

OPEN LETTER: FOR AN AMBITIOUS CLEAN(TECH) INDUSTRIAL DEAL – BUILDING MARKETS TO UNLEASH INVESTMENTS

To:

European Commission President Ursula Von der Leyen
Executive Vice-President and Commissioner for a Clean, Just & Competitive Transition, Mrs. Ribera; Executive Vice-President and Commissioner for Prosperity and Industrial Policy, Mr. Séjourné; and Commissioner for Climate, Net-Zero and Clean Growth, Mr. Hoekstra

Cc:

Executive Vice-President for Social Rights and Skills, Quality Jobs and Preparedness, Mrs. Mînzatu; Commissioner for Trade and Economic Security, Interinstitutional Relations and Transparency, Mr. Šefčovič; Commissioner for Economy and Productivity, Implementation and Simplification, Mr. Dombrovskis; Commissioner for Environment, Water Resilience and a Competitive Circular Economy, Mrs. Roswall; Commissioner for Financial Services and the Savings and Investments Union, Mrs. Albuquerque; Commissioner for Energy and Housing, Mr. Jørgensen; and Commissioner for Sustainable Transport and Tourism, Mr. Tzitzikostas

RE: For an Ambitious Clean(tech) Industrial Deal – building markets to unleash investments

Dear Madam President Von der Leyen, Executive Vice-President Ribera, Executive Vice-President Séjourné, Commissioner Hoekstra,

We, the undersigned, 102 cleantech start-ups, scale-ups, investors and ecosystems from across Europe are writing to express support for a strong and ambitious Clean Industrial Deal.

The European Union is facing a perfect storm with a dangerous geopolitical environment, structurally higher energy costs than economic competitors and looming threats of physical and trade wars. In these moments, **it is easy to lose sight of our strengths and assets**: one of the world's most highly skilled workforce, strong research and innovation – particularly in cleantech, a strong industrial base specialised in high-quality manufacturing and potentially the world's largest – but crucially incomplete – single market.

2024 was the year of diagnosis with the Draghi and Letta Reports. 2025 needs to be the year of bold and decisive action to do whatever it takes for the EU's competitive decarbonisation. The full arsenal of policy tools must be geared towards this shared common objective: creating a compelling business case for competitive decarbonisation.

The Clean Industrial Deal's success rests on its ability to send two decisive market signals to cleantech industries of the future that are scaling-up and traditional industries whose path to competitive decarbonization relies on integrating cutting-edge cleantech solutions. First, **a strong demand surge for cleantech**. Second, a strategic focus on **public de-risking**, which will act as a signal **to mobilise part of the EUR 38 trillion of European private capital and international investors towards cleantech**.

Creating an 'industrial cleantech' demand surge will require four key pillars which should be driven as much as possible in a coordinated way at EU level to create scale, underpinned by a strong focus on strengthening the single market. First, several **strategic industrial sectors essential to Europe's long-term competitiveness and resilience – automotive, steel, aluminium, chemicals**

– are facing significant headwinds and will likely get **significant public support**. **Ensuring this support stimulates the use of the most advanced cleantech solutions** in their processes, preferably made in Europe, presents a unique opportunity to create a strong demand signal for European cleantech. It will require allowing under the EU state aid rules in some cases support for both upfront Capital Expenditure and initial higher Operational Expenditure costs to bolster the business case. Second, **the EU Emissions Trading System (ETS) together with the Carbon Border Adjustment Mechanism (CBAM) form a critical demand signal for cleantech**. Diluting or delaying this signal through regulatory instability will only delay critical final investment decisions or undermine existing business cases. Third, creating European **lead markets for specific clean technologies** through technology-specific targets and mandates. These must be combined with the inclusion in public procurement rules of sustainability and resilience criteria to stimulate demand at scale for European cleantech. Finally, while cleantech scale-up and traditional industries are transitioning, we need a **more assertive trade policy** that is fast and decisive in correcting unfair practices by competing jurisdiction creating an unlevel playing field to ensure **European demand delivers European prosperity**.

