



DEC 5th, 2024



Filling the EU Climate Investment Gap more Efficiently



9:30 to 11:00 CET / Spinelli Building



European Parliament



Peter Sweatman, CEO
Adriana Rodríguez, Policy Analyst





Climate Strategy & Partners



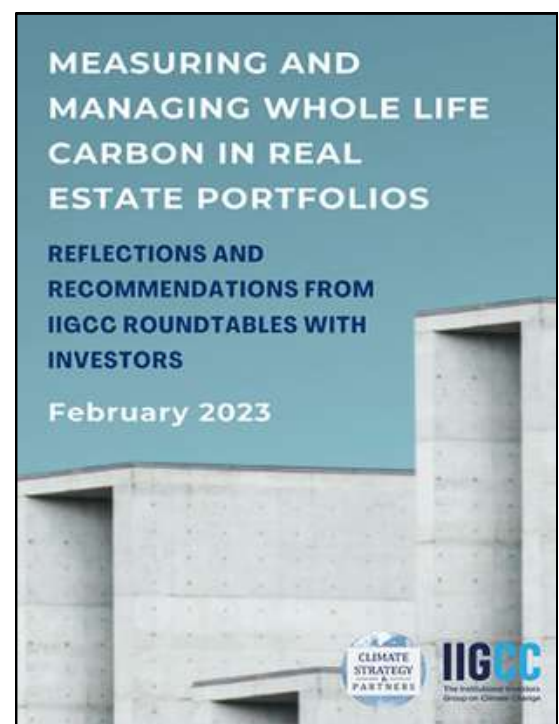
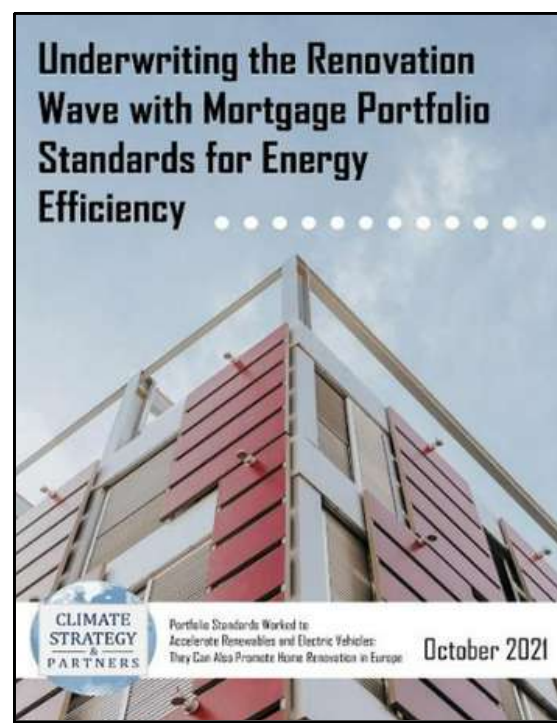
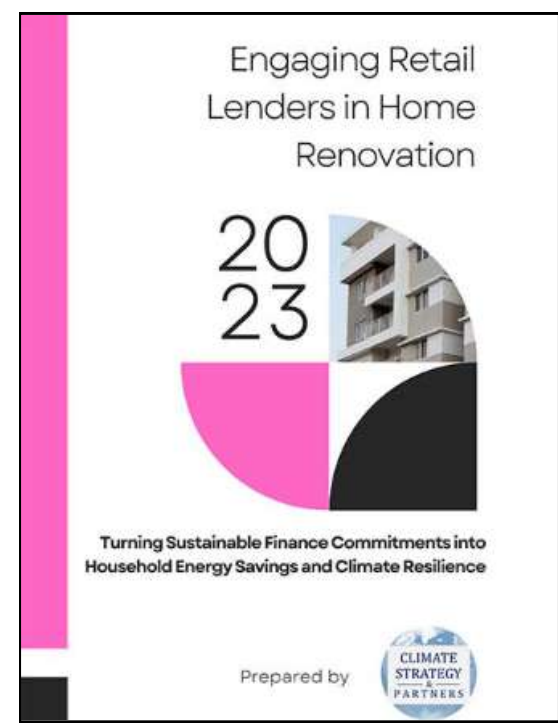
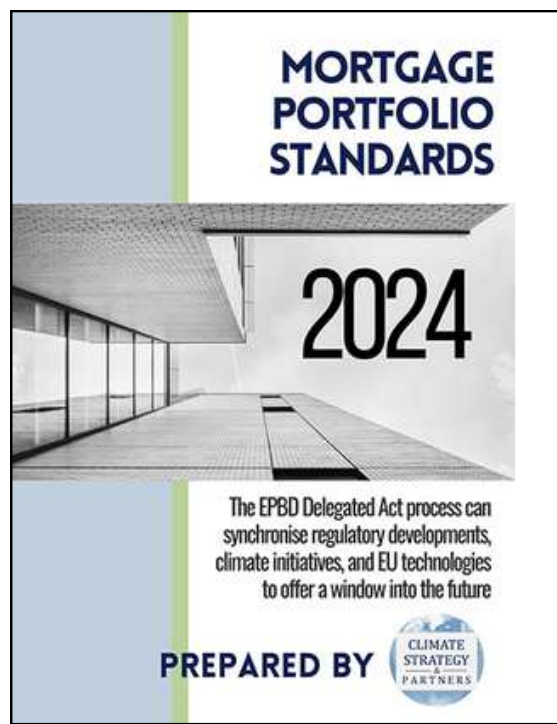
33 years of experience advising companies, banks, and governments across the world on accelerating the economic transition to a net-zero emissions economy.



Peter Sweatman, Executive Director: 33 years of outstanding experience in finance and climate strategy with key positions at:

- JP Morgan
- Climate Change Capital
- G20 EEFTG and EFIG rapporteur
- Energy Efficiency Capital Advisors

Recent CS publications:



This report has been subject to the review and comments of the following experts:

- Christopher Schröder (Agora Energiewende)
- Michaela Holl (Agora Energiewende)
- Anelia Stefanova, Bankwatch (CEE Bankwatch Network)
- Christophe Jost (CEE Bankwatch Network)
- Jules Besnainou (Cleantech for Europe)
- Olivier Vardakoulis (Climate Action Network Europe)
- Pietro Cesaro (E3G)
- Alba Berhami Sintomer (E3G)
- Marlène Siméon (Future Cleantech Architects)
- Zita Herman (Greens/EFA in the European Parliament)
- Pierre-Marie Aubert (IDDRI)
- Ciarán Humphreys (I4CE)
- Clara Calipel (I4CE)
- Andreas Eisl (Jacques Delors Institute)
- Eulalia Rubio (Jacques Delors Institute)
- Sebastian Mang (New Economics Foundation)
- Chris Vrettos (REScoop.eu)
- Greg Arrowsmith (EUREC)
- Till Eichler (Transport & Environment)
- Xavier Sol (Transport & Environment)

Now	●	Blue sky thinking, internal consultations on ideas for the next MFF
December 2024		Start of new Commission following vote of confidence in Parliament in November
January 2025		Polish Presidency
Q1 2025		Commission proposal of a Clean Industrial Deal
May-June 2025		Commission proposal of next MFF regulation (including new European Competitiveness Fund) and own resources
July 2025		Danish Presidency
Q4 2025		Parliament and Council adopt negotiation positions on next MFF
Q4 2025		Commission proposal of MFF programmes regulations
January 2026		Cyprus Presidency
Q1 2026		Parliament and Council adopt negotiation positions on each programme regulation
July 2026		Ireland Presidency (negotiations continue)
January 2027		Lithuania Presidency (negotiations continue)
July 2027		Greece Presidency (negotiations continue)
End of 2027	▼	End of negotiations

“This will be an Investment Commission”

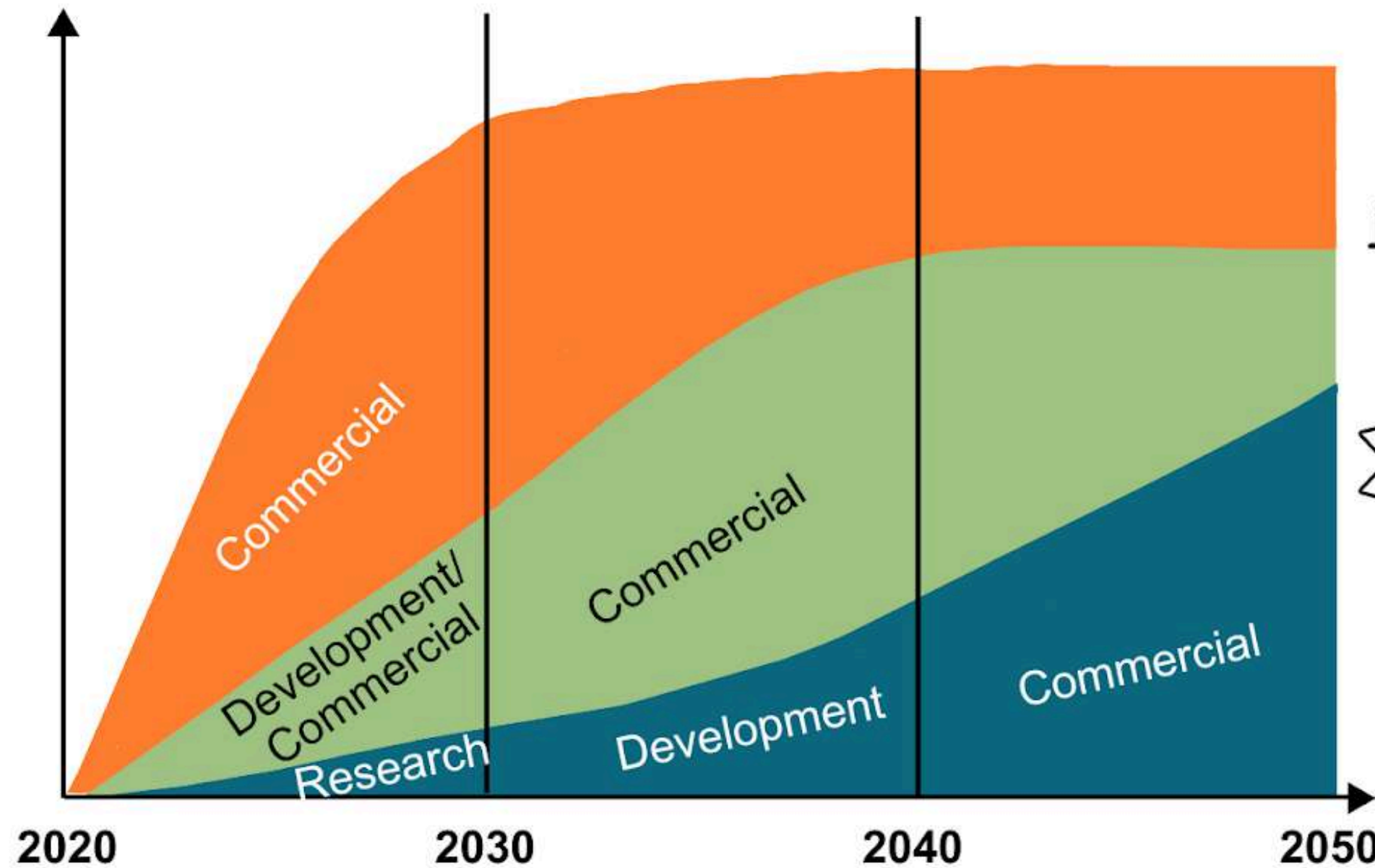
President Von der Leyen
(18th July 2024, Strasbourg)

Commission priorities for the EU budget:



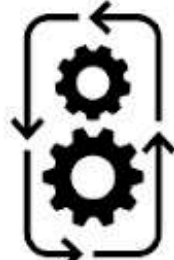
1. More **focused, policy-based and targeted** where EU action is most needed;
2. **Simpler and linking key reforms** with investment;
3. Providing more impact through greater **de-risking and leverage** from national, private and institutional financing

Financial Efficiency is using the correct financial instrument for the climate asset and the target beneficiary

Market scale-up of the technologies



Market scaling up trajectory between 2020 and 2050, per level of maturity

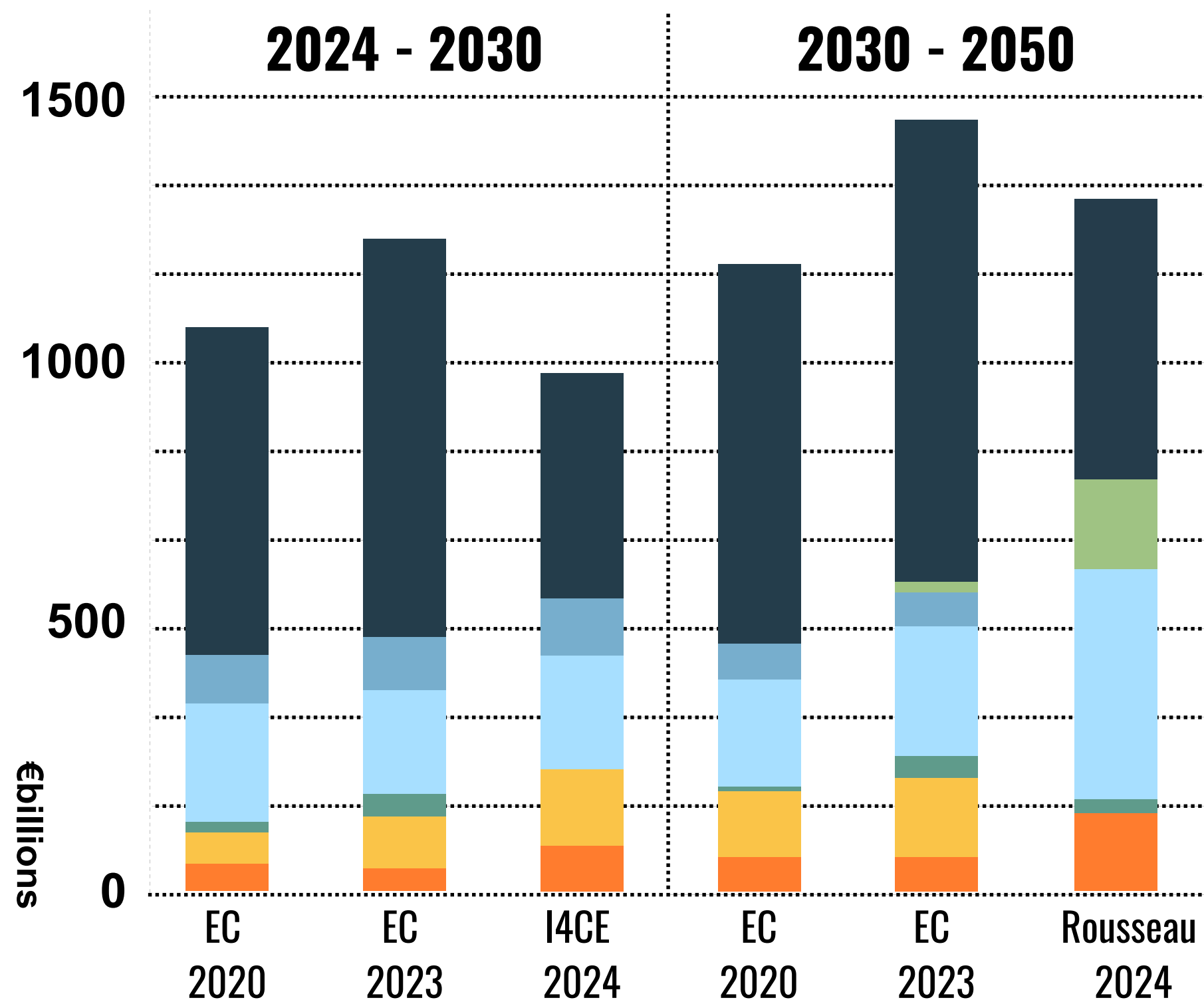
-  **Drive to market scale** Mass deployment starting in 2020
-  **Acceleration & scale up** Market scale can start during the decade 2020-2030
-  **Innovation bets** Market scale expected after 2030

(Capgemini, 2020)

Sizing and Filling the EU Climate Investment Gaps



EU Annual Climate Investment Needs (public & private) (€bn/y)



- Transport
- Services ***
- Industry **
- Power Grids
- Agriculture *
- Residential
- Power Plants ***

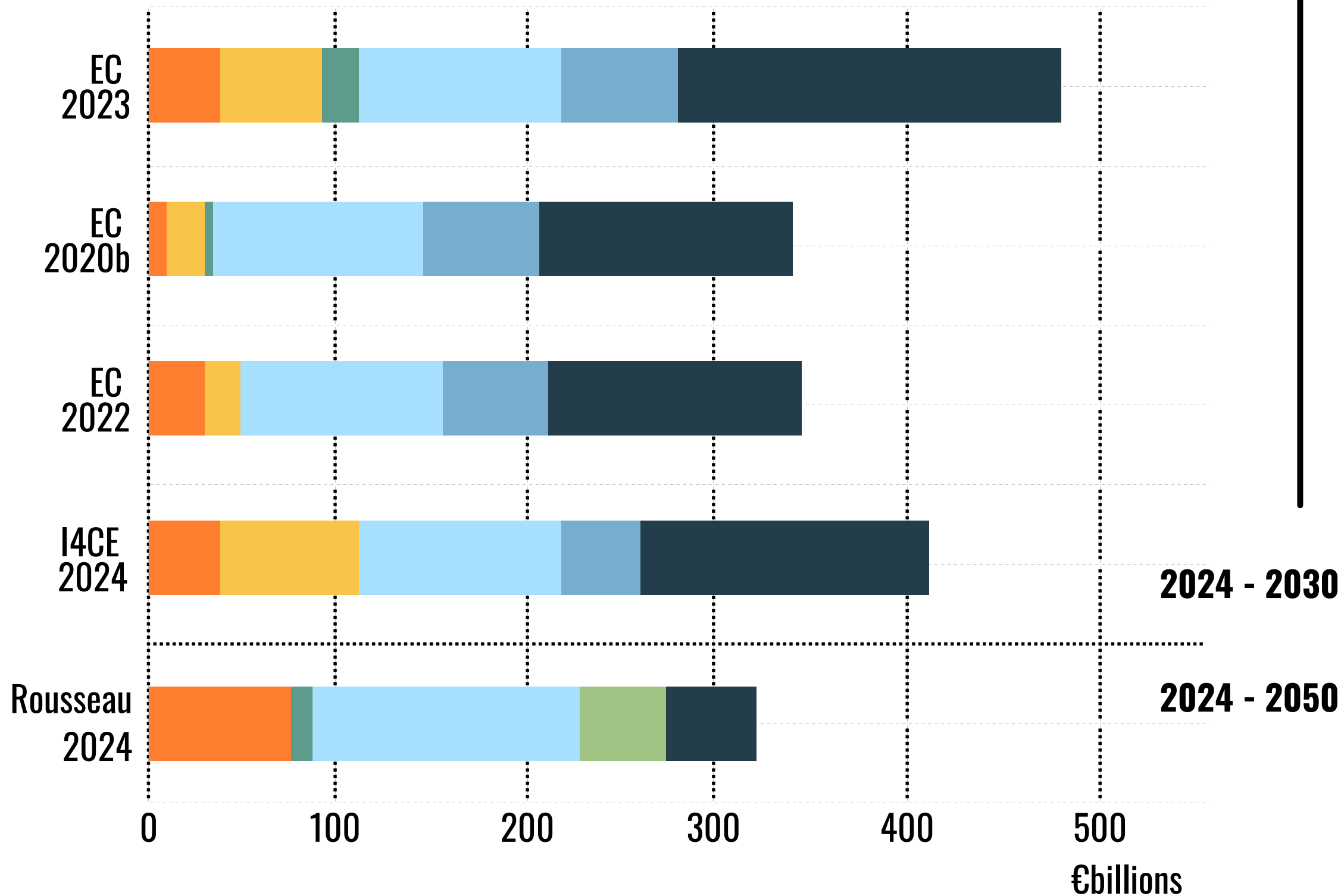
Demand side
represents
avg. 84% of
the total needs
in 2024-2050



* Rousseau also looks at 2024-2030 investments, including agriculture. Same average applies. **I4CE doesn't assess industry

*** Rousseau joins assessments on Services/Residential and Power Plants/ Grids

EU Annual Climate Investment Gap (public & private) (€billions/year)



Around half of the expected EU investment is hard to identify in existing budgets and using current trends.



