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 and solutions

Dear Members of the European Parliament: Mr. Christian Ehler, Mr. Dan Nica, Mr. Yvan Verougstraete, Mr. Ivars Ijabs, Ms. Benedetta Scuderi, Mr. Ville Niinistö, and other shadow rapporteurs,
Dear Members of the Council of the European Union and Permanent Representatives,
Dear Danish Presidency of the Council of the European Union,

Tuesday December 2nd, 2025

Europe's "Independence Moment" demands unity, ambition, and urgent action to secure its own future and sustainable prosperity by strengthening its clean industrial competitiveness, technological autonomy, climate leadership, and security. It also requires a European long-term budget which provides sufficient, predictable and well-structured finance and funding to deliver this.

The undersigned, 28 think tanks, research institutions, civil society organisations and cleantech associations, want to see a more integrated financial toolbox to fund European innovation and make the lab-to-scale investment journey of clean technologies competitive in Europe. This toolbox should also promote the additionality of European investments and a just transition, in part by delivering affordable EU finance for citizens and smaller businesses, which would also help boost the demand for European cleantech. All of this requires **an impactful and targeted European Competitiveness Fund (ECF) that improves EU financial instruments for scale-up and deployment support, and maintains effective coordination with a strong and right-sized Horizon Europe that reestablishes the EU as the home of cleantech innovation.**

While the EU's cleantech ecosystem is showing signs of revival, with investment rebounding in 2025 after a difficult 2024, it must **translate this momentum into a more integrated ecosystem that is able to build small innovators into European Cleantech Champions and Europe into a manufacturing powerhouse.** The benefits for the EU are significant: faster learning curves, cheaper technologies, and a more diversified, resilient cleantech supply chain. This should also translate into significant benefits for European SMEs, citizens and the social economy, via more affordable energy prices, increased energy security and the creation of quality jobs in cleantech industries.

Further, and despite steady funding growth, patenting in low-carbon technologies has slowed in Europe in recent years. As Draghi recalls, the budget for Horizon Europe's early-stage innovation and research funding, that connects through equity via the EIC, also needs to be maintained to meet the goals of the Clean Industrial Deal.

We welcome the Commission's July proposal to better connect Horizon Europe early-stage funding with the later-stage financing ecosystem of the ECF. However, **we have identified <u>nine critical levers</u> to deliver a more predictable and smooth lab-to-scale journey for strategic clean technologies and solutions:**

Recommendations on the European Competitiveness Fund

1. **Offer a predictable lab-to-scale journey for cleantech innovators with a binding budget for the Clean Transition window that targets strategic investment gaps in Europe's funding landscape.** Currently, promising cleantech R&I projects face a "valley of death" once they reach the first-of-a-kind (or demonstration) stage. The Commission has estimated that to scale just 6 critical clean technologies[1] made in Europe, a total of €16 to €18 billion in public support would be needed by 2030. For 10 critical technologies,[2] we have estimated that the public funding gap is at least €37.8 billion by 2030. This gap could double when other technologies needed to deliver a net-zero emissions economy are included.[3] While we welcome an ambitious 43% climate and environment mainstreaming target in the ECF, an 'indicative' €26 billion budget for the Clean Transition and Industrial Decarbonisation window is not enough to boost Europe's clean industrial leadership. The ECF needs a bigger, binding budget for the Clean Transition, supported on strong coordination of EU climate, industrial and trade policies to ensure a well-targeted and efficient funding envelope.

2. **Make ECF financial instruments fit for purpose: a €50 billion ECF InvestEU, a €10 billion Cleantech Guarantee Facility, and strong incentives for national contributions.** The EU's ability to seize clean industrial leadership remains constrained by structural weaknesses at the scale-up and commercialisation stages. Scaling capital-intensive technologies depends heavily on debt financing, but Europe's fragmented and weak credit markets make it harder to secure affordable long-term finance compared to the US or UK. InvestEU under the ECF as the "toolbox" of EU Financial Instruments is key to build towards Letta's Single Market and de-risk cleantech investments in Europe that would otherwise not materialise. We welcome an increased provisioning rate for InvestEU of 50%, as it will enable the EIB and other implementing entities to deploy capital on companies and projects perceived as more risky. A bigger role for InvestEU also requires a bigger budget than the proposed minimum of €17 billion. In the current MFF, InvestEU has a budget guarantee of €26 billion, of which 87% had already been committed by 2024. Therefore, we propose to increase the minimum budget guarantee for InvestEU to €50 billion.