The deployment of many cleantech solutions is contingent on abundant and affordable clean electricity. These demand signals will only work if we manage to drastically increase investments in the grid, massively long-duration energy storage and provided target support to dampen the volatility of electricity prices.

The demand surge must be supported with more targeted and effective public financing mechanisms to de-risk cleantech. First, we need to ensure **scale and accessibility in EU funding programs**. This requires funding dedicated to Cleantech, mindful of the specific challenges to each value chain and technology, that are large enough to de-risk the late-stage scaling-up of cleantech where financing needs become far larger. Second, funding instruments from the EU and EIB must as much as possible seek to **de-risk and crowd-in private capital on a much larger scale**. For example, public guarantees and counter guarantees (such as those under the Wind Package) are helping to unlock private financing and working capital for cleantech manufacturing while being fiscally efficient. Dramatically expanding the scope and scale of these tools will act as a strong signal for private capital. Third, the **ETS and CBAM** are forecasted to generate a significant source of fiscal revenues for Member States in the next years. The **EU and member states should direct these revenues towards European cleantech in a jointly coordinated way at EU level**. Finally, the EU and EIB should prioritise creating **blended finance vehicles** pooling institutional investor capital on a much larger scale to unlock credit instruments that are critical to scaling industries.

To conclude, **we call for an unprecedented demand surge, combined with targeted public funding that will dramatically improve the business case for cleantech scale-ups and transitioning industries, unlocking some of the trillions of private wealth in Europe, reducing the overall public funding needed in a time of fiscal constraints for many governments. This can only be successful if underpinned by a stable and predictable carbon pricing framework.**

The geopolitical and economic uncertainty of 2024 saw a slowdown in the volume of cleantech investments in the EU. So, the urgent need for decisive and bold actions cannot be understated. We have European successes like green steelmaker Stegrå (Sweden), electrolyser manufacturer Sunfire (Germany) or battery gigafactory developer Verkor (France), proving **the EU is able to scale up the new industries of tomorrow. But we need many more**. At stake is nothing less than the future prosperity of European citizens. We stand ready to partner with you in delivering this ambitious plan for Europe.

Your sincerely,

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for Europe

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for France

Cleantech
for Iberia

Cleantech
for Nordics

Cleantech
for Italy

Cleantech
for Baltics

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Cleantech Start-ups and Scale-ups



Cleantech Investors and Ecosystems



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Annex – Policy Actions

In this Annex, we provide more detailed policy actions on the core pillars of a successful Clean Industrial Deal.

The first key point is to **Develop sectoral Cleantech Action Plans** with clear targets for strategic technologies that are scaling up. **While we support a broad, open and tech neutral approach to innovation and research, in the scaling up phase which is capital intensive as it requires scale, the EU must strategically focus and prioritise technologies where it can hold an innovation lead.**

These plans should set specific goals for both equipment manufacturing and deployment, supported by targeted incentives stimulating demand and funding mechanism to unlock investment (see next section). Priority sectors include:

- a) The Green Hydrogen economy (Electrolyser manufacturing and production of green hydrogen, ammonia and e-fuels)
- b) Green steel and cement (hydrogen DRI, clinker alternatives)
- c) A clean and resilient energy system (Grid technologies, Long Duration Energy Storage, Innovative Renewables such as advanced geothermal and floating offshore wind)
- d) Green transport (Batteries value chain and supercapacitors)
- e) The electrification of heat (residential and industrial heat pumps, electrothermal energy storage)
- f) Critical metals/minerals, new materials to reduce dependencies, recycling and renewable raw materials
- g) Innovative technologies for carbon reduction and removal

These sectoral plans should be underpinned by strong sectoral industrial partnerships or dialogues, including cleantech companies with cutting edge solutions.