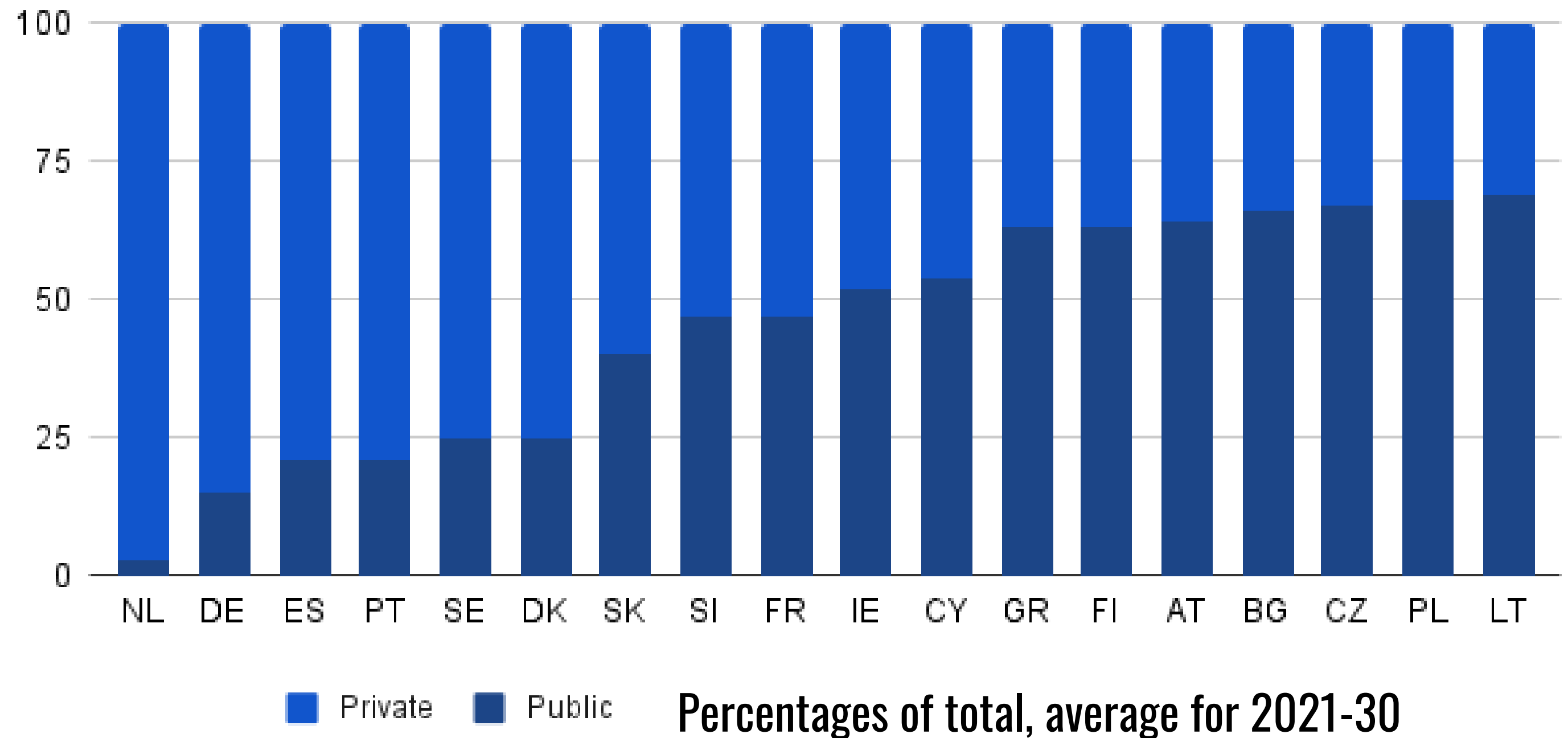
- Transport
- Services ***
- Industry **
- Power Grids
- Agriculture *
- Residential
- Power Plants ***

* Rousseau also looks at 2024-2030 investments, including agriculture. Same average applies.

**I4CE doesn't assess industry

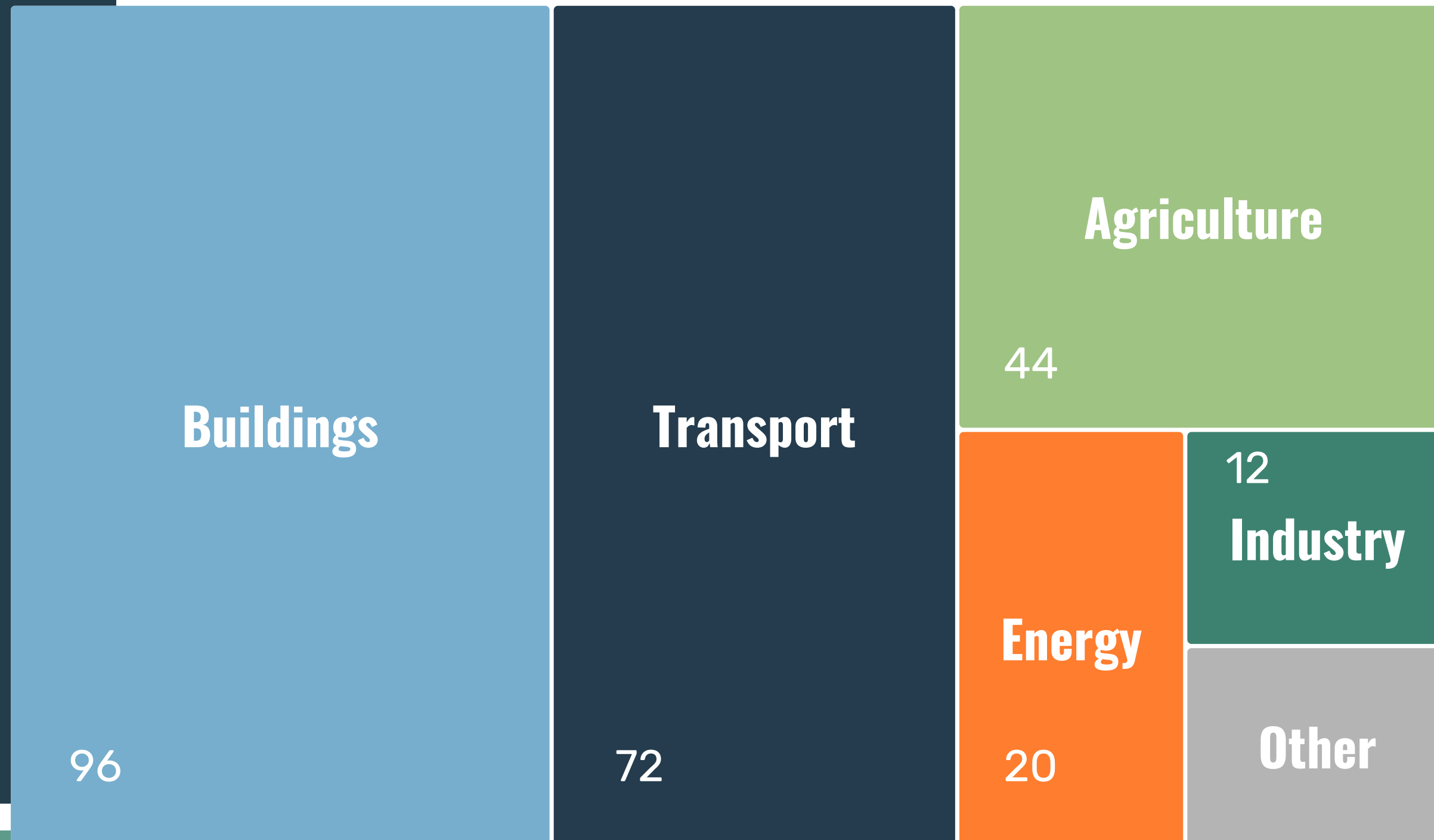
*** Rousseau joins assessments on Services/Residential and Power Plants/ Grids

Public and private sources of additional green investment needs, according to NECPs (EIB 2021)

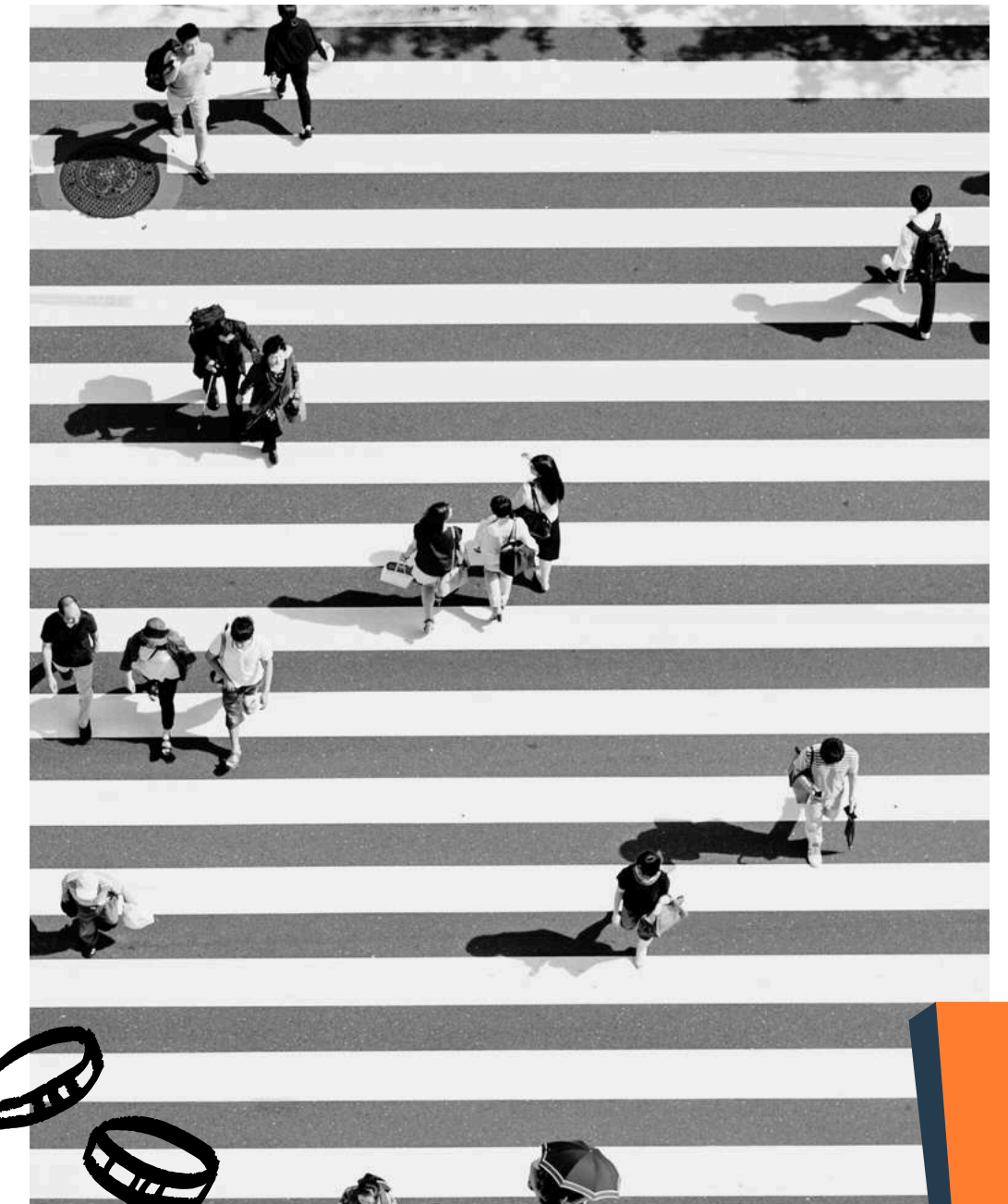


***€235 billion** in annual additional green public expenditure in 2021-30.

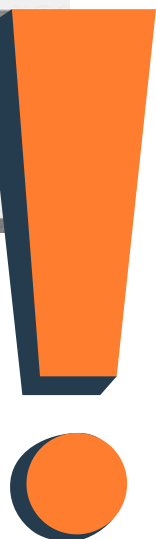
Depending on the year, region and sector, 30-60% of climate investments will have to come from the public purse



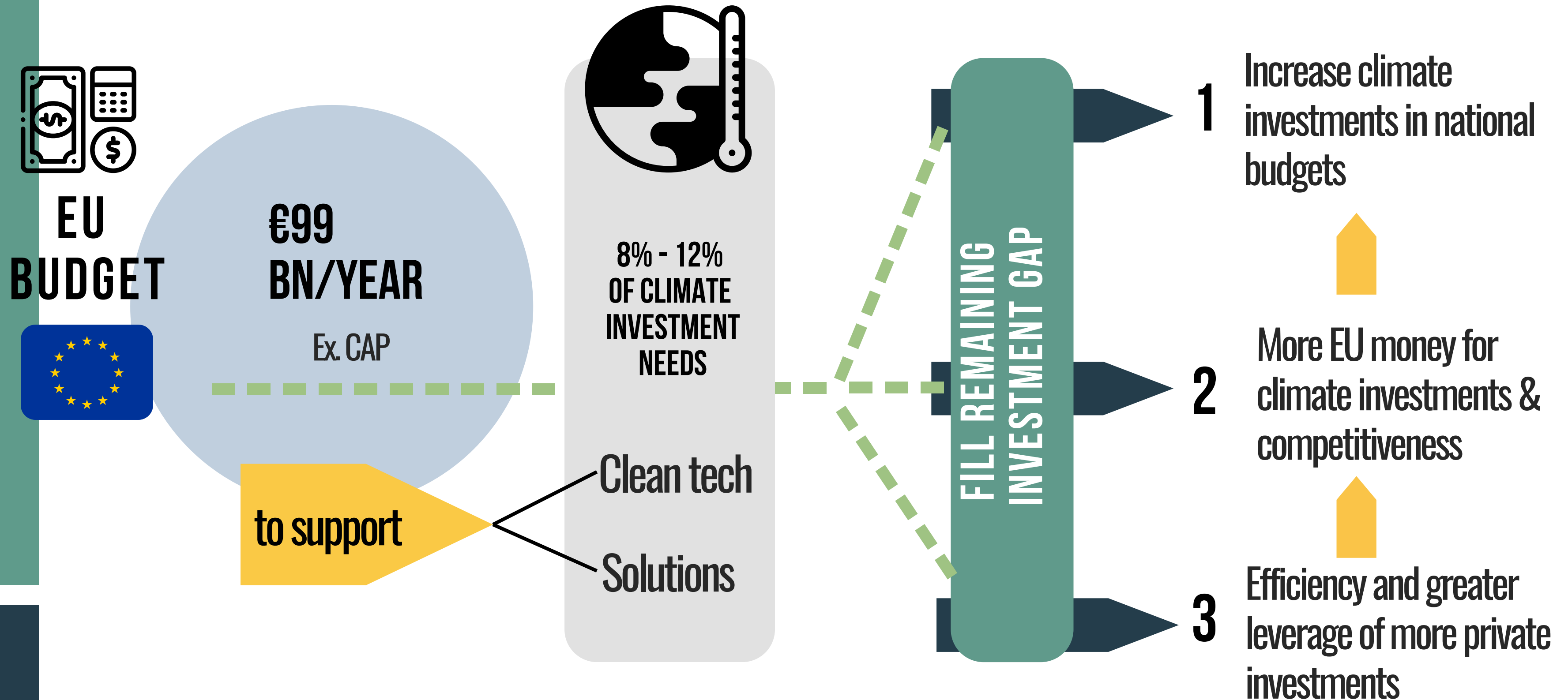
Annual **additional public investment** by sector
(in €billion per year) (Institut Rousseau 2024)



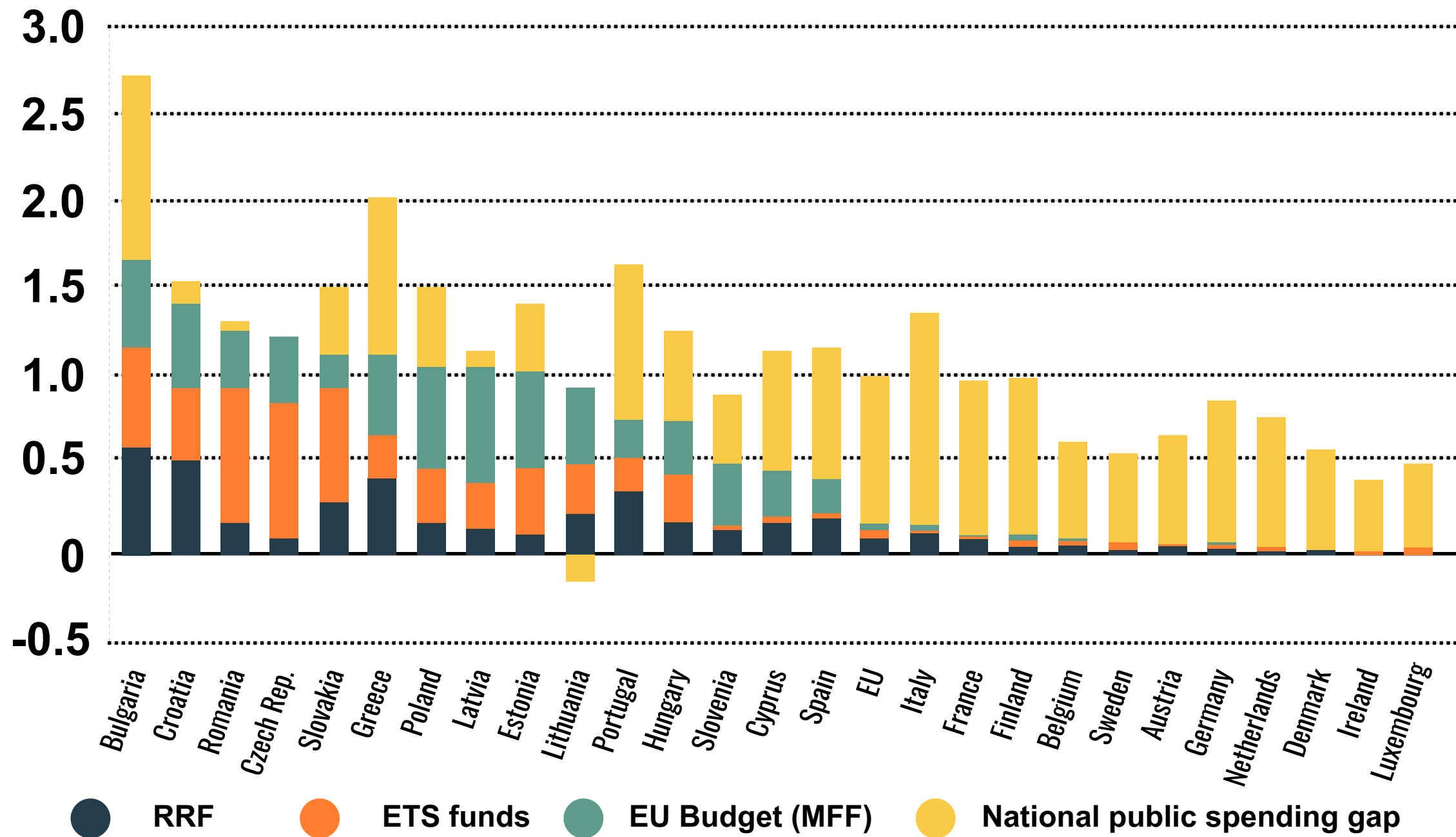
***€260 bn/year
public gap**



Strategies to Fill the identified Climate Investment Gaps



Annual public spending needs to support clean energy, resource and energy efficiency investments, and available EU grants

