boost the development of "demand-side solutions" for clean and decarbonised buildings and transport, as these are the sectors that face the largest investment gaps. **Still, this definition neglects that the shift towards a sustainable and climate-neutral economy requires bringing on-board end-consumers, and therefore should be specific in this regard, particularly with a reference to households.** A more detailed list of activities supported under the Clean Transition window is provided in article 33 which includes specific mentions to the demand-side.¹¹⁹ It includes snippets of the sectoral climate investment gaps where end-users will play a key role in the uptake of European clean solutions, but greater clarity and detail will be needed, particularly via the Work Programmes, on how the ECF will support SMEs and households.

An exercise to improve the text of the ECF regulation following an evidence-based, supply-chain approach can **enhance the additionality element of the ECF InvestEU by identifying the priority beneficiaries of EU financial instruments. This can be done in the investment guidelines that will be produced by the Commission.** As households, SMEs and small-hold farmers are the ones that usually face the greatest difficulties in accessing finance, the ECF must ensure they are prioritised in the offering of financing solutions.

¹¹⁸ "the continuum of public and private financial support and policy support mechanisms provided to recipients across its entire development chain, including a comprehensive series of activities involved in the allocation of financial resources and provision of support to foster innovation and economic growth. *This journey includes, but is not limited to, the initiation from fundamental and applied research phases, progressing through stages of scaling up, industrial deployment, and advancing to the culmination in full-scale manufacturing and industrial maturity and internationalisation*".

European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹¹⁹ Including: "clean energy and decarbonisation solutions in cities, including buildings and transport", "energy renovations and heating and cooling solutions," "the sustainability and clean transition of SMEs, including in tourism, construction and other economic sectors", and "transition towards sustainable and safe mobility and sustainable tourism in cities, rural areas, communities, and buildings".

European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

Improving additionality of EU funds with strategic prioritisation and horizontal conditions

The Commission's communications on the next MFF have raised the importance of improving the EU added value and additionality of European investments.¹²⁰ **Additionality is also a core principle of InvestEU¹²¹ - that is, supporting projects that would not have happened without the EU's intervention.** "The critical element of this principle lies in demonstrating market failure or sub-optimal investment situations, where public intervention is justified. In particular, it requires that supported operations address gaps in the market or sub-optimal investment conditions by providing financing that cannot be sufficiently supplied by the private sector alone."¹²²

An audit of the European Fund for Strategic Investments (EFSI) from the European Court of Auditors (ECA) finds that "there is scope to improve methodologies for estimating investment mobilization and for demonstrating additionality through EU budgetary guarantees."¹²³ Independent research¹²⁴ finds that EU and national public funds are benefiting higher-income households and larger companies more than is necessary, raising concerns about the additionality of that public funding. **In a joint letter¹²⁵ sent to the Commission, a group of 16 think tanks, NGOs and cleantech associations asked the Commission to improve the additionality of EU funding in the new ECF by supporting those end-beneficiaries that face the greatest difficulties in accessing finance for their transition - primarily SMEs, low-income households, cooperatives and small, young innovative researchers and firms. Small farms and young farmers also face the greatest difficulties within their sector in accessing finance.**¹²⁶

Working towards increased additionality would require strategic prioritisation by integrating a set of horizontal principles and conditions in the design of the ECF and the NRP Plans. These conditions should determine a well-defined set of end-beneficiaries for which EU finance should be prioritised and to simplify their access to this support. **Such principles and conditions should also be reflected in the Performance Regulation to maximise the impact and additionality of EU funding, and to improve the tracking of recipients of EU funds.** Priority end-beneficiaries should be those who would not be able to invest in clean technologies and solutions without public support.

At the same time, when public support for decarbonisation is provided to larger companies who tend to have easier access to private finance, this should be conditional and linked to positive environmental, social and governance outcomes that drive circular and innovative European businesses and create quality, green jobs in Europe.¹²⁷ **The integration of these horizontal conditions within the investment guidelines of the ECF InvestEU can lean on the EU Taxonomy climate mitigation criteria.** One such conditionality, particularly for renewable energy companies, can be whether they have a plan in place for benefits distribution. This may include share offerings or the set up of revolving funds to support local communities.¹²⁸

¹²⁰ "Financing the green, digital and social transition will require maximising public investment and leveraging private capital (...) Overall, there is further scope for increasing the additionality of EU spending to ensure that the EU budget focuses on investments which would not have materialised otherwise" European Commission. (2025). The road to the next multiannual financial framework. COM(2025) 46 final. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0046>

¹²¹ As laid down in Annex V of InvestEU Regulation. European Parliament. (2021). Regulation (EU) 2021/523 establishing the InvestEU Programme and amending Regulation. Annex V: Market failures, suboptimal investment situations, additionality and excluded activities Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0523>

¹²² European Parliament. (2025). InvestEU Programme: functioning, performance and future challenges. Available at [https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/764377/ECTI_IDA\(2025\)764377_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/764377/ECTI_IDA(2025)764377_EN.pdf)

¹²³ "Our recent audit on EFSI12 concluded that it contributed substantially to addressing the EU's investment gap. However, the methodology used to calculate the investment mobilised had weaknesses resulting in a 26 % overestimation of the reported amount. Furthermore, the additionality of the investments the EFSI mobilised was insufficiently demonstrated." European Court of Auditors. (2025). Opportunities for the post-2027 Multiannual Financial Framework. Available at https://www.eca.europa.eu/ECAPublications/RV-2025-03/RV-2025-03_EN.pdf Also see: European Court of Auditors. (2025). The European Fund for Strategic Investments. Available at https://www.eca.europa.eu/ECAPublications/SR-2025-07/SR-2025-07_EN.pdf

¹²⁴ A report by Rideker, Bischof and Lang. (2024) finds that while Cohesion Policy funds have a positive impact on growth, they are delivering income gains for richer regions and wealthy households, thus increasing income inequality in poorer European regions. Institute for European Environmental Policy. (2023). Who Took the Burden of the Energy Crisis?. Available at <https://ieep.eu/publications/who-took-the-burden-of-the-energy-crisis/>

A report by the Institute for European Environmental Policy. (2023) finds that some of the public support during the 2022 energy crisis did not primarily benefit vulnerable groups and had regressive distributional impacts. Institute for European Environmental Policy. (2023). Who Took the Burden of the Energy Crisis?. Available at <https://ieep.eu/publications/who-took-the-burden-of-the-energy-crisis/>

¹²⁵ Climate Strategy & Partners. (2025). Joint letter on the MFF and the European Competitiveness Fund: A targeted European Competitiveness Fund to deliver climate and energy security for European citizens and SMEs. Available at <https://www.climatestrategy.eu/press/MFFECFLetter13052025.pdf>

¹²⁶ Fi-Compass. (2023). Financing gap in the agriculture and agri-food sectors in the EU. Available at https://www.fi-compass.eu/sites/default/files/publications/FinancingGapAgricultureAgriFood_RTW_0.pdf

¹²⁷ A position developed by 11 NGOs provides a set of vital conditions to support businesses towards a stronger, fairer and a more sustainable economy. European Environmental Bureau. (2024). Report on EU climate finance. Available at https://7a3bb38b-2515-4c21-b3a1-777864d728a1.usrfiles.com/ugd/7a3bb3_edf084989341419ca754f4ec44a32537.pdf

¹²⁸ Climate Action Network (CAN) Europe. (2025). Community engagement and benefit-sharing of Renewable Energy Projects. Available at <https://caneurope.org/community-engagement-and-benefit-sharing/>

Overall, with the proposal for a new MFF and the ECF, the Commission claims to be undergoing “an unprecedented effort”¹²⁹ to make the European budget simpler and increase accessibility and impact. **How the ECF caters to end-consumers of cleantech by facilitating their access to financing is critical to the Commission’s efforts.** As the ECF will expand InvestEU to transform it into the “horizontal delivery tool” for Union priorities, it must also ensure that access to finance (and not just grants) is possible for end-consumers within the InvestEU one-stop-shop for financial instruments.

Many of the details of the operationalisation of the InvestEU Instrument remain unclear or will be developed via implementing acts, including what its exact budget will be. While €10 billion are assigned as the minimum contribution to InvestEU, with one additional €1 billion for “project advisory and cross-cutting actions”, article 21 of the ECF regulation clarifies that the **minimum amount of the Union support from ECF delivered through ECF InvestEU Instrument will be €17 billion. This is a considerable downgrade from the current €26 billion budget guarantee under the current InvestEU.**

We expect that the Work Programmes that will be developed for each policy window will contribute to the ECF InvestEU minimum earmark and considerably increase it, particularly given the success of InvestEU in the 2021-2027 programming period. Member States’ NRP Plans are also critical sources of funding for the InvestEU instrument, an avenue that will be further explored in the next section. **This is not to say that larger contributions to the ECF InvestEU is the end objective - but instead, it is a means to increasing the efficiency of national spending for mature climate assets that can be more adequately financed with EU financial instruments.** The maximum amount of contributions to the budget guarantee via the EU compartment is set at €70 billion.



