The European Competitiveness Fund

Backbone of a European industrial strategy

Summary

With €207 billion (2025 prices) the European Competitiveness Fund (ECF) can become the EU's central industrial instrument for the next EU budget. Its design and scope will determine whether the EU succeeds in building strategic cleantech capacity, strengthens domestic manufacturing, and reduces dependency on imported fossil fuels.

Yet, in its current form, the ECF spreads resources thinly across 50+ objectives and four windows - risking to become another "Christmas tree" programme. To deliver impact, the Fund must focus sharply on transformative, high-impact sectors that combine industrial strength, emissions reduction and strategic autonomy, such as the battery value chain and clean fuels for aviation and shipping. A strong, well-funded and well-governed ECF can secure Europe's place in the global clean-tech race.

Key recommendations:

- **Focus on strategic cleantech**
  Prioritise critical clean technologies with the highest decarbonisation and scalability potential and help close funding gaps for zero-emission transport modes, including batteries, zero-emissions aircrafts and vessels, electric vehicles, clean fuels for aviation and shipping, and heavy-duty vehicles. Exclude fossil-based and environmentally harmful projects.
- **Scale up funding**
  Increase the Clean Transition and Industrial Decarbonisation window to at least €50 billion, complemented by national contributions. The ECF must become the financial backbone of Europe's green industrial strategy, not another underfunded promise. Sufficient financial firepower is necessary to effectively mobilise and de-risk private investments in critical clean technologies.

- **Deploy an effective toolbox**
  Make the ECF's instruments simple, transparent and predictable, combining grants, loans, guarantees, equity and output-based support to de-risk strategic manufacturing and create lead markets for European clean technologies. Increase InvestEU's ECF window to €50 billion and focus on true additionality of financing instruments, while reserving grants for non-bankable projects with the highest strategic value.
- **Apply strong conditions to financial support**
  The ECF must apply mandatory, transparent eligibility rules - including Made-in-EU requirements, environmental and social conditions - to ensure public funding strengthens European industry and supports EU objectives. Robust enforcement tools are key to deter misuse.
- **Build expert-led governance for robust work programmes**
  An independent, science-based Strategic Stakeholder Board must guide priorities and funding decisions. Work programmes should follow transparent, evidence-based methodologies (e.g. Competitiveness Coordination Tool) and reflect expert recommendations.

1. Getting the scope right: strategic cleantech focus

The ECF will act as the EU's main industrial policy instrument during the next MFF, alongside Horizon Europe and the Innovation Fund.

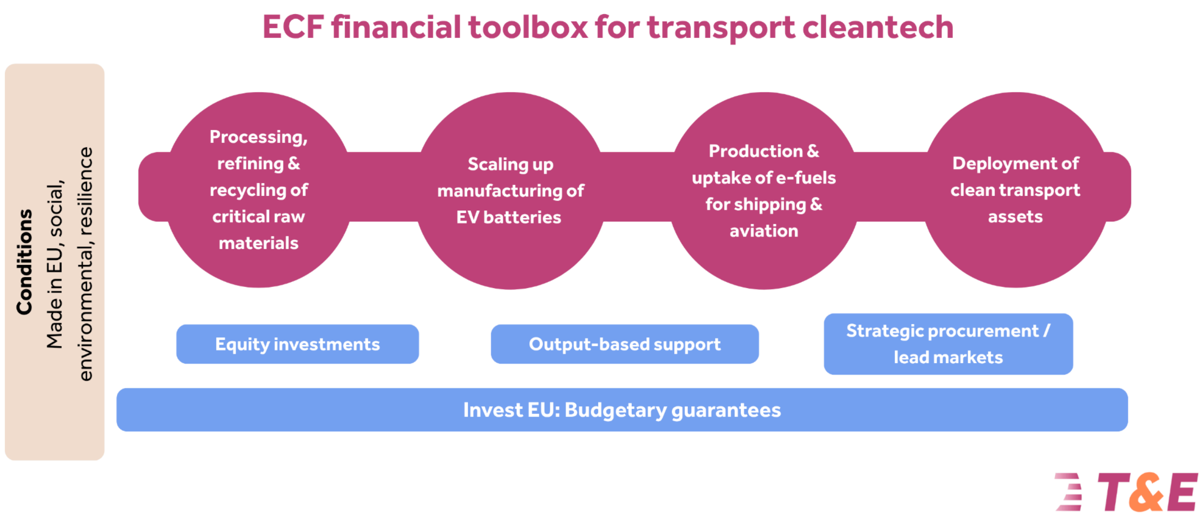
The current ECF proposal spans **11 general and more than 50 specific objectives**, which risks diluting its impact. Funding decisions should rely on transparent, replicable methodologies - for example via the Competitiveness Coordination Tool (CCT) - scoring sectors by strategic importance, emission reduction potential, and scalability. It is high time to make the best of limited resources available to drive the scale-up of truly transformative green technologies where strongest competition exists and where it is paramount for Europe to have a foothold.