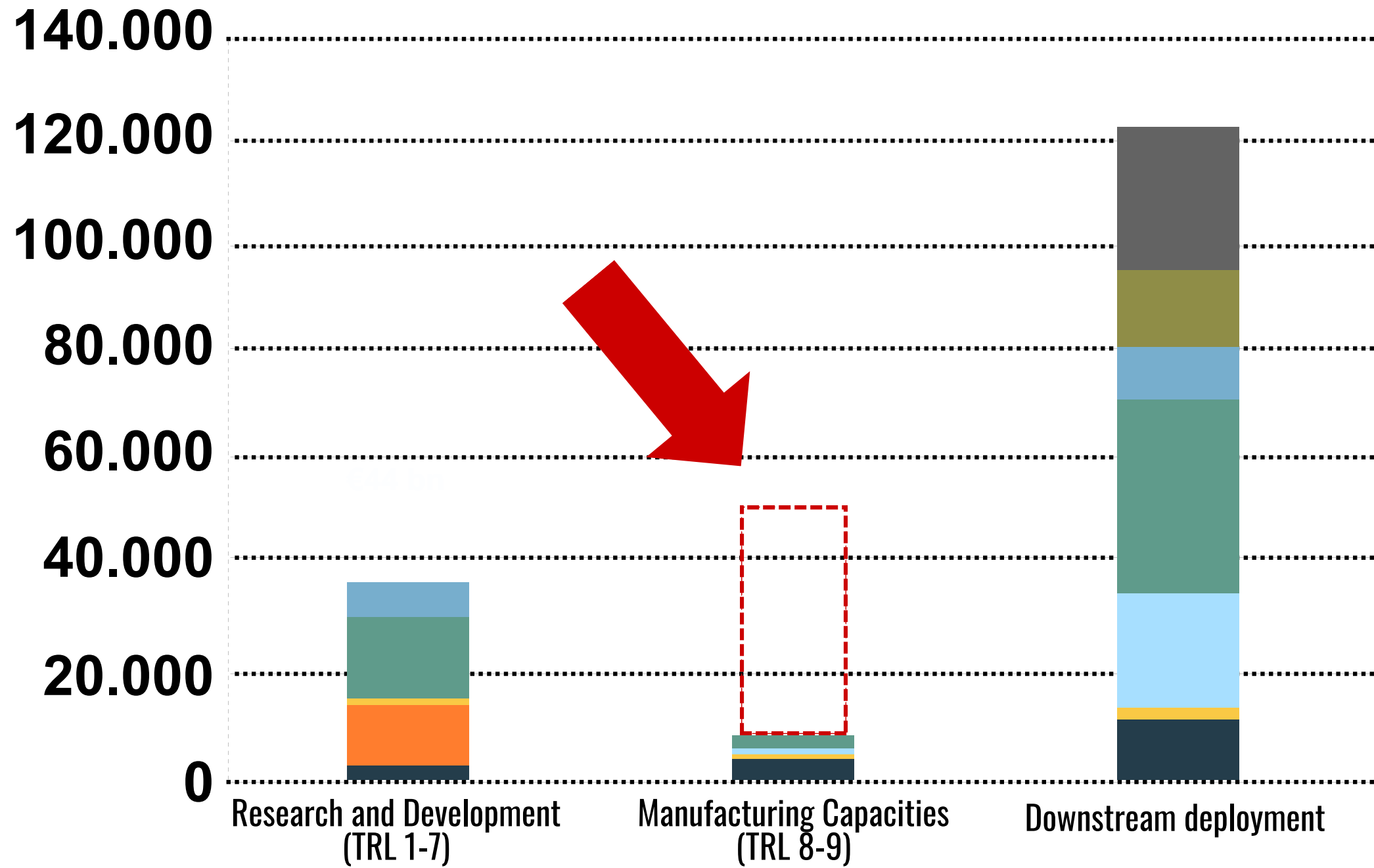


Around 2/3s of the needed energy investments would still have to come from natl. resources

Source: Agora Energiewende (2024).
 Scope excludes agriculture, public transport infrastructures and clean tech manufacturing



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

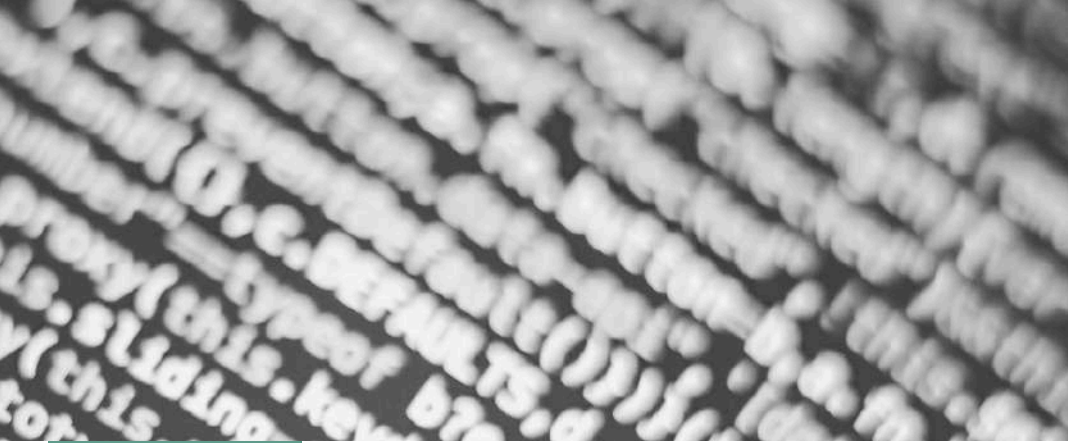


A competitiveness gap: only €8 billion total for manufacturing

- Innovation Fund
 - RRF
 - Agriculture
 - Horizon Europe/EIC
 - ERDF/Cohesion Fund/JTF
 - Modernisation Fund*
 - InvestEU
 - RePowerEU
 - LIFE
- Source: European Commission (2023)



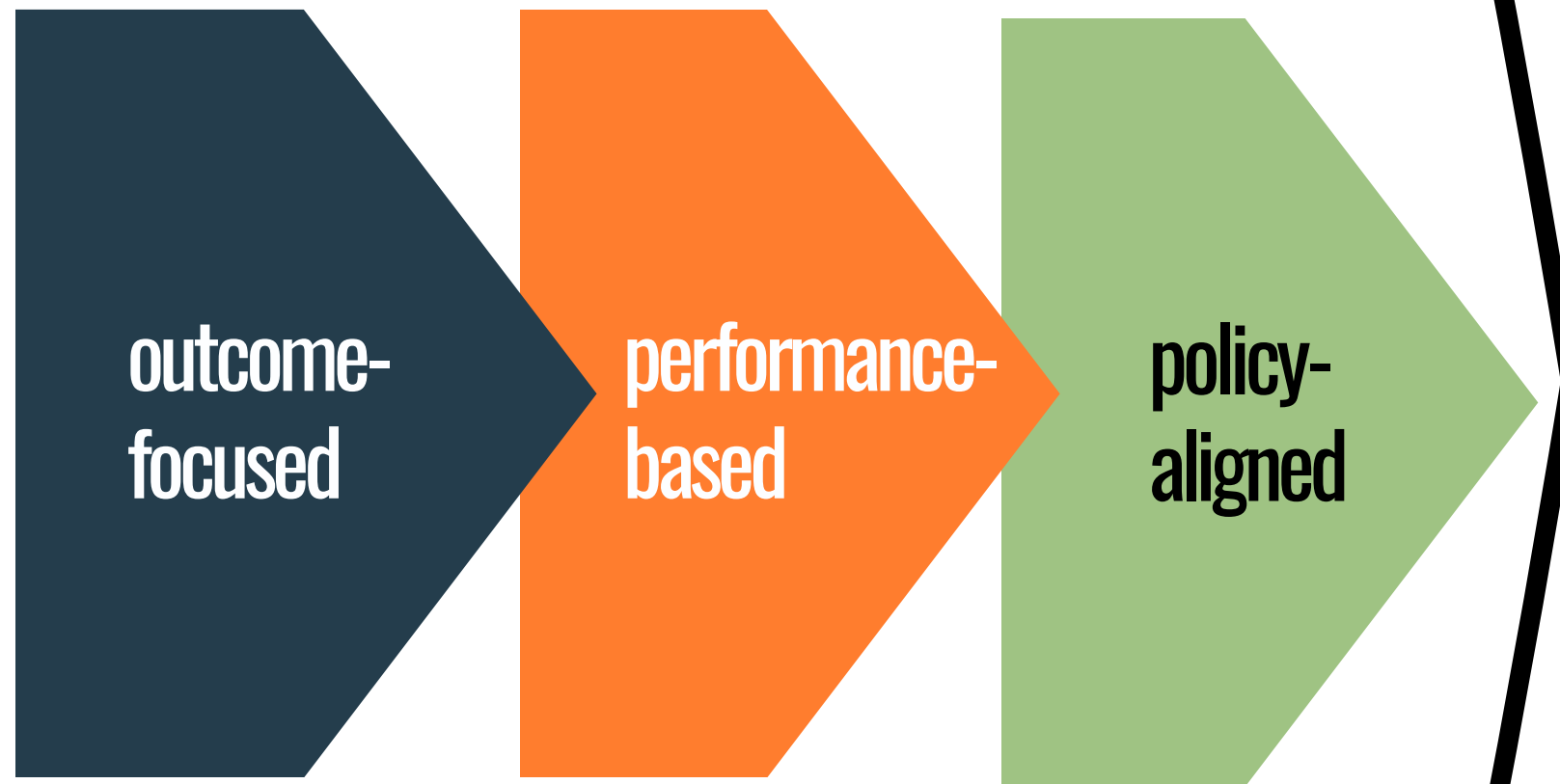
Resolving Inefficiencies in EU Climate Spending and Data Gaps



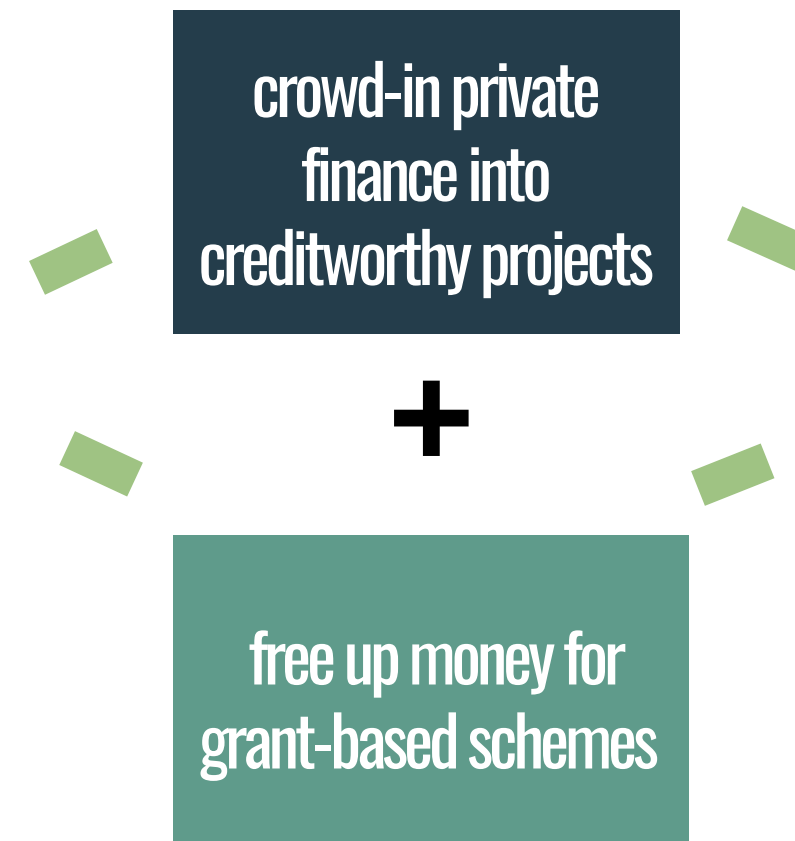
EC



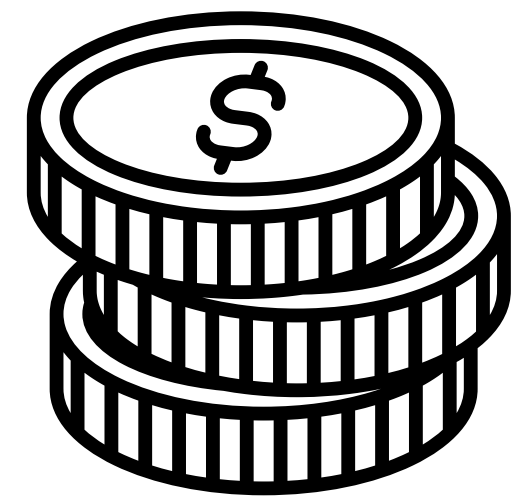
**CALLING FOR A
MORE:**



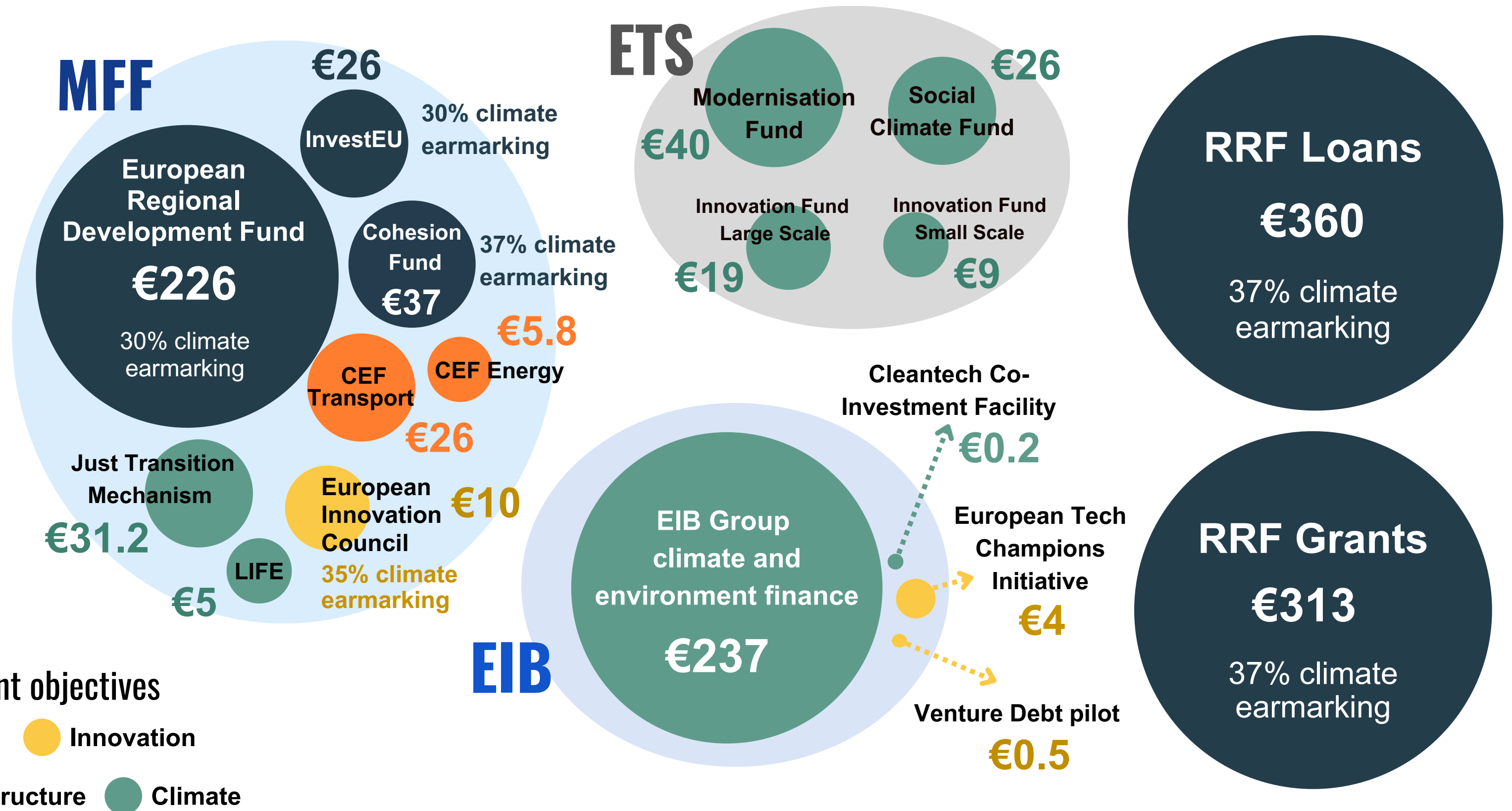
EU BUDGET



EFFICIENCY



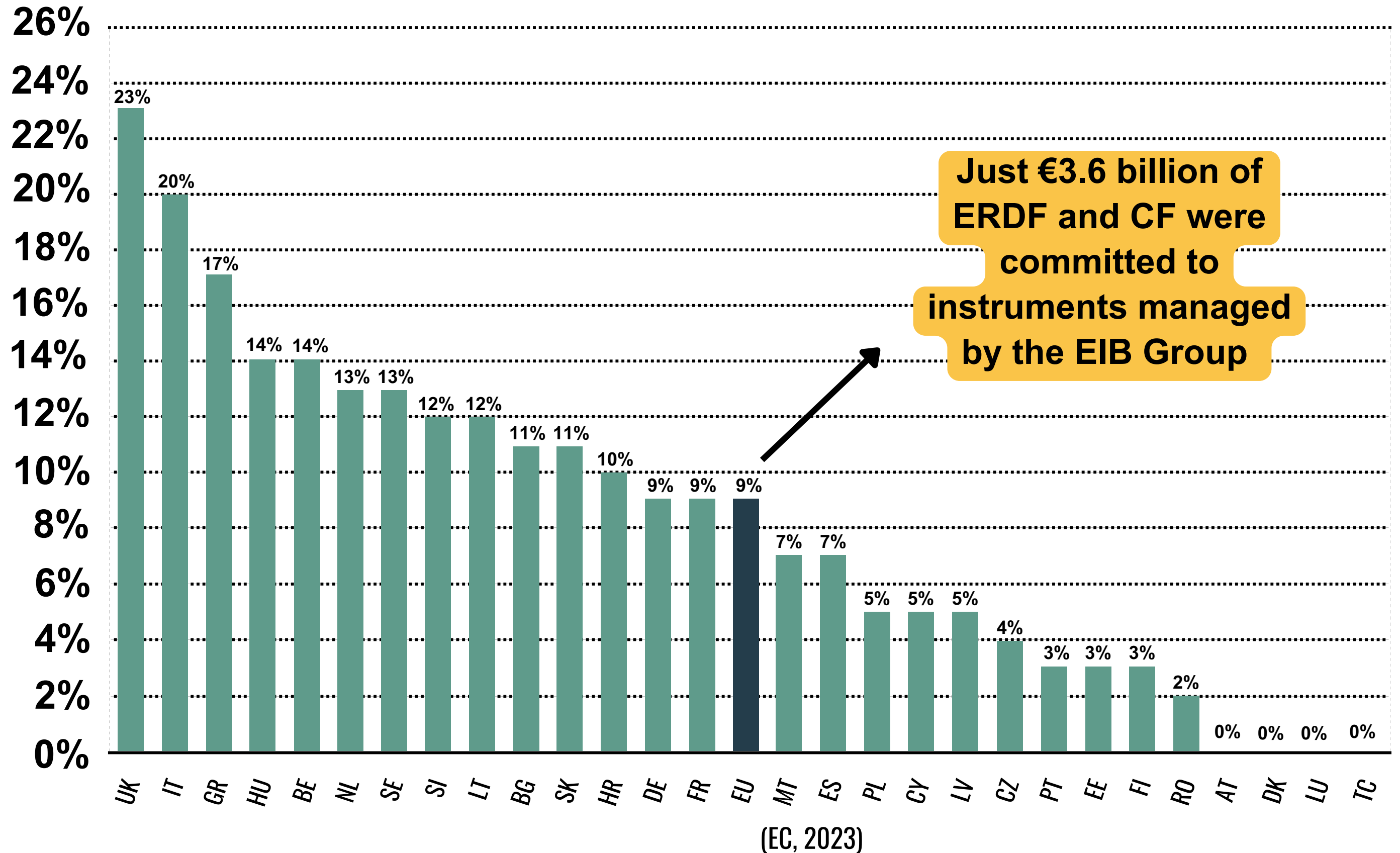
Size of relevant EU funds for climate deployment in the 2021-2027 period, classified by investment objectives (€ bn)



ERDF and CF allocated to FIs as percent of the ERDF and CF allocated to the MS

Off-the-shelf financial instruments were created in 2014 (some of them at the EU-level managed by the EIB Group) as a way to support Member States efficiently combine public and private resources.

