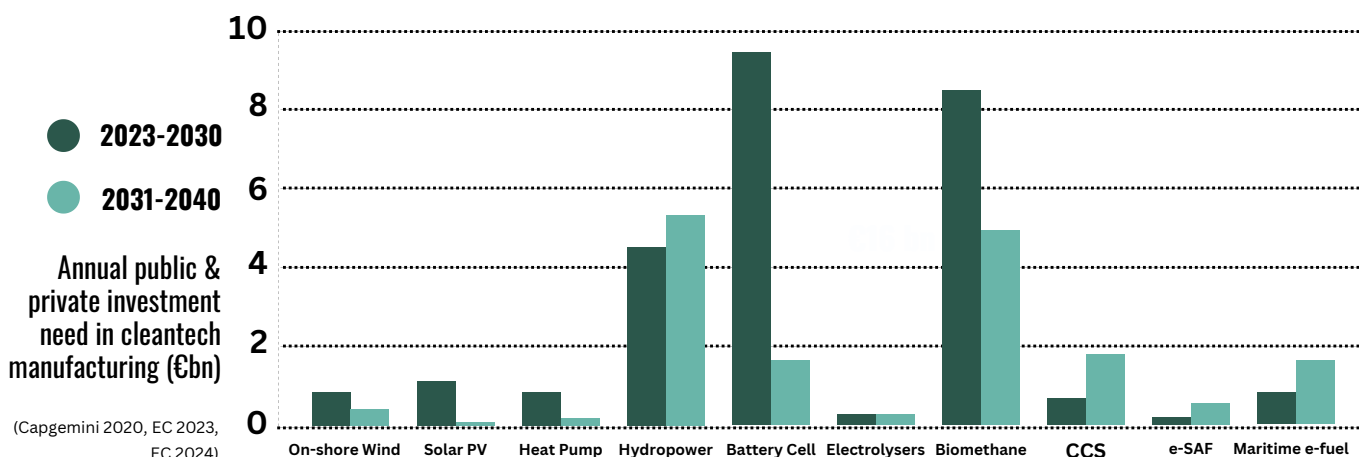


Industry & Cleantech Manufacturing

20% public share
for cleantech
manufacturing

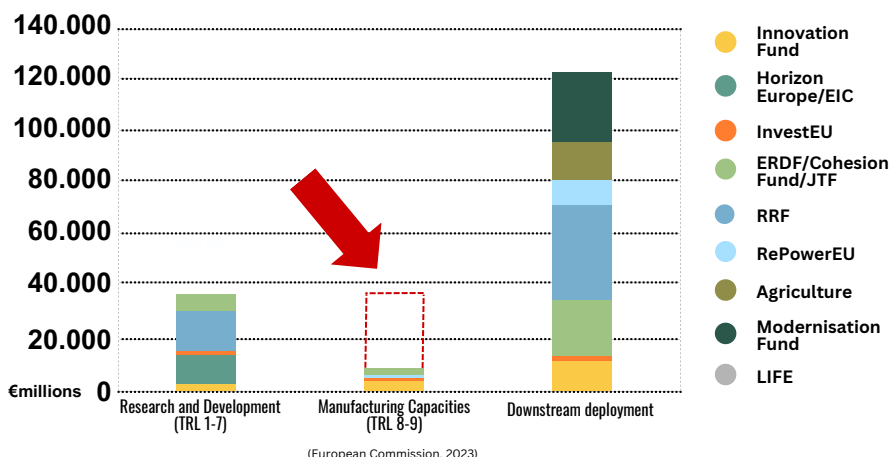
At least €27 billion is needed annually before 2030 to support the manufacturing of 10 clean technologies (below), of which approximately 20% (€5.4 billion annually / €37.8 in total) is expected from public funding. In the 2031-2040 decade, the need is reduced to €16 billion annually.