   Additionally, the newly proposed Scale Up Facility in the ECF should build on the success of the current EIB guarantee programs[4] and earmark at least €10 billion for cleantech delivered via the InvestEU budget guarantee. An earmarking for "SME calls" and the exclusive SME focus in the Scale Up Facility are welcomed, and should align with the definition set in the Start Up and Scale Up Strategy, while integrating tailored, simplified procedures for small businesses and financial institutions.[5]

[1] For wind, solar PV, heat pumps, batteries, electrolysers and CCS.
[2] For on-shore wind, solar PV, heat pumps, hydropower, battery cells, electrolysers, biomethane, CCS e-SAF and maritime e-fuel.
[3] Such as long duration energy storage, grid upgrades, green steel, alternative cement, carbon removals, etc.
[4] Including a €200 million Cleantech Guarantee Facility, a €1.5 billion counterguarantee for grids, and a €5 billion guarantee for wind turbine manufacturing.
[5] Tailoring funding access procedures to the needs of smaller financial institutions,, by reducing complexity and scaling documentation requirements proportionally, to empower sustainable retail banks as financial intermediaries.

Finally, to top up ECF InvestEU and the Scale Up Facility, Member States should be incentivised to contribute their own funds via "as a service" compartments, including contributions from their National and Regional Partnership Plans, national ETS revenues, and other Union programs. These "as a service" instruments have proven their value under the Innovation Fund auctions and the InvestEU Member State compartments that have been highlighted as a best practice in the Clean Industrial Deal.

3. **Support lead markets for European cleantech with clean public procurement and affordable retail EU financial instruments for end-consumers.** The ECF and Horizon Europe should boost mandatory clean public procurement conditions and be complementary to existing sectoral legislation, so as to fill investment gaps not covered under existing measures like those under the Net-Zero Industry Act. Moreover, to deliver an effective growth strategy for European cleantech and support mass commercialisation, the ECF should further develop the focus on the demand-side and end-consumers by offering low-cost, asset-specific, retail financial instruments via InvestEU that cover the largest and most strategic decarbonisation gaps, particularly in housing, transport and agriculture. Public and private funding spent on supporting the growth of the European cleantech industry will otherwise be wasted if end-consumers (e.g. SMEs, households, small-hold farmers, social economy actors, energy communities) are not incentivised, nor able, to buy European clean products. Retail instruments can be kickstarted with some contributions from the Clean Transition window, and should be enhanced with national contributions from NRP Plans or national budgets via "as a service" compartments for Member States.

4. **Maximise the impact of ECF funds with stronger "efficiency-first", additionality, conditions for a just transition, and EU preference criteria across cleantech value chains.** To make the most of a limited budget under the ECF, a strategic choice of financial instruments and end-beneficiaries is essential. This can first be achieved by integrating a horizontal "financial efficiency first" principle by which grants support collaborative research and just transition measures, while financial instruments and output-based support are used to scale up and deploy later-stage, mature clean technologies. To improve additionality, horizontal conditionalities in ECF Work Programmes and Investment Guidelines can channel ECF support to those end-beneficiaries that need it most. For example, smaller businesses and innovators, or lower-income households, usually face the greatest difficulties in accessing EU finance for their transition, and therefore should be prioritised. To ensure the ECF aligns with EU objectives and values, funding must also be conditioned on a demonstrable climate impact and require complete adequacy with labour rights and support to a just transition.

   Finally, as a response to an increasingly challenging international environment, the ECF outlines a limited *EU Preference* criterion. Adherence to this criterion should be made a default, not optional, condition for financial support.

Recommendations on Horizon Europe

5. **<u>Set a binding budget for Horizon Europe of €200 billion, supported by a 45% climate and environment mainstreaming target.</u>** An uncertain 'indicative' budget poses considerable dangers to a stable and predictable innovation ecosystem in Europe and it sets the wrong precedent for a highly successful program. Currently, over 70% of quality proposals go unfunded. This demonstrates the need for a minimum budget of €200 billion, in line with the reports by Heitor and Draghi. A higher, well-defined Horizon budget would be in line with the EU's commitment to the 3%-GDP R&I spending target, as a demonstration of leadership that inspires the private sector and national governments to follow suit. Increasing the proposed 40% climate and environment spending target to 45% can ensure enough resources are dedicated for clean technologies and solutions.

