

EU Policies towards Net-Zero : Are we getting them right?

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EU Policies towards Net-Zero : what, when, how

EU Green Deal :

- Moving towards compliance;
- CBAM entering into effect – EU Green Deal Going global;
- EU Climate Law
- Resilience of Green Deal despite politicking with it;
- 2026/2027 window;
- Focus on mitigation – what about adaptation?
- EU Green Deal 2?

Moving towards 'Nature Positive'

- Nature Restoration Law
- Carbon Removal Certification
- Soil Monitoring

Legislation for more private sector transparency

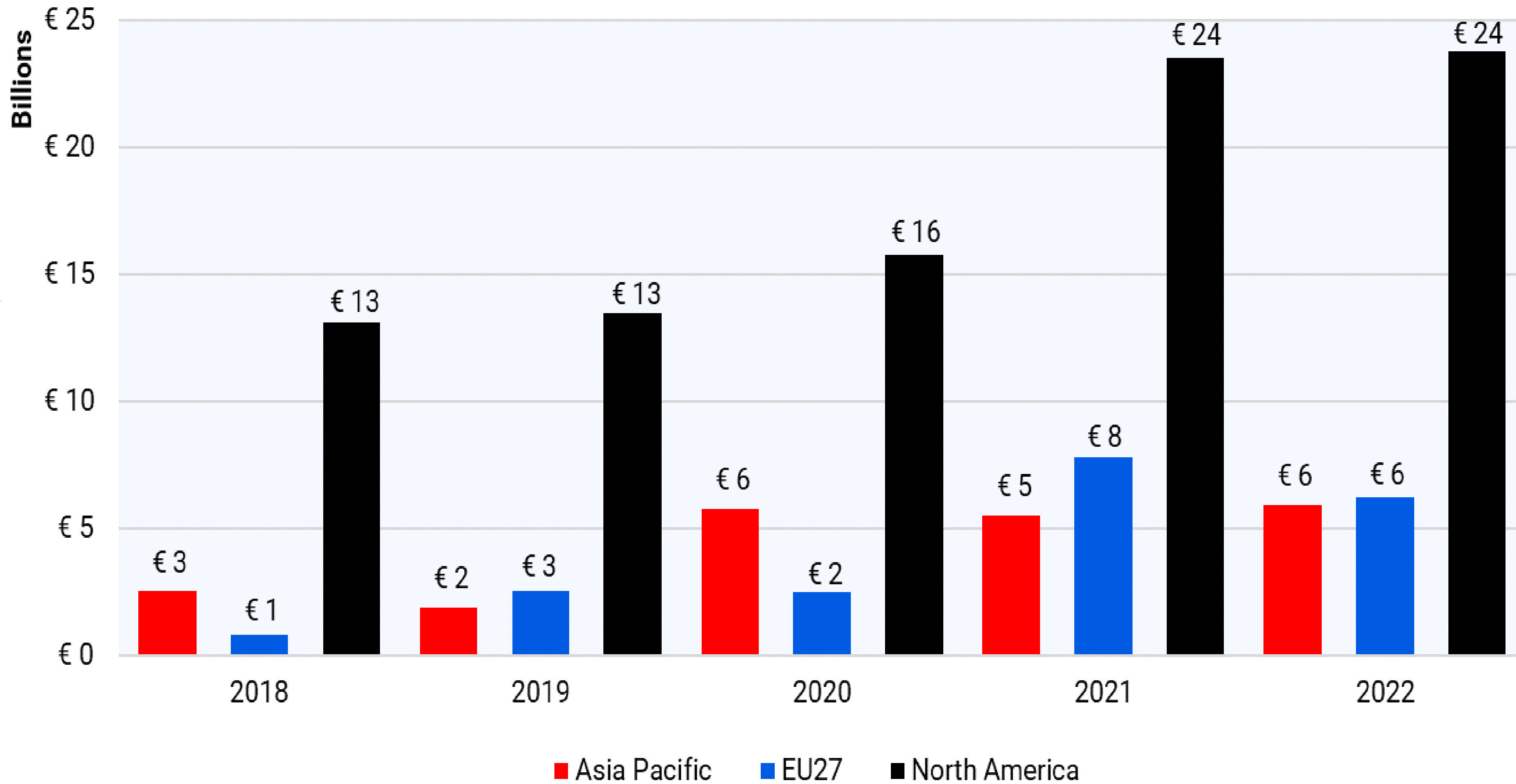
- Corporate sustainability Due Diligence Directive;
- Corporate sustainability Reporting Directive (performance data on Scope1 , 2, 3);

Green Deal Industrial Plan

- Net Zero Industry Act
- Critical Raw Materials Act
- Electricity Market Design
- Strategic Technologies for Europe Platform (STEP)?

