

OPEN LETTER TO LEAD CANDIDATES: EUROPE NEEDS A CLEANTECH COMPETITIVENESS DEAL

April 23rd, 2024

Dear President von der Leyen, Mr. Schmit, M. Hayer, M. Strack-Zimmermann, Mr. Gozi, M. Reintke, Mr. Eickhout, Mr. Legutko, Mr. Procaccini, Mr. Baier, Mr. Vistisen,

Last week, European leaders called for a “[new European competitiveness deal](#).” The reasons are clear: a new [report](#) led by Enrico Letta on the Single Market highlights a range of challenges facing our economy, including fragmented capital markets, unfit competition rules, international cleantech competition, and the need to dramatically increase public and private green investment. Only days before, EVP Maroš Šefčovič [took stock](#) of the European Commission’s Clean Transition Dialogues, highlighting the critical need to boost the competitiveness of our clean industries. The case for a renewed strategy of competitive sustainability by the EU with these industries at its heart is stronger than ever.

Europe’s cleantech industry could be the driver of this competitiveness deal.

Over the last decade, Europe has gained technological leadership in strategic sectors, from electrolyzers to batteries, from wind turbines to green steel. Innovative SMEs are striving to scale these technologies and bring industrial leadership to Europe. However, between [unfair competition](#) from Chinese manufacturers, and a heavily-subsidised US market, European companies are at a disadvantage. If Europe fails to scale strategic clean technologies, we will lose our technological edge and weaken our energy security.

The Net-Zero Industry Act, which is being voted on Thursday, 25.4, is a step forwards, but lacks key elements to make Europe “the home of cleantech manufacturing”. And the Strategic Technologies for Europe Platform (STEP), itself a downgraded Sovereignty Fund, failed to draw support from EU leaders, leaving a significant [cleantech investment gap unfilled](#).

As we approach the European elections on 6-9 June, and a new European strategic agenda with competitiveness at its heart is put into place, it is essential to prioritise the competitiveness of cleantech manufacturing.

We, the undersigned, as cleantech innovators, researchers, civil society, industry associations and investors, are calling on you not to let the EU's cleantech journey end with the NZIA - and **to enact a Cleantech Competitiveness Deal with the following priorities:**

1. Invest at scale now - Europe needs a Cleantech Investment Plan:

Europe's cleantech competitiveness is being throttled by a [severe investment gap](#), which NZIA and STEP have done little to address. Without appropriate funding, the vision of a future European cleantech industrial base will not materialise. Private cleantech investment has [plateaued](#), with the continent's [venture capital](#) market insufficient to support growing start-ups, and Europe's [banks and pension funds](#) too risk-averse to help young companies reach industrial scale.

A [global cleantech manufacturing race](#) is underway - and Europe risks losing. In a time of [budget constraints](#), Europe should adopt ambitious yet fiscally efficient measures. Within the first 100 days of its new mandate, the Commission should propose **a Cleantech Investment Plan**, including:

- **Mobilising institutional investors:** European pension funds and insurance companies hold trillions of euros of investments. Yet, while their US counterparts are prolific investors in venture and growth capital, EU pension funds in 2021 invested less than 0.018% of their total assets in venture funds. This gap has massive implications for the EU cleantech ability to scale the innovations developed in Europe. For Europe to become the home of clean technologies manufacturing and green jobs, we need to incentivize institutional investors to participate in this market. This can be achieved by a reform of the Capital Markets Union, targeted amendments to the Solvency II Delegated Regulation to improve the treatment of equities, as well as de-risking instruments and fund of fund structures such as those proposed by the European Investment Fund.
- **Boosting and broadening the EIB's counter-guarantee facility.** [Public guarantees](#) are one of the keys to the commercial scaling of emerging technologies quickly. The €5 billion facility that the EIB announced at COP28 is a great start, but only covers the wind sector. It is both insufficient to bring the entire EU wind sector back to a global leadership position, and more cleantech sectors need to be covered. EIB guarantees should be expanded to

other clean and strategic technologies with high capital investment requirements to level the playing field for new entrants with new technologies. These include battery gigafactories, electrolyzers and long-duration energy storage systems, solar factories and others where the EU has a technological advantage but is at risk of losing the scale-up race. To support this critical instrument, **a top-up of InvestEU for cleantech should be prioritised.**

- **Leverage EU Trading System (ETS) revenues to invest in Net-Zero Industrial Transformation.** The EU should consider borrowing against future ETS revenues, to make the investments needed in cleantech now. The ETS price will [reach over €120 by 2030](#). Waiting until then may be too late for our cleantech competitiveness - [frontloading](#) ETS revenues through the [Innovation Fund](#) or towards fresh guarantees would galvanise private investment as soon as possible. In addition, Member States should invest at least 25% of EU ETS revenues in scaling cleantech solutions and manufacturing. The Innovation Fund application process should be reformed to ease access for SMEs, start-ups and scale-ups.

