A targeted European Competitiveness Fund to deliver climate and energy security for European citizens and SMEs: Four principles for impactful simplification, efficiency and flexibility

Tuesday May 13th, 2025

Dear President of the European Commission, Ms. Ursula von der Leyen,
Dear Executive Vice-President for a Clean, Just and Competitive Transition, Ms. Teresa Ribera,
Dear Executive Vice-President for Prosperity and Industrial Strategy, Mr. Stéphane Séjourné,
Dear Executive Vice-President for Cohesion and Reforms, Mr. Raffaele Fitto,
Dear Commissioner for Budget, Anti-Fraud and Public Administration, Mr. Piotr Serafin,
Dear Commissioner for Economy and Productivity; Implementation and Simplification, Mr. Valdis Dombrovskis,
Dear Commissioner for Energy and Housing, Mr. Dan Jørgensen,
Dear Commissioner for Climate, Net Zero and Clean Growth, Mr. Wopke Hoekstra,
Dear Commissioner for Startups, Research and Innovation, Ms. Ekaterina Zaharieva,
Dear Commissioner for Financial Services and the Savings and Investments Union, Ms. Maria Luís Albuquerque,
Dear President of the European Parliament, Ms. Roberta Metsola, and Members of Parliament,

How Europe invests in the coming years will determine the nature of the EU, its security, sustainability and competitiveness. “We need to spend more, spend better, spend together” said President von der Leyen recently on defence, yet this seems applicable to many parts of the EU budget. As the European Commission prepares a budget to ramp up EU spending capabilities, it must find ways to strengthen investments in the continent’s energy security, economic resilience and climate protection. **We, the undersigned, call on the Commission to ensure that the EU budget and the design of the European Competitiveness Fund (ECF) build on best-practices, and the roadmap to clean industrial competitiveness, to use existing instruments and climate mainstreaming as ways to deliver the EU’s 2030 targets.**

Oil and gas imports are fueling conflict in our continent while leaving Europe vulnerable to geopolitical volatility, whereas new wind and solar projects have saved €59 billion in import costs since 2019. **Ramping up clean, homegrown energy and providing price stability must therefore be at the centre of an evolving EU Security Strategy. Clean technologies must be a priority of the Clean Industrial Deal and a just transition.** This can be achieved by increasing financial support for European clean technologies, driving efficiency and European innovation in the net-zero value chains of the future, and facilitating access to these solutions for SMEs, cooperatives and households to support their transition and energy security. **The EU’s economic sovereignty is critical as global technological leadership becomes fundamental to our security.** Europe is the fastest-warming continent in the world and shifting resources away from climate mitigation and adaptation at this stage would further increase our vulnerabilities from the climate and security nexus.

The Commission believes that Europe’s energy and climate security will require at least €480 billion a year extra investment, a gap which constrained national public budgets that persistently subsidise fossil fuels cannot fill alone. **Therefore the “EU added value” from the next budget is more important than ever, but the current MFF can only contribute €99 billion a year which leaves an ECB-estimated public investment gap of some €200 billion annually.** The Clean Industrial Deal commits just €10 billion of the available EU budget to industrial decarbonisation and cleantech, which is only a third of the necessary 2030 public funding for manufacturing just ten clean technologies.[1]

[1] Climate Strategy & Partners. (2025). Industry & cleantech briefing: Climate and competitiveness investment needs in cleantech manufacturing. https://www.climatestrategy.es/press/Industry&Cleantechbrief.pdf

However, the Commission believes it can top this up with another €100 billion in the next MFF, via a newly launched Industrial Decarbonisation Bank in 2026.

Joint borrowing is advocated by the European Parliament and in Mario Draghi's landmark report as a "viable option" to access more public funding. Creating new own resources require Member State agreement and clear revenue sources to ensure their repayment, of course. **Efforts also need to focus on better deploying the available public funds and crowding-in more private investments through appropriate labelling using the EU Taxonomy**. Large amounts of public and private money are used suboptimally to subsidise fossil fuels and other harmful activities. EU funds are also benefiting higher-income households and larger companies more than is necessary, raising concerns about the additionality of that public funding. If redirected efficiently and fairly, EU funds can boost the energy security of households and SMEs and support European clean industrial competitiveness.