BUT....



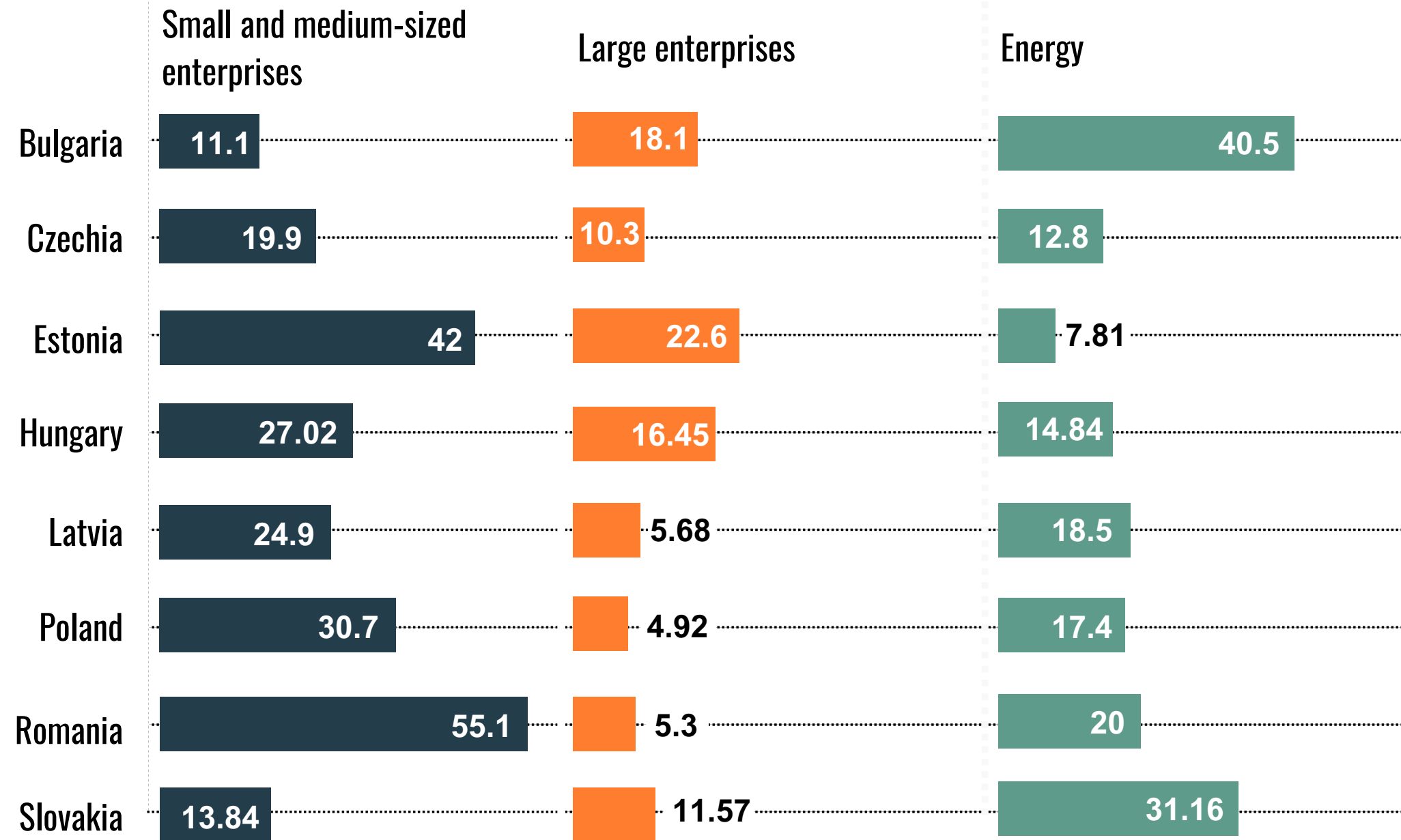
Just €3.6 billion of ERDF and CF were committed to instruments managed by the EIB Group

(EC, 2023)

In 2014-20, the ERDF dedicated over €69 billion to supporting productive investments in enterprises and SMEs



Where will the money go? Percentage of total country budgets from Just Transition Fund for particular types of investments



Developed by CEE Bankwatch Network based on a methodology by Michael Stapper and data on the Just Transition Fund allocation for the 2021-2027 budgeting period available from the Cohesion Open Data Platform.

In the face of a large investment gap, a tight climate timeline, a constrained budget and slow absorption rates...

Questions raised:

Are the EU and MS missing out on the opportunity to lever private investments?

Can we increase the speed of delivery and cost-effectiveness of retail finance to millions of SMEs and households?

Lessons learned:

Member states don't fully appreciate power of financial instruments to deliver climate investments

Recipients that can pay back EU funds can be more actively targeted with financial instruments

The EIB instruments were under used by Member States and there is more room for design, derisk and operationalisation of more standard financial instruments working with local banks and National Policy banks

Things to be addressed:

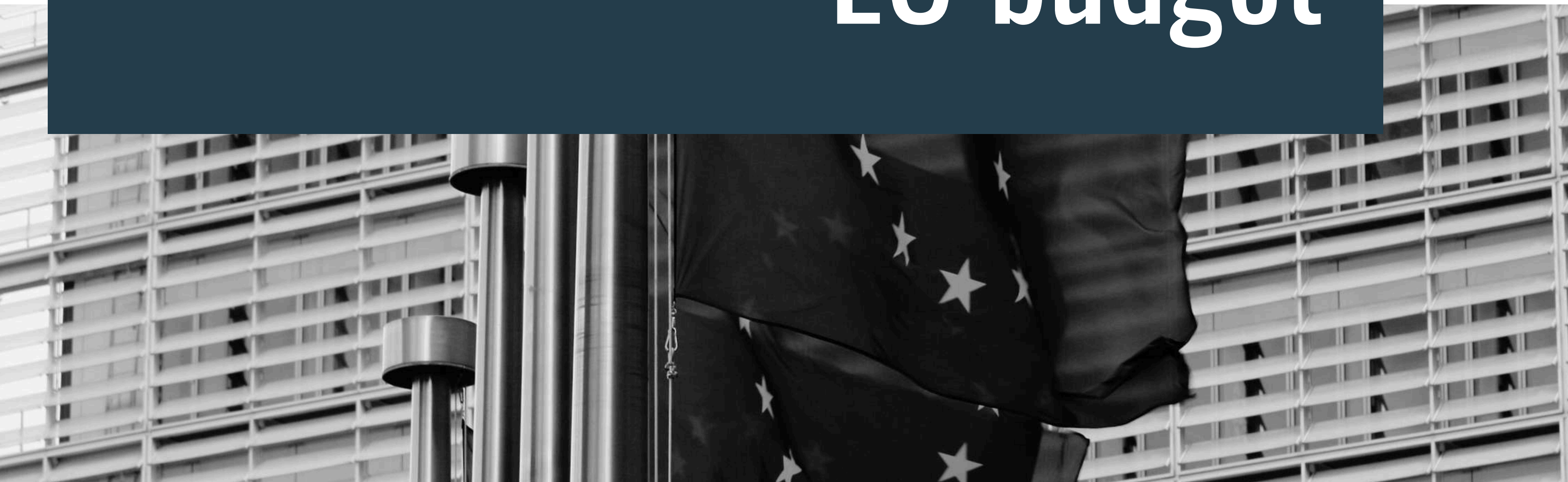
Ensuring local design input from Member States

Extending EIB networks and trust with local authorities

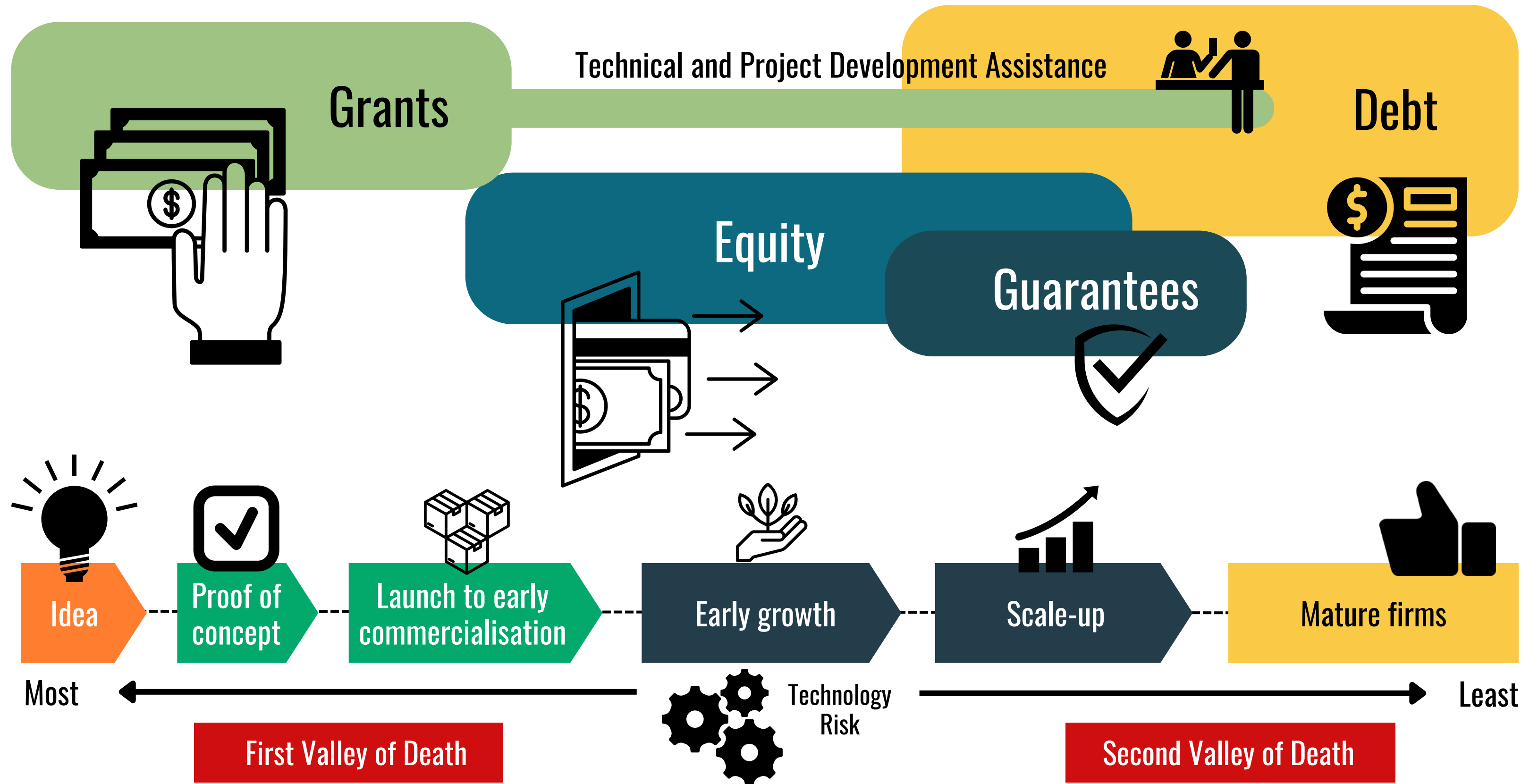
Aligning timings with MS investment planning

Ensuring an adequate balance of timing pressure and conditions

Delivering an efficient EU budget



Efficiency zones of public financial instruments based on maturity stage of the clean technology



Overview of multipliers in energy sector investment instruments and schemes in energy generation in EU-27

Type of financial instrument from mapping	Average target multiplier from mapping	Median achieved leverage as at 31 Dec 2020 - financial instruments under ERDF/CF
Loans	1.57x (based on 29 instruments with available target multiplier)	1.3x (based on 451 instruments)
Equity	1.17x (based on 3 instruments with available target multiplier)	1.8x (based on 211 instruments)
Guarantees	1.79x (based on 12 instruments with available target multiplier)	4.8x (based on 87 instruments)

● The leverage factor can be higher using a budget guarantee, like InvestEU, which reaches an average of 11.4x due to an overall risk diversification based on a highly granular portfolio

Source: European Commission (2024)

InvestEU MS compartment to enhance nationally-allocated EU funds



€26 bn guarante = 11.4x avg.

Sustainable Infrastructure (€9.9bn)



SME support (€6.9bn)



R&I (€6.6bn)



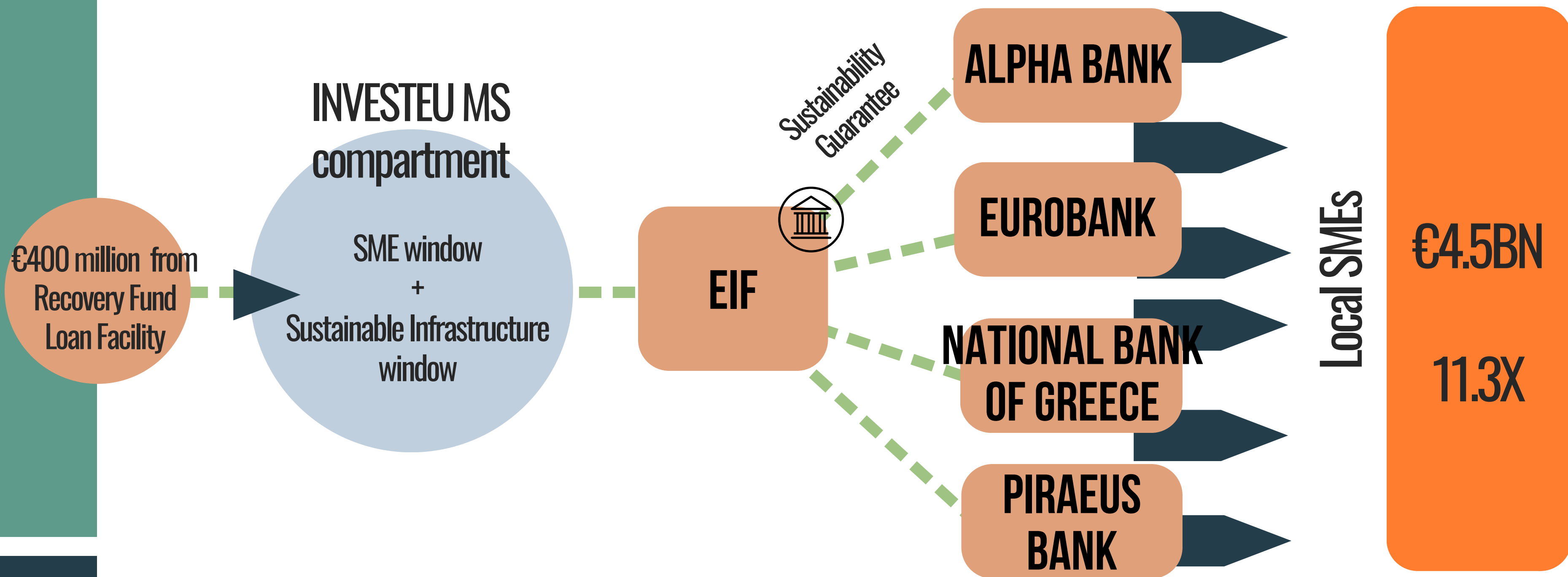
Social & Skills (€2.8bn)



Member State Compartment

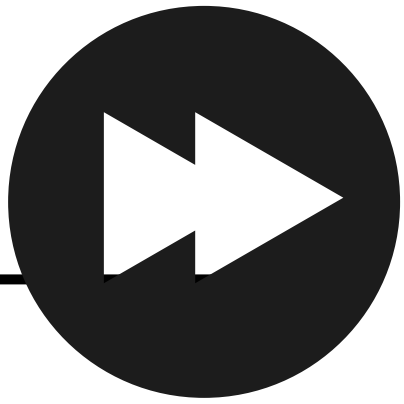
- **Activated on-demand** (Cohesion, RRF, CAP, Social Climate Fund, ETS revenues)
- **Member State can decide** on size, scope of operations, and implementing partners - approved by EC
- **Retail-level distribution** through national financial partners
- **EC management** of reporting and monitoring

Compartment in InvestEU to support SMEs in their green and digital transition





Efficiency gains from EU FlaaS



**HIGHER
LEVERAGE
(11.4X)**

**EU-LEVEL
HARMONISATION**

**LOCALLY
TAILORED**

**ADMINISTRATIVE
SIMPLICITY**

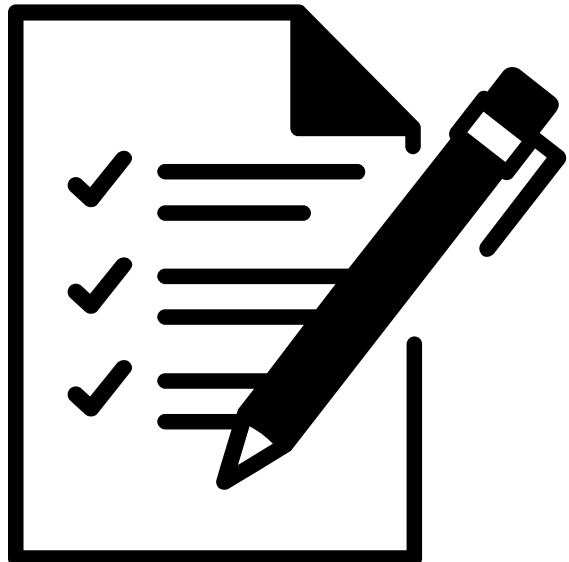
**STREAMLINED
DELIVERY**

**TO AVOID
INEFFICIENCIES OF
THE PAST AND
ENSURE MEMBER
STATE DEMAND**

1. Enabling local adaptation and local channels = more control and visibility
2. Ensure aligned timings with national investment planning processes
3. Excluding the impact of contributions to the EU FlaaS from the national debt calculus



**SUPPORTED BY
DG REFORM**



EU FlaaS templates, ready to be activated on an “off-the-shelf” basis

Simplified
“ex ante”
assessment

MS identify in
their (Single)
Plan(s)

