



April 2026

# Getting Europe's Strategic Specialisation Right

**Building an evidence-based  
governance architecture for the  
European Competitiveness Fund**



## 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 17 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, 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 leading a G20 task group on energy efficiency finance (2015-19) and also 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. In 2025, Peter Sweatman was made a member of Spain’s Economy Minister’s Sustainable Finance Council.

## About this Report

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The report builds on extensive analysis of the design of the next Multiannual Financial Framework of the European Union and academic literature on governance and sustainable finance. 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 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

Europe's current competitiveness debate is set in a context of geopolitical instability, energy insecurity, growing global technological competition, accelerated climate risks, and long-term productivity concerns. This briefing argues that "competitiveness" (per se) should not be only understood narrowly in terms of old notions of cost reduction or productivity, but as Europe's future capacity to deliver long-term sustainable prosperity, resilience, innovation and security. **The European Competitiveness Fund (ECF), as proposed in the next Multiannual Financial Framework 2028-34, can become a key instrument to align Europe's economic and industrial strengths to support these objectives.** For that purpose it must be guided by a broader and more evidence-based understanding of what Europe is trying to compete for and why.

**The central challenge is good and expert-led governance.** Given the limited size of the ECF relative to Europe's overall clean transition and industrial investment needs, the fund cannot succeed through broad political flexibility and untargeted support. Instead, the ECF Work Programmes should deliver to predetermined strategic priorities identified through science-based, data-driven assessments of Europe's strengths and strategic dependencies, investment gaps, market failures and value-chain bottlenecks, while aligning its industrial capabilities with the cleantech race to net zero.

A three-tier governance model is proposed to integrate meaningful expert input in the prioritisation of ECF investments: an **Observatory of Emerging Technologies** to provide independent diagnosis and evidence base of Europe's priorities, a **Strategic Stakeholders Board** to translate this evidence into high-level recommendations on strategic priorities, and **Thematic Stakeholder Platforms** to feed in bottom-up discovery of real-economy conditions (per pillar) and needs from industry, investors, civil society and regional actors. This architecture should be underpinned by clear safeguards on transparency, balanced representation, accountability and protection against regulatory capture.

**Expert and stakeholder input should be balanced against political choices from the Commission and Member States.** ECF committees of Member States can contribute to aligning national and EU strategic priorities. A structured dialogue between the ECF expert bodies, Commission and national and regional authorities should also steer strategic prioritisation in National and Regional Partnership Plans (NRPP) to ensure synergies across the next MFF and build towards a coherent EU clean industrial and decarbonisation strategy.

To deliver on the identified priorities, the ECF InvestEU Instrument should function as the core delivery mechanism of ECF support for late-stage scale-ups and tech deployment, as it can enhance the impact of funds, address market failures and mobilise private capital. Grants should be used where they are genuinely needed, including non-bankable projects (e.g. biodiversity projects), for output-based support for the scaling of some selective strategic technologies in early stages of deployment, and for technical assistance. **The structured dialogues between ECF experts and national and regional authorities should serve to identify how the ECF InvestEU toolbox can support local investments, particularly to efficiently deliver priorities under NRPPs, and point at opportunities to direct contributions from NRPPs via the Member State Compartment.** A Regional Compartment in the ECF InvestEU, coupled with technical assistance, can also facilitate regional and local authorities' access to best-in-class financial instruments that can efficiently finance the scale-up and deployment of cleantech locally.

## Defining competitiveness to deliver sustainable prosperity in Europe

The last seven years have put the European model to the test: Starting in 2019, the global pandemic revealed **the kind of shocks that breaching our planetary limits could bring** to the world's economy; the Russian invasion of Ukraine in 2022 exposed an uncertain global security context, caused an unprecedented rise of energy prices for businesses and households, and revealed **Europe's strategic dependencies abroad**; increased global technological competition, particularly after the US Inflation Reduction Act and China's dominance in many cleantech and energy sectors, further exposed dependencies in critical sectors and Europe's **"innovation gap"**; and a worsening trade relationship with the US after the election of President Trump. The US turned toward protectionist tariffs, even with its allies in Europe, and an interventionist foreign policy with the war in Iran that has brought **"the greatest threat to energy security in history,"** according to IEA President Fatih Birol.<sup>1</sup> All this is paired with concerns around **Europe's long-term productivity slowdown**, widening income gap with other countries, and increasing inequality internally that is fueling **social discontent and polarisation**.

**These challenges to Europe's security, socio-economic model, industrial capabilities, and planetary limits are many and complex enough that competitiveness alone cannot solve. Nevertheless, "competitiveness" is the frame that the current policy debate in Europe has taken.** The European Council in April 2024 determined<sup>2</sup> to regularly review competitiveness, while the Eurogroup made it a core policy discussion in its work programme.<sup>3</sup> In September 2024, Mario Draghi was tasked to write a report on "The Future of European Competitiveness"<sup>4</sup> that identified three areas for action to ignite growth: 1) closing the innovation gap in advanced technologies, 2) developing a joint plan for decarbonisation and competitiveness, and 3) increasing security and reducing dependencies. Shortly after, the Commission adopted a Competitiveness Compass in January 2025 following Draghi's recommendations,<sup>5</sup> and a Clean Industrial Deal<sup>6</sup> as the joint roadmap for decarbonisation and competitiveness to provide a business case for clean production. In March 2026, EU leaders agreed a competitiveness agenda with concrete measures for a Single Market, energy and industry, among others.<sup>7</sup>

**Becoming more competitive is also a priority for the next Multiannual Financial Framework (MFF) for 2028-34.** The Commission's proposal for the EU long-term budget reflects the aggregated political concerns over the last seven years and provides a policy-driven framework to direct investments to try and future-proof the next seven years. Several prior programmes managed directly by the Commission are merged into a European Competitiveness Fund (ECF). This ECF is the designated investment arm of the Clean Industrial Deal to build a Single Market that nurtures European technology companies. Under the Commission's proposals, Cohesion Policy (for balanced regional development within the Union) and Common Agriculture Policy will be merged under new National and Regional Partnership Plans (NRPPs), which aim to provide a new performance-based framework that maximises the impact of national investments in line with EU priorities. Competitiveness is also one of the general objectives of NRPPs, together with security, sustainable development and the more traditional approach to social, territorial and economic cohesion.



<sup>1</sup> El País. (2026). Fatih Birol (IEA): "The war in Iran is already the biggest threat to energy security in history." Available at

<https://english.elpais.com/economy-and-business/2026-03-22/fatih-birol-ia-the-war-in-iran-is-already-the-biggest-threat-to-energy-security-in-history.html>

<sup>2</sup> Council of the European Union. (2024). European Council Conclusions, 17-18 April 2024. Available at <https://www.consilium.europa.eu/media/m5j1we0p/euco-conclusions-20240417-18-en.pdf>

<sup>3</sup> Council of the European Union. (2023). Letter from the President of the European Council to the President of the European Commission, June 2023. Available at <https://www.consilium.europa.eu/media/65311/peg-to-pec-letter-june-2023.pdf>

<sup>4</sup> Draghi, M. (2024). The Future of European Competitiveness: A Competitiveness Strategy for Europe. European Commission. Available at

[https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961\\_en?filename=The%20future%20of%20European%20competitiveness%20\\_%20A%20competitiveness%20strategy%20for%20Europe.pdf](https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en?filename=The%20future%20of%20European%20competitiveness%20_%20A%20competitiveness%20strategy%20for%20Europe.pdf)

<sup>5</sup> European Commission. (2025). A Competitiveness Compass for the EU. COM(2025) 30 final. Available at

[https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34\\_en?filename=Communication\\_1.pdf](https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34_en?filename=Communication_1.pdf)

<sup>6</sup> European Commission. (2025). 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/?uri=CELEX:52025DC0085>

<sup>7</sup> Council of the European Union. (2025). Boosting EU Competitiveness: The Way Forward. Available at <https://www.consilium.europa.eu/en/policies/boosting-eu-competitiveness-the-way-forward>

The European Parliament's discussions on the next MFF have triggered attempts to define "competitiveness" in order to determine the scope of the ECF. The Commission's initial proposal, on the other hand, avoided what it saw as a "Pandora's box" by relying on broad identification of objectives for each policy window of the ECF. These objectives already include energy security, climate resilience, environmental well-being and strategic autonomy. For the Clean Transition and Industrial Decarbonisation window, for instance, this meant supporting the growth and deployment of innovative clean technologies, with the ultimate aim of shifting "towards a sustainable, circular, energy-, water- and resource efficient, climate-neutral and resilient economy."<sup>8</sup> The broader approach taken by the Commission may be the more versatile, pragmatic and straight-forward one to address European priorities. The Commission could have interchangeably named the new fund a European Resilience Fund, or a Sovereignty Fund as announced in 2022 by President von der Leyen.<sup>9</sup> But the choice of the word "competitiveness", answering to the political narrative and concerns of the moment, may now narrow down the debate in EU institutions - potentially unhelpfully.

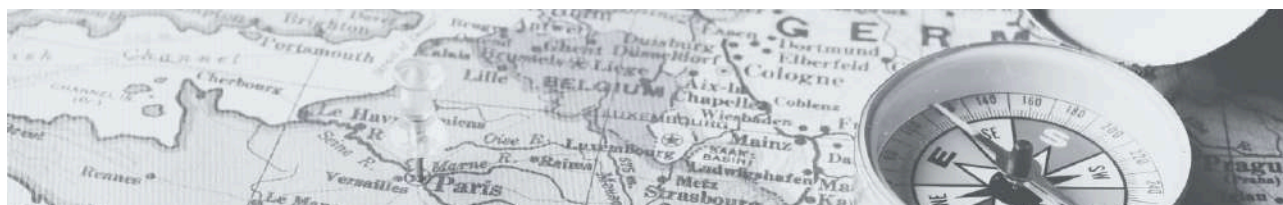
### New Emerging Definitions of Competitiveness in the European Parliament

**IMCO Committee draft proposal:** "Competitiveness" means increased innovation and productivity in response to market demand within the Single Market, as well as better quality in terms of products and services and an improved price ratio for products and services, leading to increased economic growth.

**ENVI Committee draft proposal:** "Competitiveness" means the Union's capacity to raise its productivity, to bolster its strategic autonomy and independence, and to ensure the resilience of its economy against security, geopolitical, climate and environmental risks or any other systemic shocks, in a manner that is consistent with the clean transition.

**ECON Committee proposal:** "Competitiveness" means the ability of European companies to compete successfully in global markets, which will require levelling the playing field for European industry compared to global competitors in terms of the cost of doing business, including by making it easier to invest, lowering energy costs, enhancing productivity, boosting innovative capacity, and increasing long-term public investments, and requiring a skilled workforce, which should lead to quality jobs and sustainable growth across the whole Union.

Although the debate is narrow in scope, it can help align Europe's economic and industrial strengths with investments in other material priorities still as important to the continent's future sustainable prosperity. In forthcoming work led by Cambridge Institute for Sustainability Leadership (CISL), Corporate Leaders Group, Climate Strategy, I4CE and Cleantech for Europe, we explain: "Defining competitiveness requires clarity about the new nature of the competition in which the EU is engaged. **Competitiveness isn't an end in itself, but a means to advancing the Union's interests and values so that it delivers overarching, long-term objectives, such as the provision of shared prosperity and wellbeing achieved within environmental limits.**" CISL's work<sup>10</sup> suggests four key pillars are required to define competitiveness based on leading research and that aim to reflect the new European and global reality: 1) productivity and innovation, 2) reliability and predictability, 3) stimulating data-based, long-term investments and 4) security, resilience, wellbeing and sustainability.



