EU needs to up its investment game if it wants to become the home of cleantech

January 12th, 2024

Dear Madam President of the European Commission,
Dear Members of the European Council,

At the World Economic Forum last year, President Von der Leyen announced a Green Deal Industrial Plan to make Europe the "home of cleantech". This was a welcome response to the US Inflation Reduction Act, and a positive way to de-risk green supply chains, reduce the cost of the transition and reclaim EU strategic sovereignty.

Since then, however, existing innovation funding sources, like Horizon Europe, have come under pressure from proposed budget cuts, and the attempt to increase cleantech funding via a Strategic Technologies for Europe Platform (STEP) has stalled.

As EU leaders travel again to Davos, the focus must be on delivering the necessary investment that delivers Europe's well documented Net-Zero Industrial and Cleantech aspirations. For this, the European Council and Member States must defend the allocated Multiannual Financial Framework budget that supports cleantech, and push for a detailed long-term Cleantech Investment Plan to transform and future-proof European industry by 2030.

The Inflation Reduction Act in the US includes an uncapped long-term climate investment plan that will lead to an estimated mobilisation of between $369 billion and $1,200 billion in new public funding over the next ten years. This is why Clean Investments - both public and private - in the first 9 months of 2023 in the US economy reached $176 billion, a 40% increase compared to last year. In Europe, 2024 cleantech equity investments could plateau or even dip below 2023's €11.1 billion. Without bigger and better EU public investment support, Europe's net-zero industry risks losing competitiveness.

In support of that aim, the 30 undersigned European innovators, business organisations, think-tanks, institutes and NGOs have come together to ask you **to double net-zero innovation investments by 2030** and ensure the EU's competitive sustainability and global climate leadership.

To achieve this, at a time of increasing fiscal pressure, **we see four specific actions** that can together deliver the net-zero industry and innovation investments required:

1. **Defend the MFF budget allocations to STEP and Horizon Europe.** The EU cannot afford to leave cleantech investors and its associated fledgling net-zero industry stranded. In public finance, there are two key budget lines to defend:
    a. **STEP:** The additional InvestEU guarantee of €7.5 billion and the additional €5 billion for the Innovation Fund proposed in June under STEP constitute a minimal yet essential top-up, in particular to enable the cleantech investments of the EIB Group and other implementing partners. Cutting it would be an own-goal against the EU's scale-up ambitions.
    b. **Horizon Europe:** Although central to our future industrial leadership and innovation, the Horizon Europe research programme lacks political champions, and is at risk of being raided. Cuts would undermine innovation and negatively impact leading researchers working on innovative solutions in the EU.

2. **Sharpen the focus on strategic net-zero technologies:** The Net-Zero Industry Act (NZIA) is the Green Deal Industrial Plan's regulatory leg and it will provide the frame and focus for public and private investments. However, in the current draft, the scope of technologies is too broad and risks undermining its own objective. The EU Parliament's ENVI Committee has proposed an approach that clearly identifies critical manufacturing components, and can be adopted to recover the strategic focus found in the European Commission's original NZIA proposal.

3. **Use EU Trading System (ETS) revenues to invest in Net-Zero Industrial Transformation.** Member States should invest up to 25% of EU ETS revenues in scaling cleantech solutions and manufacturing. These funds should only be spent on sharply defined strategic net-zero industrial and innovative technologies, using best practice existing allocation instruments like the EU's Hydrogen Bank and Innovation Fund. In the meantime, the NECPs that member states must submit in final form by mid-2024 must contain convincing measures for the manufacturing of net-zero tech, backed with a significant proportion of those revenues.

4. **Boost and broaden the EIB's counter-guarantee facility.** Public guarantees are one of the keys to the commercial scaling of emerging technologies quickly. The €5 billion facility that the EIB announced at COP28 is a great start, but only covers the wind sector. It is both insufficient to bring the entire EU wind sector back to a global leadership position, and more cleantech sectors need to be covered. EIB guarantees should be expanded to other clean and strategic technologies with high capital investment requirements to level the playing field for new entrants with new technologies. These include battery gigafactories, electrolysers and long-duration energy storage systems and others where the EU has a technological advantage but is at risk of losing the scale-up race.

As EU elections approach, there is an opportunity to [respond to citizens' climate concerns](#) and kickstart an engaged process with Member States to **develop a long-term *Cleantech Investment Plan*** that can address the funding gap and turn the Green Deal Industrial Plan into a reality. The lack of a long-term perspective jeopardises the EU's climate leadership position and fails to provide predictability to investors and the cleantech industry. **Member States need fiscal headroom to accelerate strategic net-zero investments**, as without these investments in the short term the EU's long-term goals will be put out of reach, it will not deliver the Green Deal and Europe will fall behind in the global cleantech race.

Yours sincerely,

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