1. Identify the climate investment gap ✓

2. List the specific assets to be deployed ✓

3. Determine the finance format/ maturity level of the asset ✓

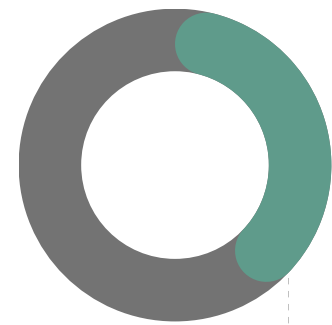
4. Map the end-beneficiaries ✓



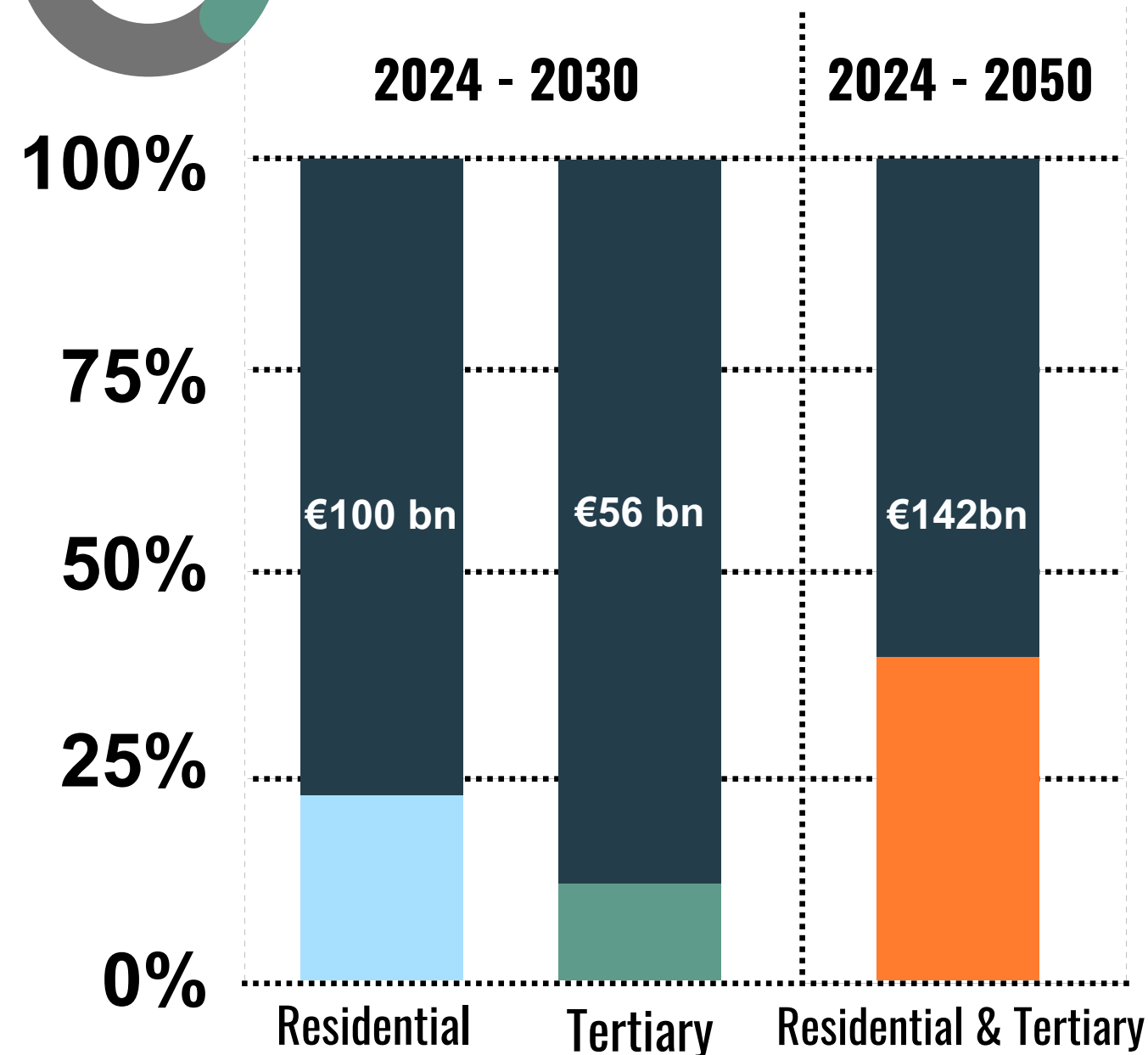
Sectoral recommendations to integrate Financial Instruments as a Service



Residential and Tertiary Buildings



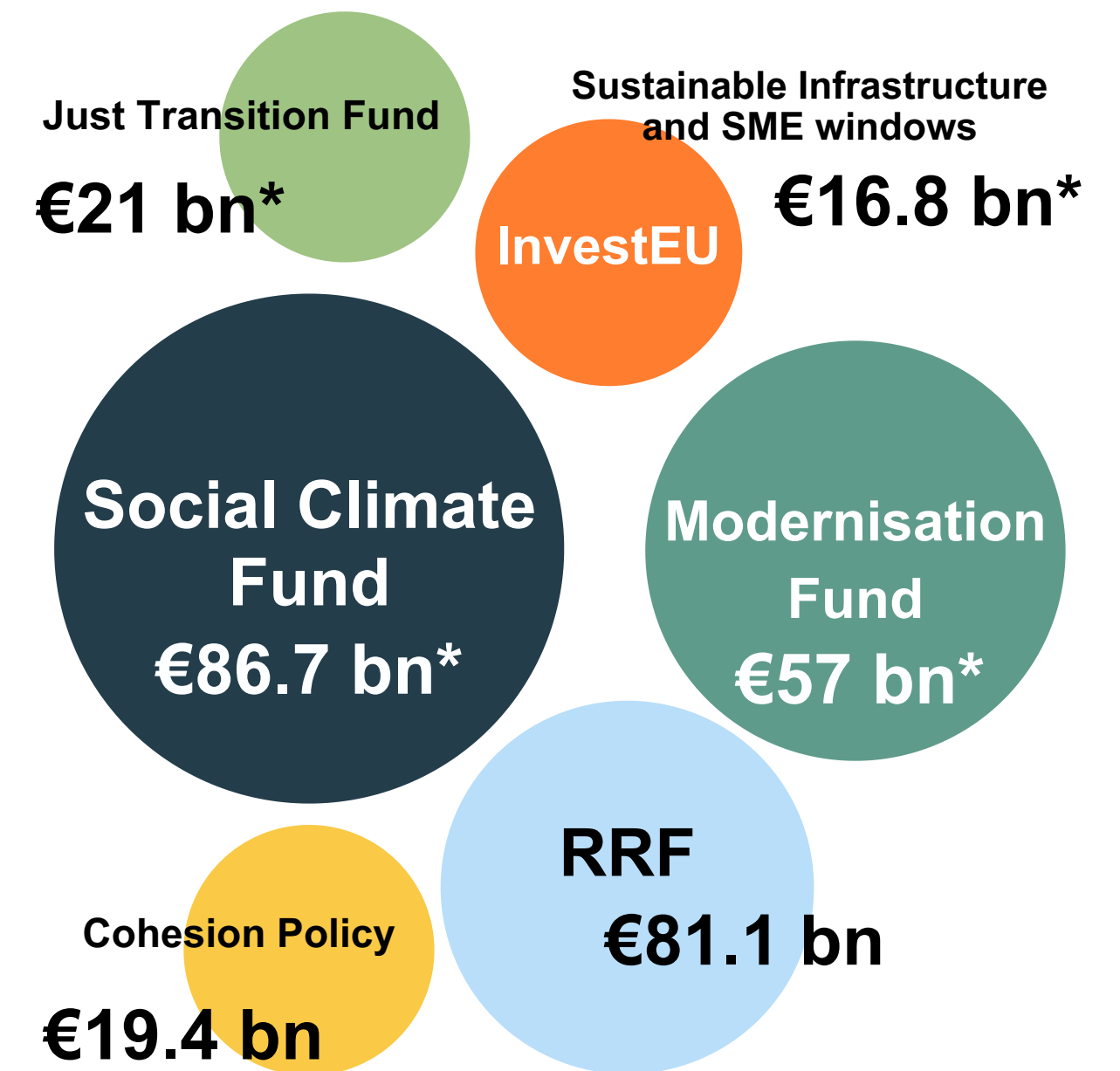
41% public share



Annual share of public & private investment gap of Residential and Tertiary Buildings from total gap

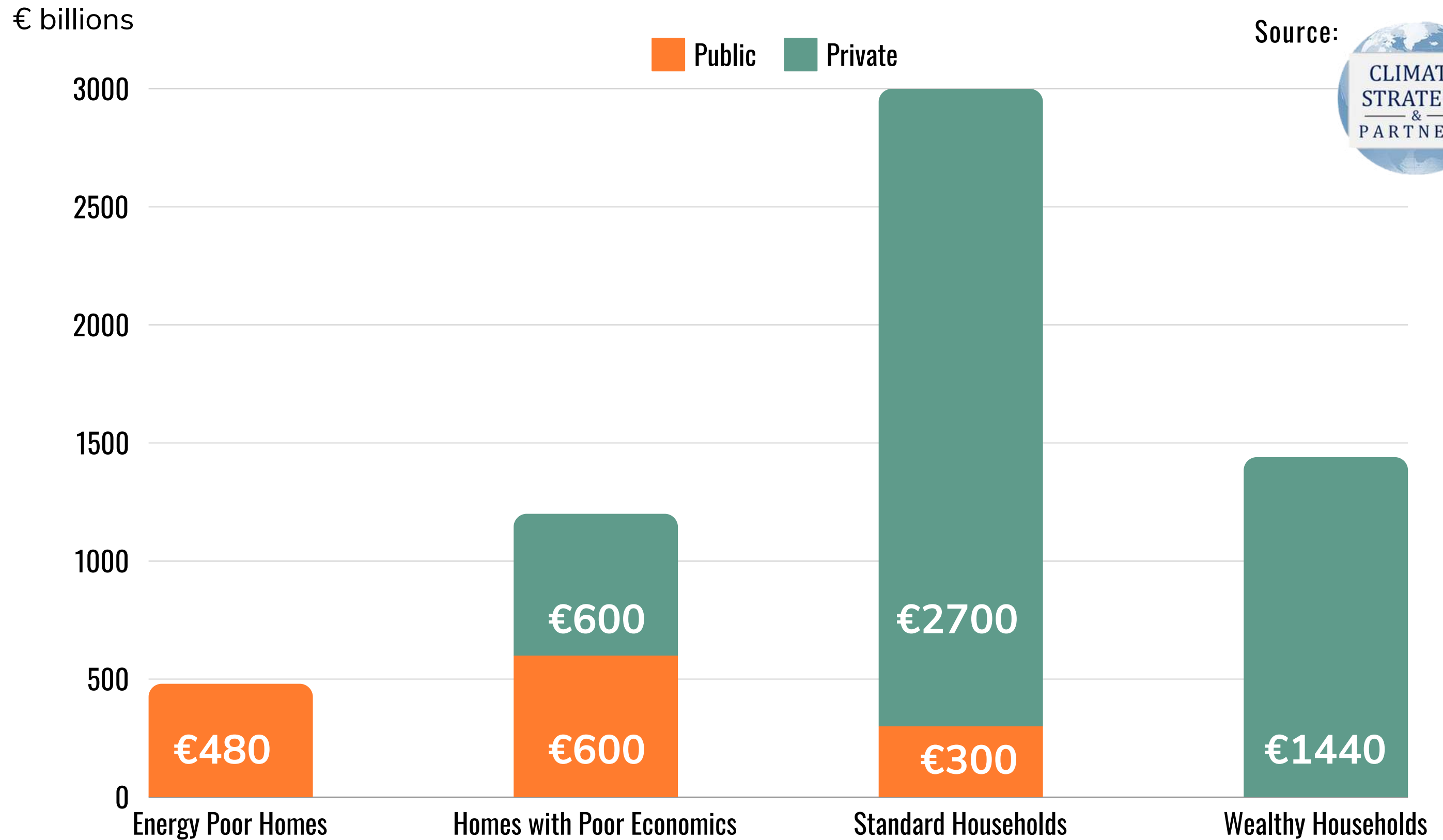
(Averages from EC 2023, EC 2020b, EC 2022, I4CE 2024, Institute Rousseau 2024)

EU funds allocated to Buildings investments (estimated amounts unless specified otherwise*)

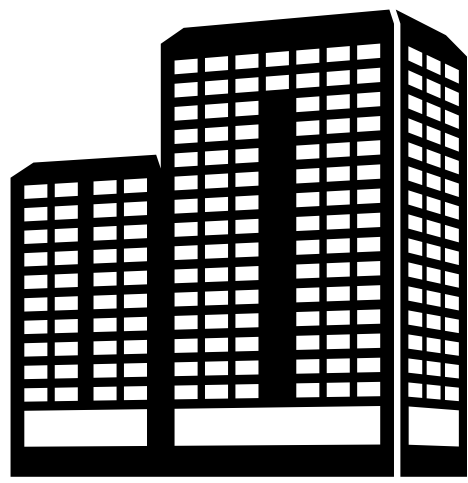


*Buildings are part of investment scope, but no specific allocation is provided

€6 trillion of home renovation finance needed for 2023-2050

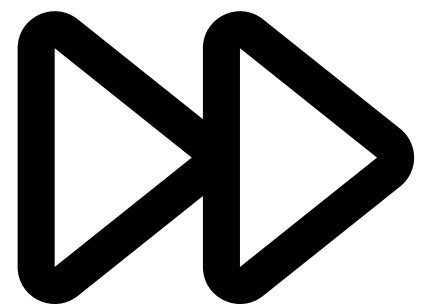


Source:  CLIMATE STRATEGY & PARTNERS

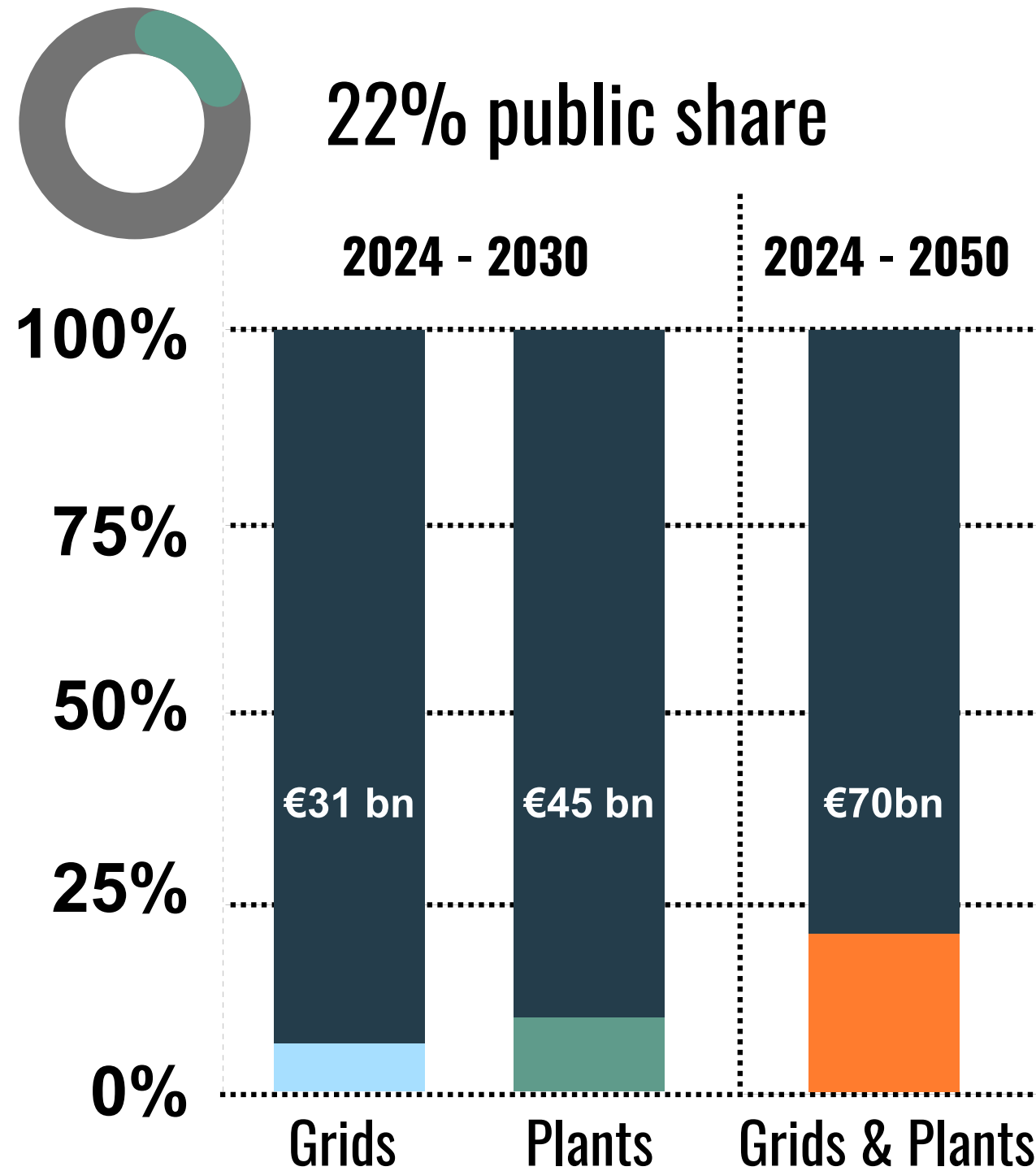


Buildings - Recommendations

- Increase EU grants for renovating energy-poor homes
- Develop an EU Renovation Loan (ERL) as fifth pillar of InvestEU
- Offer Member States Renovation Loans using the InvestEU MS compartment mechanism
- Use InvestEU to fund commercial buildings renovations



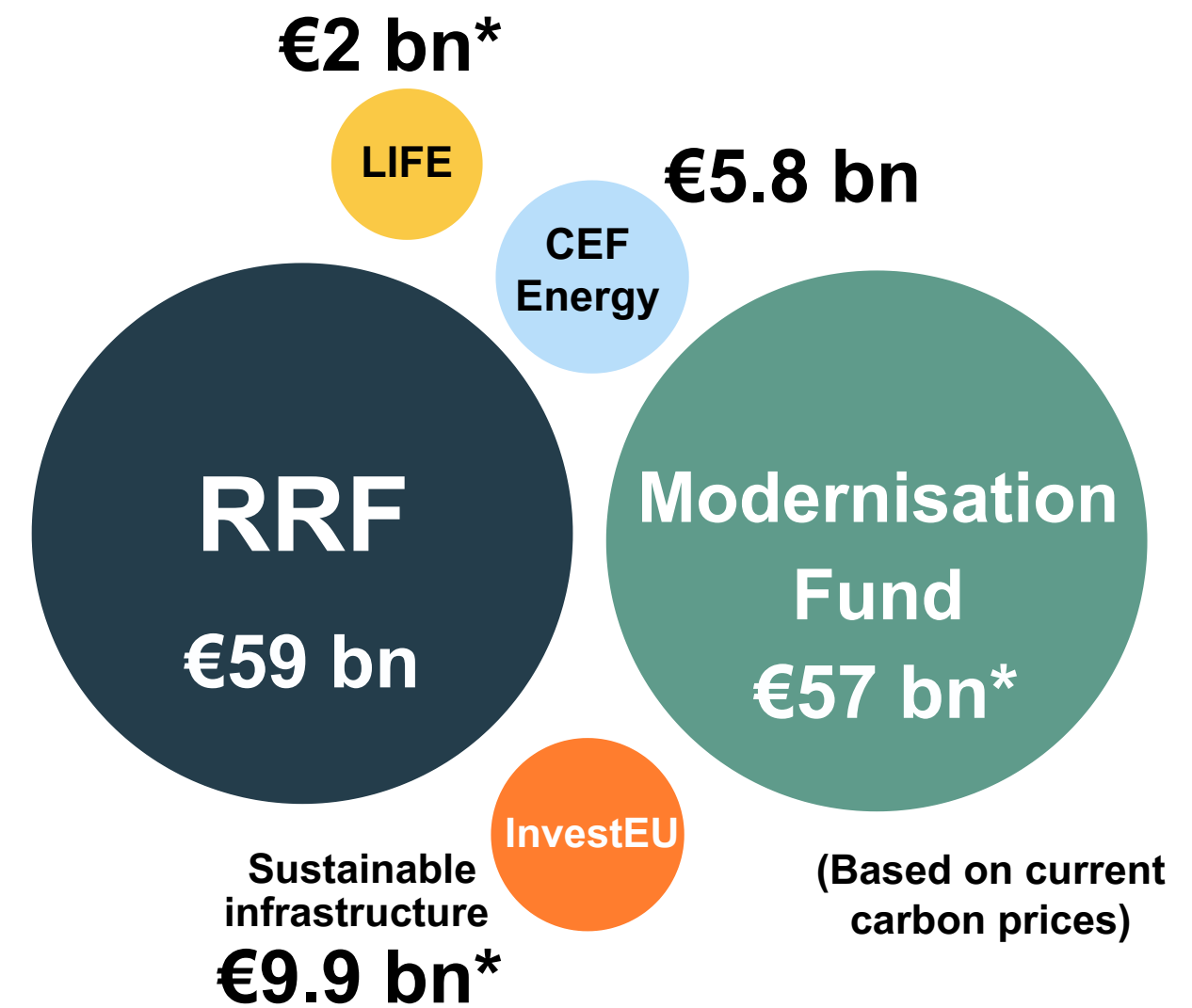
Energy and Grids



Annual share of public & private investment gap of Power Grids & Plants from total gap

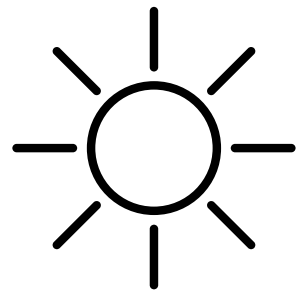
(Averages from EC 2023, EC 2020b, EC 2022, I4CE 2024, Institute Rousseau 2024)

EU funds allocated to Energy investments (estimated amounts unless specified otherwise*)

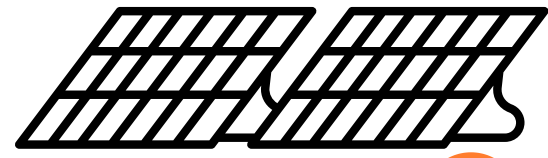


* Renewable energy and Grids are part of investment scope, but no specific allocation is provided

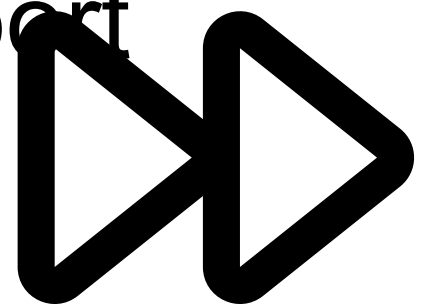
Other EU funds that contribute to renewable energy and grid investments (among a wide range of objectives and sectors), but where exact data has not been found: European Regional Development Fund, Innovation Fund.