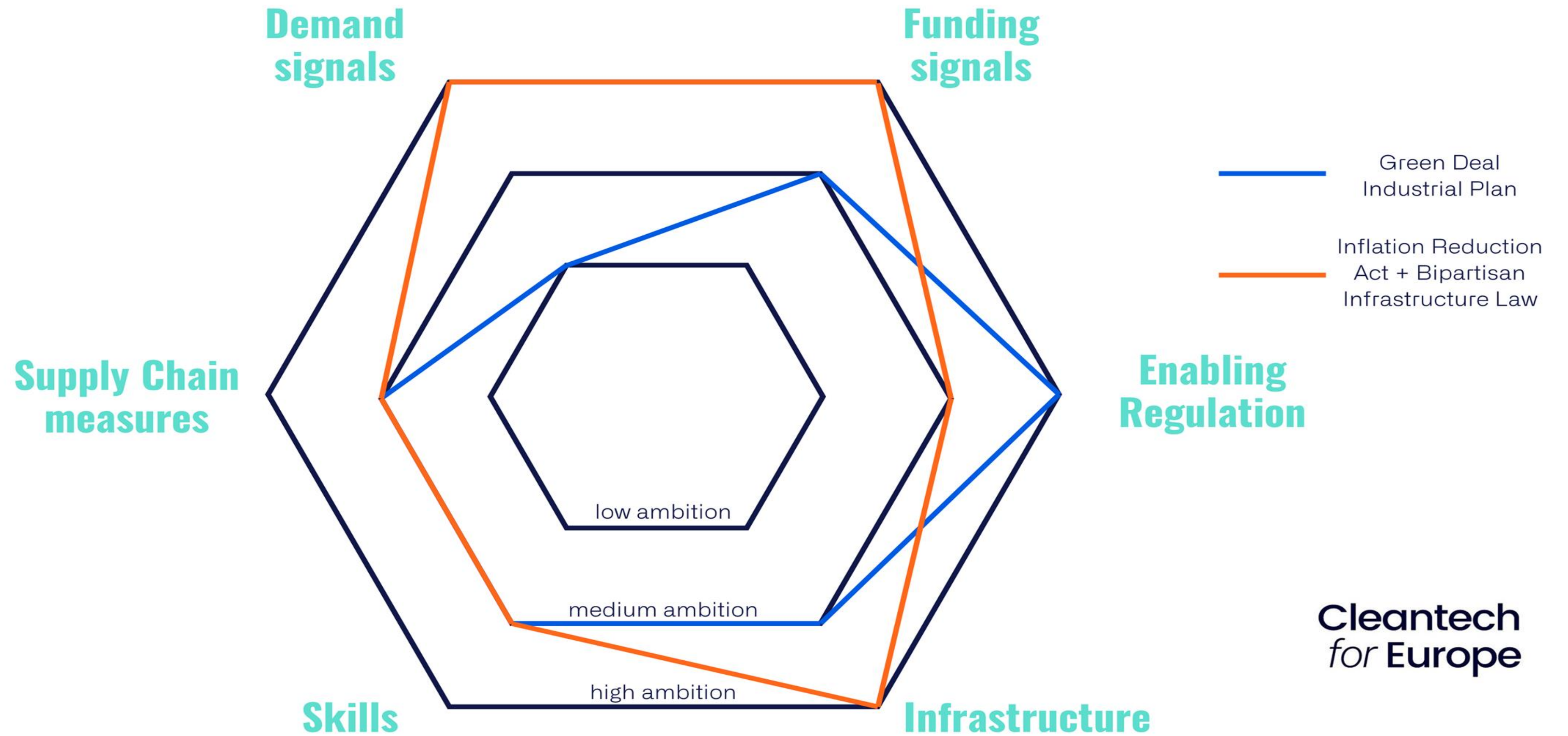
Global Picture on Cleantech Venture Capital investments 2018-22

