

## Ensuring EU budget delivers on Europe's strategic priorities: Business view on driving investment into a competitive, decarbonised and resilient EU

*This briefing sets out a business perspective on how the next EU Multiannual Financial Framework (2028–34) can be used as a strategic instrument to strengthen Europe's competitiveness, resilience and long-term economic security. It aims to inform EU decision-makers about the investment conditions that European businesses need to scale clean, innovative and productive industries, reduce exposure to fossil fuel volatility and compete globally. In doing so, it highlights the importance of aligning EU public finance with strategic priorities and private capital mobilisation, ensuring the EU budget supports a credible, long-term investment framework for the European economy.*

Europe is entering a defining decade. Its resilience and economic security are increasingly shaped by exposure to geopolitical tensions, economic uncertainty, trade fragmentation and intensifying global competition in clean and digital technologies. At the same time, Europe remains exposed to volatile fossil fuel imports, costing over €400 billion annually,<sup>1</sup> while climate and transition risks continue to grow.<sup>2</sup> Between March and April 2026 alone, geopolitical disruption added €22 billion to Europe's fossil fuel import bill.<sup>3</sup>

For European businesses, these challenges directly affect investment decisions, energy costs, supply chains and long-term competitiveness. Reducing exposure to imported fossil fuels is therefore not only a climate imperative but also a core economic and security priority.

The next Multiannual Financial Framework (MFF) for 2028–34 will be one of the EU's most consequential strategic instruments to respond to these urgent challenges. It will shape investment in infrastructure, innovation, industrial transformation, clean technologies and energy systems for the decade ahead, accelerating the shift away from fossil fuel dependency and strengthening Europe's resilience to external price shocks.

The scale of investment required is significant. The European Commission estimates that an additional €477 billion per year is needed to meet the EU's 2030 climate and energy targets. While most of this will come from private capital, public finance will be decisive in determining whether Europe leads or falls behind in the global race for clean industry. A central role of the next EU budget will therefore be to strengthen the connection between public funding and private capital, ensuring that public finance is used strategically to mobilise, rather than substitute, private investment, and to demonstrate a credible pathway for aligning capital with long-term sustainability and competitiveness objectives.

EU public finance not only supports individual projects but also underpins the infrastructure, supply chains and innovation ecosystems on which businesses depend, from grids and electrification to industrial decarbonisation and first-of-a-kind technologies. The effectiveness of Europe's investment framework will directly shape the conditions under which companies invest, innovate and compete.

Europe's competitiveness cannot be built on short-term protection or fragmented support. It must be grounded in resilience and productivity, in innovation, clean energy, shock-resistant value chains and a credible, stable long-term investment framework. Public finance must be designed accordingly.

### A modern definition of competitiveness

Competitiveness is expected to become the central organising principle of the next EU budget. It is therefore essential that Europe adopts a definition that reflects long-term economic reality and the future resilience of its economy.

For CLG Europe, competitiveness is the capacity to use labour and resources with greater productivity to create and sustain high-value economic activity, by enabling firms to compete through quality, efficiency and innovation, as well as by attracting and retaining investment that enhances domestic value creation. This is enabled and scaled through Europe's Single Market to strengthen resilience to geopolitical, security, climate and nature-related risks, and to achieve inclusive prosperity, well-being and environmental sustainability.

This matters because how competitiveness is defined will shape investment priorities, policy design and capital allocation across the EU economy. Narrow definitions of competitiveness, focused primarily on cost reduction, price advantages or short-term market share, fall short in today's context. They risk locking in exposure to external shocks, underinvesting in future-oriented sectors and eroding Europe's long-term industrial base.

By contrast, there is growing evidence that sustainability, decarbonisation, resource productivity and resilience are foundational to competitiveness: analysis by the University of Cambridge Institute for Sustainability Leadership highlights that climate neutrality is increasingly embedded in growth strategies, reflecting a structural shift in how competitiveness is defined.<sup>4</sup> Similarly, the European Commission increasingly frames decarbonisation and clean technologies as drivers of industrial growth, innovation and strategic autonomy.<sup>5</sup>

Europe should therefore avoid definitions that reward incumbency or short-term cost advantages at the expense of future industrial leadership. Competitiveness that ignores structural vulnerabilities, including fossil fuel dependence, climate impacts and resource constraints, risks undermining both economic resilience and long-term growth.

### Public finance as an enabler of industrial transformation

The scale of investment needed for Europe's industrial transformation is well beyond current public funding levels.<sup>6</sup> Public money cannot deliver this transformation on its own, but it plays a critical role in enabling it by crowding in private capital, supporting systemically important investments and strengthening the conditions for business across the EU.

