

Towards an evidence-based and efficient design of climate and competitive investments in the next EU Budget 2028–34

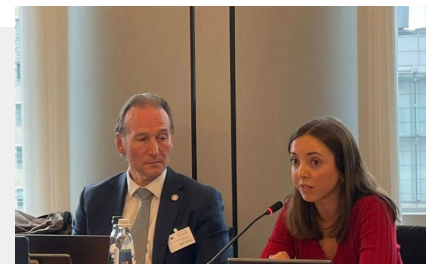
Event organised by European Parliament with guest speaker Climate Strategy & Partners, to present a new report on how to deliver Climate Investments and Competitiveness in the next MFF



European Parliament roundtable - Wednesday September 24th 2025 - Summary Note

A new briefing by Climate Strategy & Partners was presented at a roundtable co-hosted by MEPs Niels Flemming Hansen (EPP), Rasmus Nordqvist (Greens/EFA) and Thomas Pellerin-Carlin (S&D). The roundtable took place on September 24th 2025 and featured Members of Parliament, Commission representatives, investors, industry leaders and experts from think tanks and civil society to discuss how the EU Budget can be designed more strategically and efficiently, including:

- MEP Niels Flemming Hansen, EPP
- MEP Rasmus Nordqvist, Greens
- MEP Thomas Pellerin-Carlin, S&D
- Martin Koch, DG GROW
- Sustainable Banking Coalition and Karsten Kühlings, CEO GLS Investment Management GmbH
- Corporate Leaders Group and Kimmo Jaervinen, Head of EU Governmental Affairs at SSAB
- Till Eichler, T&E
- Michael Forte, E3G
- Nicolas de la Vega, EUREC
- Victor van Hoorn, Cleantech for Europe
- Felix Kriedemann, ReScoop.eu
- Aymeric Amand, Zero Emissions Platform



With **50 people in the room and 32 online attendees**, Climate Strategy presented the findings of its [latest briefing \(here a summary of the recommendations\)](#) that develops an **efficiency-first approach to structuring the next EU budget** to help part-fill the climate investment gap, boost the EU's green industrial competitiveness, and ensure there are sufficient public funds for those who need them.

Highlights from the discussion + + + + +

- The current MFF was adopted before the war in Ukraine and the subsequent energy crisis, both of which have reshaped investment needs for the climate transition. **The Commission's proposal for the next MFF risks a substantial decline in size** compared with the current MFF and NextGenerationEU, precisely when ETS1 free allocations are phased out and ETS2 revenues begin. **Efficiency is therefore key** to make the most of EU funding.
- The Council is quickly going through discussions to develop a position on the Commission's MFF proposal. To influence MFF outcomes, **Parliament must: build a joint, pragmatic coalition**; avoid conflicts of competence that fragment positions; focus on shared priorities and formulate a powerful position for negotiations.
- **Grounding future EU investments in independent expertise**
 - **The European Competitiveness Fund (ECF) Work Programmes should be developed with input from independent experts, scientific voices, civil society, and neutral industrial policy actors.** This avoids political capture and conflict of interests in industrial policy. Credibility requires including scientific voices in the governance of EU funding allocations that understand EU industrial policy and ensure that money goes to industries that need it most
 - Also, a **clearer connection is needed between the ECF Strategic Stakeholder Board, the ECF thematic stakeholder platforms and the Work Programme committees**, so that governance reflects both political priorities and technical expertise.
 - Competitiveness should be defined broadly, not just in terms of industrial production, but also as affordability, resilience, and diversification for SMEs, farmers, and households. Current assessments show that **while industrial transition investment gaps are around 5%, demand-side gaps in buildings, transport, and agriculture account for over 75%**. This calls for an explicit demand-side focus in ECF work programmes that strengthens energy security and affordability for SMEs and households.
 - **The Clean Transition window (€26 billion) is relatively small compared to the scope of the challenge**, and therefore the EU should consider increasing it.
 - Strong links between the ECF and other EU programmes should be maintained, particularly **Horizon Europe**, ensuring innovative clean technologies can move from research to deployment. **This can be done by**

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integrating SET Plan groups, with broad experience in energy innovation, into the ECF Strategic Stakeholders Board.