Cleantech Venture Capital by Region, 2018-22



EU vs. US

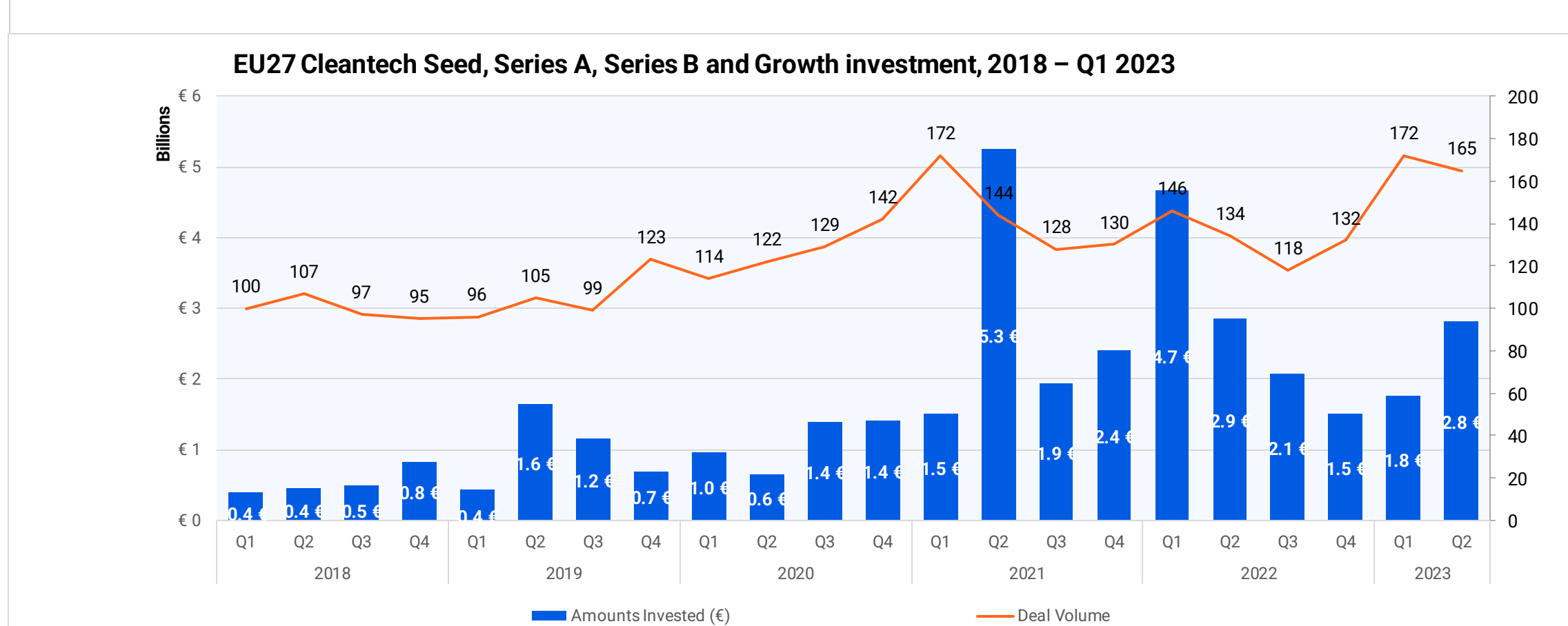
Raising ambitions: comparing market and policy signals for cleantech