¹²⁹ European Commission. (2025). A dynamic EU Budget for the priorities of the future – The Multiannual Financial Framework 2028–2034. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0570>

3. An energy efficiency-first approach with EU FlaaS as the bridge between ECF InvestEU and NRP Plans

Facilitating the access to the InvestEU Member State compartment with further Commission guidance and granular assessments of the needs for EU-national blended financing

Member States may contribute to the ECF Clean Transition window via the dedicated calls under the Work Programmes or via ECF InvestEU to direct clean investments in their regions.¹³⁰ **Following the current model of InvestEU, the Commission proposes to integrate a Member State compartment in the ECF InvestEU,¹³¹ whereby Member States will be able to continue contributing to the EU budget guarantee and financial instruments.¹³²** Given most Member States face constrained fiscal capacities, the ECF InvestEU is an opportunity for maximising the EU funding they will implement via the NRP Plans (€784 billion). This is not to say that larger contributions to the ECF InvestEU is the end objective - but instead, it is **a means to increasing the efficiency of national spending for mature clean assets that can be more adequately financed with EU financial instruments.**

NRP Plans will address a wide variety of priorities at the national level and will also have to align with the Union priorities on climate, competitiveness and security. Some of these priorities established in Article 3 of the NRP regulation are closely aligned to those industrial priorities of the ECF, including sustainable and competitive manufacturing of net zero technologies and the clean industrial transition, with a special focus on SMEs. The SME focus has traditionally been a prerequisite in Cohesion Policy funding (now implemented via the NRP Plans) for growth, competitiveness and innovation objectives.

NRP Plans should also support R&I investments and the diffusion of innovation across regions. The just transition towards the Union's 2030, 2040 and 2050 climate targets is directly referenced in the NRP regulation and more present than in the ECF, thus why it will be important that the ECF InvestEU Instrument aligns in this regard when it receives Member States' contributions. Sustainable and affordable housing continues to be a key priority of NRP Plans, in line with the mandate of the new Commission.¹³³ The integration of CAP into the NRP Plans also provides sustainable agriculture a renewed strength under Member States' investment planning.

NRP Plans are also set to support “measures, including reforms to further the Savings and Investments Union and foster the development of market-based funding options”. This is a direct reference to the need to increase efficiency in shared management funding via financial instruments. **Historically, only an average of 7% of Cohesion Policy funds were allocated to financial instruments in the last two MFF cycles.¹³⁴** In terms of the climate transition, cleantech competitiveness and industrial decarbonisation of Member States, many of the assets and solutions that need to be deployed are now mature, but the recipients of these solutions vary in terms of size of the business or income of the household. **In the design of NRP Plans, an efficiency-first approach, and also a fair one, would prioritise grants for those end-beneficiaries that cannot pay back higher cost financial instruments,** such as households with limited resources, community energy projects with a focus on tackling energy poverty, or young or small innovative firms at the early stage of their growth.

To integrate **efficiency-first** in the design and implementation of NRP Plans, two levers will be fundamental: first, **clarifying** the connectivity with the ECF InvestEU and **facilitating** access to this instrument for both national and regional authorities; and second, establishing **mandatory conditions and incentives** for the development of granular financial assessments that determine when grants are needed for achieving NRP objectives, and when EU Financial Instruments via ECF InvestEU are the preferred approach.

¹³⁰ Article 5 of ECF Regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹³¹ Article 24 of ECF regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹³² Article 11: Article 11 of the NRP Regulation suggests that Member States may propose in their NRP Plans to make financial contributions to other Union programmes including to the provisioning of the budget guarantee or the financial instruments of the ECF InvestEU. Where such amounts contribute to the provisioning of the budgetary guarantee under [ECF InvestEU Instrument], they shall, where relevant, be complemented by a back-to-back guarantee from the Member State covering the non-provisioned contingent liability.” European Commission. (2025). *Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028–2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509*. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0565R%2801%29&qid=1753697054840>

¹³³ European Commission. (2024). Mission letter – Jørgensen. Available at

https://commission.europa.eu/document/download/1c203799-0137-482e-bd18-4f6813535986_en?filename=Mission%20letter%20-%20JORGENSEN.pdf

¹³⁴ Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

A. Driving Member State contributions to ECF InvestEU with EU FlaaS

In previous MFF programming periods, independent research¹³⁵ suggests that higher-income households and larger companies may have benefitted more than is necessary from EU and national funding, including funds spent under Cohesion Policy, raising concerns about the additionality of that public funding. A report from the European Court of Auditors¹³⁶ finds that, in the context of building renovation, EU-funded grants remain the main form of support and are not reserved for deep renovation. Instead, given that “energy efficiency investments generate benefits for both owners (an increase in value) and the occupants (a reduction in energy costs)”, the Court recommends Member States to “consider using financial instruments and innovative market mechanisms.”

The leverage impacts of the EU budget on private finance can be improved, and precious grant money for supporting the climate transition and competitiveness priorities can be better used. **Grant schemes under the NRP Plans should prioritise end-beneficiaries that need them most for the transition (e.g. the energy poor, or for early-stage cleantech innovators).** In all other cases, the ECF InvestEU Instrument can serve as a toolbox of EU Financial Instruments as a Service for Member States to finance mature clean assets. EU-level instruments under the budget guarantee can help national and regional authorities maximise the funding assigned under the NRP Plans and crowd-in private investments to deliver on their national climate objectives, while remaining aligned with the broader Union priorities under the ECF. This “efficiency-first” approach builds on the success of the current InvestEU program and the efficiency gains that the Member State Compartment brings, as highlighted under the Clean Industrial Deal.¹³⁷ The Deal also supports grants and auctions “as-a-service” “as a proven model to pool EU and national resources in a harmonised and State aid compatible competitive selection.”¹³⁸

Despite the advantages associated with the InvestEU Member State Compartment, by the end of 2024, only seven Member States had contributed a total of €2.3 billion.¹³⁹ **Several reasons explain the low uptake. A lack of clarity on the application of state aid rules had created initial confusion among national authorities on the benefits of the Member State compartment.** Historically, there has also been scepticism by Member States over the loss of control over national funds to InvestEU partners, and a lack of experience with the use of EU financial instruments and with the EIB and national public promotional institutions (which may not have very strong retail reach to SMEs and households, or not even exist in some countries).¹⁴⁰

By the end of 2024, only seven Member States had contributed a total of €2.3 billion to the Member State compartment.

The fact that the Member State compartment was created after the development of national plans for implementing shared management funds and the Recovery Funds also explains the slow uptake.¹⁴¹ **The Commission’s Midterm Review of InvestEU notes that more Member States are considering contributing Recovery Funds to the Member State Compartment “after seeing the positive example of the countries that joined first”.**¹⁴² Moreover, national authorities have reported that channelling the support through InvestEU increased its attractiveness to the market by acquiring a “EU label” in some jurisdictions.¹⁴³ Authorities also reported higher leverage potentials to mobilize a high volume of private finance, increased demand for financial instruments in their national markets, and a simplified and more streamlined process, all of which are key elements that make the Member State compartment attractive.

¹³⁵ Jacques Delors Centre. (2024). How to Refocus Regional Policies in the EU. Available at <https://www.delorscentre.eu/en/publications/detail/publication/how-to-refocus-regional-policies-in-the-eu#:~:text=Based%20on%20data%20from%20more,end%20of%20the%20income%20distribution;Institute%20for%20European%20Environmental%20Policy.> (2023). Who Took the Burden of the Energy Crisis?. Available at <https://ieep.eu/publications/who-took-the-burden-of-the-energy-crisis/>

¹³⁶ European Court of Auditors. (2020). Special Report 11/2020: Energy efficiency in buildings. Available at https://www.eca.europa.eu/Lists/ECADocuments/SR20_11/SR_Energy_efficiency_in_buildings_EN.pdf

¹³⁷ “To further increase funding in areas covered by the Clean Industrial Deal, interested Member States are encouraged to swiftly transfer their resources, to the InvestEU Member State compartment.” European Commission. (2025). The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025DC0085>

¹³⁸ European Commission. (2025). The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025DC0085>

¹³⁹ Member State compartments (EUR 2.3 billion). So far, seven Member State compartments have been signed: Bulgaria, Czechia, Greece, Malta, Romania, Finland and Spain, whose contribution agreement was signed at the end of 2024. European Commission (n.d.). InvestEU Programme – Performance. Available at https://commission.europa.eu/strategy-and-policy/eu-budget/performance-and-reporting/programme-performance-statements/investeu-performance_en

¹⁴⁰ Jacques Delors Institute. (2020). InvestEU Fund: Policy Analysis. Available at https://institutdelors.eu/wp-content/uploads/2020/03/PP247_InvestEUFund_Rubio-EN-1.pdf

¹⁴¹ European Commission. (2024). Commission Staff Working Document – InvestEU Interim Evaluation. Available at

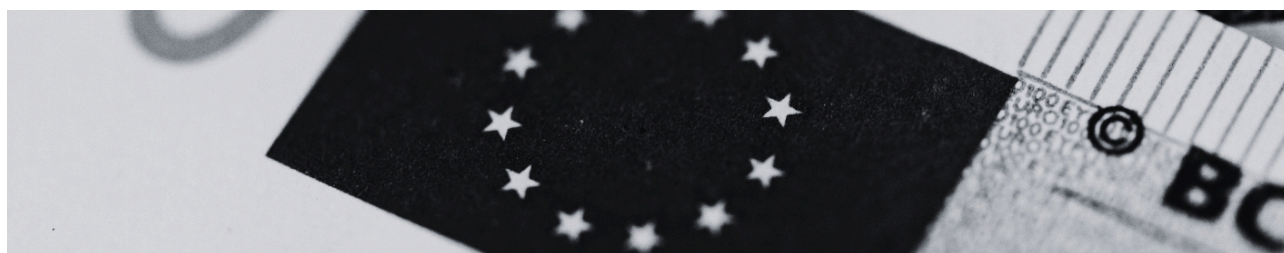
https://commission.europa.eu/document/download/229c23d9-53e8-458b-b5ba-2841e0ae1d8f_en?filename=Commission%20Staff%20Working%20Document%20E2%80%93%20InvestEU%20Interim%20Evaluation.pdf

¹⁴² Ibid.

¹⁴³ Ibid.