Increasing the efficiency of EU budgetary instruments can improve the strategic impact of EU funding and deliver more to the end-beneficiaries that need it most. **The undersigned view the next MFF as a good opportunity to improve on the delivery of current EU funding programs. A new European Competitiveness Fund (ECF), if well-designed, can contribute to filling the gaps identified by Enrico Letta through a greater use of de-risking EU instruments to lever more private capital into strategic clean technologies made in Europe and create quality jobs.** Financial instruments are underused by Member States and they must more strongly complement grant programmes under Cohesion Policy designed to address social injustice and vulnerable households and communities.

Yet there are **significant risks in the Commission's proposals to flexibilize the scope and delivery of EU funding precommitted to the climate and energy transition.** These include: a) amendments to Cohesion Policy to broaden the scope away from SMEs to large enterprises (who already have easier access to EU funding and the capital markets), and which also risk reducing accessibility of funds for the most vulnerable households and regions b) using the Strategic Technologies Europe Platform to repurpose funding precommitted to regions' climate and energy investments into incumbent industrial firms and, similarly, c) amendments to the InvestEU regulation to repurpose regions' funding without proper consultation and conditionality on scope and beneficiaries.

To address inefficiency, preserve Europe's competitive position and ensure public funding is used strategically for the climate and security nexus, we propose four clear principles to guide the design of the new ECF. These principles can be trialled using the existing funds in the current budget period to improve simplification of access to EU funding for the end-beneficiary, and deliver overall instrument-led efficiency and a just transition in the EU budget.

1. **Build flexibility in instrument availability with an extended financial toolbox under the ECF, while safeguarding the scope of EU funding programs for strategic climate and energy investments.**

    - The European Parliament cautions against simplification without checks and balances and reminds that flexibility mechanisms already exist in the EU budget to enable transfers towards evolving spending needs. **To keep prioritising investments in Europe's climate and energy security and provide long-term predictability for private investors, we call for the 30% climate mainstreaming target in the MFF to be increased to 50%, based on an improved methodology.**

    - We also propose that flexibility is geared towards filling the gap highlighted by Enrico Letta in the type of EU funding available to address the specific needs of cleantech start-ups, SMEs and households who, under current conditions, may not be eligible or struggle to access finance for their transition. **As proposed by the Parliament, a financial toolbox under the ECF could build upon lessons learned from funds that have performed relatively well in**

de-risking climate and energy investments, such as InvestEU and the Innovation Fund, and expand the offering of financial instruments like guarantees or fixed premiums. Both programs also integrate **"as-a-service" national compartments** that the Clean Industrial Deal has identified "as a proven model to pool EU and national resources in a harmonised and State aid compatible competitive selection." **We propose that this model is extended via template, off-the-shelf EU Financial Instruments as a Service under the ECF financial toolbox to deliver an efficient, blended finance structure tailored to clean assets and ring-fenced to a region or Member State.**

- The **EIB Group should lead the design of EU Financial Instruments** in consultation with national promotional banks and local, sector-specific retail lenders. SG Reform's teams should also be engaged to support the specific co-development of collaborative national policies and instruments to better lever best practices across Member States.

2. **Simplify the governance and delivery of EU funding for the SMEs, cooperatives and households that need it most.**

    - The ECF is an opportunity to not only improve the governance of EU funds under direct management and the coordination among funding teams, but also simplify and harmonise application procedures that have demonstrated to be cumbersome for end-beneficiaries of smaller size. For this purpose, the ECF should integrate **strategic, horizontal conditions to deliver additionality and to maximise impact of investments by proactively facilitating access for well-defined classes of priority end-beneficiaries**, especially lower-income households, SMEs, energy communities, and small, young innovative researchers and firms. Horizontal conditionality should also link public support to positive environmental, social and governance outcomes that drive circular and innovative European businesses and create quality, green jobs in Europe.

    - The channels for delivery of EU funds and finance should be increased. **Local managing authorities' administrative capacity can be strengthened to distribute grant-based schemes.** Lower-capacity regions can be supported by the establishment of regional hubs that aggregate demand from multiple municipalities, acting as local one-stop-shops, centralising expertise and streamlining tenders. **Also, competitive retail channels with local capillarity must be activated to provide pre-packaged EU finance for the transition of millions of SMEs and households at scale.** This may require capacity-building initiatives of local retail channels in Member States with weaker banking networks, led by a more proactive EIB Group supported with shared data and due diligence collaboration and OpEx funding in lower-income regions. This may also involve setting up alternative retail channels, such as by social economy networks (e.g., federations of energy communities), that can truly ensure funds reach the ground.