Climate and Competitiveness Investment Needs in Cleantech Manufacturing



Gaps and Oversubscription of EU Funds hinder an ambitious Clean Industrial Deal on the ground

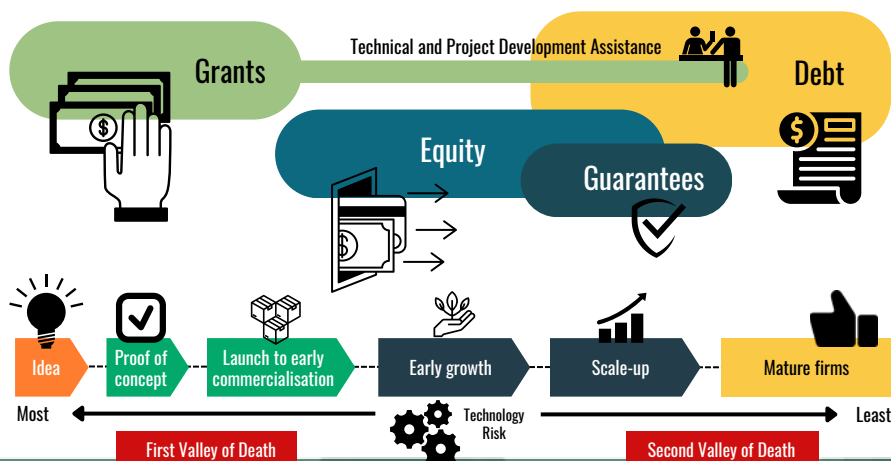
Estimated potential maximum in the EU 2021-2027 budget to support different stages of net zero technologies in the EU



The Clean Industrial Deal has committed around €10.6 billion from the current EU budget to cleantech and industrial decarbonisation: €6bn from the Innovation Fund, €1bn pilot of the new Industrial Decarbonisation Bank, an additional €1bn from InvestEU, €1.5bn counter-guarantees for grids, €500 million of EIB counter-guarantees for corporate PPAs, €600 million from Horizon Europe. This is around one third of the €37.8 billion public funding needed until 2030 for just 10 clean technologies. For the post-2027 budgetary period, the Commission aims to mobilise €100 billion in public funding for the new Industrial Decarbonisation Bank under the European Competitiveness Fund.

The most relevant EU instruments for cleantech scale-ups require complex application procedures, they are managed by different authorities, and they are oversubscribed and too small for the competitiveness challenge that EU industry faces.

The Scale Up Challenge requires Targeted and Visible Blended Finance Instruments



European cleantech scale-ups are capital intensive and face higher financing costs and constraints than other innovative companies. They need instruments that de-risk enough private investments for commercialisation and tackle the following barriers they encounter in the European finance landscape:

- Fragmented EU capital markets
- Risk-averse attitude in EU budget, EIB Group and implementing partners
- Patchwork of EU funding and access difficulties



EU Financial Instruments to build National Cleantech Champions

An EU Financial Instrument as a Service (FlaaS) is a **template, off-the-shelf EU-level instrument designed to deliver an efficient blended finance structure tailored to fit a purpose and ring-fenced to a region or Member State**. EU FlaaS to de-risk investments in cleantech manufacturing can be created at the EU level, within the structure of a specific EU fund, to deliver financial instruments for Member States enhanced by national contributions from EU shared management funds. **The Clean Industrial Deal encourages Member States to make greater use of the InvestEU member state compartments and the Innovation Fund auctions-as-a-service “as a proven model to pool EU and national resources in a harmonised and State aid compatible competitive selection.”**

EU Funds under Shared Management relevant for cleantech investments

*SMEs and Cleantech are part of investment scope, but no specific allocation is provided
 **Amount from 2014-2020 programming period dedicated to SMEs

EU funds allocated to Member States based on:

Cohesion and Modernisation Priorities	EU Added Value
Climate and Competitiveness Investment Gaps	Just Transition Considerations



New resources from European Competitiveness Fund



Reforms and Conditions for Efficiency and Investment Impact

National reforms may be needed to enable an institutional framework that strengthens the role of national promotional banks and other retail channels in cleantech investments. Implementing the regulatory changes introduced under the Fit for 55 will also accelerate market growth for cleantech. Policy levers to increase investment efficiency can be incentivised by a shift to a “reforms for investments” model of EU shared management funds.

