

IIGCC position paper on the next EU Budget

Executive summary

The political landscape has changed significantly since the previous Multiannual Financial Framework (MFF) was agreed. Energy security and resilience remain top priorities, with international competitiveness and defence increasing in importance. Greater pressure on the EU budget's spending, coupled with a substantial financing gap for the EU's decarbonisation targets presents the next MFF with ample challenges and opportunities.

IIGCC calls for the 2028–2034 MFF to strategically channel private finance towards industrial decarbonisation measures, ensuring the EU meets its climate goals while also remaining internationally competitive.

- To ensure the EU reaches the objectives of the EU Green Deal, whilst also increasing competitiveness and energy security, climate spending should continue to be mainstreamed.
- Additional investments needed to meet climate and industrial decarbonisation goals will need to be filled primarily by private finance. This will only be possible through catalytic public funding, following the recommendations of the Clean Industrial Deal.
- Simplifications to the MFF's governance structure can allow for clarity and ease of access; however, any changes must respect the role of national and regional authorities and allow for clear avenues for dialogue to avoid delays in investment.

IIGCC's recommendations

Continue prioritising climate

The EU budget is under pressure from varying priorities. Based on the precedent set by the 2021–2027 MFF, where 30% of the MFF was dedicated to climate-related spending, climate should be protected and mainstreamed throughout EU budget. This spending can support the objectives of the EU Green Deal, Clean Industrial Deal, and Industrial

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Decarbonisation Accelerator Act, as well as other relevant initiatives like the Affordable Energy Action Plan.

- Climate mainstreaming should be carried over to the next EU budget, with efforts to reduce fragmentation and governance complexities.¹
- The MFF should maintain or increase the overall volume of climate spending within the EU budget towards climate change mitigation and adaptation, with additional funding to cover the gap following the end of the Recovery and Resilience Facility.
- Existing policy tools should be leveraged to identify opportunities for investment in climate solutions and to underpin targeted public spending, e.g. using EU Taxonomy as input for tax and spending, procurement, subsidies.

Supporting synergies between decarbonisation and competitiveness

IIGCC supports the Commission's intention to strengthen the links between the MFF and EU policy priorities. This EU mandate's primacy of competitiveness and decarbonisation together should be reflected in the MFF through leveraging the policy objectives within the Clean Industrial Deal, which sets out how to scale up private finance and fill the current spending gap of €480 billion annually to decarbonise the EU industry.

- The EU budget should shape funding towards industrial decarbonisation through the Clean Industrial Deal's guidance on lead markets, specifically utilising the sectors identified in the upcoming Industrial Decarbonisation Accelerator Act.
- The Commission should ensure that the EU budget aligns with the development of sector decarbonisation roadmaps for key industries, articulating the total investment needed to close financing gaps.
- Through mapping against a sector's decarbonisation trajectory, the EU can identify when the EU budget should apply financial instruments and at what stage private finance should be channelled in.
- Financial and other instruments, such as grants or power purchase agreements should be utilised to derisk technologies that have not reached scale or for projects that are not yet commercially viable. This can be done through the European Investment Bank taking on greater risk capital, e.g. greater guarantees or grants.
- There should be clear forums for dialogue between the Commission and private finance, with accessible data that tracks financial flows. Lessons for this can be drawn from the InvestEU Portal.

¹ <https://www.bruegel.org/analysis/greening-eu-budget-why-climate-mainstreaming-needs-reform>

Preserve and support existing multilevel governance structures

IIGCC supports the simplification of the MFF's structure to increase usability. However, any changes to the MFF's governance structure, including spending programmes and single investment and reform plans per Member State, should respect the role of regional and local authorities and ensure adequate representation from stakeholders, including civil society.

- Processes for accessing investments and reaching investment decisions should be transparent to ensure effective implementation in Member States.
- A cohesion policy should be implemented within the MFF that requires member states to engage in structured consultations with stakeholders who can provide feedback and identify which are the strategic climate and energy priorities on the ground.
- Information should be readily available and accessible on the structure of new governance frameworks and how these interact with relevant stakeholders.

The international environment has changed significantly over the past five years since the current MFF was agreed. To deliver on the EU's climate and competitiveness goals in the future, the next MFF must strategically mobilise private capital, safeguard climate spending, and ensure effective multilevel governance.