• Delivering financing across the supply chain of clean technologies and solutions

- ECF Work Programmes and financial instruments must address the entire clean technology supply chain. Early-stage R&D requires grants, start-ups need equity, mid-stage firms may benefit from premium auctions or contracts for difference, and mature businesses scaling up manufacturing plants need guarantees and low-cost debt. **This supply chain logic ensures that financial support is tailored to the maturity of technologies and businesses, and that the EU budget is efficiently deployed.**
- **Part of the ECF €26 billion Clean Transition window should be earmarked specifically to scale clean technology** value chains and meet the financing needs of European companies seeking to grow within the industrial ecosystem (particularly increasing EU manufacturing guarantees). Blended finance has helped mobilize large amounts of capital, but it needs stronger EU backing to further scale private funding to close the investment gap on climate and clean technologies.
- As called out by Draghi, expanding research budgets alone will not close Europe's innovation gap unless new resources are concentrated in sizable and strategic programmes.
 - **Horizon Europe** remains vital for the cleantech development and innovation pipeline. **Pillar II, where researchers and companies collaborate, must maintain a strong budget share (current proposal is 42%), at least comparable to FP9 levels (50%).** The ECF should link more clearly with Horizon outputs, deploying technologies at or near market maturity and considering supply chain and market outlooks.
- **Financing is an enabling condition** for industrial decarbonisation with EU instruments being critical to enable balance-sheet stability and flexible drawdowns.
 - Flexibility in financing packages is especially important for first-of-a-kind projects, allowing funds to be accessed as expenses arise rather than being frontloaded.

• Simplifying access to EU finance for the clean transition

- The current EU financial landscape is fragmented and overly complex, with many small programmes and differing rules. The ECF aims to simplify this through a single rulebook and four policy windows. Within each window, there is not much earmarking, so in each policy window there is flexibility. The rationale for this: flexibility is critical over a seven-year MFF horizon, since priorities and needs will shift.
- **Flexibility in the ECF is needed, but equally important are strong safeguards and conditionalities to prevent budget misallocation** - meaning that EU support is delivered to those that need it most (e.g. smaller actors). **Past MFF cycles showed that financial instruments were difficult for smaller players to access**, or that from the beginning these instruments only targeted larger incumbents.
 - Delivery of EU instruments must become simpler and more accessible, especially for SMEs, households, and farmers. **National promotional banks and competitive retail channels, including agricultural and proximity banks** can work as effective intermediaries to deliver EU finance at scale.

• InvestEU as a key structural instrument to mobilise private investment

- ECF InvestEU has the **potential to grow from a guaranteed minimum budget of €11 billion to as much as €70 billion** through allocations from ECF policy windows and Member State contributions. The ECF InvestEU builds on past experience (EFSI and current InvestEU), but expands their ambition. It requires more innovation in structuring financial instruments.
 - ECF InvestEU can scale upwards as policy windows and Member States allocate additional resources. **A high leverage effect is expected, enabling a more efficient use of EU budget.**
- The current **open architecture model** of InvestEU allows its implementation by a broader group of partners beyond the EIB, including the EBRD, national promotional banks, and regional institutions. This strengthens geographic coverage, diversifies risk, and increases ownership by Member States.