2. Concrete Action Plans for Cleantech Manufacturing in Europe

Europe has painstakingly built technological leadership in a range of mature cleantech sectors, including the [eight sectors](#)¹ originally identified by the Commission as strategic. This leadership is now at risk from subsidised international competition. The EU should build on the successful model of the [Wind Power Action Plan](#) to develop targeted, tailored policy and financing plans to support the competitive sustainability of the eight strategic manufacturing sectors. Taking stock of the Cleantech Transition Dialogues, these Action Plans should include:

- **Sustainability requirements:** taking inspiration from what the EU achieved in batteries, clear sustainability requirements as a pre-condition to access the EU market should be put forward for strategic cleantech equipment and supply chains, raising the bar on the sustainability of the equipment enabling the clean transition.

¹ Solar PV/Solar Thermal, Wind Power, Battery and Storage Technologies, Heat Pumps and Geothermal Technologies, Electrolyzers and Fuel Cells, Sustainable Biogas/Biomethane, Carbon Capture and Storage, Grid Technologies.

- **Sustainability and resilience criteria to support domestic manufacturing:** Resilience requirements in public procurement and public auctions will help create demand for EU-made equipment and components used in the clean transition, such as electrolyzers, batteries, grid technologies, long-duration energy storage systems and more. The provisions outlined in the NZIA should be strengthened, with sector specific resilience criteria focusing on supply chains facing clear geopolitical risk. Resilience criteria, applied in NZIA's RES auctions or in public procurement must always be used alongside sustainability criteria.
- **Access to abundant, clean and affordable electricity:** Manufacturing activities are energy-intensive, and a clean economy demands more electricity. However, getting access to abundant and affordable clean energy remains a challenge for industrial companies - and even more for industrial scale-ups. Action plans must focus on ensuring that regulatory reform and public investment in infrastructure, clean energy especially, is sufficient to address this growing need.
- **Investment in the skills needed to build up cleantech manufacturing:** The growth of the EU cleantech industry has the potential to deliver up to [468,000 jobs](#) by 2030. However, Europe faces a [skills shortage](#) across the industry, with the job vacancy rate doubling between 2019 and 2023. Urgent action is required to reverse this dynamic. The EU and Member States should take the establishment of Net Zero Academies in the NZIA as a starting point, and develop clear national incentives for the retraining of Europe's industrial labour force.

3. Plan for the future - A vision for the next generation of cleantech breakthroughs

Europe's cleantech innovation is a powerful driver of long-term competitive sustainability. Its fertile cleantech research and start-up ecosystem has the potential to deliver the next generation of climate solutions, internationally-recognised companies and green jobs. However, **these young companies are stifled by a lack of sufficient policy support, regulatory uncertainty, and an [investment environment](#) that makes taking a world-changing idea from lab to market increasingly difficult.**

Europe is rightly focused on unlocking competitiveness today - but also needs to

keep investing in the next generation of cleantech leaders. To guarantee that we remain the world's cleantech champion in 2040 and beyond, the EU should:

- **Develop strategic plans to attract and develop innovative, growing sectors crucial to our long-term competitive sustainability.** Technologies that are still in development (such as innovative renewables, new storage technologies, and carbon removals) sit at the heart of Europe in 2040. Ensuring they have the 2040 framework conditions and market demand they need to succeed is crucial to ensuring the decarbonisation of our continent and the dynamism of our economy. To achieve this, the EU should develop tailored industrial strategies to develop and support these technologies outlining their role in achieving the 2040 and 2050 climate targets, and incorporating employment and economic development goals.
- **Defend research and growth funding to nurture the next generation of cleantech leaders.** The EU is an innovation leader, but our research funding is [slipping behind](#) global competitors and our [start-up ecosystem](#) is in need of improvement. Maintaining the size of research funds like **Horizon Europe**, ensuring that cleantech is at the heart of the successor **FP10 proposal**, and mobilising EU support to start-ups such as the **European Innovation Council** are crucial.

Without investment and a new strategic vision Europe will fall behind in the cleantech race, risking our future industrial and climate leadership. **As we approach the European elections in June, we call on candidates across parties to get serious about securing Europe's cleantech future. Let's make cleantech the success story of the next five years, and the driver of a re-energised, competitively sustainable Europe.**

Let's deliver a Cleantech Competitiveness Deal.

Signatories

Airborne Wind Europe 

 **aster**

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