This requires a coherent investment framework that:

- prioritises clean industrial transformation, electrification, energy savings, grids, innovation and strategic infrastructure
- supports first movers and hard-to-abate sectors facing high reinvestment costs
- ensures a level playing field across the Single Market, avoiding distortions from uncoordinated national state aid and ensuring fair access across Member States with more limited fiscal space
- strengthens resilience by reducing exposure to external shocks, including fossil fuel dependence, supply chain vulnerabilities and climate impacts
- reduces fragmentation between EU and national instruments and provides clearer entry points for businesses and project developers navigating the investment landscape
- provides greater predictability for long-term investment decisions
- allocates a greater share of EU-level funding to research, innovation and the scale-up of clean technologies and fossil-free industrial processes.

Public investment has a particularly important role in financing shared infrastructure, including energy systems, grids, transport and industrial ecosystems, which underpin competitiveness across the economy and cannot be delivered by markets alone.<sup>7</sup> Reducing structural costs through investment in infrastructure and system transformation will ultimately strengthen Europe's competitiveness. Public finance should help lower the cost and risk of clean investment, not lock in high-carbon business models or prolong dependence on fossil fuels.

### **A stronger climate and environment mainstreaming**

Climate and nature must remain visible in the EU budget. The Commission's proposed 35 per cent target for climate and environmental spending is an important signal, but it is unlikely to match the scale of Europe's investment needs. The next MFF should ensure that public spending is aligned with the Union's climate, environmental and industrial objectives and is robustly tracked.

The credibility of that target must not be weakened through exemptions or accounting choices that reduce its real impact. Excluding categories such as defence and security spending from the calculation base risks undermining the integrity of the climate and environment target.

It is equally important to preserve visibility and funding for nature.<sup>8</sup> Folding biodiversity entirely into a broader climate and environment target risks deprioritising nature investment in practice, particularly where other categories are easier to deploy. Dedicated support for ecosystem preservation and nature restoration remains essential for long-term resilience, economic security and the stability of supply chains and operations. The integration of the LIFE Programme into broader instruments should not weaken support for climate, environment and nature objectives.

## Strategic governance and allocation of the European Competitiveness Fund

The proposed European Competitiveness Fund (ECF) could become the central investment instrument of the next EU budget. Its success will depend not only on its size but also on how effectively its governance translates strategic priorities into investment decisions.

The currently proposed framework raises important questions about how priorities will be set, how work programmes will be designed, how projects will be selected, and how different funding streams and policy objectives will be balanced. These choices will determine whether the Fund accelerates Europe's industrial transformation or becomes too broad, too opaque and too weakly aligned with long-term competitiveness. The ECF represents a shift towards a more centralised and flexible model of EU investment, with greater discretion in how funding is allocated across priorities. While this creates opportunities for responsiveness, it also increases the need for clear structures, well-defined objectives and strong safeguards to ensure coherence, predictability and strategic focus.

CLG Europe supports an evidence-based and transparent approach to the governance and allocation of the ECF. Annual and multiannual work programmes should be guided by clear assessments of strategic importance, competitiveness needs, investment gaps across value chains and Europe's climate and industrial objectives. Simplicity and faster access are key but should not come at the expense of strategic prioritisation, transparency or the quality of investment decisions. Decarbonisation and resilience should be reflected in both the allocation criteria and the evaluation of outcomes.

## Clear safeguards and credible transition alignment

Public finance should support companies and projects that contribute to Europe's industrial renewal and decarbonisation. This requires robust safeguards and credible investment alignment across EU instruments and objectives, promoting public-private collaboration to jointly shape and develop investments and markets that support decarbonisation.

Public support should be directed towards activities that are already clean or are making demonstrable progress towards decarbonisation, resilience and quality jobs. In practice, this means prioritising investments underpinned by credible decarbonisation trajectories, supported by transparent and quantitative metrics, which allow progress to be monitored and verified, through tools such as credible transition plans for companies or projects. Beneficiaries of public support should be able to clearly demonstrate how funding contributes to emissions reduction, industrial transformation and long-term competitiveness, ensuring public finance delivers real outcomes. Evidence from investors suggests that this also supports investor decision-making and attracts private capital.<sup>9</sup>

More broadly, experience from the EU budget implementation highlights persistent gaps between labelled spending and actual impact, including limited transparency in project selection and weak links between funding and outcomes.<sup>10</sup> This reflects, in part, the absence of consistently applied and enforceable safeguards, making robust Do No Significant Harm (DNSH) criteria essential to ensure that public finance does not inadvertently support activities that undermine Europe's long-term climate, environmental and industrial objectives. Clear eligibility criteria, transparency and effective application of environmental principles, including DNSH, will be critical to maintaining trust and directing capital where it delivers the greatest strategic value.

## Strategic use of ETS revenues and EU investment instruments

Europe needs a more structured and strategic approach to the use of EU revenues, especially revenues generated through the Emissions Trading System. ETS revenues are a core public finance lever for industrial decarbonisation and should be used accordingly.

