



## **POSITION PAPER**

### **POLICY RECOMMENDATIONS FOR A GREENER EUROPEAN COMPETITIVENESS FUND**

## Key takeaways

The European Competitiveness Fund (ECF) can be an incredibly powerful instrument for investing in the EU's future. It can strongly support industrial decarbonisation while reconciling climate objectives with EU competitiveness and resilience. **For the ECF to deliver as intended, Bellona recommends:**

- ✓ A doubling of funds to match the scale of the climate investment gap
- ✓ A sharper focus on effective climate measures through robust conditionality
- ✓ A more inclusive and transparent governance framework

As the EU designs its Multiannual Financial Framework (MFF) for the 2028-2034 period, institutions and Member States will face tough decisions around budget allocations. The 2030 climate targets grow ever closer and require adequate investments. These investments are further justified by the massive cost of climate inaction, which could reach €200 billion per year by 2050.<sup>1,2</sup> In addition, the EU faces outside threats that press it for greater strategic independence and energy affordability.

These challenges can be overcome by making full use of the EU's powerful and diverse investment toolbox. The European Competitiveness Fund (ECF) is only one of these tools, but it can be an integral part of this greater whole. However, the current ECF only allocates €26.2 billion to its industrial decarbonisation window and only 43% of the fund is currently foreseen to be earmarked for climate and environment. This proposal, even alongside all other climate allocations in the MFF, is insufficient to bridge the climate investment gap estimated above 400 billion per year by 2030.<sup>3</sup> A much more ambitious and targeted fund is therefore needed to achieve the EU's climate targets.

1 [COACCH: The Economic Cost of Climate Change in Europe, Synthesis Report on State of Knowledge and Key Research Gaps](#)

2 [European Environment Agency: Assessing the costs and benefits of climate change adaptation](#)

3 [European Central Bank: Green investment needs in the EU and their funding](#)

## Adequately funding a decarbonised future for Europe

- **A larger ECF with a greater share of earmarked climate investments is needed to match the scale of the climate investment gap.** Based on current investment trends and financial analyses, an EU-wide and cross-sectoral assessment shows that up to 60% of the yearly investment shortfall should be covered by public funding.<sup>4</sup> In sectors like energy and industry, public support will be necessary to decarbonise processes and reduce emissions. However, Bellona has calculated that the total amounts earmarked for climate and environment in the whole MFF only cover half of this public investment need. Bridging this gap therefore requires doubling the level of climate investment in the MFF. This extends to the ECF: the fund should double its ambition and allocate €50 billion for industrial decarbonisation alongside a binding 75% climate mainstreaming target.
- **This larger ECF would not be a greater stress on State budgets – in fact, it could indirectly support them.** The Commission’s MFF proposal already includes additional revenue in the form of EU own resources, showing that non-State sources of public funding can be set up in practice. A more ambitious pricing of GHG emissions in the Emissions Trading System (ETS) would also provide additional ETS revenues to finance industrial decarbonisation projects, thus enhancing EU competitiveness by rewarding efficiency, innovation, and investments in low-carbon production processes.<sup>5</sup>
- **Private investments must also be mobilised extensively through budget guarantees and other similar tools.** The InvestEU programme has so far achieved an impressive 11.4x leverage, meaning that every public euro has mobilised €11.4 of private investments that would not have happened otherwise.<sup>6</sup> This multiplier effect, in addition to its great efficiency, lowers the need for overall public spending. In line with the need to double the climate ambition of the MFF as a whole, the minimum provisioning of InvestEU could therefore be raised from €17 to €34 billion to maximise its potential as an instrument for climate finance without excessive strain over national budgets.

4 Institut Rousseau: Road to Net Zero, Bridging the green investment gap (p. 31)

5 Bellona Europa: How to Allocate Carbon Pricing Resources: Directing ETS and CBAM Revenues Towards Effective Climate Action

6 Climate Strategy: Filling the EU Climate Investment Gap more efficiently (p. 60)

## Spending the right way: conditionality in funding attribution

Simply increasing the amount of allocated investments is not enough. Once secured, it is crucial that investments support projects contributing to the EU's climate transition to reap the full benefits of clean and affordable energy, cheaper decarbonised industrial processes and increased innovation. This would in turn reinforce EU competitiveness by reducing and stabilising structural energy costs, strengthening the resilience of industrial value chains, accelerating the commercialisation of low-carbon technologies, and strategically positioning European firms as leaders in the global clean-tech markets. Reaching climate targets therefore works in tandem with competitiveness, not in opposition – they enable each other.

- **The amounts allocated under the ECF must therefore support measures that:**
  - Have a demonstrable climate benefit;
  - Do not constitute an obstacle to the decarbonisation of other sectors;
  - Can be deployed in a scalable and timely manner;
  - Do No Significant Harm (DNSH).
- **An explicit climate conditionality principle** should be enshrined in the text to prevent the funding of projects that effectively delay the net-zero transition. The ECF lacks sufficient safeguards to prevent the financing of fossil fuel projects: while such projects might be profitable in the short-term, this does not take into account their societal burden and the substantial opportunity cost of not investing in net-zero aligned projects.<sup>7</sup>
- **Social conditionality:** competitiveness funding should be conditioned on credible plans and dedicated resources to address project-level workforce and community impacts, including skills development, worker transition support, and engagement with local stakeholders.
- **The ECF should expressly reference National Energy and Climate Plans (NECPs) and the financial gaps that they reveal** to fully align available climate funding with the amounts necessary for the green and just transition. Bellona supports the Commission's proposal to use the NECPs as investment planning tools to help channel EU funding towards reaching the EU's 2030 climate targets. This would also allow Member States to design their own 2030 investment pathways while still benefitting from EU-specific funding. To make this approach effective, the Commission must establish clear requirements for the level of detail and information that the NECPs must provide, as their current quality and depth vary significantly across Member States.

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7 Way, Rupert et al. "Empirically grounded technology forecasts and the energy transition", *Joule*, Volume 6, Issue 9, 2057 - 2082

## Establishing a more open and transparent governance framework

- **The incorporation of external stakeholders in the governance of the ECF is a step in the right direction.** Nevertheless, the proposed structure does not formally give a role to civil society organisations in the decision-making process. This risks sidelining organisations defending common European interests and underrepresented communities and geographies.
- **The governance framework of the ECF should explicitly mandate the involvement of civil society stakeholders** to ensure transparency and accountability in the attribution of funds, as well as a balance of private and public interests. Likewise, the composition of the ECF Strategic Stakeholder Board and its role in the development of the Work Programmes must be made clear and a place given to civil society within it. This would still result in a net reduction of administrative load given that the ECF already simplifies procedures by grouping previously separate funds under a single governance framework.



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Bellona Europa is an independent, non-profit organisation that meets environmental and climate challenges head-on. We are result-oriented and have a comprehensive and cross-sectoral approach to assess the economics, climate impacts and technical feasibility of necessary climate solutions. To do this, we work with civil society, academia, governments and polluting industries.