The ECF should exclude support to all fossil fuel related technologies, with a limited exemption for defence-related activities, **as well as other environmentally harmful technologies, including biofuels**.

To achieve transformative outcomes in the transport sector, the Fund should prioritise a small set of transformative green technologies with the highest emission-reduction and scalability potential:

- **Electric mobility**: small affordable EVs, batteries and their entire value chain, deployment of electric heavy duty vehicles.

- **Clean fuels** for aviation and shipping, focusing on the most sustainable and scalable (i.e. e-fuels) and zero-emission vessels (battery electric fleets) and aviation (hydrogen and battery electric aircraft).
- **Industrial decarbonisation**: green hydrogen, and strategic materials.
- **Critical raw materials:** Strategic investments (incl. EU ownership) in critical raw materials projects (eg lithium, nickel) to improve resilience of supply chains.



Recommendations on ECF scope (Art. 3 & Art. 33)

- Add the **reduction of fossil fuel imports and subsidies** to ECF general objectives.
- Reinforce the **clean mobility dimension**, including all sustainable and scalable transport technologies on scope - notably electric trucks and zero-emission aviation.
- **Reinforce LIFE activities** by explicitly including nature-based solutions, resource efficiency and circularity, ensuring the clean transition window fully reflects the environmental and climate aspects of competitiveness.

2. Funding size: matching ambition for the Clean Transition and Industrial Decarbonisation window

By providing predictable and substantial funding, the ECF can catalyse European cleantech manufacturing and innovation at scale.

To become the financial backbone of a European green industrial strategy, the ECF must be equipped with sufficient resources. Past efforts like the Green Deal Industrial Plan clearly lacked financial firepower. The MFF negotiations are a unique opportunity to equip EU industrial tools with sufficient and predictable funding across EU policy objectives. The currently proposed €207 billion across 4 policy windows and 7 years is not enough to cater to the wide objectives of the ECF.

The Clean Transition and Industrial Decarbonisation window is proposed at €3.3 billion annually, far below the scale required. T&E estimates that manufacturing of clean transport technologies alone requires at least €39 billion public funding per year by 2030. Broader decarbonisation needs - industrial heat, buildings, and cleantech deployment - require significantly more. **Allocating at least €50 billion for the Clean Transition and Industrial Decarbonisation policy window is a prerequisite for the ECF to reach its goals**.

Dedicated funding for the resilience chapter under the Resilience and Security, Defence Industry and Space window is key to make the EU green industrial development truly resilient. 25% of the proposed budget should be dedicated for resilience activities described in Art. 42, preferably investments (incl. EU ownership) in battery CRM projects - extraction, processing and recycling of strategic materials, such as lithium and nickel - within Europe and overseas to diversify supply chains. We need direct investment to get projects off the ground and running.

Then the ECF should incentivise further national allocations via the use of auctions and grants as-a-service in national compartments - including by matching national contributions to the ECF with EU funding. This mechanism is already considered for the 2025 Hydrogen Bank call under the Innovation Fund (IF25). Crucially, any national allocations for the ECF or other EU-level instruments must not lead to a penalisation under the structural deficit procedure.

The **ECF should leverage additional private funding towards critical clean investments**. For private capital mobilisation, InvestEU will be a key lever but also ECF's capacity to guide private flows though strategic procurement and design of lead markets. €10 billion of the ECF budget should be dedicated for clean technologies manufacturing within the scale-up facility (Art. 22).

Recommendations on the ECF size (Art. 4, 5, 22 & 42)

- **Increase the budget of the Clean Transition and Industrial Decarbonisation window** to a minimum of €50 billion.

- **Dedicate 25% for CRM extraction, processing and recycling** within the Resilience, Security, Defence Industry and Space window.
- **Incentivise national contributions** to the ECF and InvestEU national compartments by matching contributions with EU funding. Rule out any penalisation of national contributions under the Economic Governance Framework and Stability and Growth Pact.
- **Dedicate €10 billion for cleantech manufacturing** under the scale-up facility.

3. ECF toolbox: flexible, transparent, output-oriented

In light of a limited budget and urgent investment needs, efficient use of its resources is critical to maximise the impact of the ECF. The ECF must deploy a **flexible financing toolbox** (grants, loans, equity, output-based manufacturing support) to address varying needs across technologies and market readiness, from lab to scale.