Member State

Strategic Investment Planning

- ✓ Identify the climate investment gap
- ✓ List the specific assets to be deployed
- ✓ Determine the finance format/maturity level of the asset
- ✓ Map the end-beneficiaries



Efficiency Gains from EU FlaaS:

- EU-level harmonisation
- Higher leverage
- Locally tailored
- Administrative simplicity
- Streamlined delivery



Reforms and Policies to Bridge the Cleantech Investment Gap



EU FlaaS

for absorbing risk, coordinating Member States' resources and simplifying funding governance



Proactive

use of existing cleantech-targeted EU funds to facilitate access



Greater risk capital

allocation to the EIB's innovative financial instruments targeted at cleantech scale-up

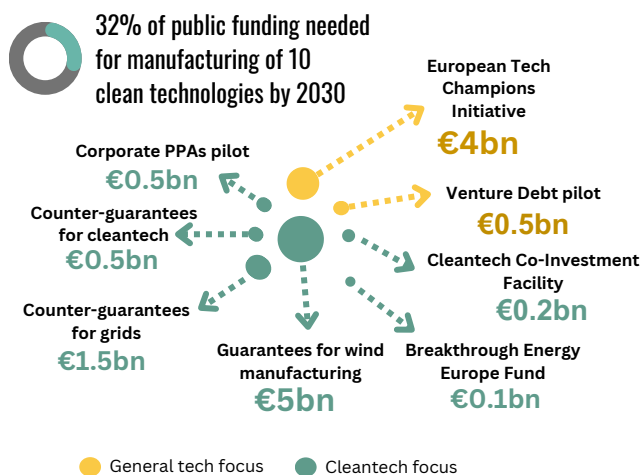


Transparent EU-wide markets

for cleantech uptake via implementation of Green Deal targets and ambitious policy signals

Enhanced EIB Leadership as the Climate Bank to Support Unifying National Investments in Clean Industrial Competitiveness

Increasing the size and efficiency of EIB cleantech programs



Strategic Tech-EU Program:
An opportunity to address the cleantech scale-up funding gap

Boosting EIB internal resources to enable proactive funding of cleantech



The US LPO has 3x times more staff than central EIB offices (approximately)

Lessons learned from US Department of Energy Loan Programs Office:

- ✓ Ensure a well-staffed team in the EIB focused on active outreach to guide potential cleantech champions to financing opportunities
- ✓ Connect EIB's outreach efforts to the InvestEU Advisory Hub's network of experts and private sector actors
- ✓ Support Member States in their strategic investment planning to activate EU FlaaS for cleantech



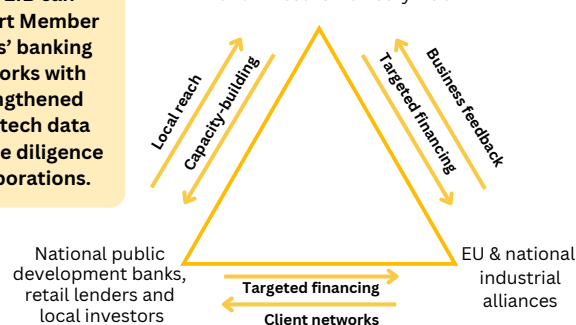
An EU-wide coordinated approach to streamline investments in cleantech

- ✓ Earmark part of EIB programs to cleantech investments and integrate EU FlaaS to support national champions
- ✓ Grow provision of debt to enhance bridge to bankability
- ✓ Maximise the impact of every euro invested with an ambitious budget allocation to cleantech guarantees

New Clean Tech Guarantee Facility under the Clean Industrial Deal

The EIB can support Member States' banking networks with strengthened cleantech data and due diligence collaborations.

EIB and InvestEU Advisory Hub



Continue Building Transparent EU markets for Cleantech with:

An effective implementation of the European Green Deal:

- Agreed targets
- Standards
- Delegated Acts

Ambitious regulatory signals in the new mandate:

- Forward-leaning standards
- Product requirements and quotas
- Green Public Procurement

Increased transparency of:

- Private pledges to buy cleantech and voluntary reporting under the CSRD



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Filling the EU Climate Investment Gap more efficiently



Prepared by



Download report here

Published in late 2024, this report provides a set of recommendations and principles to integrate an “efficiency-first” approach in the EU budget to lever the necessary private investments to fill the European climate investment gap.

About Climate Strategy & Partners

Climate Strategy & Partners 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 15 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 25+ white papers, given over 500 climate talks 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 energy efficiency private placements totalling over €50 million for Spanish cities, companies and buildings for international investors.

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