Stimulating a strong demand signal for Cleantech

To foster demand, these sectoral plans should focus on four pillars:

- 1. Establish strategic lead markets in Europe promoting demand policies.** The focus should be on creating cleantech products lead markets. On the public demand side this can be done by inserting non-price factors in public procurement and public funding instruments (like the EU Hydrogen Bank) like resilience (incl. supply diversification), sustainability, transparency, cybersecurity, safety, and innovation criteria. The EU can also support demand for clean technologies by setting quotas for clean products or materials in specific industries. To the extent demand stimulation is done through public support (state aid), we would strongly recommend this to be coordinated as much as possible at European level, possibly within the framework of a Competitiveness Compass and shaped into Important Projects of Common European Interest (IPCEIs) to ensure the scale of a coordinated demand signal across multiple Member States.
- 2. Stimulating Cleantech uptake in public support for industries in transition.** Several industrial sectors essential to Europe's economic leadership – automotive, steel, aluminium, chemicals – are facing significant headwinds due a lack of competitiveness, unlevel playing with international competitors, high energy prices and significant legacy assets. It is critical to boost their long-term competitiveness by making sure they adopt the latest clean technologies (e.g. clean industrial heat, clean energy generation and storage, renewable hydrogen, industrial efficiency, circularity solutions, etc.) that will enable them to both decarbonise and lower costs long-term. Any public support should steer towards the adoption of these to benefit the long-term competitiveness of the

European industry instead of a narrow focus on short-term support without addressing more structural challenges. Therefore, we believe any support package to industry must be structured around 1) steering towards off-take/purchase of innovative European cleantech equipment 2) be ready to cover both part of the upfront CAPEX as well as – in some cases – higher OPEX that cleantech solutions may bring, to ensure there is business case for the integration of cleantech solutions and 3) encourage active collaboration between large industries and cleantech innovators to accelerate this adoption. Access to EU and member state-level funding, for instance, should require a local footprint, with minimum quotas for locally produced cleantech equipment and components. These measures should remain temporary, aimed at establishing a stable industrial base and level playing field within the single market and with the rest of the world and should be as much as possible built on market instruments such as auctions and Carbon Contracts for Difference (CCFDs).

3. **Demand stability: Maintain a high ambition and implementation timeline for ETS and CBAM.** The phasing out of free ETS allowances for industry, combined with the implementation of the carbon border adjustment mechanism (CBAM), is the bedrock of creating demand for clean technologies, and can establish a level-playing field between EU manufacturers and importers, in the European market, presenting a unique opportunity to lead green industries of the future, such as steel. Therefore, we would avoid as much as possible any regulatory or legislative action that might be perceived by the market as a source of regulatory instability since it may create a chilling effect on certain investments.
4. **Change of Mindset on Trade Policy: more rapid trade defence instruments to ensure level playing field** – Acknowledging that key European trade partners do not fully adhere to rules-based trade practices, adopt quicker and more proactive responses to international competitiveness challenges. Trade defence tools like anti-dumping measures, countervailing duties and the instruments of the Foreign Subsidies Regulation (FSR) must be applied faster and more assertively. This is essential to ensure that any demand signal ends up benefiting to European cleantech companies and not to by international competitors who might be benefiting from an unfair unlevel playing field with European companies in their home markets. It is essential to protect clean technologies as they are scaling, as this is when they are most at risk from unfair foreign competition.