<sup>8</sup> Article 3(2)(a), European Commission. (2025). Proposal for a Regulation of the European Parliament and of the Council establishing the European Competitiveness Fund (ECF), COM(2025) 555 final. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025PC0555>

<sup>9</sup> Gros, D. (2024). A European Sovereignty Fund: Investing in Europe's Future and Security. European Parliament, Economic Governance and EMU Scrutiny Unit. PE 760.229. Available at [https://www.europarl.europa.eu/regData/etudes/IDAN/2024/760229/IPOL\\_IDA\(2024\)760229\\_EN.pdf](https://www.europarl.europa.eu/regData/etudes/IDAN/2024/760229/IPOL_IDA(2024)760229_EN.pdf)

<sup>10</sup> Cambridge Institute for Sustainable Leadership. (2024). CISL's 2024 Competitive Sustainability Index: Shaping a new model of European competitiveness 'Beyond Draghi'. Available at <https://www.cisl.cam.ac.uk/news-and-resources/publications/cisls-2024-competitive-sustainability-index-shaping-new-model>

The CISL approach contrasts with the short-term thinking presented by the “The Antwerp Call to Alden Biesen.”<sup>11</sup> Extensive research and academic diagnosis of Draghi, the Joint Research Centre (JRC)<sup>12</sup> and others<sup>13</sup> find a **common consensus on mitigating climate change risks as intrinsic for global well-being and economic prosperity**. But an overemphasis of the Antwerp Call on carbon costs<sup>14</sup> has served to undermine Europe’s climate and energy security policy, such as the Emissions Trading System (ETS), in recent Council debates. It was later found that the Antwerp Call did not represent nearly as many businesses as it claimed.<sup>15</sup> An E3G report<sup>16</sup> rightly emphasizes that the ETS’s direct costs on industry are minimal (under 0.2% of Gross Value Added), that it has generated €250 billion in predictable public revenues as of 2024, and that European industry is currently a net beneficiary of these revenues (when factoring in revenue recycling and the Innovation Fund). Instead, **fossil fuel volatility and geopolitical tensions remain the main drivers of high energy costs**.

The Commission envisions a more dynamic budget that can quickly react to crises and provide solutions to the political concerns of the moment. This attempt is spearheaded with **an ingrained flexibility not seen previously in the EU budget, based on indicative envelopes that can be easily reallocated to address political priorities**. For the ECF, a Political Steering mechanism is proposed to drive budgetary flexibility, while for NRPPs it is an *ad-hoc* negotiation between Commission services and Member States to plan national investments combined with policy reforms. This approach to flexibility creates several risks, including weak signals to society, investors and businesses on the EU’s long-term strategy, reduced democratic oversight and transparency over how the EU budget is used and the evidence behind investment decisions, and lack of predictability for managing authorities, implementing partners, and the end-beneficiary.

As the CISL work highlights, if European competitiveness is defined narrowly and ambiguously (reflecting just part of EU model and values, with limited space for measurement and review), an increase in budgetary flexibility with no appropriate safeguard risks undervaluing its clean tech, transformational business models and smart industrial modernisation or over-valuing insecure, unsafe, outdated and ultimately more costly activities and investments. A JRC (2026) report on “Capitalism, Sustainability and Democracy”<sup>17</sup> aims to complement Draghi’s research in determining how to strengthen the dynamic among these three interdependent elements. “A one-sided policy focus on competitiveness risks undermining the overall European project”, claim the authors. They pin part of the problem, and the solution, on **EU governance, which is currently “not fit for purpose” to push for further EU integration in areas of common strategic interest and to seize opportunities for European leadership**.

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



Prepared by



A Climate Strategy report from 2025<sup>18</sup> identifies recommendations for a strategic and efficient design of Work Programmes that put Draghi’s joint plan for decarbonisation and competitiveness into action. A key recommendation is taking an **evidence-based approach** in the governance of the ECF that determines what are strategic priorities for Europe’s so-called competitiveness, building 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**.



<sup>11</sup> Cefic. (2024). Antwerp Declaration Community Urges EU Leaders to Deliver Emergency Measures as Europe’s Competitiveness Crisis Deepens. Available at <https://cefic.org/news/antwerp-declaration-community-urges-eu-leaders-to-deliver-emergency-measures-as-europes-competitiveness-crisis-deepens/>

<sup>12</sup> Soete, L., Schwaag Serger, S., Ayala, L., Foray, D., Georgiou, L., et al. (Eds.). (2024). Capitalism, Sustainability and Democracy. Joint Research Centre, European Commission. JRC144547. Available at <https://publications.jrc.ec.europa.eu/repository/handle/JRC144547>

<sup>13</sup> Cambridge Institute for Sustainable Leadership. (2024). CISL’s 2024 Competitive Sustainability Index: Shaping a new model of European competitiveness ‘Beyond Draghi’. Available at <https://www.cisl.cam.ac.uk/news-and-resources/publications/cisls-2024-competitive-sustainability-index-shaping-new-model>

<sup>14</sup> “EU electricity prices in Europe still remain higher inside Europe than in competing countries. Carbon costs are unique to Europe, and the system is designed to increase costs year-on-year,” reads the declaration.

<sup>15</sup> Politico. (2024). Big EU Lobby Groups Exaggerated Industry Support for Attack on Carbon Price. Available at <https://www.politico.eu/article/big-eu-lobby-groups-exaggerated-industry-support-attack-carbon-price/>

<sup>16</sup> E3G. (2026). Europe is Bracing for High and Volatile Energy Prices: Insights Ahead of the 16-20 March Council Meeting. Available at <https://www.e3g.org/news/euco-march2026-europe-braces-energyprices/>

<sup>17</sup> Soete, L., Schwaag Serger, S., Ayala, L., Foray, D., Georgiou, L., et al. (2024). Capitalism, Sustainability and Democracy. Joint Research Centre, European Commission. JRC144547. Available at <https://publications.jrc.ec.europa.eu/repository/handle/JRC144547>

<sup>18</sup> Climate Strategy & Partners. (2025). Filling the EU Climate Investment Gap more Efficiently: A Policy Brief. Available at <https://www.climatestrategy.es/press/MFFBrief24092025.pdf>

An approach based on evidence (instead of an ill-defined concept of competitiveness) would contribute to anchor competitiveness as a means to advance the Union's interests and policy goals based on scientific data and input of realities and needs on the ground. A data-driven assessment of competitive decarbonisation shows, for instance, that industrial investments only represent around 5% of the total investment gap to reach net zero by 2050.<sup>19</sup> Demand-side investments on the other hand are 77% of the gap (in buildings, transport and agriculture). As the Climate Strategy 2025 report highlights, competitiveness is not only technological leadership in the production phase, but also leading market demand, which for clean technologies means accelerating economy-wide decarbonisation that boosts their deployment in the real economy by business actors and households. In line with the CISL and JRC proposals, **a definition of competitiveness should also take into account what this concept means not only for big industry, but also for smaller businesses, households, farmers, etc. 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 reduce their costs alongside their emissions.

Both the ECF and NRPPs must act in unison to avoid duplication of efforts while driving targeted investments in strategic cleantech projects across the EU.

**This briefing outlines concrete measures to build a governance model for the ECF that can deliver strategic investments in sectors and technologies** that drive competitiveness in its broadest sense, to advance a future-proof European model for sustainable prosperity. First, it positions the role of the ECF InvestEU Instrument as the central delivery arm of the ECF and points to key design features to provide cleantech innovators with the instruments they need to scale. Then, it provides recommendations, based on academic literature on industrial policy best practices, for the design of the main bodies involved in the development of ECF Work Programmes, which will mark main investment priorities.

The proposals also aim to create synergies with NRPPs, which, with a budget of €783 billion, have a mandate to increase the resilience of national economies against climate risks and develop a competitive clean industry. Both the ECF and NRPPs must act in unison to avoid duplication of efforts while driving targeted investments in strategic cleantech projects across the EU.

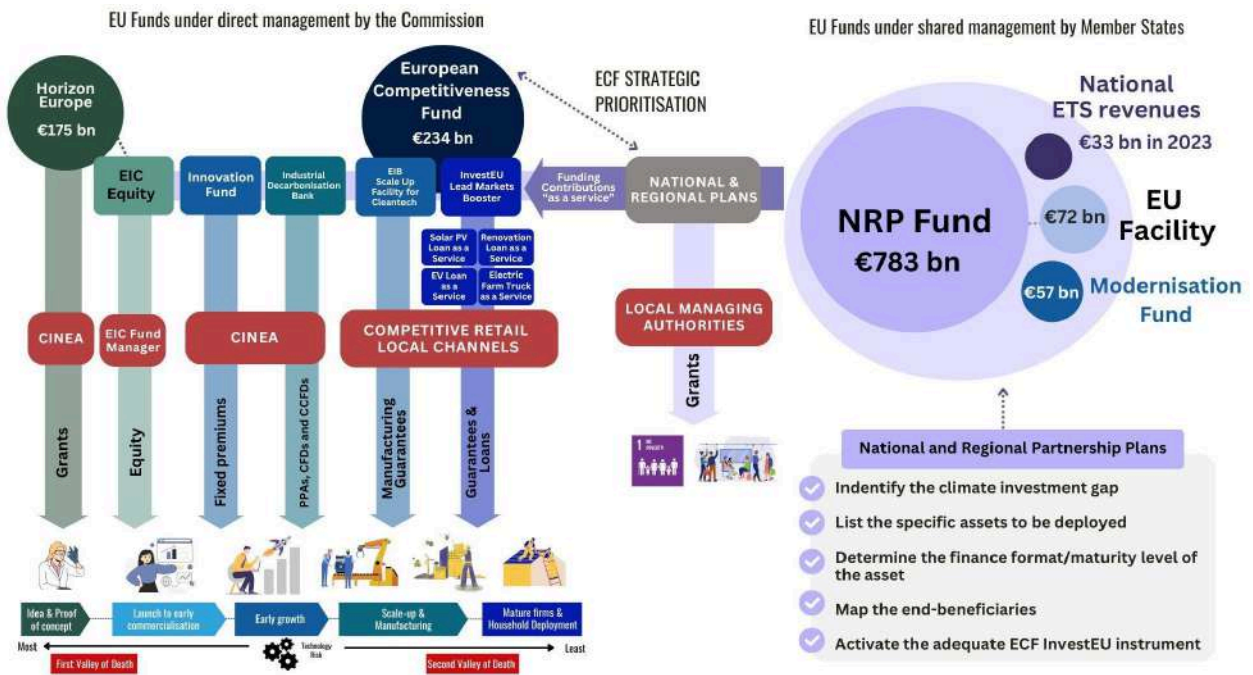


<sup>19</sup>Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more Efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

# Designing instruments to fund competitiveness: Using ECF InvestEU to finance late-stage technology scale and deployment

The European Commission's proposal for the MFF 2028-2034 only represents a marginal net increase of 0.03% to finance new priorities in an uncertain geopolitical context.<sup>20</sup> Europe must therefore deploy its budget with precision, ensuring that every euro maximises positive outcomes for its policy objectives. The ECF has been proposed to address financing gaps in the investment journey of innovative technologies in four strategic sectors: the clean transition and industrial decarbonisation, digitalisation, health and bioeconomy, and security and defense. In particular, **the ECF has been designed to support later-stage technologies in their scale-up (the biggest “valley of death” after proof of concept) and deployment (critical to build lead markets).** It would naturally be the latest step in the EU funding chain to complement the Innovation Fund and the EIC Accelerator.