Energy & Grids - Recommendations



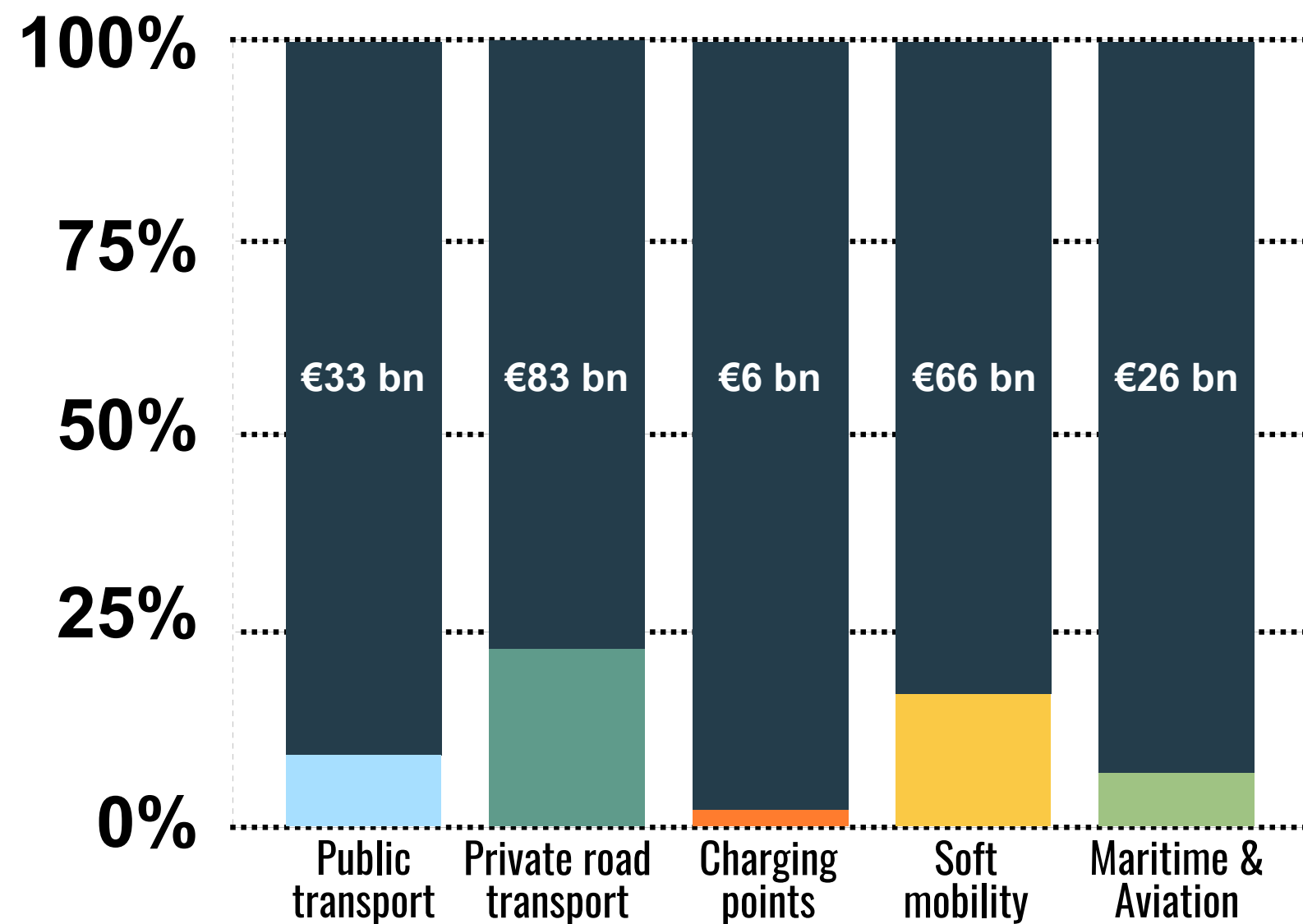
- Prioritize grants for rooftop PVs in energy-poor homes
- Use blended finance for means-tested households and dedicated schemes for SMEs
- Leverage EU FlaaS for simplified and streamlined funding. For instance - the Solar Rooftop Loan as a Service via InvestEU Housing Renovation window.
- Expand the Connecting Europe Facility for Energy to support grid development



Transport



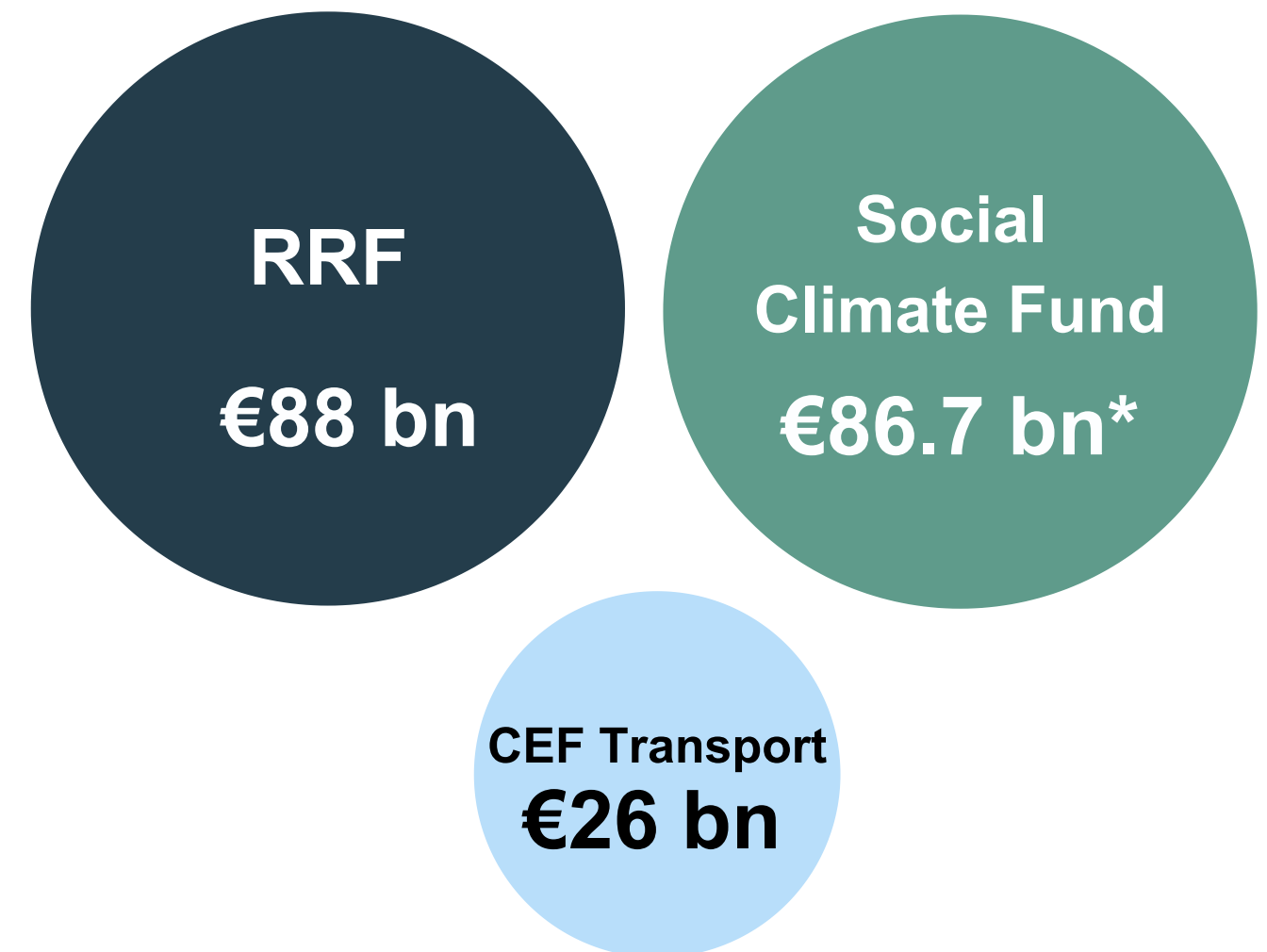
20% public share



Annual share of public & private investment gap per subsector of Transport from total gap

(Averages from I4CE 2024, Institute Rousseau 2024)

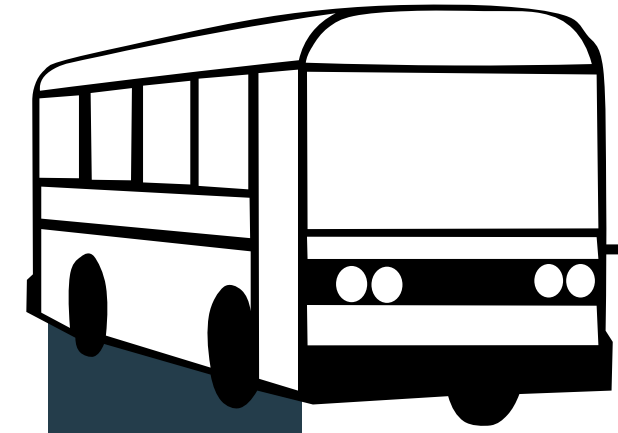
EU funds allocated to Transport investments (estimated amounts unless specified otherwise*)



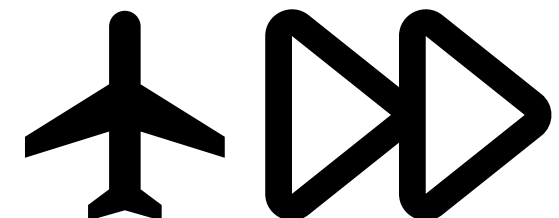
*Transport is part of investment scope, but no specific allocation is provided

Other EU funds that contribute to renewable energy and grid investments (among a wide range of objectives and sectors), but where exact data has not been found: European Regional Development Fund, InvestEU

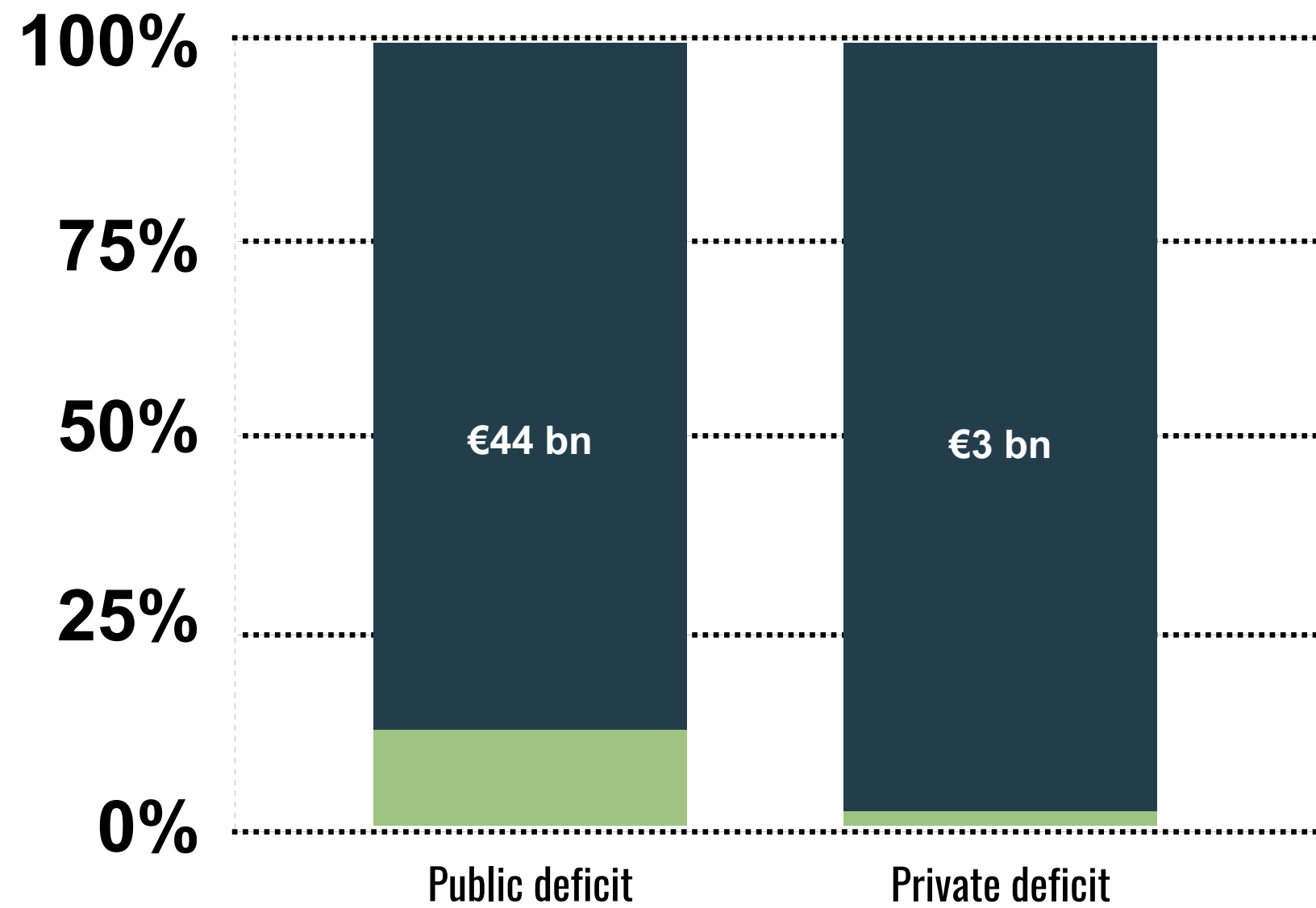
Transport - Recommendations



- Expand the Connecting Europe Facility for Transport to boost rail infrastructure
- Utilize EU Financial Instruments as a Service for blended finance in EVs, HDVs, and charging networks. For instance, an Electric Tractor Loan as a Service via InvestEU window on Sustainable Transport
- Launch a €20 billion Social Climate Fund leasing scheme for affordable EVs for vulnerable households (T&E)



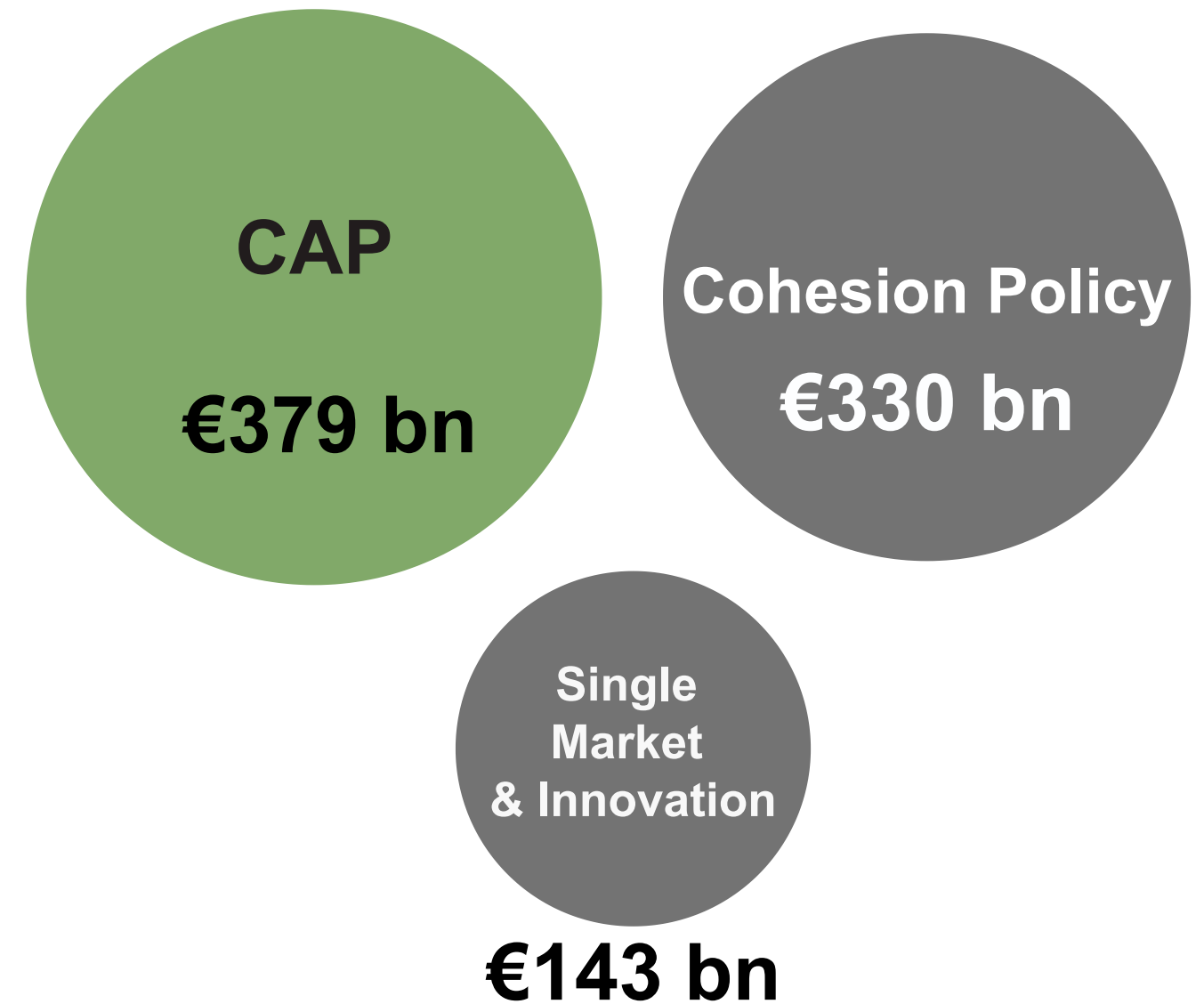
Agriculture

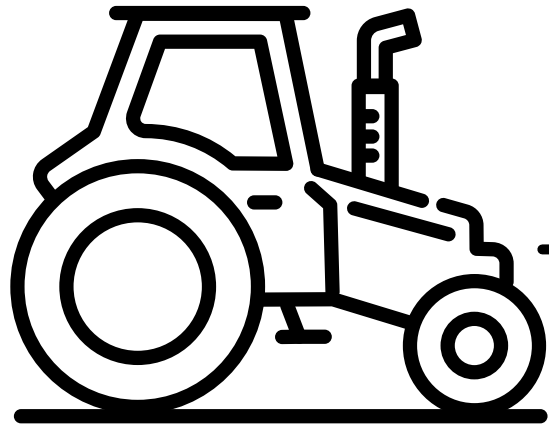


Annual share of investment gap (private or public) of Agriculture from total gap

(Institute Rousseau 2024)