    - An **asset-based approach** to EU finance can help simplify reporting, and be based on existing positive lists of clean assets, such as the ones developed by the EBRD for many countries. This will also simplify the application process for beneficiaries while ensuring a transparent reporting framework for the retail channel.

3. **Integrate an efficiency-first approach in EU funding and Member States' investment planning supported by proper local stakeholder consultation.**

    - Grants are the EU budget's most valuable currency and should not be used where financial instruments are a better fit. **The governance of the next MFF must set up the right incentives and conditions for Member States to increase the uptake of EU Financial**

Instruments via the new European Competitiveness Fund, while using grants where they are desperately needed and bring an EU added-value, mainly in: clean public goods, social economy actors (such as cooperatives), energy poor and lowest-income households living in low-performing homes, vulnerable communities, and R&I.

- The Commission's proposal to improve EU-wide coordination of shared management funds under **Single National Plans**, **steered by the Competitiveness Coordination Tool, can drive reforms for efficient investments that are outcome-focused.** For strategic results, these Plans should serve to align national resources with the EU climate and energy priorities, be sector- and asset-specific, and integrate a comprehensive and granular assessment of the needs for grants and financial instruments.
- Single National Plans can already build on existing National Energy and Climate Plans and other sectoral energy transition plans to **identify, for mature clean technologies and solutions, which EU Financial Instruments as a Service can be enhanced with contributions from national resources and shared management funds.**
- **The new MFF governance framework must integrate effective participation of national and regional stakeholders in the development of Single National Plans** (local managing authorities, national financial institutions and civil society). These stakeholders can provide feedback and identify which are the strategic climate and energy priorities on the ground, and what are the type of financing forms and channels that can best deliver to local SMEs and households at scale.

4. **Avoid reinventing the wheel and boost existing EU funds that have performed well for climate and energy investments.**

- The next MFF should not create an even more complex patchwork of funding for managing authorities and end-beneficiaries by reinventing funding infrastructures or instruments. New application procedures, evaluators and criteria can cause delays and bottlenecks, and weaken the existing know-how in the teams supporting specific funds. Instead, **the next MFF can channel more resources via the new ECF to existing funds that are critical for cleantech innovation and deployment**, like Horizon Europe, the European Innovation Council (EIC), the Innovation Fund, InvestEU or the Connecting Europe Facility. These funds are all currently oversubscribed and far too small for the challenge they were created to address.
- **Existing EU funds with specific user-bases (like researchers, or climate tech industries) must remain standalone programs**, with ring-fenced and ambitious budgets and a targeted, balanced scope of end-beneficiaries and technological maturities. At the same time, **funding processes among them must be well-coordinated and integrate the necessary bridges to facilitate a smooth lab-to-scale journey** for innovative clean technologies and solutions. Existing funds can also integrate "as a service" compartments for Member States that want to support unfunded national projects due to the EU programs' budget limitations. Regulatory sandboxes can also be used to streamline permitting and funding procedures for cleantech projects.
- Sizeable EU programmes, like **Cohesion Policy and the Common Agriculture Policy, are critical resources that can support the "as a service" financial toolbox of the ECF to deliver finance for regional projects and a just climate transition for local SMEs, low-income and vulnerable households, and farmers.** For that purpose, they require increased and reinforced climate mainstreaming targets to support Member States finance their national climate and energy plans, and keep a targeted scope on those end-beneficiaries that need EU funding the most.

We, the undersigned, call on the Commission to **integrate these key four principles in the design of the new European Competitiveness Fund to drive impactful simplification, efficiency and flexibility of EU investments.** This approach will ensure that the EU and Member States deliver energy security, economic resilience and climate protection for all European citizens and SMEs.

Signatories:

Airborne Wind Europe

AMO.CZ

Carbon Gap

CARBON-FREE EUROPE
A TECHNOLOGY-INCLUSIVE CLIMATE INITIATIVE

CISL Cambridge Institute for Sustainability Leadership

Cleantech for Europe

CLIMATE STRATEGY & PARTNERS

CURRENT

ecos

EUREC The Association of European Renewable Energy Research Centres

I4CE INSTITUTE FOR CLIMATE ECONOMICS

JDEC — JACQUES DELORS ENERGY CENTRE

NEGATIVE EMISSIONS PLATFORM

RESCOOP.EU

sefa Sustainable Energy Finance Association

TECH FOR NET ZERO

For media inquiries or to speak with the signatories, please contact:

Adriana Rodríguez Rivera

Climate and Public Finance analyst at Climate Strategy
info@climatestrategy.es