6. **<u>Keep an independent and ring-fenced budget for collaborative research under Pillar II with at least 50% more for the Clean Transition and Industrial Decarbonisation envelope.</u>** Equally, ensure that Pillar II continues to support basic R&I to solve fundamental challenges and place safeguards to avoid its use for technology deployment[6]. Pillar II is the core 'European component' to Horizon Europe, and is far better at supporting such research cross-border than sub-EU-level initiatives between European countries. Today's 50% share under Pillar II of Horizon Europe's budget should be maintained to continue bringing together transnational and cross-sector consortia to test innovative approaches in diverse contexts, while also giving a wider platform to share results. Given that this envelope contains the main Clusters that focus on the clean transition and industry in the current Horizon Europe[7], and that Europe has experienced substantial inflation over the past 7 years, only an increase of at least 50% would demonstrate the centrality of the Clean Industrial Deal in this Commission's innovation strategy.

7. **<u>Tackle oversubscription with a programmed approach</u>**. The Commission promises "Open topics by default: less prescriptive with more freedom to applicants for different pathways towards expected outcomes". But in an applied science field, like energy, where Europe tends to fund mid-TRL work, a programmed (i.e. prescriptive) approach is best, as it reduces the range of valid proposals and thus the number that would have to go unfunded. The trick is to programme the right topics; to help with that, Europe has the SET Plan.

Recommendations on Governance

8. **<u>Expert-led governance mechanisms in the ECF should guide Work Programmes based on evidence and science, in coordination with the forthcoming Competitiveness Coordination Tool (CCT)</u>.** The ECF Work Programmes are set to mark the investment priorities for both the Clean Transition window and Pillar II of Horizon Europe. An increased role for scientists, academics, civil society and the cleantech industry is needed in the development of these Work

[6] Demonstration projects funded by Horizon Europe should not be considered as deployment.

[7] Cluster 5 on "Climate, Energy and Mobility", the 'Environment' and 'Natural resources' parts of Horizon Europe 2021-2027's Cluster 6 on 'Food, Bioeconomy, Natural Resources, Agriculture and Environment' and the industry part of the current Cluster 4 on 'Digital, Industry and Space'

Programmes to gather input from their academic and on-the-ground insights. In the energy domain, they should channel their views through the SET Plan's long-standing structures where stakeholders' views are already systematically collected. The forthcoming CCT can help coordinate the ECF investment priorities by following an evidence-based approach in assessing Europe's industrial strengths and vulnerabilities across sectors, enabling granular prioritisation that does not treat cleantech as a monolith.

9. **Integrate ex-ante criteria to ensure that ECF Work Programmes prioritise strategic clean technologies and tackle the most prominent climate investment gaps.** The ECF regulation should include a strong mandate for an evidence-based methodology to develop Work Programmes based on the following criteria: 1) granular, value chain assessments of which are the priority sectors for Europe's competitiveness, resilience and decarbonisation goals, 2) investment gaps assessments based on sectoral decarbonisation pathways to determine where the largest gaps are that require EU concerted action, and 3) financial assessments of what type of funding support (i.e. grants or financial instruments) can most efficiently bridge those gaps. The development of this methodology can be supported by, and should coordinate, with the CCT. Embedding a structured, transparent methodology based on this ex-ante criteria would ensure that investment choices in Work Programmes are strategic, efficient and data-driven to maximise Europe's long-term competitiveness and achieve its decarbonisation objectives.

These nine recommendations are essential to support Europe's Independence Moment with an impactful, innovation-driven MFF. In the upcoming institutional positioning, both Parliament and Council can turn the EU clean industrial ambition into lasting competitiveness — and make 2028-2034 the moment where Europe re-enters the clean technology race.

The signatories:

Airborne Wind Europe

AMO.CZ

carbon gap

CLEAN AIR TASK FORCE

CLEAN HEAT EUROPE

CLIMATE STRATEGY & PARTNERS

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Cool Heating Coalition

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EJNI ENVIRONMENTAL JUSTICE NETWORK IRELAND

EUREC The Association of European Renewable Energy Research Centres

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