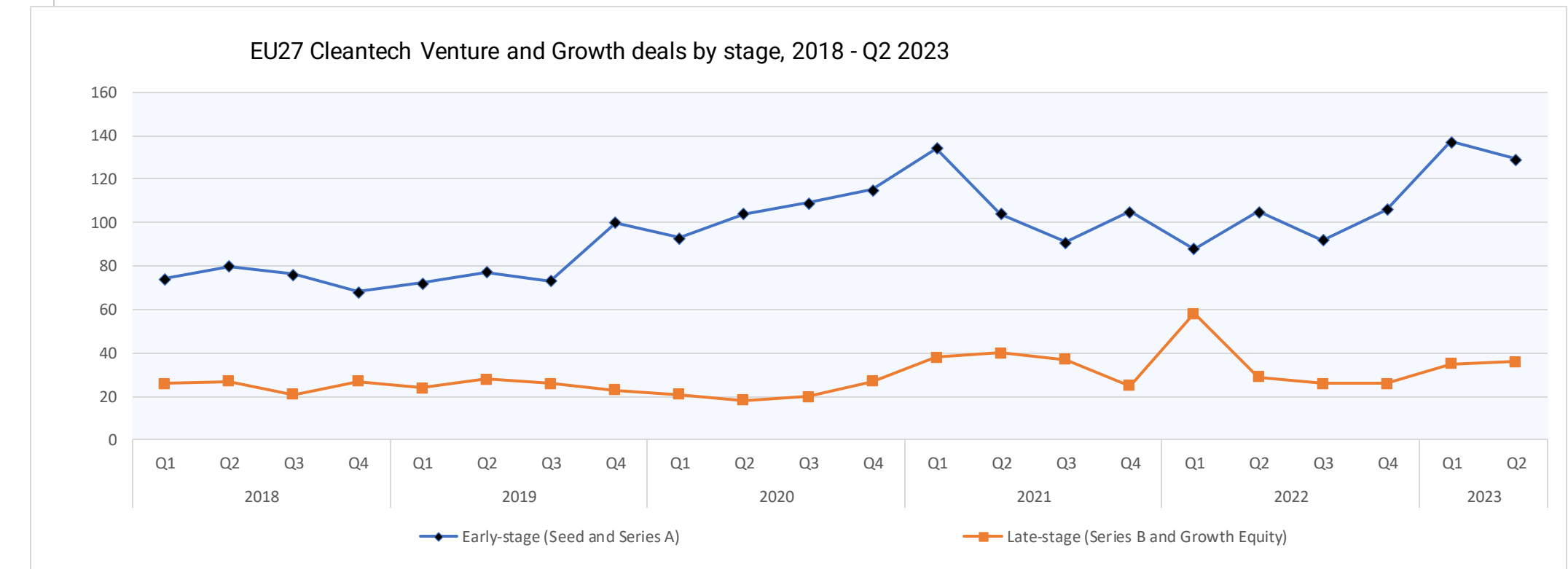
Investment into EU cleantech defies global headwinds 2023

- European cleantech investment defied global headwinds for venture capital (VC), growing stronger than in North America, while cleantech investment in Asia Pacific fell.
- The number of deals closed fell slightly from 172 to 165. Late-stage deals volume stayed flat (from 35 to 36) whereas early-stage deal volume declined from 137 to 129.
- Late-stage investment (series B and growth equity) grew the most, increasing by 104% on last quarter, even though deal volume increased by just 2.9%. Early-stage investment increased by 5.9% on last quarter, while deal volume decreased by 5.8%. Hence, average EU deal sizes increased across both early- and late-stage deals.
- Despite this resilience, EU cleantech investment in the first half of 2023 was 39% lower than in the first half of 2022. This reflects the global contraction of venture capital compared to last year.