One of the reports developed by the Economic Governance and EMU Scrutiny Unit for the European Parliament points out that “in systems with decentralized governance, coordination between institutional levels can delay or block activation of the compartment. Without clear incentives and simplified procedures, this instrument risks remaining underused despite its high potential.”¹⁴⁴ The Commission notes that concerns have been expressed that the Member State Compartment may be shifting resources from regional to national priorities.¹⁴⁵

An improvement from the current InvestEU model in the proposal for ECF InvestEU is to open the Member State compartment for local authorities, which until now have not been able to directly contribute to the EU budget guarantee. Given the regional scope of the NRP Plans, local managing authorities are expected to receive parts of these funds and can thus become significant contributors to InvestEU.¹⁴⁶ **This seems to be the intention of article 5 of the ECF proposal, but its operationalisation must be further clarified by the Commission:** “Member States, Union institutions, bodies and agencies, third countries, international organisations, international financial institutions, or other third parties, may make additional financial or non-financial contributions available to the ECF.”



There is still room for increasing, improving and clarifying the connectivity between NRP Plans and the ECF InvestEU. Article 7 of the ECF regulation mandates the Commission and Member States to facilitate the coordination and coherence between the ECF and the NRP Plans “on common competitiveness priorities in selected key areas and projects deemed of strategic importance and of common European interest”. Article 5 of the ECF Regulation further clarifies the links between the ECF InvestEU and the NRP Plans: “Resources allocated to Member States under shared management may, at their request (...) be made available to the ECF,” including specific contributions to the ECF InvestEU Instrument budgetary guarantee and financial instruments. These resources may be implemented under direct or indirect management and “shall be used for the benefit of the Member State concerned”.¹⁴⁷ In the same way, the NRP regulation establishes that “**in order to foster synergies between the NRP Plans and other Union instruments, it should be possible to include in the Plans measures implemented through financial contributions made by the Member State to the [ECF InvestEU Instrument]**”.¹⁴⁸

The Commission has stated the importance of ensuring a simplified governance of financial instruments in the new budgetary period and a harmonisation of rules, which can be best achieved by centralising those financial instruments stemming from NRP Plans at EU level via the ECF InvestEU.¹⁴⁹ **With this simplification aim in mind, the Commission can publish Guidelines for Member States on how the links between the NRP Plans and the ECF InvestEU can be created, and to describe the benefits of EU Financial Instruments as a Service, including offering best practices and case studies, to educate national authorities.** A new reforms for investments approach in NRP Plans can serve as an exercise in the dialogues between the Commission and Member States to incentivise the use of ECF InvestEU. Additional technical assistance provided by SG REFORM can support national and regional authorities in implementing these guidelines.

¹⁴⁴ European Parliament. (2025). InvestEU Programme: functioning, performance and future challenges. Available at [https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/764377/ECTI_IDA\(2025\)764377_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/764377/ECTI_IDA(2025)764377_EN.pdf)

¹⁴⁵ European Commission. (2024). Commission Staff Working Document – InvestEU Interim Evaluation. Available at https://commission.europa.eu/document/download/229c23d9-53e8-458b-b5ba-2841e0ae1d8f_en?filename=Commission%20Staff%20Working%20Document%20E2%80%9320InvestEU%20Interim%20Evaluation.pdf

¹⁴⁶ Recital 29: “In line with current arrangements, Member States will have the possibility to include regional and territorial chapters in their NRP Plan and should be required to ensure that regional managing authorities receive regular payments, based on the progress of their respective measures, and an amount at least equivalent to their Union contribution by the end of the period, subject to potential corrections resulting from the implementation of their respective chapter(s).”

European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028–2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0565R%2801%29&qid=1753697054840>

¹⁴⁷ Article 5 of ECF Regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹⁴⁸ Recital 35 of NRPP Regulation. European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028–2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0565R%2801%29&qid=1753697054840>

¹⁴⁹ Commission MFF Communication: “The increased use of financial instruments and budgetary guarantees will be accompanied by simplified governance. A harmonised set of technical rules for both internal and external programmes will promote coherence across the budget and reduce administrative burden for implementing partners.”

European Commission. (2025). A dynamic EU Budget for the priorities of the future – The Multiannual Financial Framework 2028–2034. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0570>

A new EU Facility in synergy with the ECF InvestEU: A model that can be expanded across NRP Plans

While the majority of funds will be implemented via Member States' NRP Plans, the proposed regulation also creates an EU Facility with an earmarked budget of €71.9 billion. The EU Facility aims to “complement implementation at national and regional level” to contribute to the objectives set out in the regulation. This will be done by providing Member States with technical assistance and by supporting “projects of a transnational dimension, with a high Union added value, which require additional coordination efforts at Union level, as well as evidence-based policy support.”¹⁵⁰ The Facility earmarks some budget for “cushion” (€8.7 billion) for Member States to deal with crises such as natural disasters, and for adjusting to emerging Union priorities. From the rest (€63.2 billion), **a total of €11.5 billion will be directed at “Union Actions” defined in Annex XV relevant for cities, employment and social innovation.**¹⁵¹ Within this category, climate relevant investments are included in the label of “Life Actions”.

The EU Facility may provide funding in any form, and in the case of budget guarantees and financial instruments, it shall do so “exclusively” via the ECF InvestEU Instrument.¹⁵² Member States may also **decide to contribute additional resources** to the EU Facility and, via this Facility, to the budget guarantee of the ECF InvestEU.¹⁵³ The design of the EU Facility may serve as a model for how the ECF InvestEU may be better connected to the other nationally-controlled resources under the NRP Plans, and may even serve to improve the links between the NRP Plans and the ECF InvestEU. To avoid further complexity and duplications, **the Commission should clarify how and under which circumstances Member States and local authorities may directly contribute to the ECF InvestEU Instrument, and when they should go via the EU Facility.**

The concept of “Union Actions” becomes key in the implementation of the EU Facility, as well as what budgets will be assigned to each Action, which will be determined by the Commission in implementing acts.¹⁵⁴ **It is positive to see that LIFE Actions are part of the list, but as its definition seems to be mainly focused on environmental objectives, there is a missing reference to climate mitigation measures and cleantech support in Annex XV.**¹⁵⁵ Addressing the innovation gap, promoting interregional innovation investments to strengthen EU value chains, with a special mention to IPCEIs, and the support to scale ups is also mentioned.¹⁵⁶ Sustainable urban development is the first of all Union Actions that is mentioned, which should become a positive signal to increase investments in renovation projects. Another positive reference is that technical assistance may be provided to Member States via the EU Facility to promote innovative approaches to de-risk and leverage private investments, which can go further as to directly mention the ECF InvestEU instrument.¹⁵⁷

The EU Facility may be implemented either via shared management, direct management by the Commission, or indirect management. But it remains unclear when Member States may be justified to access the EU Facility for implementing Union Actions aside from crisis management. **These are all details that the Commission will have to consider and clarify, ideally via Guidelines that explain the different routes that Member States have available to access the ECF InvestEU Instrument.**

¹⁵⁰ Recital 42 of NRP Regulation. European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028–2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0565R%2801%29&qid=1753697054840>

¹⁵¹ €6.3 billion will go to the Unity Safety Net /Agricultural Reserve, €20 billion to the EU Solidarity Fund, and €25 billion to the HOME Thematic Facilities (migration).

¹⁵² Article 27 of NRP Regulation. European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028–2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0565R%2801%29&qid=1753697054840>

¹⁵³ Article 26.9 and Article 27.4 of NRP Regulation. European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028–2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0565R%2801%29&qid=1753697054840>

¹⁵⁴ Article 31 on Union Actions: “The Commission shall, by means of implementing acts, adopt a financing decision as referred to in Article 110 of Regulation (EU, Euratom) 2024/2509 identifying objectives and actions to be supported and specifying the amounts for the Union actions set out in Annex XV to this Regulation [Union actions]. That financing decision may be annual or multiannual. The identification of objectives and actions shall be based on fair and transparent criteria and shall ensure a balanced distribution.” European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028–2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0565R%2801%29&qid=1753697054840>

¹⁵⁵ Life Actions: “strategic nature projects, strategic integrated projects and strategic action projects that address environmental policy priorities with a cross-border or transnational dimension, activities that underpin the design, implementation, monitoring, evaluation, and enforcement of environmental and climate legislation and policies, promote the development of governance at all levels, support and empower of networks and civil society organisations as well as other projects of Union interest contributing to the implementation of environmental law and policies.”

¹⁵⁶ Annex XV action m

¹⁵⁷ Annex XV point k.ii: “Technical support measures include the provision of expertise, the carrying out of studies, the collection of data and statistics, the development of common methodologies, capacity building actions to acquire and increase expertise or knowledge, as well as measures aiming to improve systems, procedures, and organisational structures.”

B. Conditions, reforms and incentives for robust and efficient climate investment plans in NRP Plans

The Commission states that NRP Plans must be aligned with several national strategies, such as the National Energy and Climate Plans (NECPs),¹⁵⁸ and address the climate and environment challenges identified in them. The Commission however fails to mention Long Term Building Renovation Strategies or Renovation Action Plans. **NECPs and these other sectoral decarbonisation strategies have valuable technical work behind them and put forward national-level policy targets and commitments that should form the backbone of NRP Plans.** This should also serve to simplify future work for national authorities, improve EU-wide coherence of climate policy, and avoid duplicating efforts¹⁵⁹.