While the proposal envisions a range from €17 to €70 billion dedicated for the **ECF InvestEU**, the minimum amount should be raised to €50 billion. By using budgetary guarantees and debt- and equity-based instruments, the ECF InvestEU instrument can unlock additional private financing and is often better suited and more cost-effective than grants. **InvestEU should focus strictly on strategic, high-risk projects where private financing is insufficient or facing market failures**. This is key to ensure additionality and avoid crowding out private capital. Leveraging ratios should remain within a range that maximises additionality and sustainability without creating perverse incentives. While guarantees can unlock multiple times the private funding, excessively high ratios (e.g., beyond 1:11) risk undermining the value of public contributions. The Commission must retain the right to adjust leveraging and risk profiles as needed.

Special award procedures allow for more holistic support for Europe's cleantech sector but need to be kept simple, lean and transparent. The ramp-up support for manufacturing (Art. 18) and the Single Market supply chain builder (Art. 16) need to be based on a transparent, fast, ex-ante and standardized methodology that is replicable, and comes with a traceable decision process. Provisions on 'overcompensation' and 'double funding' must not lead to burdensome or intransparent implementation.

Grants should, as any financing instrument, require an ex-ante assessment and be reserved for non-bankable projects as well as to cover strategic green and resilience premiums. A case in point is support for EU manufacturing in sectors that are critical for EU's sovereignty, notably production aid for EU-based battery production. Output-based support (e.g., battery kWh produced) ensures funding rewards actual production rather than capacity alone.

The ECF's (carbon) contracts for difference (Art. 35) are a positive step, providing revenue certainty for sectors facing temporary supply-demand gaps, but they require a sufficiently long timeframe beyond the MFF period. For instance, the ECF regulation should make it possible to **host the future market intermediary running double-sided auctions for clean fuels for aviation and shipping**, as highlighted in the Sustainable Transport Investment Plan (STIP).

To scale from lab to market, the ECF must also address demand through strategic procurement, lead market creation, and trade tools, ensuring alignment with the future Industrial Accelerator Act (IAA), the soon to be revised Public Procurement Directives, and lessons from initiatives like the Strategic Technologies for Europe Platform (STEP) to fast-track strategic technologies.

Recommendations on the ECF toolbox and InvestEU (Art. 15, 16 ff, 21 ff & 35)

- **Increase the minimum allocation to InvestEU to €50 billion**. Focus on additionality of de-risking instruments and support to high-risk projects.
- Ensure that award procedures (Art. 16 - 20) rely on **standardised, ex-ante, transparent and objective assessments**.
- **Strengthen demand side measures for cleantech uptake** (lead markets, strategic procurement).

4. Getting conditions right

Eligibility rules (Art. 9 & 10) are critical to guarantee **public funding strengthens EU industry** and maximises the wider benefit for the Union**.** Transparent and predictable eligibility criteria have a strong signalling function and can then be specified in the implementing work programmes.

In response to a challenging global environment, the ECF's **Article 10 should make the EU Preference criterion a default option for all funding** and it should be applied technology-specific. This can be implemented via gradually increasing local value add, rewarding the use of European components and materials, accelerating the transition to a decarbonised economy. For joint undertakings, conditions should include mandatory technology transfers, particularly in battery manufacturing.

Circularity should be a core principle across all ECF activities in order to contribute to resilient, sustainable supply chains for Europe while reducing international dependencies. The **Do-No-Significant-Harm** principle should apply to the ECF, as proposed in the Performance Regulation, with exemptions strictly limited to military defence investments.

The ECF must set **harmonised** **minimum conditions** to ensure funding drives tangible results and avoids supporting wasteful or harmful projects. Support should be tied to installation-level transformation plans and compliance with social and labour standards. Do-not-relocate provisions must protect EU investments from offshoring, and beneficiaries should demonstrate a minimum reinvestment of their own revenues. Conditions should be complemented by effective sanctions and exclusion mechanisms (e.g. clawback) in case of violation, to deter misuse of funds.

Recommendations on Eligibility criteria (Art. 9 & 10)

Articles 9 and 10 should establish clear principles to embed binding conditions in ECF work programmes:

- **"Made-in-EU":** Article 10 should make EU Preference mandatory, combined with local-content requirements, to ensure funding prioritises production, innovation, and reinvestment within the Union.
- **Do No Significant Harm (DNSH):** Apply DNSH universally across all ECF-supported activities, with limited exemptions for military defence.
- Beneficiaries must submit publicly available, **installation-level transformation plans** outlining efficiency improvements, fossil fuel phase-out, and renewable energy integration.
- **Complementarity with private investment:** support must be shown to complement, not crowd out, private investments, for example through a minimum reinvestment ratio.
- **Accountability:** Conditions should be backed by credible ex-post sanctioning mechanisms to address violations and ensure public funds deliver tangible results.