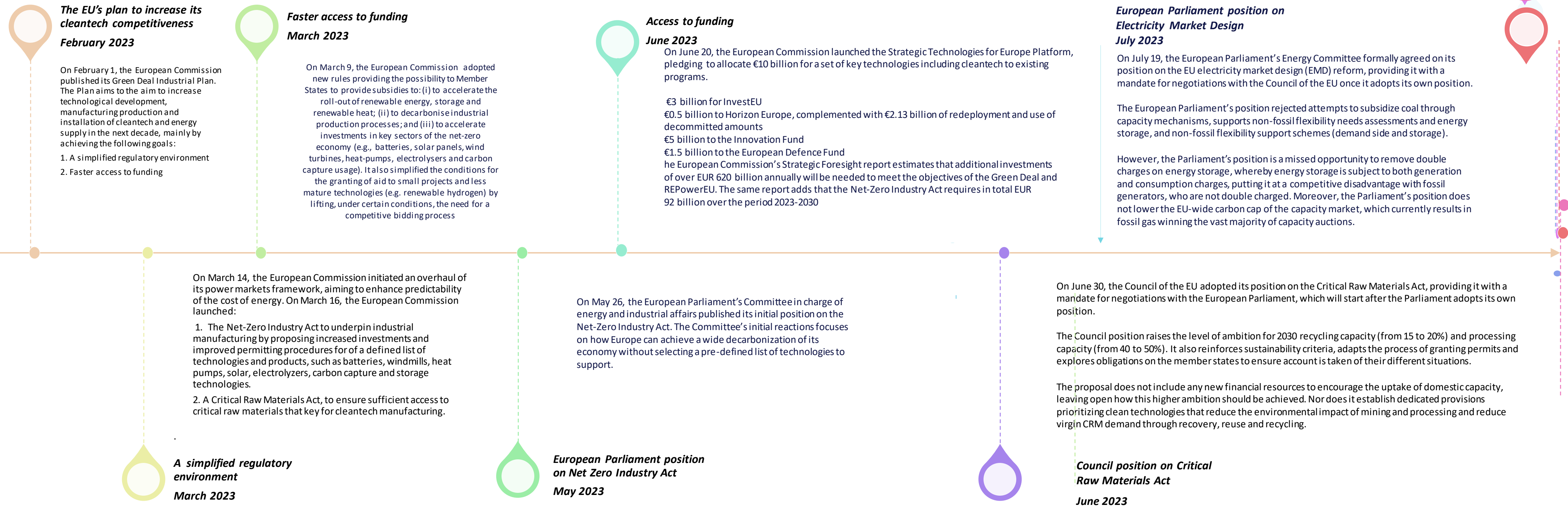
EU27 Cleantech Seed, Series A, Series B and Growth investment, 2018 – Q2 2023



EU27 Cleantech Venture and Growth deals by stage, 2018-22



Cleantech policy outlook: mid-year review



Enabling the cleantech transition in Europe requires a clear focus on supporting the European cleantech innovators to commercialise and scale in the EU. Below, we put forward a set of proposals on how the EU's rulebook can empower cleantech competitiveness and industrial leadership.

Closing the cleantech funding gap

The EU is a powerhouse at funding the research and development of clean technologies. However, we repeatedly fail to finance the scale-up of production capacity of technologies that have reached TRL 8. The **Strategic Technologies for Europe Platform** fails to address this gap. Why? It proposes to redirect EUR 10 billion existing funds to inject into deep tech, digital biotech and cleantech. However, it is not clear how much funding is available for clean technologies.

Creating clear demand signals

Mobilizing market demand is crucial to scaling up cleantech manufacturing. Setting clear and binding manufacturing targets for the eight strategic technology sectors that the European Commission proposed **Net-Zero Industry Act** focuses on, will signal to investors and project developers that they should scale up and industrialise in the EU.

Redesigning the electricity market

The revision of the EU's **Electricity Market Design** is an indispensable opportunity to accelerate the commercialization and deployment of clean technologies. It is essential that the reform progressively lowers the carbon cap to phase out fossil fuel capacity providers, ends double charges on storage to level the playing field with fossil fuels, and establishes mandatory non-fossil flexibility support schemes.

Developing de-risking instruments

Instruments to mitigate real and perceived risk provide confidence to prospective customers, investors, and lenders. This in turn makes it easier for innovators to secure and put to work the funding they need to grow and succeed. For example, **public guarantees** could leverage private investment and provide a bridge to bankability by freeing up critical working capital to boost cleantech companies' manufacturing capacity.

Fostering resilient supply chains

With its proposed **Net-Zero Industry Act** and **Critical Raw Materials Act (CRMA)**, Europe has strived to reshore part of its cleantech supply chain after multiple shocks of the 2020s revealed several of its strategic vulnerabilities. The EU has not responded with comparable incentives as the US has. The CRMA is missing new financial resources and dedicated provisions prioritizing technologies that reduce the environmental impact of mining and processing and reduce virgin CRM demand through recovery, reuse and recycling.

Enabling deep industrial decarbonisation

In light of the US's Inflation Reduction Act and China's dominance in clean technology supply chains, the European Commission's choice to focus the **Net-Zero Industry Act** on scaling up the manufacturing of eight technologies is strategic. Maintaining the Net-Zero Industry Act's focus on these 8 specific technologies would enable a deep industrial decarbonization since they are present across the deep decarbonisation pathways for heavy industry in Europe. If these technologies are not scaled up to a relevant extent in the 2020s, Europe runs the risk of