Yet, most NECPs have not delivered granular financial assessments of the funding needs, sources and instruments required for achieving their climate and energy targets.¹⁶⁰ A CAN Europe assessment finds that “A majority of NECPs assume that most investments will come from the private sector, be it businesses or households (e.g. for buildings renovation or renewables). **However, most of them lack a comprehensive and credible strategy – or even a set of measures – to leverage or mobilise such private investments.**” The current NRP proposal is at risk of permitting the same result. This opens a wider, important, but still unanswered question in the Commission’s proposals: **how can the next MFF ensure that Member States will design NRP Plans as proactive investment plans aligned with NECP targets and Union priorities?**

A granular, asset-specific financial assessment and planning process should be mandated during the development of the NRP Plans in line with the Commission’s “reforms for investments” approach. This financial assessment could help improve the additionality and efficiency of national expenditures, by reserving grants for those goods and end-beneficiaries that need them most,¹⁶¹ while establishing clear incentives and conditions for directing finance via the ECF InvestEU to mobilise private investments and support cleantech scale-ups, SMEs, households and farmers. As suggested by an E3G report, **such exercise can be supported with the Commission establishing clear principles and guidance for the use of EU public finance**, to inform the development of a framework for assessing where and when grants should be used, and when ECF InvestEU is the most efficient instrument.¹⁶²



The role of reforms in the NRP Plans can create the necessary levers so that Member States implement the Commission’s guidance for “efficiency-first” in public finances. Involving finance ministries in developing these financial assessments, and in creating synergies between NECPs and NRP Plans, can facilitate the implementation of the Commission’s guidance and help identify how to optimise grants and what are the most appropriate financial instruments to fill investment gaps.¹⁶³ Identifying possible amendments to the EU Governance Regulation to ensure NECPs will be more investable is another avenue for future improvement.¹⁶⁴

¹⁵⁸ Article 22 of NRP Plans regulation: The NRP Plan “shall be consistent, in particular, with the national medium-term fiscal structural plans under Regulation (EU) 2024/1263, national restoration plans under Regulation (EU) 2024/1991 of the European Parliament and of the Council 17, National Energy and Climate Plans under Regulation (EU) 2018/1999 of the European Parliament and of the Council 18; and national digital decade strategic roadmaps under Decision (EU) 2022/2481 of the European Parliament and of the Council” and “ensure that the NRP Plan contributes to the Union’s climate and environmental objectives”. European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028–2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0565R%2801%29&qid=1753697054840>

¹⁵⁹ See E3G recommendations: E3G (2025). Improving climate and energy policy coordination through the next EU budget. Available at <https://www.e3g.org/publications/improving-climate-energy-policy-coordination-next-eu-budget-mff/> and E3G. (2025). Making every public euro count: How to leverage private transition investment through the EU’s Multiannual Financial Framework (MFF). Available at <https://www.e3g.org/wp-content/uploads/E3G-Briefing-Making-every-public-euro-count.pdf>

¹⁶⁰ European Commission. (2023). Proposal for a Council Recommendation on Economic Policy Reforms. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2023%3A796%3AFIN>

Also see: Overall, the final updated NECPs analysed do not provide a substantial contribution to bridge that financing gap. First and foremost, they largely fail to provide the information needed to properly assess the quality and quantity of the financing gap in each Member State – thereby preventing an effective intervention to fill it. CAN Europe. (2025). NECPs’ ambitious implementation must close the gaps: EU climate goals at risk. Available at <https://caneurope.org/content/uploads/2025/06/NGO-NECP-ASSESSMENT-JUNE-2025.pdf>

¹⁶¹ See also E3G recommendations for optimising use of grants under the next MFF: E3G. (2025). Making every public euro count: How to leverage private transition investment through the EU’s Multiannual Financial Framework (MFF). Available at <https://www.e3g.org/wp-content/uploads/E3G-Briefing-Making-every-public-euro-count.pdf>

¹⁶² E3G. (2025). Making every public euro count: How to leverage private transition investment through the EU’s Multiannual Financial Framework (MFF). Available at <https://www.e3g.org/wp-content/uploads/E3G-Briefing-Making-every-public-euro-count.pdf>

¹⁶³ Ibid.

¹⁶⁴ Ibid

The most efficient, targeted and simple way for Member States to build robust investment plans for decarbonisation and competitiveness can be based on an asset-level analysis. NRP Plans should develop policy-aligned chapters, and then these can set granular quantifiable targets of the technologies and solutions that need to be deployed by sector. For climate and energy, many of these targets and measures can already be found in NECPs, LTBRs and other sectoral strategies. Building on these already-made national plans, NRP Plans should identify what assets need to be deployed to reach their sectoral targets, what are the investment gaps associated with each asset, who are the developers and recipient of those assets (e.g. a large company, a cleantech innovator, an SME, a household or a farmer) and finally the most suited financial instrument to fill the gap that addresses the needs of the asset and the recipients. **When a financial instrument is the most efficient form, the ECF InvestEU instrument should come in with a wide offering of asset-specific financial instruments “as a service” for Member States and delivered via implementing partners.**

Who delivers the funding is also a relevant question addressed in the next section. When grants are the most appropriate, local public managing authorities are often best suited to deliver these schemes, as they are best placed to measure the positive social impact in their communities. On the other hand, delegating the management of financial instruments can release internal capacity in local public administrations, who can then better focus on high quality grant delivery.

The current proposal for NRP Plans lacks any kind of condition that makes Member States develop this step-by-step financial assessment and that ensures an “efficiency-first” approach. Recital 56 of the NRP Regulation only states that Member States “*should*” review the estimated total costs of the reforms and investments and other interventions covered by the NRP Plan as part of the mid-term review. Article 22 sets out the requirements for what elements should be included in the NRP Plans, including the “estimated costs of measures” with justifications for “cost efficiency, sound financial management and commensurate to the expected economic and social impact”. Annex V provides a detailed template for developing the NRP Plans, but it misses any requirement to integrate a financial analysis next to the proposed measures and to identify what type of funding will be needed to achieve them.

Article 71 of the NRP Regulation is the only measure that regulates financial instruments under NRP Plans, but it is just a voluntary exercise, and misses the opportunity to mention EU-level financial instruments implemented via the ECF InvestEU. This article can be strengthened to mandate a sound and granular financial assessment within NRP Plans and promote synergies with the ECF InvestEU Instrument. In the current text, Member States may directly award a contract for the implementation of a financial instrument to several national and international financial institutions, as well as to the EIB Group - the latter reference could be expanded to mention the ECF InvestEU Instrument.



Another important driver of efficiency in Member States’ NRP Plans is the Performance Regulation proposed by the Commission in the overall MFF package. This regulation aims to establish a budget expenditure tracking and performance framework across all MFF programmes based on policy-aligned interventions and results-based indicators, while mainstreaming and simplifying horizontal rules like the Do No Significant Harm principle. By establishing consistency across programmes, the Performance Regulation also aims to reduce complexity for end-beneficiaries and increase the coherence and transparency of EU actions.

Under article 10, the Commission will have to carry out evaluations to examine the effectiveness, efficiency, relevance, coherence and Union added value of each programme or activity under the MFF. In these lines, Member States’ NRP Plans will have to align with the Performance Regulation requirements. **Article 10 can include a mandate for the Commission to develop guidance on an efficient use of public finances in the next MFF, and the grants vs. financial instruments criteria.**¹⁶⁵

¹⁶⁵ As per the recommendation by E3G: E3G. (2025). Making every public euro count: How to leverage private transition investment through the EU’s Multiannual Financial Framework (MFF). Available at <https://www.e3g.org/wp-content/uploads/E3G-Briefing-Making-every-public-euro-count.pdf>

Under article 11, Member States will have to develop evaluations of funds under shared management to examine their “effectiveness, efficiency, relevance and coherence with the aim of improving the quality of the design and implementation of the measures and to identify bottlenecks and ways to speed up their implementation.” **These evaluations are good landing points for Member States to reflect against the implementation of a potential Commission guidance on “efficiency-first” in EU public finance.** Member States will have to draw up an evaluation roadmap and submit it to the Commission no later than one year after the approval of their plans, and at least one interim evaluation will have to be developed covering the entirety of their plans no later than three years after the start of their implementation.

While efficiency is one of the criteria that these performance plans and evaluations will have to consider, no more detail is provided on its definition. One of the interventions included in the Annex of the Performance Regulation is “EU financial instruments and budgetary guarantees - Support via financial instruments and budgetary guarantees”. **While it is positive that the attention is raised on financial instruments within the performance framework, it does not appear to be a mandatory intervention and therefore won’t serve much to push Member States towards a greater use of financial instruments.**¹⁶⁶ What’s more, the indicators assigned to this intervention don’t mention the ECF InvestEU Instrument, and the results indicator only mention enterprises supported but not households. If NRP Plans are supposed to include “reforms to further the Saving and investments Union and foster the development of market-based funding options”, the compliance with this intervention field is fundamental. The Performance Regulation needs to set the basis for an efficiency-first approach in the disbursement of EU funding, both by the Commission under direct management and by Member States under the NRP Plans. **This should also create greater transparency in tracking how EU funding is being used, for which beneficiaries, and whether any efficiency improvements can be made.**

The **Competitiveness Coordination Tool** is another of the governance mechanisms by which the Commission hopes to help steer Member States’ NRP Plans to align with the competitiveness objectives of the ECF. **It can also provide an opportunity to guide Member States in directing more investments to climate and cleantech priorities via the ECF InvestEU “Member State contributions”, and potentially support them in identifying when allocating funds to the ECF InvestEU would be the most efficient form of financing for strategic projects.** This should however not come at the expense of funding under NRP Plans for non-industrial decarbonisation objectives, yet just as important for energy security and resilience.