Chart 1: A proposal for the EU Funding Journey of Cleantech



A €26 billion budget proposed for the clean transition window (around €4.5 billion annually) is very small in comparison with the estimated gap of €340-477 billion needed annually from public and private sources to achieve full decarbonisation by 2050.<sup>21</sup> However, **if a significant part of the €26 billion was to be delivered via the InvestEU budget guarantee, its impact can be significantly enhanced by mobilising multiples of private investments (previously InvestEU achieved a 12x multiple).** This derisking logic underpins making the use of financial instruments under the ECF InvestEU as the “privileged option”<sup>22</sup> to deliver ECF funding to address temporary market failures that hold back private capital in clean technology and industry. Direct subsidies to growing businesses operations are unsustainable (some might say uncompetitive) and not what the leading cleantech entrepreneurs say they need to scale up their businesses. Growing firms tend to need access to affordable debt, and hence call for an increased use of public guarantees (particularly manufacturing and loan guarantees) to unlock private debt financing to ramp up manufacturing capacity and build cleantech projects.<sup>23</sup> Yet there are also specific cases to be made to use grants for the uptake of new technologies in an output-based form to support the scaling of some selective strategic technologies in early stages of deployment, as highlighted in the Battery Booster Facility.<sup>24</sup>

**Strengthening the role of the ECF InvestEU toolbox of financial instruments in the next MFF answers the concerns from the Letta report that “there is a funding gap not just with respect to amounts, but also with respect to the type of funding that is available.”<sup>25</sup>** Traditional public funding schemes do not always address well the specific financial needs of a given sector, particularly when it comes to the development and deployment of new clean technologies. Similarly, the OECD has applauded EU support for start-ups, but warns that grant funding can lull innovators into a false sense of security.<sup>26</sup>

<sup>20</sup> 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>

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

<sup>22</sup> European Competitiveness Fund (“ECF”). Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025PC0555>

<sup>23</sup> Climate Strategy & Partners, et al. (2024). Joint Letter to the EIB Board of Governors: The EIB’s Strategic Roadmap 2024-2027 Should Stimulate More Public Guarantees to Unlock the EU’s Cleantech Competitiveness. Available at <https://www.climatestrategy.eu/press/JointLetterEIB19062024noemb.pdf>

<sup>24</sup> European Commission. (2025). Communication from the Commission – Battery booster strategy. OJ C, C/2026/682, 28.1.2026. Available at [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:C\\_20260682](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:C_20260682)

<sup>25</sup> Letta, E. (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>

<sup>26</sup> 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>

**The ECF should not be a mere subsidy scheme for industry.** Nor is it needed - the Commission's own impact assessment on the 2040 target highlights that most of industrial decarbonisation investments should come from private finance sources: *"The increase compared to historical investments (...) is much less significant in industry, and takes place in sectors where large companies dominate and where access to long-term finance is likely to be good as well."*<sup>27</sup>



Climate Strategy has published several reports (in 2024 and 2025)<sup>28</sup> on the need to integrate a **"financial efficiency-first" principle in the next MFF to make the most of limited EU funds.** "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. This means using the appropriate instrument (grant, loan, equity, guarantee) to deliver its maximum impact. While the Financial Regulation has already laid out a definition of efficiency (article 33), it has not been well-implemented across EU funds.<sup>29</sup> It therefore remains fundamental to further clarify and provide guidance on the efficiency principle in the context of the next MFF, particularly in the ECF as a fund that mainly targets late-stage technologies and industrial competitiveness.

**The "privileged option" described by the Commission in recital 14 is in line with the rationale of "financial efficiency first" and should be further enshrined in the articles of the ECF regulation.** This logic needs to be reflected in the ECF Work Programmes, which shall determine the actions that will be supported, associated budgets and forms of funding. The Work Programmes should be explicit in determining which actions shall benefit from the ECF InvestEU support, including when the Member State compartment should be incentivised to crowd-in more national resources. In other words, the choice to use InvestEU should not be left to the end of the process - it should be built into strategic programming.

**Delivering the ECF mainly via InvestEU will allow the ECF to be allocated in a proportional way across all Member States.**

The "privileged option" is not "anti-grant". It does not mean that grants or output-based support become secondary in all cases. It means that when a financing need can be addressed more efficiently through guarantees, loans, venture debt, equity or blended products that crowd in private capital, the ECF should use that route first - particularly as this is the kind of financing that a significant part of cleantech scale-ups are asking for. The privilege principle is therefore an efficiency rule tied to the nature of the market failure and the likely catalytic effect of the intervention.

**Delivering the ECF mainly via InvestEU will allow the ECF to be allocated in a proportional way across all Member States and addresses current concerns on its geographical balance.**<sup>30</sup> InvestEU is mandated to address market failures, suboptimal investment situations, and to ensure additionality (at least, this is the clear mandate in the current regulation).<sup>31</sup> If these principles are kept and well enshrined in the ECF, investments in less-developed regions (which tend to face more difficulties to access capital markets) and just transition regions are the places where InvestEU can actually bring in added value to support strategic projects. A briefing by Climate Strategy and Transport & Environment<sup>32</sup> provides recommendations on how to ensure that the additionality of InvestEU is improved and targeted to address the needs of

<sup>27</sup> European Commission. (2024). Securing Our Future: Europe's 2040 Climate Target and Path to Climate Neutrality by 2050. SWD(2024) 63 final, Impact Assessment Report. Available at [https://eur-lex.europa.eu/resource.html?uri=cellar:6c154426-c5a6-11ee-95d9-01aa75ed71a1.0001.02/DOC\\_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:6c154426-c5a6-11ee-95d9-01aa75ed71a1.0001.02/DOC_1&format=PDF)

<sup>28</sup> Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more Efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

<sup>29</sup> Ibid.

<sup>30</sup> Science Business. (2025). EU Countries Divided Over Geographical Rules for Competitiveness Fund. Available at <https://sciencebusiness.net/news/planning-fp10/eu-countries-divided-over-geographical-rules-competitiveness-fund>

<sup>31</sup> European Parliament & Council of the European Union. (2021). Regulation (EU) 2021/523 Establishing the InvestEU Programme. Official Journal of the European Union. Available at <https://eur-lex.europa.eu/eli/reg/2021/523/oj/eng>

<sup>32</sup> Climate Strategy & Transport & Environment. (2026). Derisking Finance for Competitive Sustainability: Proposals to make ECF InvestEU Instrument lift European Cleantech. Available at <https://www.climatestrategy.es/press/ECFInvestEUInstrument16042026.pdf>

end-beneficiaries with the most difficult access to private finance, taking into account geographical considerations.

The ECF proposal does not regulate the InvestEU instrument as in detail as the current Regulation (EU) 2021/523 does. Instead, it relies on Regulation (EU, Euratom) 2024/2509, on the financial rules applicable to the general budget of the Union (the “Financial Regulation”), which comes in to fill in the gaps left by a more general ECF proposal. **This creates several risks, as the Financial Regulation is not as specific as the current InvestEU regulation in defining core governance mechanisms and concepts**, such as the sustainability proofing requirements or the definition of additionality, that ensure well-targeted financial products and a prioritisation of investments in line with Europe’s climate and energy targets. Reintroducing these lost concepts and governance structures, and improving on existing practice, thus remains an important exercise in the on-going Council and Parliament negotiations.

Placing InvestEU as the privileged delivery mechanism of the ECF can ensure an efficient use of its limited resources.

Overall, placing InvestEU as the privileged delivery mechanism of the ECF can ensure an efficient use of its limited resources, although that’s not the end in itself: InvestEU is the *needed* mechanism to derisk new technologies and mobilise private financing for their scale and growth. This is not something that subsidies can do, which are per definition a “non competitive” investment. Instead, grants (and their aid intensity)<sup>33</sup> are the most precious EU currency that should be mainly reserved for those projects that need them, such as R&I investments for less mature technologies under Horizon Europe, technical assistance and capacity building, skills, public infrastructure or investments with social purposes.

The question that arises then is - what strategic sectors and technologies in the clean transition should be prioritised for InvestEU support, and which ones require what type of financing form? The governance structure of the ECF should be the mechanism by which the answers to those questions are found, but the Commission's proposal is unclear on this crucial point. The following section provides several governance proposals to drive an evidenced strategic prioritization in the ECF Work Programmes. Given the scarce resources in the ECF to address the clean transition investment gaps, **the key is not about "picking winners" per se, but about ensuring that the resources the EU does have (financially but also in terms of capacity) are made good use of.**



<sup>33</sup> The 'aid intensity' of the grant (notion from State Aid Guidelines) is also relevant. A high-aid-intensity grant might cover, for instance, 40% of a project's CAPEX, while a low-aid-intensity grant might cover 10%. This raises a useful reflection on what is a more efficient use of public money: an InvestEU loan of 40% of CAPEX to a project with 25% chances of default, or a grant of 10% of CAPEX to the same project?

## Strategic priority built on evidence and a balance between experts, stakeholders and political choices

**The ECF Clean Transition & Industrial Decarbonisation window, with an indicative budget of €26 billion, is far too small to address the investment needs of decarbonisation across sectors and make Europe competitive against global cleantech leaders, particularly China.** The Commission estimates a public funding gap of €18 billion in total by 2030 to manufacture just six strategic clean technologies in Europe.<sup>34</sup> Climate Strategy (2024) finds €37.8 billion of public funding missing to manufacture ten clean technologies by 2030.<sup>35</sup> I4CE's 2025 report on the annual climate investment gap finds signs of investments decreasing in several sectors.<sup>36</sup> The ECF Work Programmes must therefore determine what the most strategic use of this window should be - meaning in which sectors and technologies it is most needed, and what type of funding can best address investment needs on the ground.

A Climate Strategy report (2025)<sup>37</sup> recommends **anchoring the ECF Work Programmes in science-based sectoral decarbonisation investment gap assessments that identify where funding is most needed.** This means, 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, offering a granular assessment of how these decarbonisation investments can boost competitiveness for Europe, and what positive social and economic impacts can be derived locally. Doing this requires building on existing EU and national tools, including: National Energy and Climate Plans, National Building Renovation Plans, and other local sectoral pathways; Commission-led assessments and independent think tank reports that describe the investment gaps to meet Europe's climate and energy targets; and the EU Taxonomy as a detailed framework that provides sectoral benchmarks and standards for climate contribution per industry classification code.

The Commission announced in its Competitiveness Compass the creation of a Competitiveness Coordination Tool (CCT)<sup>38</sup> to deliver Draghi's recommendation<sup>39</sup> to identify sectoral priorities and guide European strategic actions.<sup>40</sup> The Institute for Climate Economics (I4CE)<sup>41</sup> sees in the CCT the landing point for strategic assessments of technology sector priorities for Europe. This requires **understanding the EU industrial strengths and vulnerabilities, prioritising the sectors that matter most, and aligning funds, regulation, and institutional capacity accordingly.** I4CE suggests that the success of the CCT requires both a clear methodology that is evidence-based and a governance that complements, without duplicating, existing structures. The report provides a methodology for how to build the CCT recommendations based on evidence and data, with quantitative metrics and expert judgement, to identify at a more granular level what clean sectors and technologies should be prioritised in EU investment and policy efforts.

The current reference to the CCT in the ECF does not clarify how, in practice, it may provide coordination of funding for European competitiveness, while current efforts in the Commission to develop the CCT appear to have stagnated. The I4CE proposal for an evidence-based governance approach to identify strategic priorities is, nevertheless, still relevant to feed into the governance processes inherent in the ECF.

**Academic literature on industrial policy points at best practices in designing transparent and accountable governance frameworks** that can deliver a healthy balance between expert input on data-driven assessments of sector-wide strengths and investment needs, political choices of priorities, and bottom-up discovery from the real economy on the state-of-the-art of technologies and practical, local needs of projects. This requires the involvement of experts, scientists, industry, investors and civil society stakeholders at different stages in the development of ECF Work Programmes, while introducing the necessary safeguards and check-and-balances to avoid risks of regulatory capture and conflict of interest.

**A three-tier model of expert and stakeholder input in the ECF is recommended:** an Observatory of Emerging Technologies with independent experts that evaluates and diagnoses, an ECF Strategic Stakeholders Board that reviews this diagnosis and translates it into recommendations on cross-sectoral strategic priorities, and Thematic Stakeholder Platforms that represent potential beneficiaries to discover and feed in real-economy intelligence. The Commission, as the leading EU public institution managing the ECF, would draft the Work Programmes following the strategic prioritisation of the Board, and in conjunction with inputs from the detailed assessments of the Thematic Platforms per window. Member States should have their own forum (the proposed ECF General Committee and policy-specific committees) to balance expert and stakeholder input with national policy priorities.

<sup>34</sup> European Commission. (2023). Investment Needs Assessment and Funding Availabilities to Strengthen EU's Net-Zero Technology Manufacturing Capacity. SWD(2023) 68 final. 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](https://single-market-economy.ec.europa.eu/system/files/2023-03/SWD_2023_68_F1_STAFF_WORKING_PAPER_EN_V4_P1_2629849.pdf)

<sup>35</sup> Climate Strategy & Partners. (2024). Industry and Cleantech Brief. Available at <https://www.climatestrategy.eu/press/Industry&Cleantechbrief.pdf>

<sup>36</sup> I4CE. (2025). The State of Europe's Climate Investment, 2025 Edition. Available at <https://www.i4ce.org/en/publication/state-europe-climate-investment-2025-edition/>

<sup>37</sup> Climate Strategy & Partners. (2025). Filling the EU Climate Investment Gap more Efficiently: A Policy Brief. Available at <https://www.climatestrategy.eu/press/MFFBrief24092025.pdf>

<sup>38</sup> European Commission. (2025). A Competitiveness Compass for the EU. COM(2025) 30 final. Available at

[https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34\\_en?filename=Communication\\_1.pdf](https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34_en?filename=Communication_1.pdf)

<sup>39</sup> Draghi, M. (2024). The Future of European Competitiveness: A Competitiveness Strategy for Europe. European Commission. Available at

[https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961\\_en?filename=The%20future%20of%20European%20competitiveness%20\\_%20A%20competitiveness%20strategy%20for%20Europe.pdf](https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en?filename=The%20future%20of%20European%20competitiveness%20_%20A%20competitiveness%20strategy%20for%20Europe.pdf)

<sup>40</sup> What we see today is that the CCT effectively operates in practice at project level via a series of pilot projects, instead of at sector level.