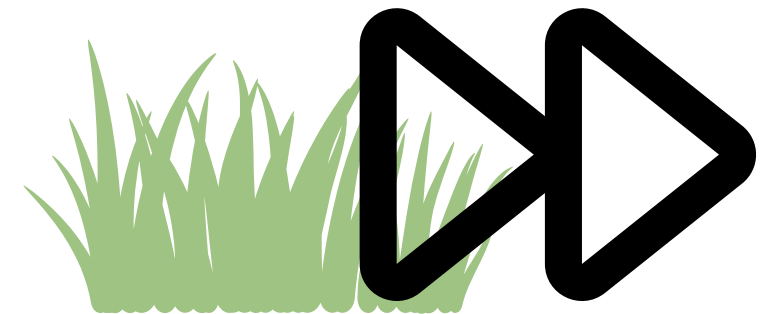
Budget of Common Agricultural Policy (in comparison with other programmes of the EU budget)



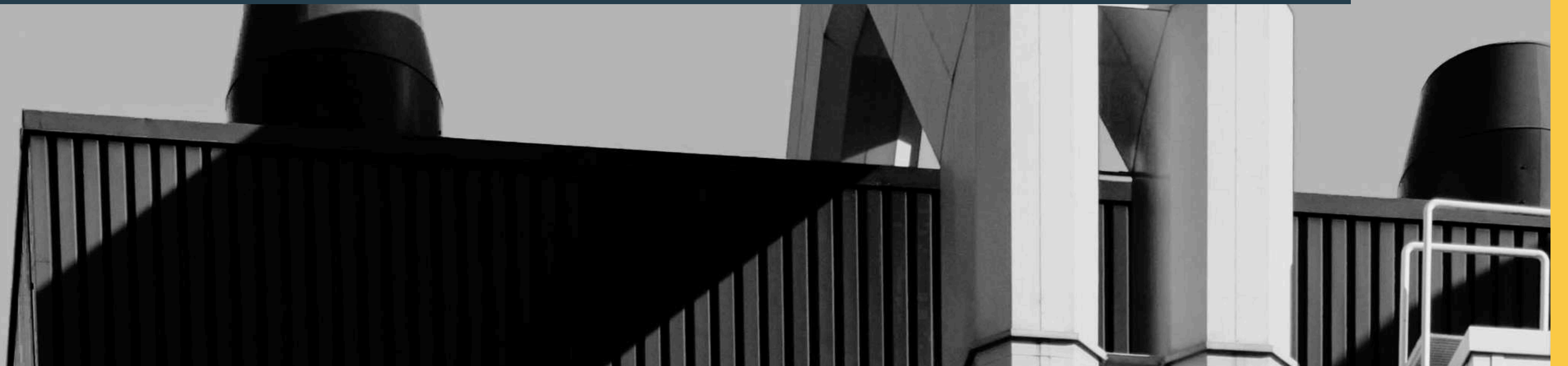


Agriculture - Recommendation

- Create an Agriculture guarantee envelope, possibly following the InvestEU Member State compartment and via an expansion of a dedicated policy window for Sustainable Agriculture
- Enable Member States to contribute with funds from the European Agriculture Fund for Rural Development to boost the creation of targeted EU Financial Instruments as a Service
- Develop equity and venture debt programs, under the lead of the EIB



**A forward-leaning and
proactive EU budget to boost
EU industrial competitiveness**



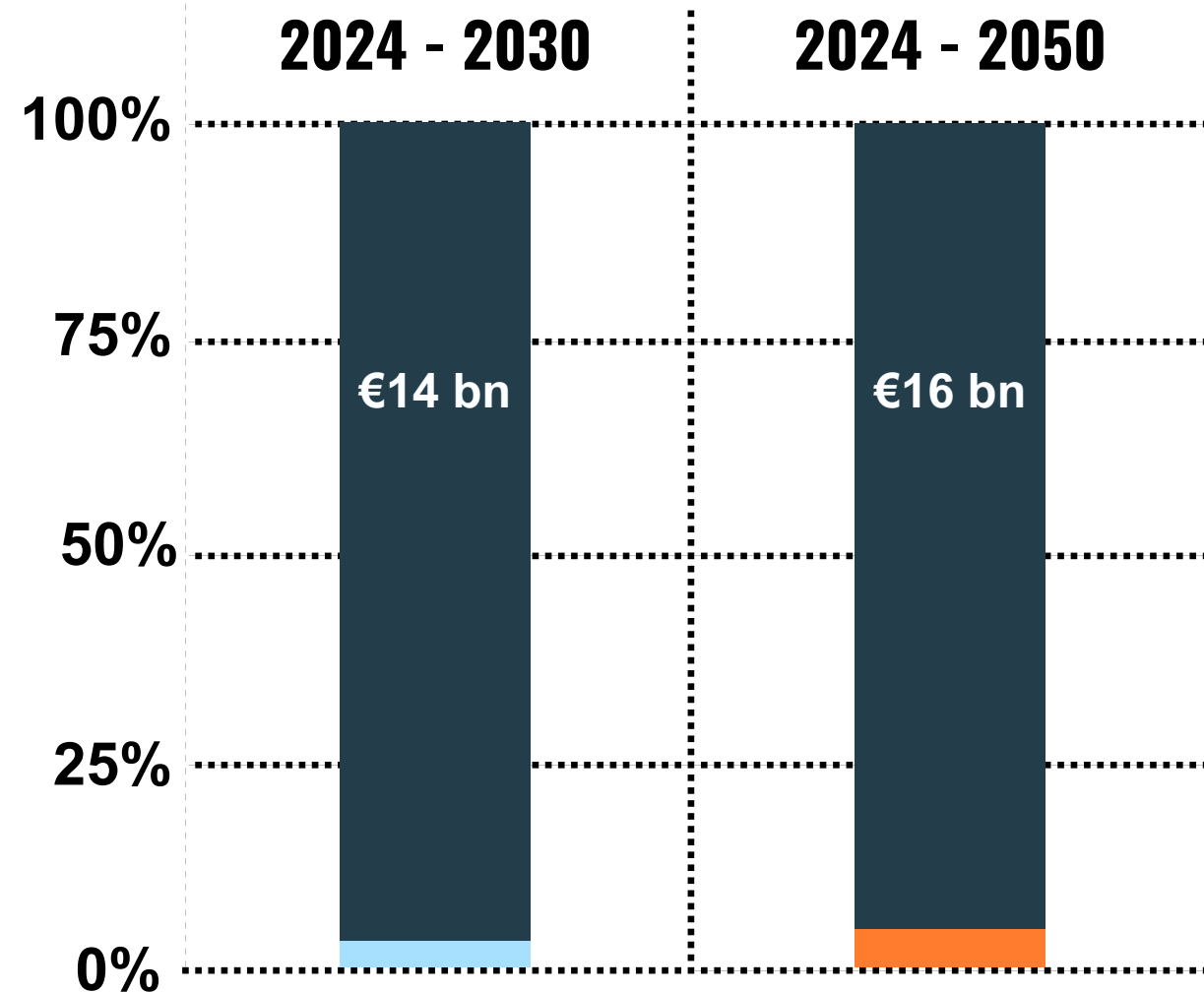
Industry



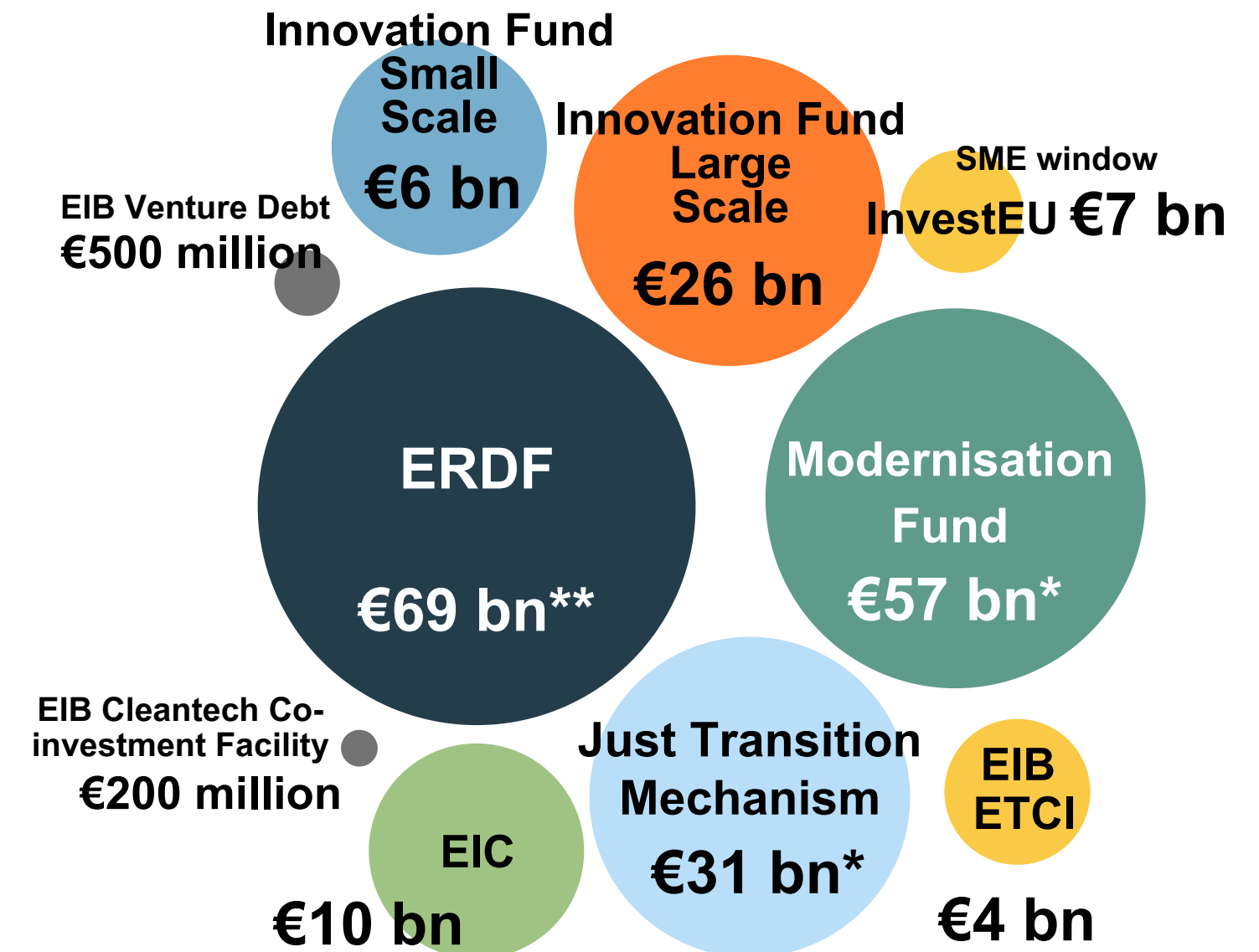
43% public share
(almost half needed to extrapolate measures to SMEs)

EU funds allocated to SMEs and Industry investments
(estimated amounts unless specified otherwise*)

Annual share of public & private investment gap in Industry from total gap



(Averages from EC 2023, EC 2020b, EC 2022, Institute Rousseau 2024)



*SMEs and Cleantech are part of investment scope, but no specific allocation is provided

**Amount from 2014-2020 programming period dedicated to SMEs

Cleantech manufacturing

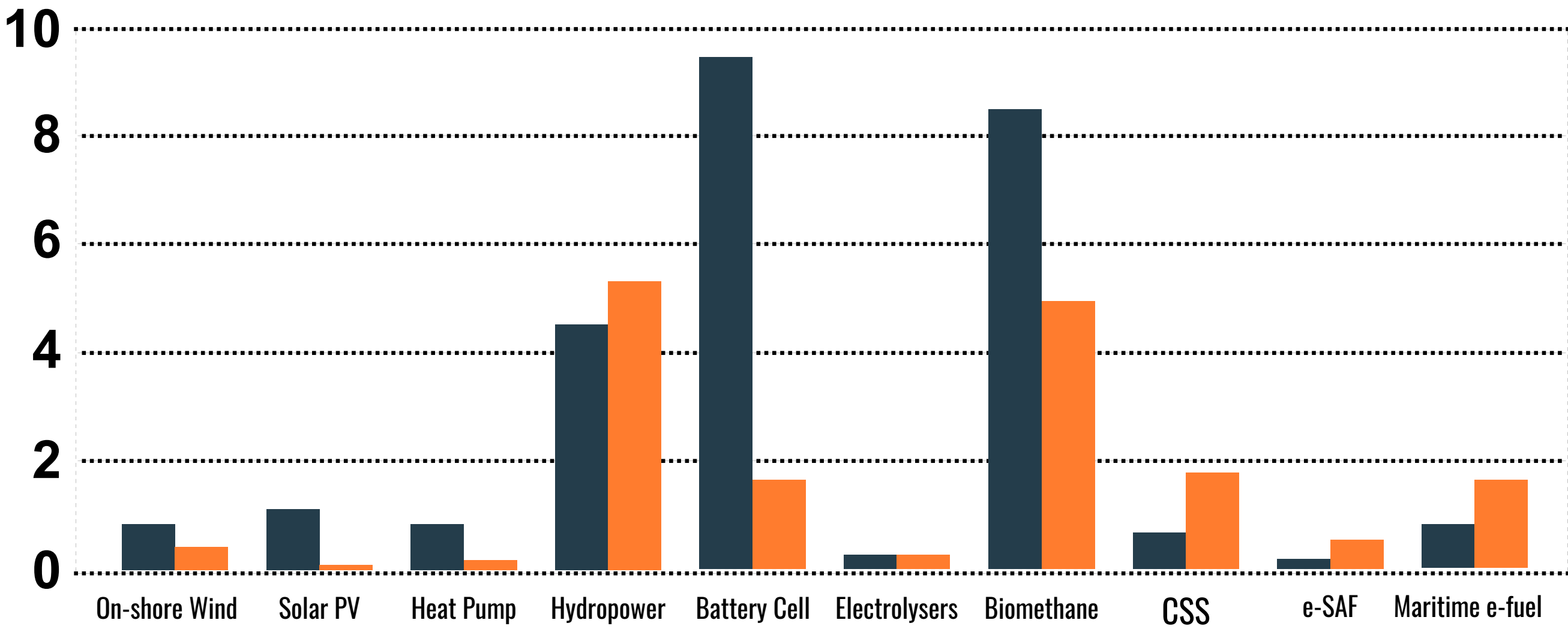


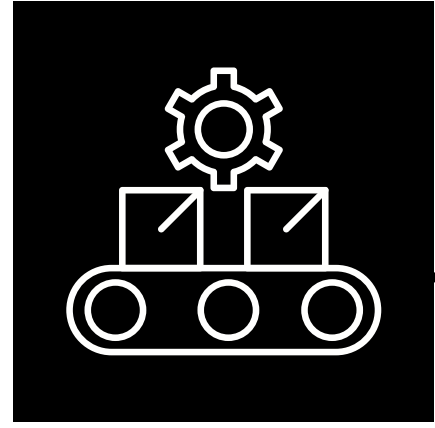
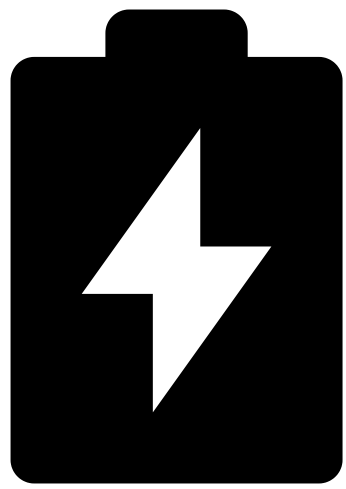
20% public share

- 2023-2030
- 2031-2040

Annual public & private investment gap in cleantech manufacturing (€bn)

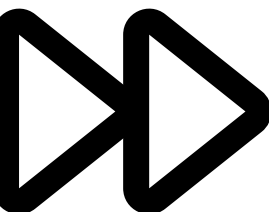
(Capgemini 2020, EC 2023, EC 2024)



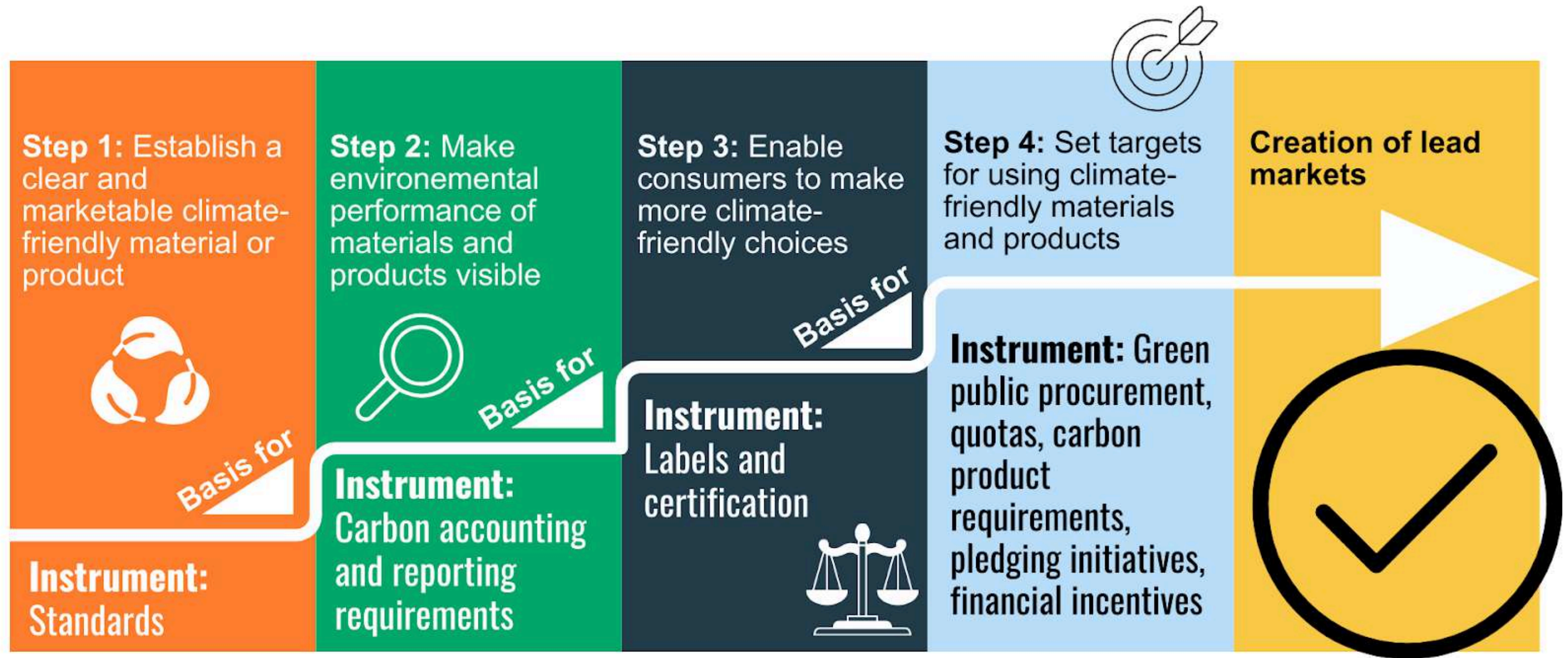


Cleantech manufacturing - Recommendation

- **Enhance existing EU funds** and simplify governance for easier access by young and small cleantech companies,
 - integrating **sector-specific EU FaaS** and optimizing coordination with **national programs**.
- **Increase EIB leadership** for cleantech through expanded guarantee facilities, proactive outreach like the US LPO, and collaboration with national promotional banks and retail banks,
 - while **building transparent EU cleantech markets** through regulatory improvements and private sector transparency.