The Performance Regulation needs to set the basis for an efficiency-first approach in the disbursement of EU funding

A **Competitiveness Seal** will be created that will also apply to the existing seals under NZIA, CRMA and CMA.¹⁶⁷ NRP Plans may support projects with a Competitiveness Seal, and this support may be directed via the ECF,¹⁶⁸ with planning and implementation coordinated with the EIB Group. The Competitiveness Coordination Tool can play a role in identifying these projects and directing Member States in the design of their NRP Plans to support them.

Overall, several hooks exist within the Commission’s proposals to increase the connectivity between Member States’ NRP Plans and the ECF InvestEU, including the Performance Regulation. But a wider uptake of the InvestEU Member State compartment is prevented due to a lack of clarity on how these links can be facilitated and missing incentives and conditions for Member States to be more financially strategic and efficient. A mandatory assessment on the different needs for grants and financial instruments, and duly justified reasons for using one or the other, are fundamental for bringing to the attention of Member States the benefits of the ECF InvestEU. This condition could be introduced in the Performance Regulation and in the template requirements for the design of NRP Plans (e.g. in article 22 and the Annexes). **The European Commission could work hand-in-hand with Member States, the EIB Group and financial institutions during the design of the NRP Plans to determine which Financial Instruments as a Service should be offered under the ECF InvestEU, particularly for which specific assets (e.g. renovations, solar PVs, EVs, heat pumps, etc.).**

¹⁶⁶ Article 14 establishes that “Each plan submitted by a Member State, and any amendment thereof, shall include for each measure the proposed assignment of at least one intervention field from Annex I and, for each intervention field assigned to that measure, the following performance indicators as appropriate, which shall be subject to the agreement by the Commission.” This seems to leave enough leeway to Member States to decide what interventions they can choose from.

¹⁶⁷ Article 8 of ECF Regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹⁶⁸ Ibid.

4. A simplified delivery of EU financing with the EIB Group as the Climate Lead and competitive retail channels to crowd-in private investments

Improving proactivity with strategic cleantech and maximising capillarity to reach SMEs, households and smallhold farmers

One of the objectives behind the redesign and merging of funds under the ECF was to simplify end-beneficiaries' access to EU funds and streamline their delivery, particularly for smaller businesses. Chapter 3 of the ECF Regulation solely focuses on project advisory services, supporting SME collaboration, and guiding them through the applications to funding. One of the measures established in order to do this is a centralised Project Advisory for investment support, and a Union business network to bolster SMEs and startups to grow and become more competitive and innovative. **If their focus is targeted, strategic and proactive, and if it prioritises high added-value cleantech projects, these platforms under the ECF can be useful.**

But it is unlikely that these EU-level measures have an impact on the wider fabric of millions of SMEs across Member States. **Climate Strategy's 2024 report finds that the most efficient and speedy channels to deliver financing for the transition of SMEs, as well as for households, is their existing local retail channels.**¹⁶⁹ This financing will also be key for the energy security of the wider SME fabric to reduce their energy costs and become more resilient. The ECF proposal, however, fails to mention simplification measures for households to access EU financing for mature clean assets and solutions, which are also fundamental to bring energy costs down and improve the resilience of European families.

The most efficient and speedy channels to deliver financing for the transition of SMEs, as well as for households, is their existing local retail channels.

A **simplified delivery** of EU funding can contribute to improving the historically slow absorption rates of EU funds, particularly those under shared management.¹⁷⁰ The effectiveness of this delivery will depend on the target beneficiary, and the channels used: for European cleantech, a **proactive outreach led by the EIB as the Climate Bank** will determine the success of the new SME initiatives in the ECF; for the wider fabric of SMEs, and for households, **the lead of the national promotional bank architecture and of local retail channels** in implementing EU FfaaS under ECF InvestEU, in close coordination with NRP Plans, will be fundamental to reach European citizens, SMEs and farmers in critical mass.

A. Boosting the EIB Group's role as the lead cleantech investor with a proactive outreach via the new SME initiatives in the ECF

In terms of supporting strategic cleantech projects in accessing EU funds, the **Project Advisory services established under article 26 could become a proactive tool following the best practices from the US Department of Energy Loan Programmes Office.** The US Department of Energy Loan Programme Office (LPO) has remained a benchmark from the perspective of their forward-leaning approach, the high number of specialist staff in cleantech and the size of both teams and finance packages.¹⁷¹ Under the previous US administration, the US LPO had 3x times more staff than central EIB offices (approximately). It is believed that a significant majority of the LPO transactions in cleantech projects have been sourced by proactive outreach driven by a well-staffed team (120 federal employees and 60 contractors). LPO staff are dedicated to engaging and identifying strategic innovators and potential funding recipients, and to proactively reach out to all prospects and ensure that the companies are well informed about the DOE LPO's products and offers. The prior US administration made political choices when supporting cleantech projects, as does China, and both from a value chain perspective.

¹⁶⁹ Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

¹⁷⁰ A Commission study on Cohesion Policy Funds in the 2014-20 period uncovered a slow absorption rate, with only 52.5% of the total financial resources paid to Member States by 2020. By the end of 2023, there was a quick catch up with 94.4% of the 2014-20 funds having been absorbed. European Parliament Think Tank. (2023). Regional Policy and Performance: IPOL Study. Available at [https://www.europarl.europa.eu/RegData/etudes/STUD/2023/747284/IPOL_STU\(2023\)747284_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2023/747284/IPOL_STU(2023)747284_EN.pdf) As for the current budget for the programming period 2021-2027, by the end of 2023, only 33% of the ERDF and the Cohesion Fund budgets had been committed for spending and only around 3% had been effectively spent. Agora Energiewende. (2024). Investing in the Green Deal: Financing Tools for a Climate-Neutral Economy. Available at <https://www.agora-energie-wende.org/publications/investing-in-the-green-deal>

¹⁷¹ See case study in CS 2024 report. Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

The EIB can be more proactive in the outreach to potential cleantech champions. It can also support Member States in their strategic investment planning to activate EU FlaaS for cleantech under the ECF InvestEU. A better resourced EIB team for cleantech financing would also enable a more proactive outreach to cleantech companies to make financial instruments more visible and help them navigate the journey from lab to scale through the “patchwork” of EU funding. This proactive approach can be better integrated in the ECF regulation and within the new initiatives to support small and medium start-ups and scale-ups, such as in the Project Advisory, whereby “Commission and the advisory partners, including the EIB Group, shall cooperate closely with a view to ensuring efficiency, synergies and effective geographic coverage across the Union, while taking account of existing structures and work”.¹⁷² The EIB is also currently updating its Climate Bank Roadmap for 2026-2030 and there it can reflect the opportunities for a more proactive approach in the next MFF.

The Policy Review Dialogues mandated by the ECF regulation, and that will be carried out together with implementing partners, should have a specific focus on cleantech. These dialogues should integrate experts, civil society, as well as industrial alliances to create a prioritisation of strategic cleantech projects across Europe and decide on the most appropriate financial instruments and outreach strategies.

Article 29 of the ECF Regulation also mandates dedicated sector-specific “SME actions” under each window to foster innovation, business acceleration, commercialisation and scaling-up. **Earmarking part of the ECF financial envelopes for cleantech SMEs will be crucial, and should be explicit, to avoid historical trends in EU funding whereby large incumbents have more easily accessed EU calls.**¹⁷³ If paired with the new “single electronic data interchange area” that will create a single gateway to access EU funding and advisory services,¹⁷⁴ strategic cleantech projects should be able to access EU funds more easily. Nevertheless, the EIB’s and implementing partners’ proactive outreach and strategic prioritisation will be a fundamental part of the equation.

B. Broader engagement with local retail channels to maximise capillarity and reach EU FlaaS

In terms of retail financing to the wider, non-cleantech fabric of SMEs, and to households, the EIB can take the lead in the design of EU FlaaS, while national promotional banks and competitive local retail channels can be increasingly engaged in the distribution of these schemes. Article 28 of the ECF regulation establishes support mechanisms with the aim of conducting “cross-cutting activities focused on strengthening the competitiveness of the SMEs and achieving additionality at Union level.” These include business advice and capacity-building, and “increasing the access and the availability of finance for SMEs including micro-finance and support to social enterprises, and for small mid-cap companies.” But little is said on how the latter may actually be achieved in practice. **One in four SMEs report “severe difficulties” in accessing finance and they enjoy less favourable credit terms than larger companies.**¹⁷⁵ **Smaller and younger SMEs also face information asymmetries, lack of credit history and disproportionately higher transaction costs.**

If well designed, EU FlaaS, guaranteed by the ECF InvestEU, can help lower the costs of finance for SMEs. But in terms of addressing information asymmetry, transaction costs and streamlining the delivery of EU finance to millions of SMEs across Europe, Climate Strategy’s 2024 report shows that local tailoring and implementation of these instruments is essential. **Article 28 of the ECF should explicitly include as one of its key measures the active engagement with national promotional banks and competitive retail channels to take advantage of their local capillarity and access their client network of thousands, and even millions, of SMEs.** These retail channels (such as retail banks, energy utilities, energy communities, internet providers, etc.) have the capabilities to speed-up the delivery of EU finance, as they have the systems to process hundreds of thousands of daily customer interactions, and they can be helpful in providing pre-assessed leads for SMEs which may qualify for funding among their clients. A retail-based model is supported widely in several sectors: for instance, REScoop.eu has called for a dedicated guarantee scheme specifically targeting community energy projects, leveraging national federations of energy communities to help raise awareness and boost product uptake.¹⁷⁶

¹⁷² Article 26 of ECF Regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹⁷³ For instance, a study finds that in the EU, grants targeting early-stage innovation often go to large corporate entities rather than small independent firms. Institute for European Policymaking. (2025). Funding ideas, not companies: Rethinking EU innovation from the bottom up. Available at <https://iep.unibocconi.eu/publications/reports/funding-ideas-not-companies-rethinking-eu-innovation-bottom>