<sup>41</sup> I4CE. (2025). The Competitiveness Coordination Tool. Available at [https://www.i4ce.org/wp-content/uploads/2025/10/The-Competitiveness-Coordination-Tool\\_October\\_2025.pdf](https://www.i4ce.org/wp-content/uploads/2025/10/The-Competitiveness-Coordination-Tool_October_2025.pdf)

## Four principles to design a balanced, independent and accountable governance framework

The academic literature on industrial policy and institutional design provides several lessons that can be translated to the development of an effective governance for the ECF. **The challenge of preventing political capture by lobbyists has been long-studied in the context of industrial policy and aims at integrating strategic private-public sector collaboration to balance top-down prioritisation with bottom-up entrepreneurial discovery.** For instance, Dani Rodrik's extensive work in this field points at the need for increased government "embeddedness" with society at large - providing a good reminder the "intended beneficiary of industrial policy is neither bureaucrats nor businesses, but society at large."<sup>42</sup> At the same time, keeping enough autonomy of the government is fundamental to transcending individual interests of powerful private sector actors, in what he calls "**embedded autonomy**".<sup>43</sup> International organisations like the OECD have also published useful papers to support the design of good governance and sound public decision-making. These principles have been put into practice in the 'Institutionalised European Partnerships'<sup>44</sup> operating under the Horizon Europe budget.

The following four principles can be identified as common best practices from literature and serve to orient the design of expert boards and stakeholders platforms in the ECF to integrate an inclusive body of private sector voices:

**1. Provide narrow, strategic mandates** focused on diagnosis of market needs and identification of bottlenecks, as the public sector is likely to lack this dense and granular information that private sector actors can provide. Deliberation councils, sectoral round-tables and investment advisory councils are examples of networks that can foment discovery and learning.<sup>45</sup> They should also be involved in the evaluation of outcomes to learn from mistakes and identify future improvements.

Robert Devlin's work on industrial-policy councils warns that once councils move into policy micro-specifics, the risks of conflicts of interest, rent seeking, and collusion rise. Councils' mandates should stick to the principles, guidelines, directions, and selected options for policy, while still avoiding ambiguity and, therefore, be operationally and politically relevant.<sup>46</sup> This suggests creating a macro-level body of experts (the ECF Stakeholders Board) to guide strategic prioritisation of technology sectors, but without mandating specific actions or calls for the Work Programmes, which would instead be developed by a public institution (the Commission in the EU's case). The broader and larger Thematic Platforms of stakeholders can be useful consultation bodies with businesses, investors and civil society to promote entrepreneurial and societal discovery, but without directly involving them in the drafting of specific calls in Work Programmes.

**2. Use open, contestable appointments that prioritize diversity of stakeholders.** The OECD recommends actively picking input from underrepresented stakeholders to counteract the structural advantages of the best organised interest groups.<sup>47</sup> In these lines, Gopinatham et al.<sup>48</sup> argue that diversity of stakeholders brings quality (scientific adequacy of the evidence and arguments), relevance (responsiveness to decision-makers' concerns), and legitimacy (whether the process is respectful of divergent values, unbiased, and fair). The latter is particularly relevant to ensure civil society is involved in these boards, as they represent the wider public interest. On the other hand, a lack of diversity in advisory boards and forums can undermine the legitimacy of the decisions taken and increase the risks of capture and rent seeking.<sup>49</sup>

<sup>42</sup> Rodrik, D. (2008). Normalizing Industrial Policy. World Bank Commission on Growth and Development, Working Paper No. 3. Available at <https://openknowledge.worldbank.org/server/api/core/bitstreams/c039ef83-e3f8-5be3-b3d6-750e9cb5d547/content>

<sup>43</sup> Ibid.

<sup>44</sup> European Commission. (n.d.). European Partnerships in Horizon Europe. Available at [https://research-and-innovation.ec.europa.eu/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe/european-partnerships-horizon-europe\\_en](https://research-and-innovation.ec.europa.eu/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe/european-partnerships-horizon-europe_en)

<sup>45</sup> Rodrik, D. (2008). Normalizing Industrial Policy. World Bank Commission on Growth and Development, Working Paper No. 3. Available at <https://openknowledge.worldbank.org/server/api/core/bitstreams/c039ef83-e3f8-5be3-b3d6-750e9cb5d547/content>

<sup>46</sup> Devlin, R. (2014). Towards Good Governance of Public-Private Alliance Councils Supporting Industrial Policies in Latin America. Inter-American Development Bank, Technical Note IDB-TN-615. Available at <https://webimages.iadb.org/publications/english/document/Towards-Good-Governance-of-Public-Private-Alliance-Councils-Supporting-Industrial-Policies-in-Latin-America.pdf>

<sup>47</sup> OECD. (2017). Preventing Policy Capture: Integrity in Public Decision Making. Available at [https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/03/preventing-policy-capture\\_g1g78280/9789264065239-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/03/preventing-policy-capture_g1g78280/9789264065239-en.pdf)

<sup>48</sup> Gopinathan, U., Hoffman, S. J., & Ottersen, T. (2018). Scientific Advisory Committees at the World Health Organization: A Qualitative Study of How Their Design Affects Quality, Relevance, and Legitimacy. *Global Challenges*, 2(9), 1700074. Available at <https://onlinelibrary.wiley.com/doi/full/10.1002/gch2.201700074>

<sup>49</sup> OECD. (2017). Preventing Policy Capture: Integrity in Public Decision Making. Available at [https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/03/preventing-policy-capture\\_g1g78280/9789264065239-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/03/preventing-policy-capture_g1g78280/9789264065239-en.pdf)

According to Behdinan et al. work on Scientific Councils,<sup>50</sup> a mid-size body (between 6 to 12 members) is usually the safest choice to avoid low reliability of too small groups, but diminishing returns of too large groups. For high-level expert bodies, a small group with varied expertise is usually safer than a large body dominated by peak interests or a single professional network. Multispecialty and heterogeneous groups perform better than single-specialty groups and help prevent biased or extreme recommendations.

**3. Make transparency operational and progress measurable.** To ensure that the overall bureaucratic apparatus is responsive to the “ultimate principal” of industrial policy (that is, the general public),<sup>51</sup> accountability measures are essential. Rodrik recommends appointing a high-level political profile or “champion” to explain why specific decisions have been made, and who can be held politically responsible for things going right or wrong. Ensuring the programme follows key quantitative and qualitative targets to report on frequently also helps identify successes and explain failures or deviations.

OECD work<sup>52</sup> on policy capture also finds that transparency can improve legitimacy and cut corrupt or biased conduct, especially when combined with meaningful participation and oversight. Both Rodrik and the OECD recommend timely publication of relevant activities that should cover the whole policy cycle, not only final decisions, such as background studies and open data at agenda-setting stage, publication of activities and meetings of the advisory councils, disclosure of meetings with external stakeholders and public periodic accounting of the expenditures. A major anti-capture principle recommended by the OECD is making influence visible by publishing information about meetings with external stakeholders, disclosing relevant officials’ private interests, publishing donor names for political parties and candidates, and making advisory-group membership, agendas, minutes, and submissions public so their work can be scrutinised.

The OECD warns that transparency does not mean flooding the public with documents. Instead, information should be “proactively” published in a way that is usable: timely enough to matter, reliable enough to trust, accessible enough to obtain, and intelligible enough to understand. Information released too late weakens public debate and can even make manipulation easier. Providing access to information upon demand, including through freedom-of-information rules, is also needed.

**4. Invest in an independent secretariat and analytical capacity.** Advisory bodies without their own staff often become dependent on ministries, lobbyists, or consultants for information. Research shows that a resourceful secretariat plays a crucial role in guaranteeing independence and efficiency of decision-making<sup>53</sup> and must balance responsiveness to the external political environment with protection from interference.<sup>54</sup> Comparative research on regulators also finds that greater staffing is associated with perceived higher-quality work.<sup>55</sup> Reallocating EU capacity and resources to ensure administrative capacity of advisory functions in the ECF will support making a good use of time and efforts in putting together this governance framework.



<sup>50</sup> Behdinan, A., et al. (2018). An Overview of Systematic Reviews to Inform the Institutional Design of Scientific Advisory Committees. *Global Challenges*, 2(9) 1800019. Available at <https://pmc.ncbi.nlm.nih.gov/articles/PMC6174971/>

<sup>51</sup> Rodrik, D. (2008). Normalizing Industrial Policy. World Bank Commission on Growth and Development, Working Paper No. 3. Available at <https://openknowledge.worldbank.org/server/api/core/bitstreams/c039ef83-e3f8-5be3-b3d6-750e9cb5d547/content>

<sup>52</sup> OECD (2017). Preventing Policy Capture: Integrity in Public Decision Making. Available at [https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/03/preventing-policy-capture\\_g1g78280/9789264065239-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/03/preventing-policy-capture_g1g78280/9789264065239-en.pdf)

<sup>53</sup> OECD. (2016). Being an Independent Regulator. The Governance of Regulators. OECD Publishing. Available at [https://www.oecd.org/content/dam/oecd/en/publications/reports/2016/07/being-an-independent-regulator\\_g1g66e65/9789264255401-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2016/07/being-an-independent-regulator_g1g66e65/9789264255401-en.pdf)

<sup>54</sup> Gopinathan, U., Hoffman, S. J., & Ottersen, T. (2018). Scientific Advisory Committees at the World Health Organization: A Qualitative Study of How Their Design Affects Quality, Relevance, and Legitimacy. *Global Challenges*, 2(9), 1700074. Available at <https://onlinelibrary.wiley.com/doi/full/10.1002/gch2.201700074>

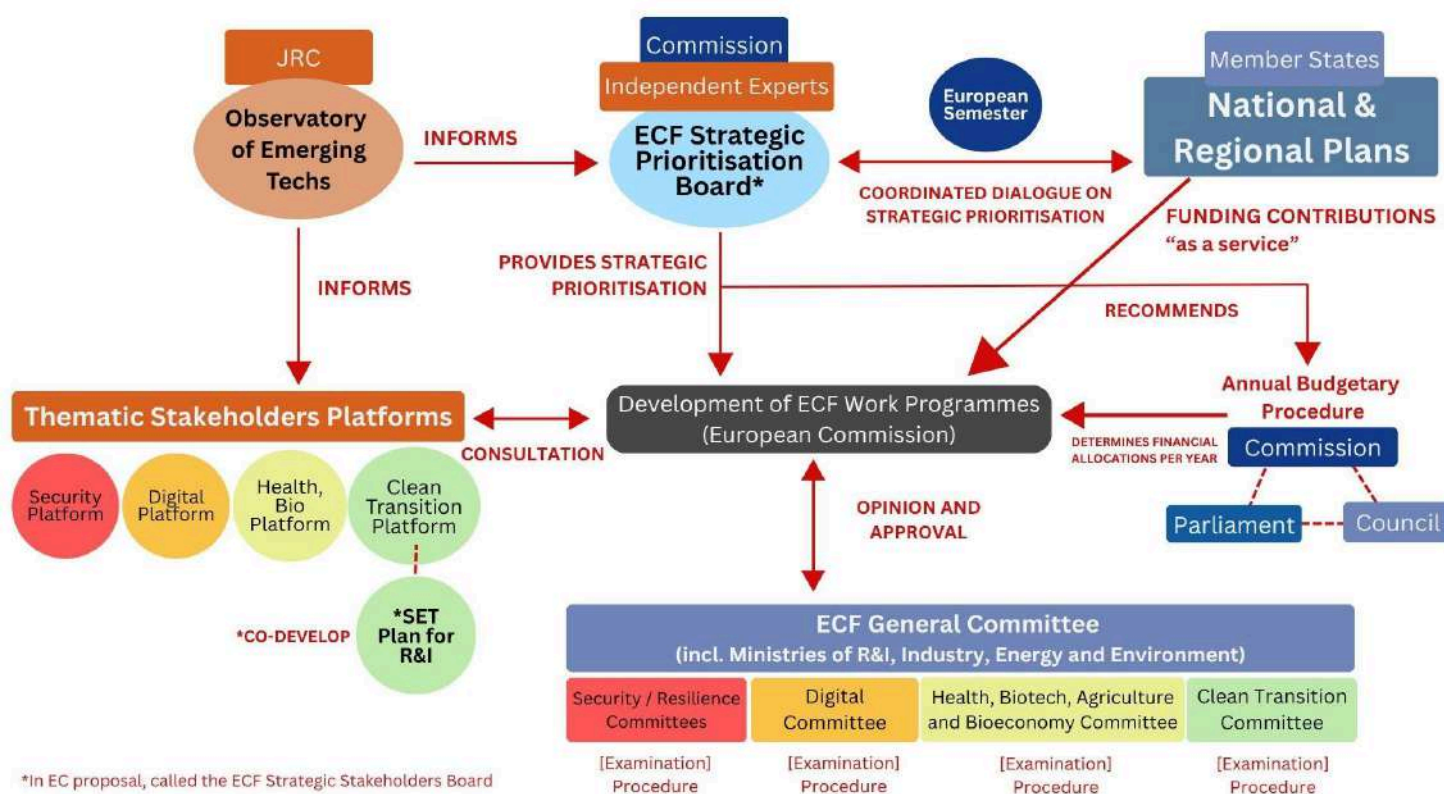
<sup>55</sup> Hanretty, C., Larouche, P., & Reindl, A. (2012). Independence, Accountability and Perceived Quality of Regulators. Centre on Regulation in Europe (CERRE). Available at [https://cerre.eu/wp-content/uploads/2012/03/120306\\_IndependenceAccountabilityPerceivedQualityofNRAs.pdf](https://cerre.eu/wp-content/uploads/2012/03/120306_IndependenceAccountabilityPerceivedQualityofNRAs.pdf)