5. Build expert-led governance for robust work programmes

An expert-led, impartial governance structure is essential to keep the ECF focused on genuine EU priorities and shield it from political bargaining or corporate capture. Article 14 of the draft ECF regulation establishes a Strategic Stakeholders Board (supported by an "observatory on emerging technologies"), thematic platforms for the policy windows, as well as an independent Investment Committee, and an Advisory Board under InvestEU. This framework should guide the ECF toward Europe's most strategic projects and build on best practices from existing bodies, such as the European Innovation Council.

Funding allocation must follow a transparent, data-driven methodology rather than ad-hoc opaque decisions or lobbying influence. If well-designed (see I4CE's proposal), a tool like the

Competitiveness Coordination Tool (CCT) can provide a replicable framework to score sectors by strategic importance, emission reduction potential and scalability, ensuring that ECF investments target technologies that maximize EU decarbonisation and industrial goals. The CCT can also guide complementary measures, including procurement conditions and trade defences, eliminating contradictions and making EU industrial policy more impactful.

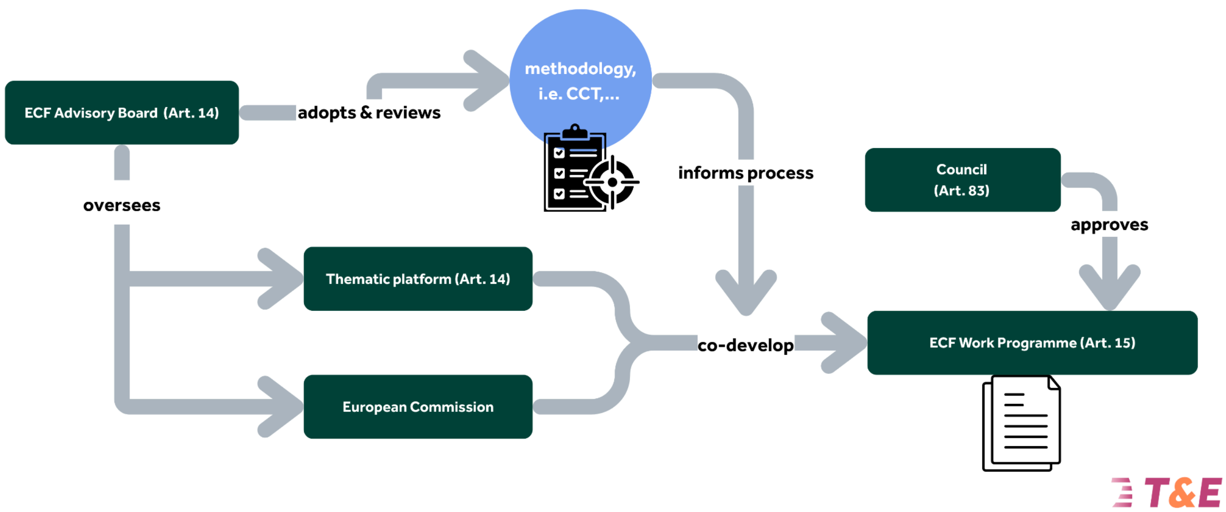
The ECF Strategic Stakeholders Board and the thematic platforms (Art. 14) should be expert-led, combining scientific, civil society, and industry expertise, with dedicated boards for each policy window to ensure sector-specific guidance. They must represent balanced interests and be subject to a robust ethics and transparency framework.

Article 15 gives the Commission discretion to adopt work programmes, defining actions and budgets via implementing acts. To prevent arbitrary allocations, these programmes must formally be co-developed with expert-led thematic platforms (Art. 14) and follow an ex-ante agreed methodology that identifies most strategic technologies and informs on adequate funding instruments and budgets. While some flexibility for urgent actions should be permissible, the methodology should guide the bulk of funding decisions, providing accountability for ECF work programmes, with written justifications for any deviations.

The ECF Strategic Stakeholders Board should have a “watchdog” role, with rights to information and powers to request adjustments, ensuring Commission funding decisions align with aforementioned methodology.

Transparent, evidence-based governance builds trust and counters concerns about favoritism. All funding criteria and decisions should be published with metrics and justifications. This approach ensures ECF investments support shared EU priorities.

ECF Work Programmes: Proposal for an evidence-driven adoption process



Recommendations on governance and work programmes (Art. 14 +15)

- Establish governance bodies (Strategic Stakeholders Board, thematic platforms) with **credible scientific and technical expertise** and powers to review, provide input, and amend ECF work programmes.
- Require budget allocations, sector prioritisation and investment decisions to follow **transparent, evidence-based, priorly defined, publicly available methodologie**s (e.g. Competitiveness Coordination Tool).
- Guarantee **full transparency in all ECF funding decisions** to foster trust and accountability.
- For "LIFE activities" under Article 33(1)(a), **work programmes must be multiannual, with stakeholder consultation** integrated in their development.

Further information

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