

22 July 2021

European Commission President Ursula von der Leyen
Rue de la Loi/Wetstraat 200
1049 Brussels

European Council President Charles Michel
Rue de la Loi/Wetstraat 175
B-1048 Brussels

RE: EU Member States have a major opportunity to complement and enhance their recovery plans by broadening their portfolio of available innovative green technologies and adding currently overlooked green innovation policies and funding mechanisms

Dear President von der Leyen and President Michel:

Last summer the European Commission agreed to NextGenerationEU, a temporary recovery instrument allowing the Commission to “raise funds to repair the immediate economic and social damage” of the pandemic.¹ The plan’s centerpiece is the Recovery and Resilience Facility. Thirty-seven percent of the roughly €724 billion total facility – which includes €338 billion in total grants – is supposed to be invested in projects addressing climate change in the 27 European Union Member States.²

To access these funds, most EU Member States have submitted recovery and resilience plans (RRPs) to the European Commission. To better understand the degree to which these plans incorporate one of the most critical areas of climate-related public funding and policy support – green innovation – the 10 undersigned organizations supported an in-depth analysis of plans recently submitted by Germany, France, Italy, Spain, Poland, Belgium and Austria.³

Our review of these seven RRP’s resulted in several main findings around green technology investments and green innovation policies.⁴ The plans we reviewed total €236.7 billion of EU recovery grants, or 70 percent of the total share of grants.

¹ https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en

² Current prices. Additional information is available here: https://ec.europa.eu/info/strategy/recovery-plan-europe_en

³ https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en#national-recovery-and-resilience-plans

⁴ Our full analysis and methodology is available here: https://institutdelors.eu/wp-content/uploads/2021/07/Analytical_Note_Green_Innovation_in_National_RRPs.pdf Broadly speaking, our definition of green innovation is restricted to technologies in the early stages of development and public policies that have not been widely implemented yet.

As all EU nations seek to implement their RRPs in ways that can expand their economies, create jobs and reduce carbon emissions, we encourage them to consider three urgent green innovation policy and funding recommendations based on our findings: **1)** increase national spending on green innovation in order to complement and enhance RRPs, broaden the portfolio of available clean technologies and reinforce traditional private-sector strengths; **2)** prioritize green innovation projects within existing programs; and **3)** enact ambitious market-creating reforms in Member States, including major increases in green public procurement initiatives and adding green requirements to public-tender documents.

Main findings: Technology investments

The plans by and large represent a clear effort by Member State governments to incorporate green innovation into their EU-backed Covid economic recoveries. However, too many plans focus on a small number of concentrated sectors and technologies.⁵

For example, renewable hydrogen is essential to helping the EU meet its Paris Agreement commitments, and in several of the plans we analyzed the significant public investments dedicated to renewable hydrogen was encouraging, including more than €1.5 billion each in overall hydrogen spending in Germany, France, Italy and Spain. Similarly, our analysis revealed that across Europe investments in electric vehicle charging infrastructure have wisely been prioritized, with Germany and Italy each committing at least €700 million.

But renewable hydrogen and EV charging infrastructure are only two of a host of technologies that urgently require increased government investment and public policy support. All told, hydrogen investments alone exceed 50 percent of all green innovation funding we tracked. While we strongly support renewable hydrogen and EV charging infrastructure investments, we are concerned RRPs generally do not adequately consider technologies and business models in earlier stages of innovation cycles and therefore decades from wide commercial market adoption.⁶ In order to meet the challenge of Europe's net-zero objectives we need a portfolio approach for green innovation, providing more funding for a broader range of technologies.⁷

Main findings: Public policies and funding instruments

The plans we reviewed also tend to overlook several key public policy mechanisms. This includes demonstration funding as well as green public procurement, which sends strong demand signals to private markets and can help rapidly scale up development and deployment of innovative green technologies. Based on a keyword search, we were unable to identify a single plan mentioning green public procurement.⁸

⁵ For an interactive map of how individual RRPs address green issues more broadly than just green innovation, see the [Green Recovery Tracker](#) from the Wuppertal Institut and E3G. A summary of their findings – available [here](#) – concludes that RRPs are “falling short of ambitions to ‘build back better’” and that the EU’s green recovery is “anything but secured.”