Pre-condition for a demand surge: abundant and affordable low-carbon electricity for Cleantech and transitioning industries

A clean energy transition is predicated on seamless access to abundant and affordable clean electricity. Many emerging clean technologies, as well as industrial decarbonization, are illusive without it. And modern infrastructure – especially an upgraded power grid – is the indispensable link between the two. We should accelerate permitting and licensing to speed up the deployment of renewables and cleantech solutions in line with the NZIA, expand grid infrastructure by accelerating the deployment of interconnectors and critically focus on the deployment of Long-Duration Energy Storage (LDES) solutions to integrate growing shares of intermittent renewables generation capacity. The aim should be to smoothen price volatility and address the significant renewable electricity curtailment that currently occurs. This will however not be enough to lower electricity prices. Therefore, we would encourage:

- **Electricity power purchasing agreements (PPA) offered at affordable prices to industrial companies, both cleantech scaling and industries transitioning.** Energy intensive industries struggle to access the PPA market because the price charged is based on the spot price, which is too high for them during significant parts of the day. One of the Draghi report recommendations was to ensure a minor part of the publicly subsidised PPAs should be reserved for energy intensive industries at the power producer's production cost topped up with a fixed margin (cost plus markup).

- **Make available two-way Contract for Differences for industrial users as foreseen under the EU electricity market reform sooner than anticipated under the 2027 timeline.** These market driven tools could remove financial risks from the volatility in electricity prices and should support the business case for industrial users integrating electricity-based cleantech solutions. This should be a core pillar of the Affordable Energy Prices Action Plan expected as part of the Clean Industrial Deal.
- **Decoupling electricity prices from gas** – Strengthening the price signals for the competitive decarbonisation will require passing on to end users the benefits of cheaper electricity and will require mechanisms to decoupling prices from gas prices. In the transition phase as LDES and low-carbon baseload sources of power generation are deployed, remuneration mechanisms for baseload capacity should be designed to smoothen the electrification journey.

A Cleantech Investment Plan that complements a Cleantech demand surge

The upcoming financing chapter of the Clean Industrial Deal, whether embedded in a new **European Competitiveness Fund** or **repurposing existing financial tools** under the current EU Multi-Annual Financial Framework must rest on three core principles to be successful.

First, it must be **tailored to the objectives of Sectoral Cleantech Action Plans** (see above) and focus on the scaling of strategic clean technologies.

Second, as a starting point it should focus on **de-risking mechanisms** (such as guarantees or first-loss mechanisms) to maximise the leverage effect of public funding in a tight budgetary environment and to crowd in as much private investment as possible. This is the case where manufacturing capacity needs to be built up, such as with electrolyzers, LDES systems and innovative renewables. Public funding/support for CAPEX and OPEX to create the business case, through market driven instruments (Carbon Contract for Difference (CCFDs) via auctions, should not be ruled out, when necessary, for instance on renewable hydrogen and e-fuels. Whenever possible they should be coordinated at EU level to ensure scale and level-playing field within the single market.

Third, it should **avoid fragmentation across EU funding instruments** to **ensure scale** (or allowing cumulation between instruments) to ensure the necessary scale and be easily accessible to innovative SMEs driving the rise of clean technologies in Europe.

In general, we recommend creating a **Taskforce/Platform** in the European Commission, bringing together **key Directorate Generals**, the **EIB/EIF**, **Financial Stability Regulators** and **industry representatives (investment professionals & financiers)** to map cleantech and renewable energy/grids investment needs, their risk/return profile and type of funding needs (credit & debt/equity) and examine which segment of the financial system may best be able to finance these and take the associate level of risk. For example, the approach taken by the Renewable and Low-Carbon Fuels Value Chain Industrial Alliance is an interesting example of looking at the bankability of a project pipeline.

1. Prioritise de-risking mechanisms to unlock debt/credit markets critical to scaling-up Cleantech - To build up manufacturing capacity, cleantech companies need access to affordable debt/credit instruments. [Public guarantees](#) can offer a promising solution to catalyse private investment at minimal cost to the taxpayer, and can be deployed along the scale-up journey:

- Loan guarantees can accelerate the funding of first-of-a-kind cleantech projects with medium technology readiness levels (TRLs).

- Once cleantech companies are ready to sell innovative equipment, counter-guarantees issued by public institutions can enable commercial banks to issue advance payment and performance guarantees to cleantech manufacturers.