## Expert input for data-driven priority setting

The **Observatory of Emerging Technologies** proposed in the ECF regulation (article 14) is a worthwhile initiative that will feed relevant evidence on Europe's strength in such technologies to independent experts in the ECF Strategic Stakeholders Board and to the Commission. The ECF proposal does not clarify nor detail further the Observatory's specific methodologies to build this analysis. **I4CE suggests<sup>56</sup> a transparent methodology for strategic prioritisation of technology sectors, which could build the basis for the Observatory analysis.** It combines quantitative and qualitative indicators to assess sectors along two axes – Competitiveness and Strategic Importance – considering factors such as innovation capacity, supply dependencies, climate relevance, and dual-use potential. The evidence gathered should unveil value-chain perspectives on R&I performance on emerging technologies, manufacturing bottlenecks, deployment barriers, financing gaps and market failures across the full investment journey.

Institutionally, the most coherent option to house an independent, evidence-based Observatory is the Joint Research Centre (JRC), which can build on existing initiatives and structures that already have extensive know-how in key sectors, such as the Clean Energy Technology Observatory (CETO).<sup>57</sup> CETO monitors the EU research and innovation activities on clean energy technologies, their value chains and market outlook. The Net Zero Industry Act also foresees an observatory effort<sup>58</sup> that must be integrated to avoid duplications. To maintain independence and reduce capture risk (acknowledging the JRC has existing due diligence processes for this)<sup>59</sup> key basics are: ensuring that the methodology for assessments is published and transparent, mandatory publication of datasets/assumptions where possible, external peer review, and a rule that any outside experts contributing to its work file public declarations of financial, institutional and intellectual interests.

Chart 2: A proposal for an expert-led, evidenced governance architecture of the ECF



<sup>56</sup> I4CE. (2025). The Competitiveness Coordination Tool. Available at [https://www.i4ce.org/wp-content/uploads/2025/10/The-Competitiveness-Coordination-Tool\\_October\\_2025.pdf](https://www.i4ce.org/wp-content/uploads/2025/10/The-Competitiveness-Coordination-Tool_October_2025.pdf)

<sup>57</sup> European Commission. (n.d.). Clean Energy Technology Observatory. Available at [https://setis.ec.europa.eu/publications-and-documents/clean-energy-technology-observatory\\_en](https://setis.ec.europa.eu/publications-and-documents/clean-energy-technology-observatory_en)

<sup>58</sup> Article 42, Regulation (EU) 2024/1735 (Net Zero Industry Act). Available at <https://eur-lex.europa.eu/eli/reg/2024/1735/oj/eng>

<sup>59</sup> European Commission. (2024). Joint Research Centre Annual Activity Report 2024. Available at

[https://commission.europa.eu/document/download/d8e9b30d-c779-420c-8355-c12e79eae772\\_en?filename=JRC\\_AAR\\_2024\\_final+.pdf](https://commission.europa.eu/document/download/d8e9b30d-c779-420c-8355-c12e79eae772_en?filename=JRC_AAR_2024_final+.pdf)

As I4CE emphasises: “such results can equip policymakers with the evidence needed to make hard industrial policy choices and challenge entrenched assumptions”<sup>60</sup> - whether that is providing further support in under-recognised sectors or bringing “reality checks” in those that are more heavily subsidised, or where Europe is less competitive and prove to be less strategic. **The ECF Strategic Stakeholders Board can then review, reflect and challenge the Observatory’s findings and translate them into concrete recommendations on strategic priorities for the ECF Work Programmes.**

The Board (which for clarity of functions, could be renamed “Strategic Prioritisation Board”) should bring together several high-level representatives of expert bodies, industry, investors and civil society that review the Observatory’s findings, identify missing evidence, stress-test assumptions, and advise on strategic prioritisation across the ECF windows and Work Programmes. This is an advisory function in line with what the Commission proposed in article 14,<sup>61</sup> but more concretely tied to the Observatory process and following the evidence obtained from its strategic assessments of sectors and technologies.

Best practices in industrial policy recommend keeping the Board’s size to a middle ground - around 10-12 experts from varied expertise and multispecialties across the ECF sectors. **Its recommendations should be high-level sector guidelines and avoid policy micro-specifics and project-specific selection, while remaining actionable and implementable.** This should avoid risks of capture and conflict of interest in the implementation of the ECF. A good example of the types of deliverables we would expect the Board to produce is illustrated by the “Strategic priorities for the Energy work programme 2018-2020” developed by the Advisory Group on Energy for Horizon 2020.<sup>62</sup> The granular development of the ECF Work Programmes, in terms of calls and instrument design should instead be the role of a fully independent public institution (i.e. the European Commission).

**The Board should also have a role in reviewing the Commission-led ECF Work Programmes, and require the Commission to explain when it follows or departs from the Board’s advice (comply or explain principle).** This evaluation step can ensure the ECF Work Programmes are aligned with the Observatory’s findings and Board recommendations. The Board should aim for pluralism and contestability that can be achieved with open calls for nominations, fixed terms, balanced representation across academia, technology experts, investors, SMEs, trade unions, civil society, regional actors and end-beneficiary perspectives, with no single constituency able to dominate. The Commission is supposed to publish more detailed rules on selection and composition, remuneration, rules of procedure, conflicts of interest and confidentiality for the Board. Transparency requirements for the Board could include: publishing agendas and minutes of meetings, publishing information about meetings with external stakeholders and disclosing the members’ private interests.



<sup>60</sup> Flagship sectors such as wind and batteries may need safeguarding or stronger support; under-recognised sectors like heat pumps merit greater policy attention; and heavily subsidised ones such as hydrogen may require a “reality check” (European Court of Auditors, 2024). Extracted from I4CE. (2025). The Competitiveness Coordination Tool. Available at [https://www.i4ce.org/wp-content/uploads/2025/10/The-Competitiveness-Coordination-Tool\\_October\\_2025.pdf](https://www.i4ce.org/wp-content/uploads/2025/10/The-Competitiveness-Coordination-Tool_October_2025.pdf)

<sup>61</sup> “Advises on the overall direction for the ECF, advise on long-term competitiveness trends, advise on areas of market failures and suboptimal investment situations that could be addressed in the implementation of the ECF, and advise on the identification of strategic portfolios of projects within and across activities of the ECF.” Extracted from European Competitiveness Fund (ECF). Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025PC0555>

<sup>62</sup> Extracted from Report of the Horizon 2020 Advisory Group on Energy (no online version)

## Lessons learned on good design of advisory bodies from the Platform on Sustainable Finance

The design of the ECF advisory bodies should be informed by the experience of the Platform on Sustainable Finance, which was established by Regulation (EU) 2020/852<sup>63</sup> on the EU Taxonomy for sustainable activities. **The Platform is tasked with advising the Commission on technical screening criteria<sup>64</sup> for the EU Taxonomy and the overall sustainable finance framework.** It brings together industry and finance experts, academics and civil society, representing both the public and private sectors,<sup>65</sup> and aims for a high level of technical and operational expertise to address the technicalities of the EU Taxonomy.

The Platform currently has 35 members,<sup>66</sup> out of which 28 were selected by the Commission following a call for applications based on expertise, professional experience and technical knowledge, balanced with geographical and gender criteria.<sup>67</sup> The rest of the members are directly appointed from Union Agencies and bodies,<sup>68</sup> combining institutional expertise with open selection. The Platform's work is complemented through consultation channels via the Stakeholder Request Mechanism (SRM)<sup>69</sup>, which serves to allow external stakeholders to present technical or scientific suggestions that contribute to new taxonomy activities, the revision of existing criteria or implementation matters.

In practice, the Platform works through a plenary of members and observers that counts with flexible *ad hoc* workstreams<sup>70</sup> that deal with specific technical subjects.<sup>71</sup> This is an interesting characteristic as it allows for a strategic core capable of delegating technical details to smaller work units. Keeping the body manageable with structured channels for specialised technical work makes this model well-suited for sectors where priorities evolve and expertise must be mobilised selectively across all issues. **This model can serve, for example, to identify a workable, structured format for the Thematic Stakeholders Platforms that may be created under each policy window of the ECF.**

The Platform's priorities and topics that guide its work are set by the Commission.<sup>72</sup> While this is crucial to ensure the experts' work is aligned with the EU legislative agenda, it means the Platform is not an independent agenda-setter and lacks autonomy in strategic prioritisation. The Commission is also not bound by the Platform's recommendations<sup>73</sup>, which can create issues of accountability and an unbalanced relationship between expert advice and political discretion.<sup>74</sup> **In the case of the ECF, we think that the findings and recommendations from the Observatory of Emerging Technologies should serve as the agenda-setter for the ECF Strategic Stakeholders Board's work.**

A notorious example of the dilemma between expert recommendations and political discretion was the Complementary Climate Delegated Act<sup>75</sup> on nuclear energy and gas presented by the Commission, which went against the recommendations of the PSF and proved highly controversial among experts on the Taxonomy. **The Platform had unreasonable deadlines to react to the draft, which hindered its ability to deliver and reach a consensus on several points,<sup>76</sup> particularly as they required careful technical discussion.** Minimum response windows and specific rules to handle disagreements are fundamental for meaningful (unpaid) expert input. The Parliament objected against this Delegated Act through the competent committees, but it could not reach the absolute majority necessary to block it<sup>77</sup> (which, on such a technical file, is very hard to do). The Delegated Act came into force in January 2023. Austria brought an action for annulment,<sup>78</sup> but was dismissed at the General Court in September 2025.

**A critical flaw in the system is that the Commission can choose not to align with the Platform's vision without proper justification,** against the "comply or explain" principle, thus the advisory process can start to look more performative than significant.<sup>79</sup> The lesson learned is that advisory bodies can be well designed and yet still underperform if the institutional user of that advice does not systematically justify divergence.

Emde (2025)<sup>80</sup> identifies several other improvements for the design of the Platform to ensure a quality, evidence-driven and legitimate advisory process that fully integrates the views of a wide variety of expert perspectives. These points serve as an illustration of where the ECF governance can build on: improved transparency in the selection of members, more balanced membership (currently civil society organisations are only 8% of members), and compensating members for fairness of workload (and potentially include a secretariat that supports them).