¹⁷⁴ Article 31 ECF Regulation. European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹⁷⁵ Fi-Compass. (2020). SME Financing Gap Analysis in the EU. Available at <https://www.fi-compass.eu/library/market-analysis/gap-analysis-small-and-medium-sized-enterprises-financing-european-union>

¹⁷⁶ REScoop.eu. (2025). Success story – Ensuring EU funds reach local energy communities. Available at <https://www.rescoop.eu/news-and-events/stories/success-story-ensuring-eu-funds-reach-local-energy-communities>

The same multiplier logic applies to the delivery of EU finance for households, who are part of the client network of local retail channels. Yet the ECF Regulation fails to mention any measures to simplify households' access to the ECF InvestEU financing. **This could be a missed opportunity to improve on the historical lack of blended finance offerings for households in EU programs to promote, for instance, building renovations.**¹⁷⁷

Activating local retail networks can speed up the absorption of EU funds, including those under shared management in the NRP Plans,¹⁷⁸ where most climate and competitiveness investments focused on SMEs and households will be placed. In particular, **activating local banking networks to distribute financing from NRP Plans can contribute to enhancing, growing and unifying regional capital markets.** This is in line with one of the objectives of NRP Plans to further the Saving and Investments Union and foster the development of market-based funding options. Climate Strategy's 2024 report shows that while improving local managing authorities' capacities to deliver grant schemes is still important,¹⁷⁹ the historically slow absorption of funds under shared management is due to the national grant-dominated programs with slow and administratively-heavy tenders and with complex criteria that most SMEs and households find difficulties to identify and navigate. **Most SMEs and households tend to engage with their banks and other retail channels much more often than with their local authorities,**¹⁸⁰ while large incumbents and high-income households can more easily navigate local grant schemes and, as a result, they end up being the most prevalent beneficiaries of public funds.¹⁸¹

Member States can rely more on retail channels for the distribution of finance from their NRP Plans with contributions to EU FiaaS under the ECF InvestEU. While local public managing authorities are best suited to deliver grant schemes under the NRP Plans with a positive social impact in their communities, **delegating the management of financial instruments to the EIB Group and retail channels with this experience can release internal capacity in the public administration to improve grant delivery.**

ECF Regulation fails to mention any measures to simplify households' access to the ECF InvestEU financing.

During the design of the NRP Plans, broad engagement with the EIB, national promotional banks, local banking networks, and other retail channels would be useful to identify which EU FiaaS are needed, and how they should be delivered, to achieve national climate and energy targets. A broad stakeholder engagement - which should also include local public authorities, local civil society organisations, consumer and business representations and experts - will raise awareness about the opportunities of the new EU programmes at the local level. At the same time, **these stakeholders can provide feedback and identify which are the real barriers on the ground and what are the type of financing forms and channels that can best deliver clean assets to local SMEs and households at scale.**¹⁸² While article 6 of the NRP Plans regulation mandates Member States to design their NRP Plans in comprehensive partnerships with balanced representation of local actors following the multi-level governance principle and a bottom-up approach, it fails to refer to local retail channels and the EIB Group. Integrating financial institutions in the consultations to design NRP Plans should also serve to build synergies with the ECF InvestEU, where they are much better represented.

To promote best-in-practice designs of sectoral financing solutions and socialise their delivery, engaging with sector-specific, specialised retail channels and proximity banks (e.g. agricultural banks) will also be useful. This would serve to tap into the knowledge of these institutions and achieve greater reach to sectoral SMEs, including small farms.

¹⁷⁷ Renovate Europe. (2023). 2021-2027 Cohesion Policy Support for Energy Efficiency and Building Renovation. Available at <https://www.renovate-europe.eu/2021-2027-cohesion-policy-support-for-energy-efficiency-and-building-renovation/#:~:text=What%20is%20the%20break%2Ddown,subject%20to%20energy%20efficiency%20requirements>

¹⁷⁸ Four French Regional Managing Authorities have partnered with the national federation of energy communities (Energie Partagée) to raise awareness amongst broader stakeholders (citizens, SMEs, municipalities, energy communities) around opportunities stemming from the European Regional Development Fund. REScoop.eu. (2025). Success story – Ensuring EU funds reach local energy communities. Available at <https://www.rescoop.eu/news-and-events/stories/success-story-ensuring-eu-funds-reach-local-energy-communities>

¹⁷⁹ Local managing authorities' administrative capacity can be strengthened to distribute grant-based schemes. Lower-capacity regions can be supported by the establishment of regional hubs that aggregate demand from multiple municipalities, acting as local one-stop-shops, centralising expertise and streamlining tenders. Climate Strategy & Partners. (2025). Joint letter on the MFF and the European Competitiveness Fund: A targeted European Competitiveness Fund to deliver climate and energy security for European citizens and SMEs. Available at <https://www.climatestrategy.es/press/MFFECFLetter13052025.pdf>

¹⁸⁰ Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

¹⁸¹ Evidence for Cohesion Policy - Jacques Delors Centre. (2024). How to Refocus Regional Policies in the EU. Available at <https://www.delorscentre.eu/en/publications/detail/publication/how-to-refocus-regional-policies-in-the-eu#:~:text=Based%20on%20data%20from%20more,end%20of%20the%20income%20distribution>

¹⁸² Climate Strategy & Partners. (2025). Joint letter on the MFF and the European Competitiveness Fund: A targeted European Competitiveness Fund to deliver climate and energy security for European citizens and SMEs. Available at <https://www.climatestrategy.es/press/MFFECFLetter13052025.pdf>

Chart 8: Bringing all players to the negotiating table of NRP Plans



Certainly, the capacity and quality of services of different national promotional banks and of retail banks and other channels varies among Member States. **Given stringent approval procedures and standards in deploying the current InvestEU programme, more partners and improved capacities should be a primary focus of the new ECF InvestEU.** Article 25, paragraph 3, of the ECF regulation seems to introduce a potential broader scope of implementing partners: bodies established in a Member State, governed by the private law of a Member State or Union law “may also be exceptionally entrusted, following a positive pillar assessment, with the implementation of a budgetary guarantee or financial instrument, including when combined with non-repayable support in a blending operation”.¹⁸³ The Commission’s interim evaluation of InvestEU¹⁸⁴ had shown the existing difficulties for applying to become an implementing partner, particularly for smaller or less experienced national promotional banks, which deterred them from participating.¹⁸⁵

While current implementing partners will not be required to redo this assessment process for the ECF InvestEU instrument,¹⁸⁶ **the Commission can integrate measures to facilitate and support the application for other national promotional banks and local financial institutions and retail banks, particularly in low-income regions. This is a fundamental prerequisite for incentivising the uptake of the InvestEU instruments locally.**¹⁸⁷ A report by the European Parliament highlights that these simplification measures were not carried out by the Commission in the current InvestEU programme.¹⁸⁸ The next MFF is an opportunity to introduce such simplification, with the necessary safeguards, when developing the “positive pillar assessment” references in article 25 of the ECF.

¹⁸³ Article 25 of ECF Regulation: “In addition to entities referred to in Article 62(1), first subparagraph, point (c), and Article 211(5) of Regulation (EU Euratom) 2024/2029, bodies established in a Member State, governed by the private law of a Member State or Union law may also be exceptionally entrusted, following a positive pillar assessment, with the implementation of a budgetary guarantee or financial instrument, including when combined with non-repayable support in a blending operation, to the extent that such bodies are provided with adequate financial guarantees which may be, for each action, limited to the maximum amount of the Union support. Those bodies governed by private law shall be selected with due account to the nature of the financial instrument or budgetary guarantee to be implemented, the experience and the financial and operational capacity, and their rules and procedures for verifying the economic viability of projects of final recipients. The selection shall be transparent, justified on objective grounds and shall not give rise to a conflict of interests.”

European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹⁸⁴ European Commission. (2025). Commission Staff Working Document – InvestEU Interim Evaluation. Available at https://commission.europa.eu/document/download/229c23d9-53e8-458b-b5ba-2841e0ae1d8f_en?filename=Commission%20Staff%20Working%20Document%20%E2%80%93%20InvestEU%20Interim%20Evaluation.pdf

¹⁸⁵ “Many implementing partners found the pillar assessment process required by the Financial Regulation to be complex and time-consuming, requiring significant administrative effort, and several implementing partners turned to external consultants for support. Moreover, many institutions have reported significant difficulties in managing the guarantee negotiation process with the European Commission. In this regard, the main problems reported include a lack of timely and clear information, particularly regarding the guarantee agreement template, the exchange rate risk, and the legal implications of certain contract clauses, as well as regard guidelines on pricing and product development” - European Parliament. (2025). InvestEU Programme: functioning, performance and future challenges. Available at [https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/764377/ECTI_IDA\(2025\)764377_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/764377/ECTI_IDA(2025)764377_EN.pdf)

¹⁸⁶ Recital 69 of ECF Regulation: To avoid undue administrative burden and ensure a swift deployment and support to the market in continuity across programming periods, the implementation of the ECF InvestEU Instrument will build on the existing community of the InvestEU Programme pillar assessed implementing partners, contractual arrangements and relevant financial products.