⁶ For examples of climate- and energy-related research and innovation projects at different levels of maturity in dozens of different industries across the EU, see Capgemini Invent’s [“Fit for Net-Zero”](#) report.

⁷ A host of such green innovation technologies is mentioned in our analytical note.

⁸ Cleantech for Europe, a new initiative backed by leading venture capital firms based in the EU, [identifies](#) green public procurement as one of the primary ways to help create the kind of “demand shock” needed

Also, with the notable exception of Germany, none of the countries we analyzed specifically mentioned contracts for difference (CfDs) as a policy supported within the context of RRP.⁹

While green public procurement and CfDs were largely overlooked, several countries sought to allocate EU recovery funds in ways that reinforce existing industrial strengths by investing in their decarbonization. This includes up to €1.37 billion for R&D support in France's aerospace sector; €250 million in support of start-ups and venture capital firms working toward the ecological transition in Italy; and €100 million to support eco-innovative measures in Austria, including a specific mention of "carbon-free steel," which follows recent efforts by large Austrian steel producer VOEST to cut emissions via green innovation.

Top three recommendations

While we recognize overall spending priorities of individual RRP are now mostly fixed, EU Member States still have a major opportunity in the coming months to enhance their own plans at the national level and implement them in ways that maximize the impact of billions of euros in EU funds. Specifically, EU Member States in 2021 and beyond should:

- **Increase national spending on green innovation in order to complement and enhance RRP, broaden the portfolio of available technologies and reinforce traditional private-sector strengths:** National governments should support green innovation projects by topping up national budgets. This could prove particularly valuable if demand for funding to finance green innovation exceeds available RRP ceilings, and if certain Horizon Europe projects not funded at the EU level are well-suited to national-level green innovation needs. Crucially, technologies overlooked in RRP could be addressed in national budgets, helping to tackle decarbonisation from multiple domestic angles. At the same time, additional national government support could elicit bolder, more innovative project proposals from the private sector, including projects that reinforce – or even help reimagine – the industries and economic sectors which a given country traditionally leads. To fund any spending increases, a portion of EU Emission Trading System revenues could be set aside to support national-level green innovation initiatives.
- **Prioritize green innovation projects within existing programs:** How much EU recovery money is ultimately spent on green innovation at the national level partly depends on the type and size of grant proposals submitted by companies or developers with specific projects already in mind. Governments should therefore encourage proposal submissions that focus on green innovation. Additionally, in any public grant selection processes – especially if they are oversubscribed – green innovation projects should be prioritized.

to help scale up innovative green technologies. The group's new quarterly briefing on EU cleantech investments is available [here](#).

⁹ For an interactive catalogue of available public policy options for climate- and energy-related research and innovation in the EU, please see Breakthrough Energy's "[EU Policy Playbook](#)."

- Enact ambitious market-creating reforms in Member States, including major increases in green public procurement initiatives and adding green requirements to public-tender documents:** Member States' expenditures on goods, services and construction and renovation is about €1.8 trillion annually, or 14 percent of the EU's GDP. This purchasing power can give a boost to businesses and entrepreneurs whose carbon-neutral products might otherwise struggle to reach customers. This is especially important in industries like public transport and construction, which generate much of their revenues from government contracts.

We stand by ready to speak with you to help ensure all RRP's address green innovation in ways that expand Europe's economy, create jobs and reduce emissions at the pace and scale we know we need to reach net-zero by 2050.

Sincerely,

Clean Air Task Force, Alessia Virone, Government Affairs Manager

Cleantech Group (Cleantech for Europe), Jules Besnainou, Director

Climate Strategy & Partners, Peter Sweatman, President

EPICO Klimainnovation, Bernd Weber, Founder & Director

EUREC, Greg Arrowsmith, Secretary General

Future Cleantech Architects, Peter Schniering, Founder & Managing Director

GFI Europe, Richard Parr, Managing Director

Jacques Delors Energy Centre, Thomas Pellerin-Carlin, Director

Negative Emissions Platform, Anna Dubowik, Secretary General

1.5°Ventures, Climate Tech Venture Builder