<sup>63</sup> Art. 20, Regulation (EU) 2020/852 (Taxonomy Regulation). Available at <https://eur-lex.europa.eu/eli/reg/2020/852/oj/eng>

<sup>64</sup> Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852>

<sup>65</sup> *Ibid.*

<sup>66</sup> They operate on two-year mandates. Platform on Sustainable Finance - Terms of Reference, Point 7. Membership, p. 4. Available at

[https://finance.ec.europa.eu/document/download/8e875fce-9e79-443d-9b1f-eee1554904ad\\_en?filename=2025-sustainable-finance-platform-applications-terms-reference\\_en.pdf](https://finance.ec.europa.eu/document/download/8e875fce-9e79-443d-9b1f-eee1554904ad_en?filename=2025-sustainable-finance-platform-applications-terms-reference_en.pdf)

<sup>67</sup> Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852>

<sup>68</sup> Art. 20, Taxonomy Regulation. Including the European Environment Agency, EIB, EIF, three supervisory agencies and the EAFR. Available at <https://eur-lex.europa.eu/eli/reg/2020/852/oj/eng>

<sup>69</sup> Retrieved from the European Commission's official website on the Platform on Sustainable Finance, Involvement of the public: External outreach and feedback. Available at

[https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance\\_en](https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en)

<sup>70</sup> Art. 20(4), Taxonomy Regulation. Available at <https://eur-lex.europa.eu/eli/reg/2020/852/oj/eng>

<sup>71</sup> Retrieved from the European Commission's official website on the Platform on Sustainable Finance, How is the platform organised? Available at

[https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance\\_en](https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en)

<sup>72</sup> Retrieved from the European Commission's official website on the Platform on Sustainable Finance, What does the platform do? ("the Commission has identified a number of priorities that will guide the platform's work"). Available at [https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance\\_en](https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en)

<sup>73</sup> The PSF's role is to "advise" the Commission, according to the European Commission's official website on the Platform on Sustainable Finance, What does the platform do? Available at

[https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance\\_en](https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en)

<sup>74</sup> Emde, S. (2025). Strengthening EU Participatory Governance: Lessons Learnt from the Platform on Sustainable Finance, Egmont Policy Brief 391, Point 4. Lack of accountability, p. 3. Available at

[https://egmontinstitute.be/app/uploads/2025/09/Sebastian-Emde\\_Policy\\_Brief\\_391\\_vFinal.pdf?type=pdf](https://egmontinstitute.be/app/uploads/2025/09/Sebastian-Emde_Policy_Brief_391_vFinal.pdf?type=pdf)

<sup>75</sup> Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022, C/2022/631, OJ L 188, 15.7.2022, pp. 1-45. Available at [https://eur-lex.europa.eu/eli/reg\\_del/2022/1214/oj/eng](https://eur-lex.europa.eu/eli/reg_del/2022/1214/oj/eng)

<sup>76</sup> Emde, S. (2025). Strengthening EU Participatory Governance: Lessons Learnt from the Platform on Sustainable Finance, Egmont Policy Brief 391, Point 3. Lack of Fairness, pp. 2-3. Available at

[https://egmontinstitute.be/app/uploads/2025/09/Sebastian-Emde\\_Policy\\_Brief\\_391\\_vFinal.pdf?type=pdf](https://egmontinstitute.be/app/uploads/2025/09/Sebastian-Emde_Policy_Brief_391_vFinal.pdf?type=pdf)

<sup>77</sup> European Parliament (2022). Press Release: Taxonomy: MEPs do not object to inclusion of gas and nuclear activities. Available at

<https://www.europarl.europa.eu/news/en/press-room/20220701IPR34365/taxonomy-meps-do-not-object-to-inclusion-of-gas-and-nuclear-activities>

<sup>78</sup> Case T-625/22 Austria v Commission. Available at [https://infocuria.curia.europa.eu/tabs/affair?sort=AFF\\_NUM-DESC&searchTerm=%22T-625%2F22%22&publishedId=T-625%2F22](https://infocuria.curia.europa.eu/tabs/affair?sort=AFF_NUM-DESC&searchTerm=%22T-625%2F22%22&publishedId=T-625%2F22)

<sup>79</sup> WWF. (2021). WWF suspends activities in the Commission's Sustainable Finance Platform. Available at <https://www.wwf.eu/73125966/WWF-suspends-activities-in-Commissions-Sustainable-Finance-Platform>

<sup>80</sup> Emde, S. (2025). Strengthening EU Participatory Governance: Lessons Learnt from the Platform on Sustainable Finance, Egmont Policy Brief 391, Point 4. Lack of accountability, p. 3. Available at

[https://egmontinstitute.be/app/uploads/2025/09/Sebastian-Emde\\_Policy\\_Brief\\_391\\_vFinal.pdf?type=pdf](https://egmontinstitute.be/app/uploads/2025/09/Sebastian-Emde_Policy_Brief_391_vFinal.pdf?type=pdf)

## Informed political choices to align EU and national priorities

The role of the Observatory and the Board contributes to preserving the legitimacy of priorities grounded on evidence, while the final political choice should be kept with the Commission, assisted by committees of Member State representatives.<sup>81</sup> The **ECF General Committee** composed of representatives of Member States can be engaged via the Competitiveness Council to endorse the priorities identified by the Board. It serves as a useful forum to build towards increased alignment between EU strategic priorities and national ones, and mobilise national investment planning in line with the findings of the Observatory. In the energy field, an initiative is already underway to push SET Plan countries to commit national money to innovation, via the SET Plan's 'Implementation and Investment Commitments' due to be handed in for each sector by Q2 2027.<sup>82</sup>

As suggested by I4CE, this combination of Council involvement with structured input from experts, industry, and civil society can serve not just to guide ECF funding, but also to enable joint actions among Member States and "coalitions of the willing" around the prior identified strategic priorities. One way this could be done is, for instance, by incentivising contributions to the InvestEU Member State compartment or other "as a service" funding mechanisms like auctions to support specific priority actions as identified in the ECF Work Programmes.

At the sector-specific level, the Commission proposes to create several configurations of committee, including one for its proposed Clean Transition & Industrial Decarbonisation window, and potentially subcommittees depending on the specific components of each window. This is current practice in Horizon Europe. These committees can involve different national ministries to coordinate, particularly as the Clean Transition window addresses cross-sectoral decarbonisation of transport, buildings, industry, etc. Member States representatives should liaise with all relevant national ministries connected to energy, climate and environment for the Clean Transition window, research, innovation and science ministries to ensure synergies with R&I growth paths and, of course, industry ministries to ensure good pass-through of discoveries to products. Alternatively, all these ministries should attend comitology meetings.

**The Political Steering Mechanism should also build on the assessments of the Observatory and align with the recommendations of the ECF Stakeholders Board.**



A well-balanced approach to political priority-setting seconded with evidenced and expert-led recommendations is not just critical to mitigate the risks of lobbying and regulatory capture, but also to unlock potential national clashes on priority setting based on own national interests. The combination of EU-level bodies for prioritization, the Commission-led drafting of Work Programmes and the national check procedures can also ensure that ECF funding goes where EU added value is most necessary.

The most recent discussions in Council also point to the creation of a Member State-led body, the "**Political Steering Mechanism**" to determine budgetary priorities in the ECF and Horizon Europe. According to a letter from President Von der Leyen, this mechanism is proposed to maintain a level of oversight for Council and European Parliament when the budget entails increased flexibilities and identify budgetary priorities to feed into the Annual Budgetary Procedure. The mechanism would be supported by an integrated strategic report on policy priorities that would be prepared every autumn by the Commission and built on reports from the European Semester, the CCT, NECPs, etc. To ensure synergies, avoid duplication of efforts, and integrate structured expert input, this Steering Mechanism should also build on the assessments of the Observatory and align with the recommendations of the ECF Stakeholders Board. The Steering Mechanism should also be designed to complement and not duplicate the role of the ECF General Committee.

<sup>81</sup> As regulated under the comitology procedure set in Regulation 182/2011 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>

<sup>82</sup> European Commission. (2025). SET Plan Governance, Adopted 4 November 2025. Expert Groups Register, Document 124168. Available at <https://ec.europa.eu/transparency/expert-groups-register/core/api/front/document/124168/download>

## Discovery process with structured stakeholder input

Finally, to effectively translate high-level priorities into Work Programmes that reflect the real-economy needs and state-of-the-art, the Commission needs to enable a structured consultation process with stakeholder input that includes research centres and universities, industry and business representatives, civil society and investor platforms. Regional and local actors are also relevant to ensure that effective information on local needs and bottlenecks is identified. The ECF proposal establishes thematic platforms per policy window of the ECF to serve as consultation forums with stakeholders,<sup>83</sup> although it does not detail their specific membership and institutional processes. These **Thematic Platforms** of stakeholders should be an open and participatory part of the ECF governance framework that push for entrepreneurial discovery. They are the place to surface information bottom-up that central institutions often miss: non-price barriers, deployment bottlenecks, value-chain gaps, local permitting issues, financing constraints for SMEs and households, skills shortages, and emerging market signals.

A wide diversity of stakeholder involvement makes these platforms essential, but also potentially vulnerable to incumbents crowding out challengers. To ensure inclusivity of smaller actors, which may be the ones developing the most relevant innovations, anti-capture rules can be established aimed at facilitating access such as transparent participation criteria, specific quotas for underrepresented actors (e.g. civil society and labour, start-ups and scale-ups, SMEs, local and regional authorities) and a duty to summarise minority views rather than only majority positions. Time-limit platform mandates, rotating chairs, and prohibiting the platforms from recommending named firms or negotiating bespoke support are other types of rules that can be integrated in the code of conduct. Many of these provisions are already incorporated in the Terms of Reference of energy-related European Technology Platforms, known as 'ETIPs'<sup>84</sup>. Their output should also be considered structured input into the Observatory data-gathering processes and Board recommendations.



The Platforms should be supported with the necessary permanent resources, including an independent secretariat - as this is the case for ETIPs.<sup>85</sup> Further travel costs and meeting related expenses must be provided to level the playing field between small firms, independent experts and those employed by large, well capitalized companies and institutions.

Finally, the Commission proposes that the ECF Work Programme specifically include sections for collaborative research and innovation activities (that is, Pillar II of Horizon Europe). This integrated governance is currently being contested in Parliament, where the ITRE draft opinion<sup>86</sup> recommends separating the Horizon Europe Work Programmes from the ECF ones. If the final institutional agreement follows the Commission's integrated approach, research and innovation voices<sup>87</sup> have recommended that for the energy R&I domain, stakeholders should channel their views through the Strategic Energy Technology Plan's long-standing structures<sup>88</sup> where views from a variety of public and private interest groups are already systematically collected. This is an important governance choice because it avoids building a parallel structure where a credible and long-term one already exists. The right approach is therefore not institutional multiplication but institutional integration: use the ECF to connect existing expert-led structures to build towards a common strategic direction.