European Commission. (2025). Proposal for a regulation establishing the European Competitiveness Fund. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0555&qid=1753802586340>

¹⁸⁷ By increasing the number of IPs from 2 (EIB and EIF) to 164 , more final beneficiaries and projects can be reached due to the large variety of all IPs business models, access to markets, and contacts to private investors. Compared to previous EU financial instruments InvestEU helps bring the EU promotion to a more diverse portfolio of projects. European Association of Long-Term Investors (ELTI) (2024). Mid-term review: InvestEU Programme. Available at https://www.eltia.eu/images/2024_03_29_InvestEU_Mid_Term_review_-_clean.pdf

¹⁸⁸ “While the efforts to streamline procedures and reduce administrative burdens are commendable, the Commission does not seem to have taken steps to make it easier to become an implementing partner, both in terms of cost and timing. Moreover, the Commission underscore the importance of strengthening oversight of how the EU budgetary guarantee is managed, especially since enhancing transparency in this area would not entail significant compliance costs.” European Parliament. (2025). InvestEU Programme: functioning, performance and future challenges. Available at [https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/764377/ECTI_IDA\(2025\)764377_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/764377/ECTI_IDA(2025)764377_EN.pdf)

In the process of becoming implementing partners and efficiently delivering EU financial instruments, national promotional banks may require capacity-building. Retail banks also admit needing to strengthen their teams and working tools to provide more targeted “accompanying” services for SMEs and households in their green transition.¹⁸⁹ All in all, to make the most effective use of local retail channels, capacity-building initiatives are critical. **In Member States with weaker banking networks, this capacity-building can be led by a more proactive approach with greater collaboration between the EIB Group and national promotional banks, supported with shared data on cleantech solutions, due diligence collaborations¹⁹⁰ and OpEx funding in lower-income regions.¹⁹¹** This may also involve setting up alternative retail channels, such as by social economy networks (e.g., federations of energy communities),¹⁹² that can truly ensure funds reach the ground.

According to article 10 establishing the budgets of the NRP Plans, up to 0.5% of this financial envelope will be allocated to technical assistance at the initiative of the Commission for the implementation of the plans. This technical assistance may be directed at “EU-wide networks of Member States’ authorities and other relevant stakeholders” - and should therefore **take into consideration the needs of the national banking networks in lower income regions to deliver EU finance efficiently and in accordance with all EU safeguards.** DG ECFIN and SG REFORM should also have a role in supporting Member States and their public institutions in designing financially smart and efficient NRP Plans.¹⁹³ They can help national authorities to identify when contributing to the ECF InvestEU Member State compartment is the most strategic measure, and implementing the necessary institutional reforms to strengthen their banking networks for the delivery of EU finance.



¹⁸⁹ Climate Strategy & Partners. (2023). Creating a sustainability network to support SMEs in their ecological and energy security. Available at https://www.climatestrategy.com/en/informe_28.php

¹⁹⁰ Climate Strategy 2024 report and response to EIB public consultation: Achieving an EU-wide coordinated approach to streamline investments in cleantech also requires greater engagement between the EIB and Member States’ banking networks with strengthened cleantech data and due diligence collaborations. The novelty and high level specialisation required to develop cleantech projects has proved to be a disincentive for investors, worsening the “asymmetric information inefficiencies” in the market. The EIB, as the European Climate Bank, has more experience in investing in cleantech, thus it has useful data on the quality and risk of these investments, and has built specialised and technical teams in the different cleantech sectors that conduct thorough due diligence processes. This data and knowledge would be useful for national public development banks, retail banks, funds and other private investors, particularly in lower-income EU countries with less mature bank networks. An interesting example from Canada provides some ideas to address this challenge: to try and expand the knowledge base for clean technologies, the public export development corporation is piloting shared due diligence rooms and expert analysis to encourage co-investments by lenders who do not have such developed internal teams in those growing sectors. The EIB could follow this shared due diligence model through the InvestEU Advisory Hub to support capacity-building in national financial intermediaries of EU funds.

Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

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¹⁹¹ Climate Strategy & Partners. (2025). Joint letter on the MFF and the European Competitiveness Fund: A targeted European Competitiveness Fund to deliver climate and energy security for European citizens and SMEs. Available at <https://www.climatestrategy.es/press/MFFECFLetter13052025.pdf>

¹⁹² REScoop.eu (2025). Clean Energy Financing Schemes (CEFS). Available at <https://acce.rescoop.eu/cefs>

¹⁹³ E3G also advocates for an expansion of the InvestEU Advisory Hub in the next MFF. E3G. (2025). Making every public euro count: How to leverage private transition investment through the EU’s Multiannual Financial Framework (MFF). Available at <https://www.e3g.org/wp-content/uploads/E3G-Briefing-Making-every-public-euro-count.pdf>

Summary of recommendations

The Commission's proposal for the next MFF offers an opportunity to bridge Europe's climate investment gaps and crowd-in private capital to strengthen clean industrial competitiveness and improve Europe's energy security. **This briefing has assessed the Commission's proposals for a new European Competitiveness Fund (ECF) and the National and Regional Partnership Plans (NRP Plans) from an efficiency-first perspective**, recognising both the scale of the challenge—an annual climate investment gap of €340–477 billion—and the limited fiscal space available at EU and national levels.

Europe must deploy its budget with precision, ensuring that every euro maximises competitiveness and decarbonisation outcomes. This requires 1) an **evidence-based governance** of EU funds focused on sectoral decarbonisation pathways and investment gaps, and led by expert and independent input, 2) a targeted **supply chain approach** that delivers an efficient use of grants and financial instruments to meet the needs of a set of priority end-beneficiaries, 3) an **efficiency-first approach** integrated into NRP Plans with stronger connectivity with the ECF InvestEU via EU FlaaS to maximise national investment capacity, and 4) a **simplified delivery** of EU finance with a strengthened role for the EIB Group, the national promotional bank architecture and competitive local retail channels to improve capillarity and proactively reach a critical mass of cleantech innovators, SMEs, households and smallhold farmers.

The following policy recommendations respond respectively to **four core building blocks** that can deliver a strategic and efficient design of climate and competitive investments in the next MFF:

1. An evidence-based approach for ECF Work Programmes led by experts and aligned with sectoral decarbonisation pathways and investment gaps.

The implementation of the €234 billion ECF will rely on Work Programmes that determine investment priorities, eligible beneficiaries, and financing modalities. In the Commission's proposal, the development of Work Programmes is led by Member State committees, with limited space for input by independent experts and consultations with researchers, investors, civil society and end-beneficiaries of EU funds. **Without inclusive, expert-led governance, and without robust evidence-based Work Programmes that follow sectoral decarbonisation pathways and granular investment gap analyses, there is a risk that scarce EU resources will be misallocated.** Further, industrial investments only represent 5% of the total investment gap to reach net zero by 2050, and yet European clean industrial leadership depends on the wide-market uptake of these technologies in the real economy, usually by business actors and households.

Recommendations:

- Integrate **independent experts and stakeholders in the ECF Stakeholder Board** (including those from universities, civil society, investors and representatives of end-beneficiaries), ensuring **clear connectivity with the processes behind the design of Work Programmes and with meaningful input** from the Board. The inclusion of independent experts can help ensure a more scientific and data-driven process to determine how the ECF can be deployed strategically, efficiently and impactfully.
- Establish **robust mechanisms for experts and stakeholder thematic platforms to be integrated in the committee procedures** to ensure that Work Programmes are aligned with the reality as seen by stakeholders on the ground, who represent the likely recipients of EU funding.
- **The ECF InvestEU investment guidelines can steer the design of asset-specific EU Financial Instruments as a Service (EU FlaaS)** led by the EIB Group, the national promotional bank architecture, and in consultation with local financial institutions. **Expert and stakeholder input for the design of EU FlaaS should be embedded** both in the Advisory Board on the ECF InvestEU Instrument and in a series of "Policy Review Dialogues."
- **SET Plan groups can have an extended and more prominent advisory role** within the ECF Strategic Stakeholders Board and in the energy-related stakeholder platforms to coordinate with the Work Programmes of Horizon Europe under the Competitiveness component of Pillar 2.
- Competitiveness priorities under **the ECF Work Programmes need to go beyond the traditional definition of industrial production capacity, and reflect how competitiveness manifests for smaller businesses and households** via lower energy prices, energy security, the creation of jobs in clean sectors and reduced climate risks. This holistic definition of competitiveness can build, for

example, on the Competitive Sustainability Index (“CSI”) developed by the Cambridge Institute for Sustainable Leadership.

- Anchor ECF Work Programmes in **science-based sectoral decarbonisation investment gap assessments** which must: first, identify where the largest investment gaps are located, per sector, and per transition asset class; second, determine which investments can drive the largest emissions reductions in these sectors; and finally, offer a granular assessment of how these decarbonisation investments can boost competitiveness gains for Europe, and what positive social and economic impacts can be derived locally.
- **Science-based sectoral assessments should build on existing EU and national tools**, including: National Energy and Climate Plans, National Building Renovation Strategies and Action Plans, and other local sectoral pathways; the EU Taxonomy as a detailed framework that provides sectoral benchmarks and standards for climate contribution per industry classification code; and Commission-led assessments and independent think tank reports that describe the investment gaps to meet Europe’s climate and energy targets.

2. A supply chain approach in ECF Work Programmes following a strategic choice of financial instruments and end-beneficiaries that includes support for market uptake.