Following the European Investment Bank's (EIB) deployment of a [€5 billion](#) counter-guarantee facility for the wind industry, the EIB is [set to launch](#) a €500 million public advance payment and performance counter-guarantee instrument for cleantech, slashing collateral requirements and freeing up billions of euros in working capital to accelerate manufacturing. The upcoming **European Competitiveness Fund** would be an opportunity to **scale this by another order of magnitude**. As part of the work on the **Savings and Investments Union**, we would suggest examining the **prudential treatment of (counter) guarantees under the Capital Requirements Regulation (CRR)** which asks banks to hold more capital against these instruments than either historical default data suggest necessary. This could significantly expand further the amount of guarantees commercial banks can provide with the same amount of counter guarantees.

2. **Leveraging on EU Emissions Trading System (ETS) funding mechanism** – Member States should be encouraged to use a large part (at least 25%) of the growing ETS revenues expected over the coming years to encourage investment in cleantech manufacturing. This would achieve scale. Member States might even be able to borrow against future forecasted ETS revenue to create a larger pool of capital upfront, through a type of securitisation instruments. That might create dedicated fiscal space for Cleantech immediately without having to wait multiple budgetary cycles.
3. **Easier access for innovative SMEs to EU Funding Instruments (Innovation Fund)** – Cleantech scale-ups looking to mobilise public funding in Europe are facing a complex and fragmented system, and often must mobilise outsized resources (in some cases multiple thousands of hours for one application) to access instruments, putting them at a severe disadvantage compared to large incumbents. Taking the example of the European Innovation Fund, the first three rounds of calls for projects revealed a disproportionate outcome for large corporations. According to our analysis, only 12% of recipients of the first three Large-Scale calls were innovative SMEs, even though these companies are often the ones bringing the most innovative and emission mitigating technologies to the market and likely the ones that benefit and need the support the most. To successfully tap into public support, innovative SMEs need dedicated access with regular contact with evaluators and pre-qualification decisions to avoid investing significant resources with low success rates.
4. **Mobilizing private finance** – De-risking mechanisms should also be closely aligned with the **Savings and Investments Union** to help to unlock capital from pension funds, insurers and other private entities, including retail investors. While for earlier stage companies' **equity capital** is important, in the scaling up phase of hardware intensive cleantech companies **the access to debt/credit at scale at a reasonable price** is what becomes critically important. A couple of actions are necessary:
 - a) **Create a Taskforce/Platform in the European Commission**, bringing together key Directorate Generals (GROW, CLIMA, FISMA, ENER, ECFIN, MOVE), the EIB/EIF, Financial Stability Regulators and industry representatives (investment professionals & financiers) **to map and monitor Cleantech and energy investment needs, their likely risk/return profile and examine which segment of the financial system may best be able to finance these and take the associate level of risk**. This could then form the starting point to shape blended finance vehicles.
 - b) For accessing debt, encourage the further development of **private credit funds** as these vehicles play a critical role in providing credits with a maturity or level of risk banks are uncomfortable or unauthorized to underwrite. Also examining possible adjustments to the CRR to increase the ability of banks to underwrite and hold non-investment grade debt.
 - c) The development of private credit funds will depend on the **risk-appetite of institutional investors** which allocate capital to these vehicles. The Commission should examine whether **insurers and pensions are currently deterred from holding non-investment**

grade debt (less than 0,5% of current holdings) which may be critical for financing first-of-a-kind (FOAK) projects.

- d) Encourage or mandate Member States to ensure **pension funds are not barred from allocating an adequate share to alternative, non-listed, illiquid assets** which can be in the interest of beneficiaries (EU citizens) by offering high, uncorrelated investment returns.
- e) While focussing on the re-launch of the **securitisation market** within Europe through a review of CRR, **broaden the debate to include equity and investment fund (equity/debt) exposures as well as non-investment grade debt**. This includes reviewing some of the unintended consequences of ECB guidance and supervision, particularly around leveraged lending transactions.