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- There is no pre-determined distribution between EIB and others (unlike InvestEU, which required $\geq 75\%$ via EIB). In this regard, discussions are ongoing with Council, EIB, and other partners.
- One of InvestEU's key challenges is not about the money being repaid, but about **limited guarantee firepower for SMEs**, which varies across EU countries. Access depends on the **availability of information and the strength of local support infrastructures** given by national entities such as the chambers of commerce and promotional banks. Where these structures are weak, InvestEU and other EU instruments become more essential.
 - The EIB handles large projects but lacks direct contact with SMEs. **Local and regional banks are the critical channel to reach SMEs and households, but they need incentives to actively promote EU-backed instruments such as InvestEU.** They may need compensation for the administrative and reporting work required to distribute EU-backed instruments, a financial margin that reflects the responsibilities they assume, and simplified procedures that reduce the bureaucratic burden.
 - EU guarantees are effective but should be made more widely accessible to impact-oriented retail banks. Financial entities such as mission-driven and cooperative banks also need access to equity instruments in order to expand lending for SMEs and local green projects.
- **Connecting EU Financial Instruments with National and Regional Partnership Plans more effectively**
 - The National and Regional Partnership Fund will allocate €783 billion to Member States, with 43% climate earmarking, merging agriculture and cohesion policies, and linked to ETS revenues via chapters for the Modernisation Fund and Social Climate Fund.
 - Connectivity across EU and national instruments is necessary to maximise scale, ensure coherence, and avoid duplication. **The ECF alone is too small to cover the scale of investment required, for which connections with the National and Regional Partnership (NRP) Plans are essential via EU Financial Instruments as a Service offered under the ECF InvestEU.**
 - The NRP Plans are to be, according to the Commission's proposals, the heirs of the Cohesion Policy, and therefore their key priorities will still be territorial and social cohesion. **The emphasis on affordability (of energy, and of financing) for end users** would go a long way to bridging that gap in the cohesion philosophy of the different funding instruments.
 - **Stronger links to the European Semester and country-specific recommendations** could help align NRPs with EU climate and competitiveness goals, which should also build on the **NECPs and other sectoral strategies** like the Heating and Cooling strategies.
 - Representatives of end-users and local authorities should be associated in the design of the plans and the financing instruments from the very beginning. **Because if the instruments do not meet a need, they will not be used.**
 - **EU Financial Instruments as a Service for Member States must be designed based on the needs of end-users.** Involving retail and regional banks, local/regional authorities and the representatives of SMEs and consumers early in the design of EU financial instruments is critical to ensure real uptake. If instruments do not meet end-user needs, they risk going unused.
 - Retail and impact banks are often absent when Member States and the EU design instruments; their greater involvement in co-design would improve delivery and local alignment. **Involving retail and regional banks more systematically in co-design would ensure instruments are better connected to local economies and more effective in delivery.** Retail banks act as a crucial intermediary between capital markets and real economy, with significant potential to redirect financing away from fossil fuels towards sustainable, future-oriented projects.
- **Strengthening governance and safeguards in the ECF**
 - Cross-cutting **climate spending targets (e.g. 35% earmarking) must be preserved**, with careful monitoring under the Performance Regulation. With a limited budget and very high flexibility across the board, safeguards

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must be done right. Climate spending definitions should look for accountability and avoid potential greenwashing of activities subject to attracting funding.

- Improved **communication and visibility** are also needed so that citizens, SMEs, and local authorities can clearly see and benefit from EU support. More transparent messaging, streamlined information flows, and easy-to-access data tools would help demonstrate the tangible impact of EU funding and strengthen confidence among stakeholders.
 - **Leverage ratios should be expressed in practical terms**, for example, as the number of solar panels installed or homes renovated.