The Commission has positioned the ECF, and its new InvestEU instrument, as the Union’s toolbox to provide seamless support to European innovators from research to deployment, from ideas to start-up and to scale-up. The bulk of pre-2030 climate investments are already in late-stage, mature clean technologies and solutions that come with revenues, or savings, which can be used to provide surety for the repayment of financing. With only €26 billion for the Clean Transition and Industrial Decarbonisation window of the ECF, a strategic choice of financial instruments and end-beneficiaries is essential. **The ECF Work Programmes must undertake granular supply-chain assessments of the financial instruments that each clean technology in a specific sector requires, and which end-beneficiaries need, or can afford, which instruments.** An effective growth strategy for cleantech also requires that ECF Work Programmes boost the uptake of clean technologies and solutions by end-consumers, including smaller businesses and households. **In line with the just transition objectives of the ECF, Work Programmes can also support small businesses and European citizens in accessing finance for their transition.**

Recommendations:

- **A horizontal “efficiency-first” principle in ECF Work Programmes can ensure that grants are prioritised for goods and end-beneficiaries that need them most**, to boost R&I investments for cleantech in low Technological Level Readiness (“TRL”) via Horizon Europe, provide clean public goods and infrastructure (e.g. railways and grids, particularly via CEF), and for social and biodiversity investments (e.g. LIFE Activities). **For later-stage, mature clean technologies and solutions, a more targeted use of financial instruments can deliver higher leverage of private investments, and thereby greater overall investments.**
- In particular to support cleantech scaleups:
 - **Earmark part of the €26 billion budget of the Clean Transition window to build an ambitious cleantech guarantee facility to complement the Scale Up Facility**, implemented via the ECF InvestEU Instrument and managed by the EIB. **Include ECF programmes of output-based instruments like CCFDs and open, competitive bidding. Integrate “as-a-service” compartments for Member States** in the Scale Up Facility to pool in national contributions for cleantech guarantees and output-based support at the national and regional level.
 - **Integrate an “as-a-service” compartment for equity investments under the EIC** to pool-in Member States resources to develop national equity schemes for cleantech.
- In particular to support the end-consumer segment of the supply chain:
 - **Further develop the focus on the demand-side and end-consumers** in the ECF regulation, Work Programmes and Investment Guidelines, including a **specific mention to households**.
 - The ECF Work Programmes and investment guidelines for InvestEU should develop should **offer low-cost, asset-specific, retail financial instruments “as-a-service” for European SMEs, households, and farmers** (e.g. EU Renovation Loan, Solar PV Loan, or EV Loan - “as-a-service”). EU FlaaS can be kickstarted with some contributions from the Clean Transition window, but then be enhanced with national contributions from NRP Plans.

- **An EU Renovation Loan as a Service could be initiated with a set-aside guarantee of some €1-3 billion under ECF InvestEU**, to better build data on defaults and understand the mechanics of the retail market renovation segments with lenders across several Member States.
- **The option to include EU preference criteria in retail EU FlaaS** may be considered to boost the uptake of EU-made cleantech, subject to those criteria being aligned with NECPs and EU manufacturing capacities.
- **Improve the additionality of the ECF InvestEU financing with a strategic prioritisation of the end-beneficiaries that need it most**, driven by horizontal conditionalities in ECF Work Programmes and Investment Guidelines, and in the Performance Regulation. SMEs, small innovators, European citizens and small-hold farmers usually face the greatest difficulties in accessing finance for their transition, and therefore should be prioritised.

3. An efficiency-first approach in national investments with EU FlaaS as the bridge between ECF InvestEU and NRP Plans

The bulk of EU funds in the next MFF will be implemented by Member States in their NRP Plans (€784 billion), which will have to align with the Union priorities on climate, competitiveness and security. **In the last two programming periods, only around 7% of funds under shared management were delivered via financial instruments.** With adequate conditions and reforms for national authorities to develop granular financial assessments and efficiently use public finance, NRP Plans can become robust investment plans for a competitive climate transition. **To support efficient spending nationally, the Commission proposes to integrate a Member State compartment in the updated ECF InvestEU, as a useful toolbox for national and regional authorities. This will offer higher leverage, lower borrowing costs and could deliver administrative simplification via EU FlaaS.** While larger national contributions to the ECF InvestEU is not the end objective, it is a means to increase the offer of financial instruments nationally to lever additional private capital for mature clean assets.

Recommendations:

- **Make granular financial assessments mandatory in NRP Plans, that build on existing NECPs and other sectoral decarbonisation strategies**, such as Long Term Building Renovation Strategies, inter alia. In these assessments, national authorities (including finance ministries) should identify sectoral investment needs by asset class and end-beneficiary, and thereby determine the most efficient use of grants and financial instruments.
- **The Commission should produce an “efficiency-first” guidance establishing clear principles for the use of EU public finance in the context of NRP Plans.** This guidance should improve the additionality and efficiency of national expenditures, by reserving grants for those goods and end-beneficiaries that need them most (e.g. the energy poor, or for early-stage cleantech innovators, small farms), while establishing incentives for directing finance via the ECF InvestEU Member State compartment to mobilise private investments in mature clean and resilient assets that align with Europe’s energy and climate transition.
- **The Commission can also offer guidelines to inform national authorities of the advantages of the ECF InvestEU and EU FlaaS**, identifying best-practices in different countries, and **clarifying the operational links between NRP Plans, the EU Facility, and ECF InvestEU** - including when local managing authorities may contribute directly to the Member State compartment. **Additional technical assistance provided by SG REFORM** can additionally support national and regional authorities in implementing these guidelines.
- **Facilitate access to the Member State compartment to fund FlaaS for local authorities**, who until now have not been able to directly engage to inform instruments that deploy the EU budget guarantee.
- **Integrate an “efficiency-first” principle in the Performance Regulation** to drive and track efficiency of spending with specific, mandatory indicators on the use of financial instruments and the ECF InvestEU. **In the evaluations that Member States will have to develop, they can reflect on the implementation of “efficiency-first” in their NRP Plans.** This could also be benchmarked for specific asset classes and beneficiaries across different Member States.
- **The Competitiveness Coordination Tool** is a governance mechanism that can **guide Member States in directing more investments to climate and cleantech priorities via the ECF InvestEU “Member State contributions”**. This must not come at the expense of funding under NRP Plans for

non-industrial decarbonisation objectives, however, as these are just as important for energy security and resilience.

4. A simplified delivery of EU financing with the EIB Group as the Climate Lead and competitive retail channels to crowd-in private investments

The ECF includes new initiatives to support small cleantech start-ups and scale-ups in accessing EU support. **If their focus is targeted and strategic, with a proactive EIB Group leading, and if it prioritises high added-value cleantech projects, these platforms under the ECF can be very useful.** For Europe to deliver climate and competitiveness investments at scale, funding must also reach the wider fabric of SMEs, as well as small-hold farmers, and households — the groups facing the greatest financing barriers. Past EU programmes have struggled to deliver effectively to these end-beneficiaries due to their fragmented structures and weak engagement of local retail channels. **A simplified delivery of EU finance via retail EU FlaaS under the ECF InvestEU can contribute to improving the historically slow absorption rates of EU funds.** EU finance delivery can be led by the national promotional bank architecture and competitive local retail channels, particularly in close coordination with the investment measures identified in NRP Plans.

Recommendations:

The effectiveness of a simplified delivery will depend on the target beneficiary, and the channels used.

For cleantech scale-ups:

- Establish a **lead mandate for the EIB Group in the new Project Advisory initiative under the ECF with a more proactive outreach** to cleantech champions. This can also be **reflected in the updated EIB Climate Bank Roadmap for 2026-2032.**
- The **ECF Policy Review Dialogues** with implementing partners should have a targeted focus on cleantech and integrate experts, civil society, as well as industrial alliances, to create a prioritisation of strategic cleantech projects across Europe.
- **Earmarking part of the ECF financial envelopes for cleantech SMEs** will be crucial, and should be explicit, to avoid historical trends in EU funding whereby large incumbents have more easily accessed EU calls.

For SMEs, households and small-hold farmers:

- The ECF should include as one of its key measures the **active engagement with national promotional banks and competitive retail channels** to take advantage of their local capillarity and access their client network of thousands, and even millions, of SMEs. This measure should also **aim for, and explicitly mention, the simplification for households' access to the ECF InvestEU financing.**
- To promote best-in-practice designs of sectoral financing solutions and socialise their delivery, **engaging with sector-specific, specialised retail channels and proximity banks (e.g. agricultural banks)** will also be useful.
- **Involve competitive local retail channels networks in the planning and distribution of finance under NRP Plans** with an increased use of EU FlaaS under ECF InvestEU. In this case local banking networks, who can **contribute to enhancing, growing and unifying regional capital markets.**
- **Integrate broad stakeholder engagement during the design of NRP Plans, including the EIB, national promotional banks, local retail banks and lenders, and other retail channels** to gather feedback and identify which are the real barriers on the ground and what are the type of financing forms and channels that can best deliver clean assets to local SMEs and households at scale.
- Establish **capacity-building initiatives, particularly in lower-income regions or where retail channels and banking networks are weaker**, to deliver EU finance efficiently and in accordance with all EU safeguards, supported by a more proactive EIB-National Promotional Bank approach with shared data on cleantech solutions and due diligence collaborations. **DG ECFIN and SG REFORM can support Member States in identifying the necessary institutional reforms** to strengthen their retail and banking networks for the delivery of EU finance.

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Acronyms

Carbon Contracts for Difference	CCFD
Common Agriculture Policy	CAP
Directorate-General for Economic and Financial Affairs	DG ECFIN
Emissions Trading System	ETS
European Climate, Infrastructure and Environment Executive Agency	CINEA
European Competitiveness Fund	ECF
European Court of Auditors	ECA
European Investment Bank	EIB
European Regional Development Fund	ERDF
Framework Programme 10	FP10
Important Project of Common European Interest	IPCEI
Multiannual Financial Framework	MFF
National and Regional Partnership	NRP
National Building Renovation Plans	NBRP
National Energy and Climate Plans	NECPs
Non-Governmental Organisation	NGO
Research and Innovation	R&I
Secretariat-General for Structural Reform Support	SG REFORM
Small and Medium-sized Enterprise	SME
Technology Readiness Level	TRL

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