In practice, however, their use has not consistently matched this objective. Despite generating tens of billions of euros annually, ETS revenues have not been systematically directed towards industrial decarbonisation<sup>11</sup>. Between 2013 and 2021, less than three-quarters were spent on climate-related purposes, with around €25 billion not used for climate action and €12 billion supporting projects of questionable value. Only a limited share is directed towards strengthening the bankability of industrial decarbonisation projects.<sup>12</sup> This weakens one of Europe's most important tools for accelerating industrial transformation.

Strategic co-ordination between EU and national funding, including a more structured use of ETS revenues, is critical to ensure that all Member States contribute fairly to the transition and that businesses operate on a more level playing field. This is particularly important given the growing role of ETS-related revenues and the expected link between the Innovation Fund, the proposed Industrial Decarbonisation Bank (IDB) and future support for industrial transformation.

ETS revenues should be prioritised towards investments that reduce structural emissions and costs, in particular by enabling industrial electrification, energy savings, expanding access to affordable low carbon energy and supporting breakthrough technologies in strategic sectors. This requires stronger support for enabling infrastructure, including grids, flexibility, storage, energy efficiency and system integration, which are critical to deployment at scale. They should also be used to improve the investment case for capital-intensive industrial projects, including through instruments that provide greater revenue certainty.

The IDB should be designed as a credible instrument to help bridge the cost gap between clean and carbon-intensive production, accelerate investment in commercially viable decarbonisation pathways and support sectors facing significant first-mover disadvantage. To deliver at the scale required and provide investor confidence, it should be backed by a €100 billion public funding commitment to bridge the short-term cost gap and crowd in private capital, while ensuring broad access across the EU.

## Scaling proven instruments to mobilise private investment

Europe should scale up investment instruments that have already demonstrated their effectiveness in mobilising private capital. InvestEU is one of the clearest examples of an EU instrument that can efficiently crowd in private capital through public guarantees and blended finance. Its current scale of €372 billion of public and private investment mobilised through €26.2 billion budget guarantees remains insufficient.<sup>13</sup> The demand is consistently high with the Sustainability Guarantee Programme oversubscribed by a factor of three.<sup>14</sup> Expanding its capacity and reach will be essential to mobilise private capital at the speed and scale required. This includes effective use of national promotional banks and implementing partners to improve reach and deployment across Member States.

By reducing risk and improving project bankability, instruments such as InvestEU enable investment in emerging technologies, industrial transformation and capital-intensive projects. Scaling them should go hand in hand with strengthening the pipeline of bankable projects, improving access to financing across regions and directing finance to areas where investment gaps remain highest, with public guarantees and blended finance lowering the cost of capital and crowding in private investment. This is especially relevant for smaller companies, innovative technologies and cross-border projects.

The next MFF should therefore prioritise the expansion, simplification and strategic use of proven instruments, ensuring greater coherence, accessibility and impact.

### **Member States' role in implementation and accountability**

Member States are expected to play a growing role in the next investment framework, including through National and Regional Partnership Plans (NRPPs) and increased national involvement in implementation. This makes governance and accountability even more important.

Experience from previous instruments highlights both the potential and the risks of this approach. Under the Recovery and Resilience Facility (RRF), implementation has varied significantly across Member States, with delays in disbursement, uneven absorption of funds and limited transparency in project selection and outcomes in some cases.<sup>15</sup> Similar challenges have been observed in cohesion policy, where administrative complexity and fragmented delivery have slowed deployment and reduced impact.<sup>16</sup>

As national planning through the NRPPs is to play a central role in shaping investment priorities, they should be linked more clearly to Europe's climate and energy objectives and to the reforms and enabling conditions needed for industrial transformation. This includes aligning funding with national energy and climate plans, infrastructure needs and industrial transition pathways. A stronger connection between EU funding, national planning and agreed transition objectives would improve coherence, reduce fragmentation and help ensure that public finance supports long-term competitiveness across all Member States and regions.

### **A moment for strategic leadership**

The next EU budget is a strategic choice about the kind of economy Europe wants to build. Europe's continued exposure to volatile fossil fuel markets and external dependencies remains a structural vulnerability. Leveraging public resources for reducing this exposure through electrification, energy efficiency, clean energy and industrial transformation is a prerequisite for economic security and long-term competitiveness.

Europe cannot afford to treat competitiveness and sustainability as competing agendas. Nor can it afford an investment framework that is too fragmented, too opaque or too weakly targeted to deliver industrial transformation.

The EU has an opportunity to build a more coherent and effective public finance architecture, one that rewards frontrunners, supports first movers, mobilises private capital and strengthens Europe's industrial base for the long term.

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