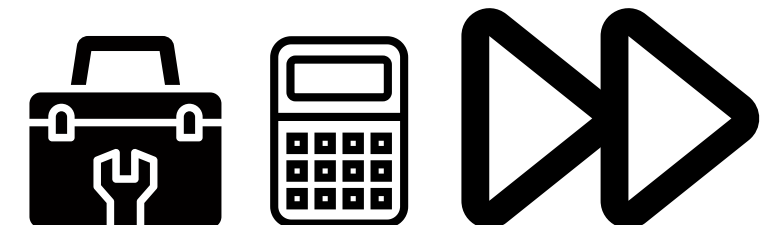
Policies have to create Lead Markets

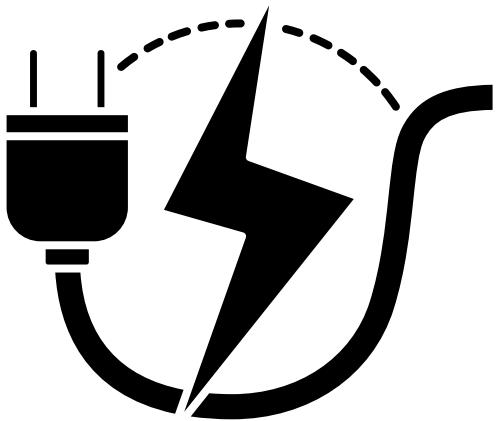


All industrial SMEs - Recommendation



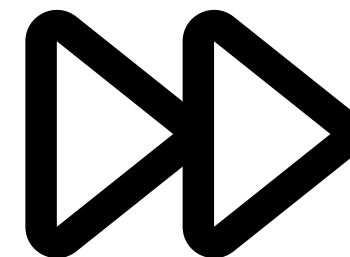
- Increase the InvestEU budget guarantee and strengthen the SME Window with Member State contributions
- Integrate reforms and conditions for improving the national institutional environment to activate competitive retail channels
- Amplify the role of local networks, and kick-start collaborations with the main software providers of accountancy tools.





“Efficiency First” principles

- Boost and expand EU FlaaS to speed up fund delivery and actively position into MS' plans.
- Prioritize grants for public goods, low-income support, and R&I.
- Integrate efficiency-first reforms and conditions and mandate DG REFORM to provide implementation support.
- Mainstream standard DNSH in EU funding.
- Monitor financial instrument use and improve NECPs to address investment needs.



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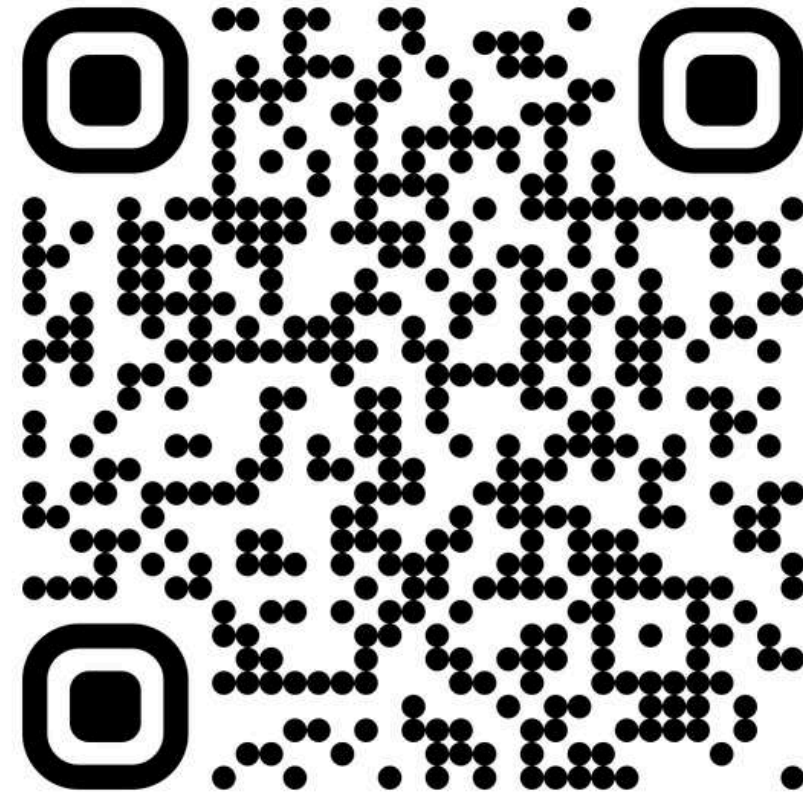
Filling the
EU Climate
Investment Gap
more efficiently



Prepared by



Download
here



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Thanks!



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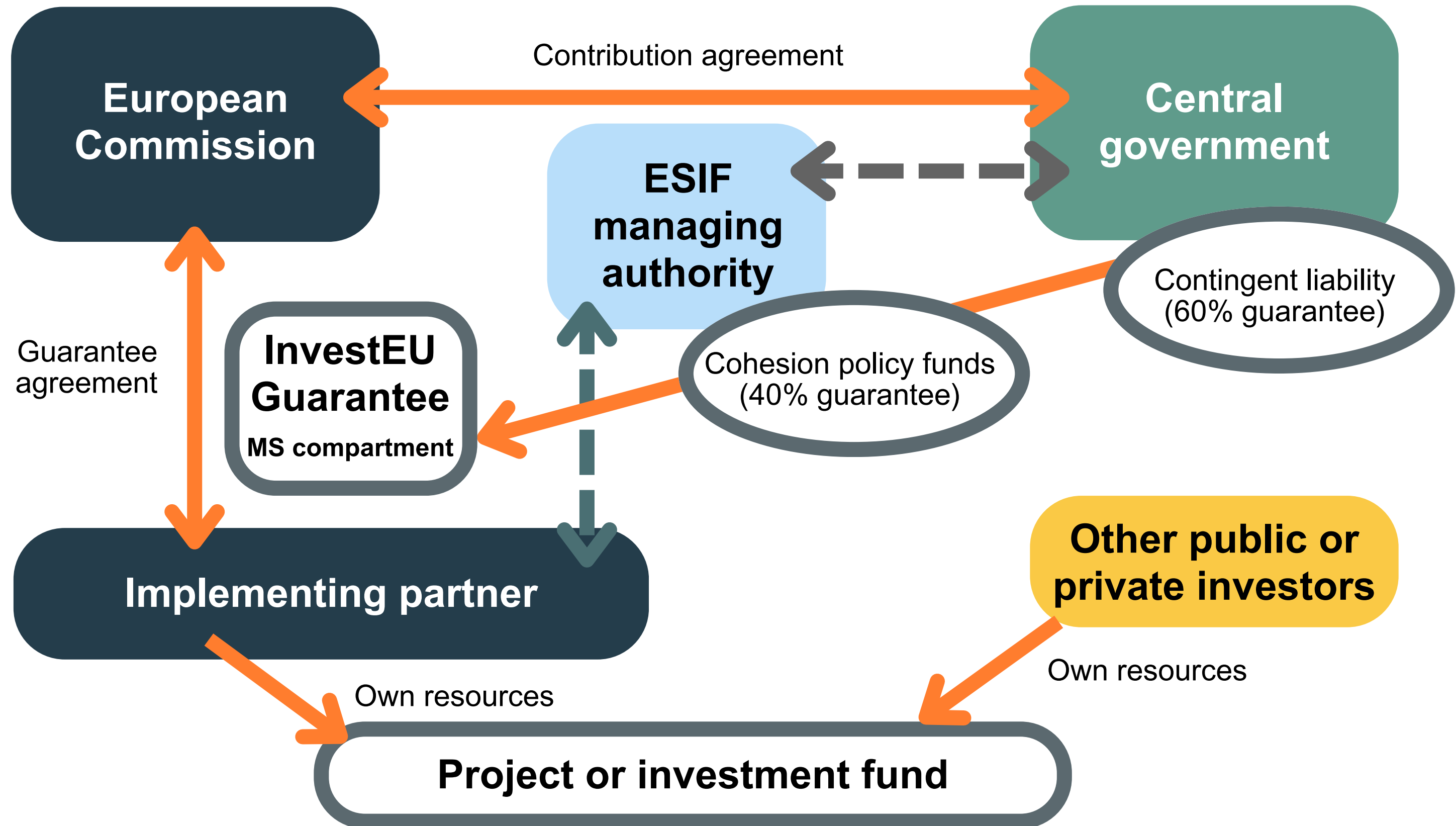
Key funds and their relevance

EU fund	Source	Objectives	Period	Budget	Climate	End Beneficiary	Financial Instruments (FIs)	Implementation of FIs	Possible allocation to InvestEU MS Compartment
<i>RRF Grants</i>	NextGenEU	Response to Cov-19 to support reforms and investments aimed to make EU economies greener, digital and more resilient	2021-2026	€313	37%	SMEs, large companies and households	Grants Loans Equity Guarantees	No overall assessment found. Case studies identified in Spain, Greece and Romania. Just 4 Member States used EIB-managed FIs for RRF (SP, IT, RO, GR)	4% Additional 6% for STEP
<i>RRF Loans</i>				€360 bn	37%				
<i>ERDF</i>	MFF	Cohesion among EU regions	2021-2027	€226bn	30%	Mostly SMEs and households	Grants Loans Equity Guarantees	Report from 2014-2020: Low uptake (9% or €25 billion). 3.4x leverage. €2 billion for supporting a low carbon economy €490 million for environment and resource efficiency	5%
<i>Cohesion Fund</i>	MFF	Environment and transport investments in low-income MS	2021-2027	€37bn	37%	Mostly SMEs and households	Grants Loans Equity Guarantees		
<i>Just Transition Mechanism</i>	MFF	Support regions negatively affected by the transition	2021-2027	€21bn grants €10bn loans	All, but exclusion on fossil investments under Pillar 2 ²⁴⁹	SMEs, large enterprises, households, public projects on energy and environment	Grants InvestEU FIs: Loans Equity Guarantees	No data or assessments found. Implementation began recently.	Dedicated InvestEU scheme expected to mobilise €10 to €15 billion
<i>LIFE</i>	MFF	Supports environmental, nature conservation and climate action projects	2021-2027	€5bn	Clean Energy Transition = €997 million Climate Change Mitigation and Adaptation = €947 million	SMEs Public authorities Non-profit organisations	Grants Loans	Report from 2014-2020 evaluation report: Private Finance for Energy Efficiency (PF4EE) managed by EIB to implement Member States' energy efficiency action plans through financial intermediaries. 4% of total LIFE for PF4EE (€215 million) (vs. 73% in grants, of which 14% for climate action) Slow start of PF4EE. Mobilised €700 million in 10 Member States (3.3x leverage)	Not specified
<i>Modernisation Fund</i>	ETS	Support low-income Member States in modernising energy systems and improving energy efficiency	2021-2030	€57bn (assuming a carbon price of €75/tCO ₂)	All	SMEs, large enterprises, households, public projects on energy	Grants Premiums Loans Guarantees Capital injections	Lack of detail in Member States' reporting templates No systemic assessment made by Investment Committee	Not specified
<i>Social Climate Fund</i>	ETS	Support most affected vulnerable groups to ETS2 (buildings and transport)	2026-2032	€86.7bn	All, except direct income support	Vulnerable: households, microenterprises, transport users	Grants Financial instruments (not specified)	Social Climate Plans with measures under drafting by Member States, to be submitted in 2025. These Plans will determine the use of financial instruments. On-going DNSH public consultation.	4%
<i>InvestEU Fund</i>	MFF	Support investment across the EU that fosters sustainable growth and job creation	2021-2027	€26bn budget guarantee (11.4x)	30% 60% for Sustainable Infrastructure window	SMEs, large enterprises, households	Loans Equity Guarantees	84% of budget committed by 2024 Low utilisation of Member State compartment (12 operations by 4 Member States registered in total in 2022 and 2023, for a total of €239 million)	N/A

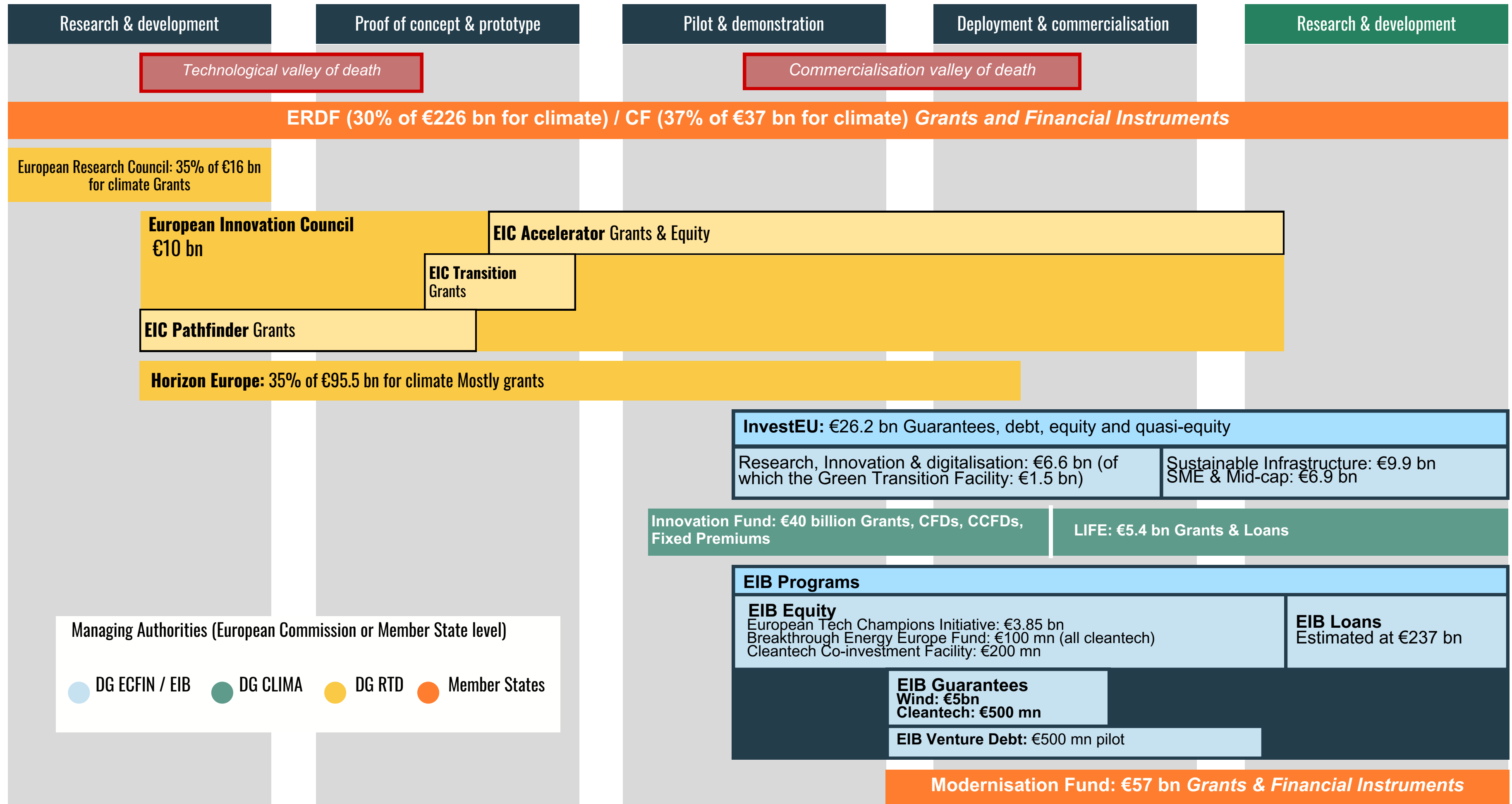
Filling the investment gap

EU fund	Source	Objectives	Period	Budget	Climate	End Beneficiary	Financial Instruments (FIs)	Implementation of FIs	Possible allocation to InvestEU MS Compartment
<i>Innovation Fund</i>	ETS	Commercial demonstration of innovative low-carbon technologies (includes manufacturing call)	2020-2030	€40bn (based on current ETS carbon price €74/ton)	All	SMEs, large enterprises	Grants CFDs CCFDs Fixed Premiums	High oversubscription of IF large-scale calls. 10.6% success rate in large-scale calls (30x the budget) 21% average success rate in small-scale calls of 2021-2023 High oversubscription of pilot Hydrogen Premium Auction (€700 million): 5% success rate. Possibility of Auction as a Service for Member States - used by Germany, Spain, Austria, Lithuania	N/A
<i>EIC Accelerator</i>	MFF	Supports SMEs to develop and scale up innovations across a variety of areas.	2021-2027	€675mn in 2024 €634 million in 2025 (from €10bn overall budget for EIC)	35%	SMEs	Grants Equity	High oversubscription 5.4% success rate (in 2021, 65 out of an estimated 1,196 applicants)	N/A
<i>EIB European Tech Champions Initiative</i>	EIB + MS	Fund-of-funds to invest in large-scale venture capital funds, which will in turn provide growth financing to European tech champions in their late-stage growth phase	2023-onwards	€500mn + MS contributions = €3.85bn	No earmarking	SMEs	Equity	Expected leverage of €10bn (2.3x)	N/A
<i>EIB-Breakthrough Energy Europe Fund</i>	EIB + BEV	Equity fund that will invest in economically-viable breakthrough clean energy tech companies along the innovation chain in Europe.	2019-onwards	€100 mn	All	SMEs	Equity	No more information provided	N/A
<i>EIB - Cleantech Co-investment Facility</i>	EIB	The EIF will participate in equity funding rounds alongside EIF-backed fund managers, co-investing on equal market terms and conditions into EU-based SMEs and Midcaps	2024-2028	€200mn	All	SMEs and Midcaps	Equity	No more information provided	N/A
<i>EIB Venture debt pilot</i>	EIB	Loans to early-stage companies to provide liquidity in between equity funding rounds	Created 10 years ago	€500 mn pilot	No earmarking	SMEs	Debt	It has delivered an overall of €6.8 billion to about 300 companies (not exclusively cleantech) EIB is developing a dedicated €500 million scale-up debt pilot for direct support to EU technology champions in their late stage of growth that are beyond established venture debt criteria, but still require growth financing.	N/A

MS compartment of InvestEU Fund



EU Financing Programmes and Funds 2021-2027



Single Capital Market must fill known gaps