<sup>83</sup> "The Commission will consult with stakeholders the development of Work Programmes via several thematic platforms per window" (Article 14(11))

<sup>84</sup> ETIP PV. (2024). Terms of Reference of the European Technology and Innovation Platform on Photovoltaics. May 2024. Available at [https://media.etip-pv.eu/filer\\_public/23/8a/238ad410-06cd-4717-8ff5-159928d27f1e/etip\\_pv\\_term\\_of\\_reference\\_may24.pdf](https://media.etip-pv.eu/filer_public/23/8a/238ad410-06cd-4717-8ff5-159928d27f1e/etip_pv_term_of_reference_may24.pdf)

<sup>85</sup> European Commission. (2025). Horizon Europe Work Programme 2025 — Support to the SET Plan Community. Topic HORIZON-CL5-2025-02-D2-11. Available at <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/topic-details/horizon-cl5-2025-02-d2-11>

<sup>86</sup> European Parliament, Committee on Industry, Research and Energy. (2026). Draft Report on the Proposal for a Regulation Establishing Horizon Europe 2028-2034. Rapporteur: Christian Ehler. PE785.237. Available at [https://www.europarl.europa.eu/doceo/document/ITRE-PR-785237\\_EN.pdf](https://www.europarl.europa.eu/doceo/document/ITRE-PR-785237_EN.pdf)

<sup>87</sup> Climate Strategy & Partners, et al. (2025). Nine Recommendations for the European Competitiveness Fund and Horizon Europe to Deliver Targeted and Predictable Support in the Lab-to-Scale Journey of Cleantech Innovators. Joint Letter, 2 December 2025. Available at <https://www.climatestrategy.es/press/JointLetterECFHEU02122025v2.pdf>

<sup>88</sup> European Commission. (2025). Strategic Energy Technology Plan. Available at [https://energy.ec.europa.eu/topics/research-and-technology/strategic-energy-technology-plan\\_en](https://energy.ec.europa.eu/topics/research-and-technology/strategic-energy-technology-plan_en)

## EU Strategic Prioritisation can steer National and Regional investments under NRPPs

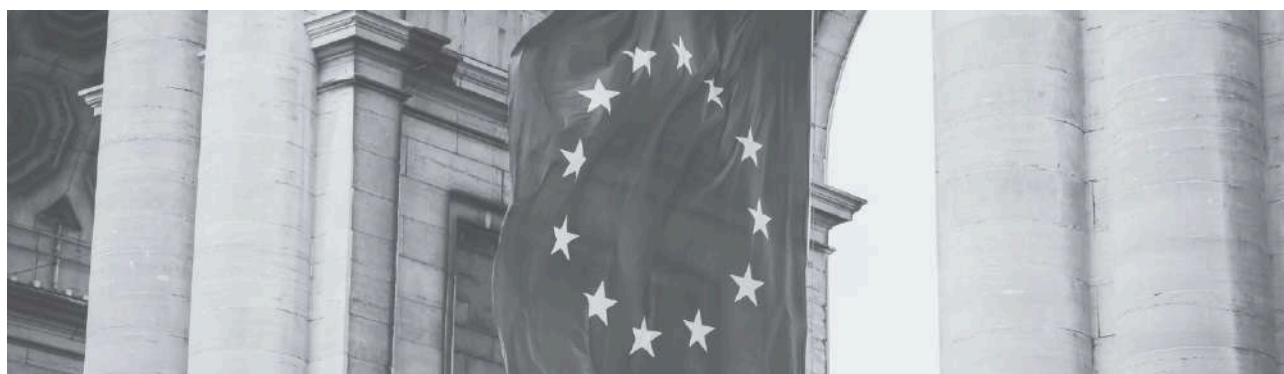
National and Regional Partnership Plans (NRPPs) have a €783 billion budget and are managed by Member States and regions. They also should address investment needs in clean technologies and the clean transition of industry, research and innovation, and contribute to climate and energy objectives in line with NECPs. To drive strategic prioritisation across the whole MFF around common EU-wide priorities in these sectors and coordinate EU and national investments, the governance of the ECF needs to be tightly connected with that of the NRPPs.

Landing ECF strategic priorities in the local context requires the Observatory to integrate regional awareness and dimension to its strategic assessments of the value chains of clean and other technologies, including a review of regional capacities and dependencies in strategic cleantech sectors. These assessments would also have to ensure they reflect well the added value that the identified strategic priorities would bring to other NRPP priorities, including benefits that regions would gain from these investments in terms of territorial cohesion, modernisation, social benefits, job creation, etc. Fed with this regional analysis, the ECF Strategic Stakeholders Board can provide recommendations on how NRPPs could contribute to the identified priorities and build synergies with ECF investments.

NRPPs are set to be negotiated between the Commission and Member States, with the involvement of regions. A structured dialogue can be established between the ECF Board, the Commission and Member States to guide the design of NRPPs in line with strategic priorities in cleantech and decarbonisation. Regions also need a voice, as they will be key implementers of the NRPP funding and, often, they hold competences over material sectors for decarbonisation such as buildings or transport, and they manage R&I programmes and industrial clusters. In terms of the most adequate forum for this dialogue, several landing points could be considered: potentially the Political Steering Mechanism, or the European Semester, as it should support in guiding the design of NRPPs with Country Specific Recommendations.

**This EU-wide approach to coordinating investments on strategic priorities can contribute to build-up a more coherent clean industrial strategy across the EU.**

This EU-wide approach to coordinating investments on strategic priorities can contribute to build-up a more coherent clean industrial strategy across the EU, which critics claim is still missing, while also driving EU-wide decarbonisation to meet EU climate and energy targets. NRPPs will also have to target reforms to increase the positive impact of investments, and ensure EU funds contribute to meeting their targets under NECPs, Nature Restoration Plans, Common Agricultural Policy and other sectoral strategies. This opens an opportunity for this ECF-NRPP dialogue to address regulatory bottlenecks that prevent a speedy transition and industrial ramp up - such as accelerated permitting or the transposition and implementation of EU rules on climate and energy. For instance, the ECF provides for the creation of acceleration zones that should coordinate with the industrial accelerator areas established in the proposed Industrial Accelerator Act.<sup>89</sup>



<sup>89</sup> European Commission. (2026). Proposal for a Regulation Establishing a Framework of Measures for the Acceleration of Industrial Capacity and Decarbonisation in Strategic Sectors (Industrial Accelerator Act). COM(2026) 100 final. Available at [https://single-market-economy.ec.europa.eu/document/download/9bc8eb85-4d43-4025-be7b-c86b9f3648ec\\_en?filename=Proposal%20establishing%20measures%20for%20industrial%20capacity%20and%20decarbonisation%20in%20strategic%20sectors%20.pdf](https://single-market-economy.ec.europa.eu/document/download/9bc8eb85-4d43-4025-be7b-c86b9f3648ec_en?filename=Proposal%20establishing%20measures%20for%20industrial%20capacity%20and%20decarbonisation%20in%20strategic%20sectors%20.pdf)

The ECF Board recommendations should identify when the ECF InvestEU toolbox can support national and regional authorities in delivering their NRPP objectives, and **point at opportunities to direct contributions from NRPPs via the Member State Compartment**. The ECF InvestEU can serve as a simplified, off-the-shelf template for financial instruments that are pre-designed for Member States and regions to target specific clean technologies and investments in their territory. A report by Climate Strategy (2024) finds these types of EU financial instruments “as a service”<sup>90</sup> can support those national and local authorities that lack capacity and knowledge to design and implement financial instruments. Reports from the Commission and the European Court of Auditors (ECA) have identified lack of capacity as a constant and frequent bottleneck that prevents a good use of financial instruments to crowd-in private investments in the region.<sup>91</sup> The ECF InvestEU budget guarantee can also offer higher leverage ratios (14x on average) than many locally-designed instruments (which usually achieve for guarantees a 4.8x ratio)<sup>92</sup> due to an overall risk diversification based on a highly granular portfolio, and can thus provide in many cases more affordable financing for local end-beneficiaries (SMEs, households, farmers, etc.) to invest in their clean transition.<sup>93</sup>

**To facilitate and empower regions to use the ECF InvestEU toolbox, a regional compartment can be also considered in the InvestEU toolbox alongside the Member State compartment, coupled with technical assistance to regions.** In its current form, regional authorities cannot contribute directly to the Member State compartment, and is not a practice that has been tried. Instead, they need to go via their national finance ministries, which just increases the administrative burden and may feel like a loss of political control over the money. A regional compartment where regions can directly contribute part of NRPP funding could simplify these obstacles and also help create awareness of a direct access to the ECF InvestEU toolbox. The loss of direct grant-control can be mitigated by ensuring that regions are involved in the design and scope of the instrument and help identify local lenders and other local retail channels that can qualify as implementing partners in the distribution of funds in that region.

The ECF InvestEU can serve as a simplified, off-the-shelf template for financial instruments that are pre-designed for Member States and regions to target specific clean technologies and investments in their territory

The latest draft Council position on the ECF proposes that the **Policy Review Dialogues** on the InvestEU with the Commission and implementing partners also serve as a forum to exchange with Member States on the implementation of the Member State compartment, ideally with some non-binding targets or benchmarks that incentivise the use of Financial Instruments as a service. This is a good idea that can contribute to raising awareness about the benefits of the InvestEU toolbox and can integrate regions and managing authorities.



<sup>90</sup> Climate Strategy & Partners. (2024). Filling the EU Climate Investment Gap more Efficiently. Available at <https://www.climatestrategy.es/press/MFFReport2024.pdf>

<sup>91</sup> 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](https://www.eca.europa.eu/Lists/ECADocuments/SR12_02/SR12_02_EN.PDF)

<sup>92</sup> 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>

<sup>93</sup> European Commission. (2023). Investment Needs Assessment and Funding Availabilities to Strengthen EU's Net-Zero Technology Manufacturing Capacity. SWD(2023) 68 final. 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](https://single-market-economy.ec.europa.eu/system/files/2023-03/SWD_2023_68_F1_STAFF_WORKING_PAPER_EN_V4_P1_2629849.PDF)

## Conclusions and recommendations

The ECF must determine how to spend limited public resources in a way that maximises Europe's future sustainable prosperity and long-term priorities including energy security, climate resilience and technological leadership. An approach only focused on delivering "competitiveness" won't provide all the solutions for these challenges, if well-designed the ECF can help align Europe's economic and industrial strengths with investments that have a positive, wide socio-economic impact, such as delivering affordable energy prices for SMEs and households and supporting tech innovation ecosystems reach scale across all regions of the EU.

The Clean Transition and Industrial Decarbonisation window is far too small to fully address Europe's decarbonisation and industrial investment needs alone. Therefore, the ECF InvestEU Instrument has to function as the core delivery mechanism for late-stage scale-ups and tech deployment to enhance the impact and reach of ECF funds, address market failures and mobilise multiples of private capital. The central question for us is how the ECF can identify where EU intervention is most strategic, additional and capable of derisking investments in clean technologies and providing affordable financing for their deployment. The answer lies in setting a governance architecture rooted in evidence, transparent methodologies and unbiased processes, with structured input from experts and stakeholders.

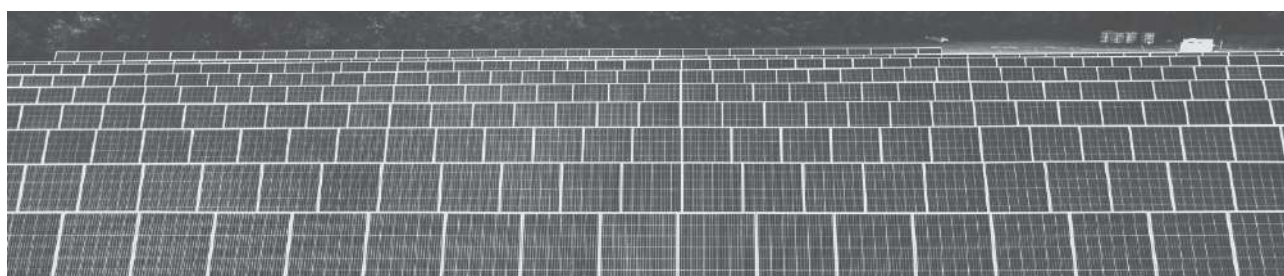
The strategic priorities identified in the frame of the ECF advisory processes should also help steer the wider EU investment architecture

Strategic prioritisation under the ECF can be best built through a balance of independent expert diagnosis and recommendations, informed political choice, and bottom-up discovery from the real economy. The Observatory of Emerging Technologies, the Strategic Stakeholders Board and the Thematic Platforms can together form the backbone of such a system, provided their respective mandates are clearly defined, supported by sufficient analytical and administrative capacity, and balanced against the political choices of the Commission and Member States.

The strategic priorities identified in the frame of the ECF advisory processes should also help steer the wider EU investment architecture, especially the National and Regional Partnership Plans (NRPPs). With NRPPs set to manage a far larger budget envelope and to shape national reform and investment choices, stronger coordination between ECF governance and NRPP delivery is essential to create synergic efforts, improve territorial relevance of ECF funding, and build a more coherent clean industrial strategy across the Union. The following recommendations have been identified:

### A) Scope and implementation of the ECF

1. **Align definitions of competitiveness with leading independent research in Europe while ensuring the ECF scope and objectives integrate aspects of energy security, resilience, wellbeing and sustainability.** The Competitive Sustainability Index developed by CISL is an example of an evidence basis to define and measure competitiveness.
2. **Make the ECF InvestEU Instrument the favoured delivery mechanism for late-stage technology scale up and deployment, when this is financially more efficient and effective at addressing projects' investment needs.** Grants should be preserved for non-bankable projects (e.g. research or biodiversity projects), for output-based support for the scaling of some selective strategic technologies in the early stages of deployment, and for technical assistance.