• A Coherent Industrial Strategy for Europe

- Europe excels in innovation, but without a broader and clearer integrated industrial strategy, it risks failing to scale up cleantech deployment. **The MFF is one of the tools that needs to be part of an integrated cleantech industrial strategy.**
- In line with Draghi's proposal, strategic clarity is needed on which sectors Europe wants to lead, which ones require partnerships, and which are essential for economic security. **Clearer and strategic prioritisation on competitiveness in industry is needed, with clearer choices between sectors where Europe is already in the lead** (e.g. automotive), where it must catch up (e.g. batteries), and where it must secure strategic resilience (e.g. inverters in solar PVs which are critical for security). This should inform where public resources should focus, and where private investments need to be mobilised. Without such prioritisation, public resources risk being spread thinly across sectors without delivering competitiveness or security.
 - Current EU competitiveness policies try to not focus on a set of given sectors, and instead try to support everything all across the board with policies that end up being untargeted. This is not seen as a strategic approach.
- **Clear and stable demand signals, through procurement frameworks and trade policy (including Made in Europe criteria)** are needed to unlock private equity and debt at scale. Public money alone cannot close the investment gap and help de-risk the industry sufficiently. But without these clear signals, private investors are waiting before they invest
- Industry needs a large-scale decarbonisation strategy with both **vision and policy stability, as policy is what defines markets**. Constant regulatory changes undermine the long-term investments that are needed for industrial transformation.
 - The **EU Emissions Trading System (ETS)** has provided the signal for leading companies to **transform** their businesses, and is seen as a functional, cornerstone policy to drive the transition.
- **Conditions for industry support should accelerate their transition and include stronger reinvestment requirements**, ensuring companies commit their own capital to the transition.

• Creating demand and market space for clean technologies and solutions

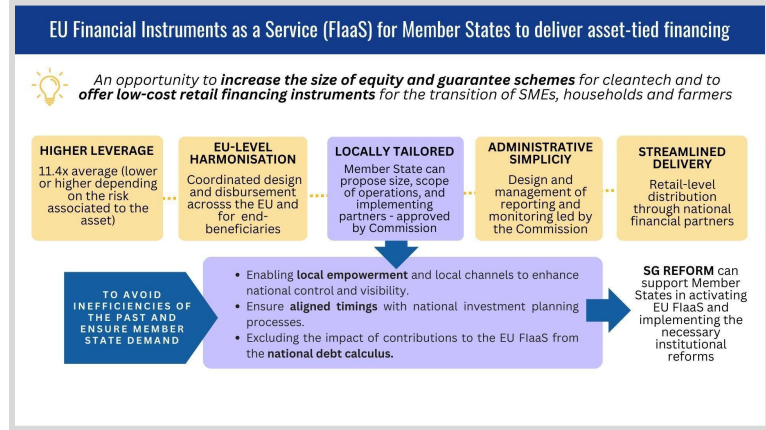
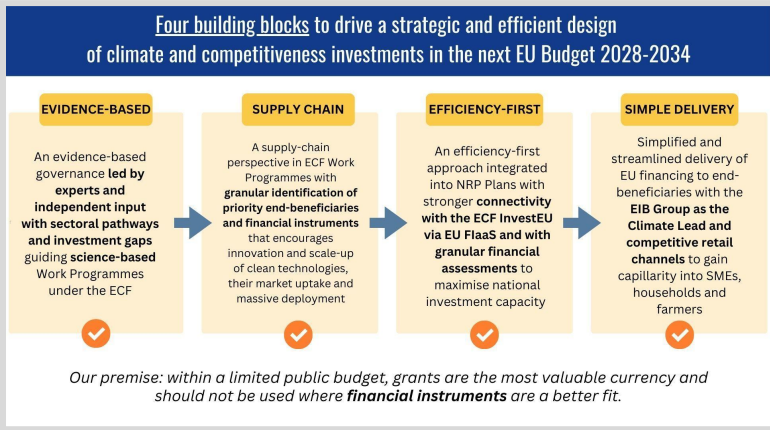
- Beyond financing, there is a need to stimulate demand for European clean technologies. **Public procurement and EU preference criteria frameworks can help to create lead markets** that strengthen the demand for EU-made clean technologies. Without demand, public funding will be wasted in solutions that fail to scale.
- **Retail financial instruments such as renovation loans or solar PV loans could be designed "as-a-service" and asset-specific** for households, SMEs, and farmers, to unlock high potential leverage with the use of EU-backed guarantees. This asset-specific nature also makes them easier for end beneficiaries and bank operators to identify and access.
 - Asset-specific retail instruments such as an EU Renovation Loan as a Service could deliver leverage as high as 50:1 with a €1–3 billion guarantee under ECF InvestEU.

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For a copy of the materials used in this event or other related questions please contact:

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