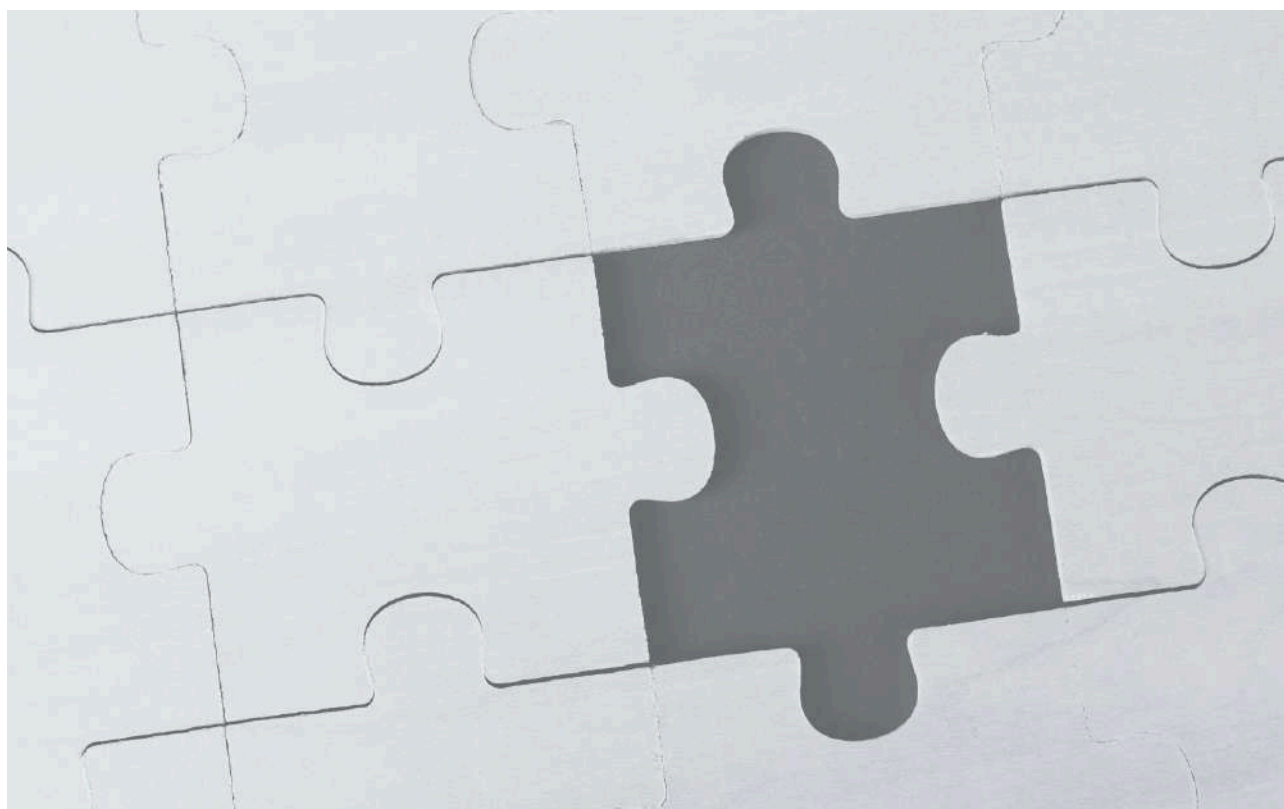
## B) Integration of meaningful expert and stakeholder input

1. **Establish an expert-led three-tier governance architecture to provide evidenced recommendations and advise on strategic priorities for the ECF:**
  - a. **The Observatory of Emerging Technologies to provide independent, evidenced diagnosis of strategic priorities.** The Observatory could be housed in the JRC to provide science-based and structured assessments of strategic importance and competitiveness across clean technology value chains, in particular assessments of investment gaps across the value chain from innovation, to production, and deployment, to identify and prioritise actions and budget needs in the ECF. These assessments should follow an evidenced, predetermined and transparent methodology.
  - b. **The ECF Strategic Stakeholders Board to review the findings from the Observatory and advise on high-level strategic priorities.** It should bring together a balanced number of high-level representatives of expert bodies, industry, investors and civil society. The Board's agenda should answer to the Observatory's findings and it given minimum response windows for advisory functions and specific rules to handle disagreements. It should have a role in reviewing and providing an opinion on the Commission-led ECF Work Programmes. The Commission should be required to explain when it follows or departs from the Board's advice (comply-or-explain principle).
  - c. **The Thematic Stakeholder Platforms to provide bottom-up intelligence on real-economy needs and bottlenecks.** Platforms should operate under transparent participation rules, with clear delineations on their role in decision-making of Work Programmes, and balanced representation, for instance, by including quotas for underrepresented stakeholders. They should integrate a wide range of research centres and universities, industry and business representatives, civil society and investor platforms and regional and local actors. The working group configurations of the Platform on Sustainable Finance can serve as a structured input model for the ECF Platforms.
2. **Apply a strong transparency and accountability framework across the full cycle of prioritisation and Work Programme development.** This should include timely publication of impact assessments and methodologies, meeting agendas, minutes, external stakeholder meetings, declarations of interests and relevant background material of experts involved, as well as clear reporting on how strategic priorities and Work Programmes have been developed.
3. **Provide advisory structures with adequate secretariat and analytical support.** Dedicated administrative and technical capacity is essential to avoid dependence on ministries, lobbyists or consultants, and to ensure that the ECF Board and Platforms can function effectively, independently and on an equal footing across stakeholder groups.
4. **The new ECF governance architecture can connect and strengthen existing EU sectoral structures rather than duplicating efforts.** If ECF Work Programmes include sections on Pillar II of Horizon Europe, for the energy R&I domain, stakeholders should channel their views through the Strategic Energy Technology Plan.



## C) Coordination with national and regional actions

1. **Use Member State committees to align national and EU strategic priorities, while contributing to build ministerial coordination across sectors.** The ECF General Committee serves as a forum to mobilise national investment planning in line with the findings of the Observatory, facilitate national contributions to the ECF InvestEU Member State compartment, enable joint actions among Member States and form “coalitions of the willing” around the identified strategic priorities. Committees can involve different national ministries to coordinate, particularly as the Clean Transition window addresses cross-sectoral decarbonisation
2. **A future Political Steering Mechanism should build on the evidence produced by the Observatory and the recommendations of the ECF Board.** Its operationalisation should avoid institutional duplication of efforts in the ECF, integrate structured expert input, and complement the role of the ECF General Committee.
3. **Steer ECF strategic prioritisation in the design of NRPPs.** Structured dialogues between the Commission, Member States, regions and the ECF expert governance bodies should help translate EU-level strategic priorities into national and regional investment planning, while reflecting territorial needs and implementation realities. For this purpose, the Observatory should integrate a regional dimension to its strategic assessments of the value chains of clean and other technologies
4. **The ECF Board recommendations should identify when the ECF InvestEU toolbox can support national and regional authorities** in delivering their NRPP objectives, and point at opportunities to direct contributions from NRPPs via the Member State Compartment.
5. **Create a Regional Compartment in the ECF InvestEU to facilitate access to regional and local authorities.** The compartment can be coupled with technical assistance to the regions so they can build the necessary capacity to monitor the implementation of financial instruments in their regions and engage with local retail channels.



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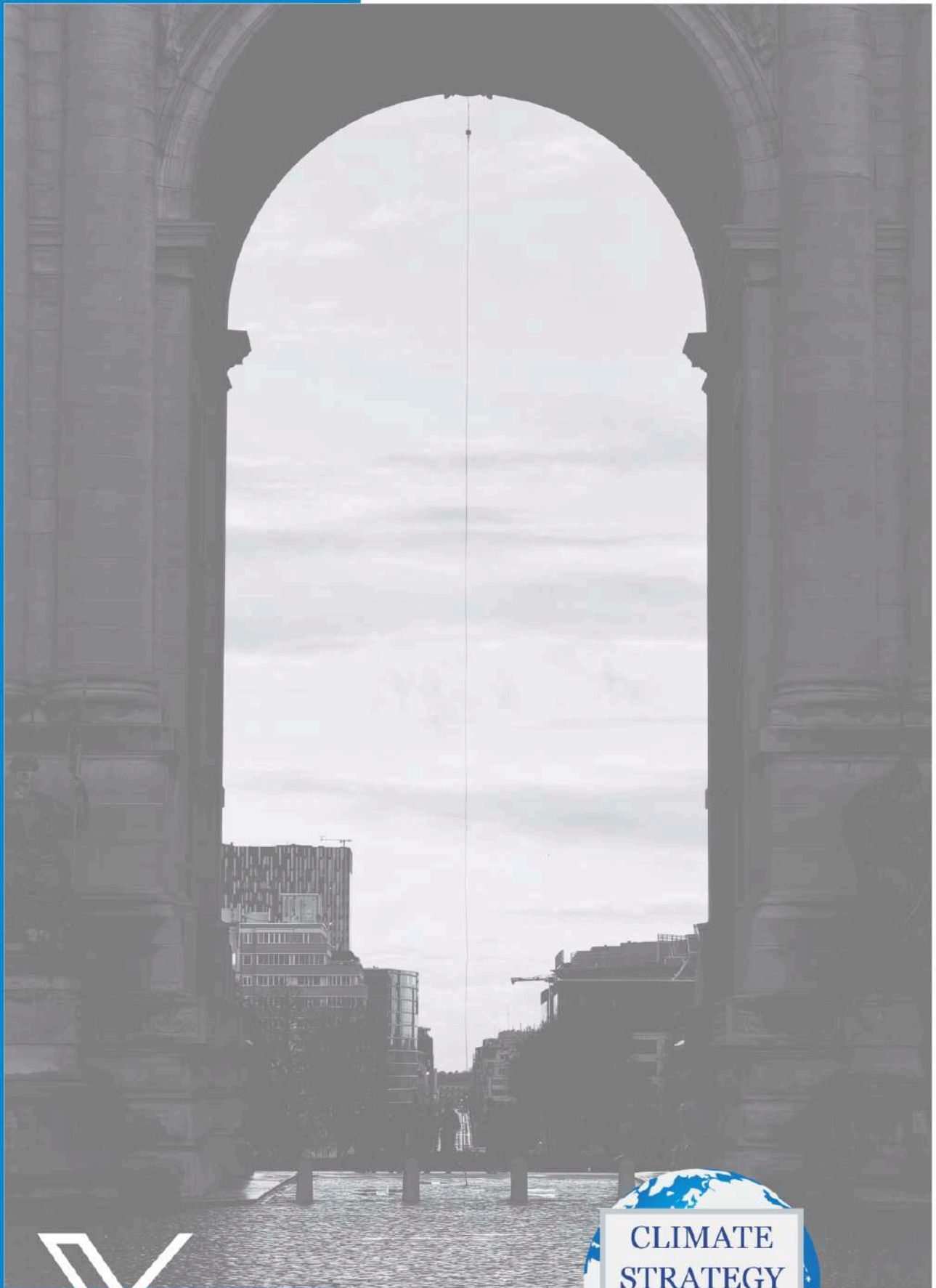
## Acronyms

CCT: Competitiveness Coordination Tool  
CETO: Clean Energy Technology Observatory  
CISL: Cambridge Institute for Sustainability Leadership  
ECA: European Court of Auditors  
ECF: European Competitiveness Fund  
ECON: European Parliament's Committee on Economic and Monetary Affairs  
EECA: Energy Efficiency Capital Advisors  
EEFIG: Energy Efficiency Financial Institutions Group  
EIB: European Investment Bank  
EIC: European Innovation Council  
EIF: European Investment Fund:  
ENVI: European Parliament's Committee on Environment, Public Health and Food Safety  
ETIPs: European Technology Platforms  
ETS: Emissions Trading System  
EU: European Union  
EUREC: The Association of European Renewable Energy Research Centers  
EVs: Electric Vehicles  
IEA: International Energy Agency  
IMCO: European Parliament's Committee on Internal Market and Consumer Protection  
ITRE: European Parliament's Committee on Industry, Research and Energy  
JRC: Joint Research Centre  
MEPs: Members of the European Parliament  
MFF: Multiannual Financial Framework  
NECPs: National Energy and Climate Plans  
NRPP: National and Regional Partnership Plans  
NRPPs: National and Regional Partnership Plans  
PSF: Platform on Sustainable Finance  
R&I: Research and Innovation  
SET: Strategic Energy Technology Plans  
SMEs: Small and Medium-sized Enterprises  
SRM: Stakeholder Request Mechanism

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