Towards a €1 trillion package for Europe

Proposal for a Climate and Social Investment Plan

April 2024

Summary

- The EU budget alone falls short of bridging the climate investment gap: the European Commission estimates that **an additional €620 billion is needed each year** in the current decade to fulfil the EU's climate commitments. Beyond climate, a global race to secure cleantech manufacturing and supply chains risks wiping out Europe's industry in crucial economic sectors, from energy to automotive.
- As the Recovery and Resilience Facility comes to an end in 2026, this deficit grows larger, highlighting the **need for a massive ramp-up of public investments towards climate mitigation and adaptation, ultimately leveraging private funding to back a green industrial strategy**.
- Our proposed Climate and Social Investment Plan aims to trigger **€1 trillion from 2025 to 2034** through joint borrowing of **€850 billion (issuance of EU Green Bonds)** to complement the future EU budget, bridge the financing gap and enable critical investments for the security and prosperity of the Union. This should be divided between a green industry pillar and a social and just transition pillar.
- A **Green Industry pillar** will help Europe scale up key cleantech sectors, such as batteries, smart grids, renewables and their mineral supply chains, and support a green EU industrial strategy fostering the EU's strategic autonomy amid global competition.
- A **Social and Just Transition pillar** will provide EU-level funding to avoid a two-speed Europe, address energy poverty, promote green jobs, and alleviate the socioeconomic impacts of the transition.
- Joint EU-level funding will reinforce investments towards **industrial transformation**, and ramp up clean energy supply and demand through net-zero technologies. It should ensure a socially just transition, help alleviate regional disparities, reinforce solidarity and cohesion between regions and Member States and ensure a **level playing field across Europe** to finance the transition in countries where governments have limited fiscal capacity.
- This plan **reinforces the Innovation Fund, InvestEU and the Social Climate Fund**, and can be implemented with the creation of only a single new ad hoc financial instrument (a

successor to the Recovery and Resilience Facility), while acknowledging proposals from various stakeholders to create additional funds or instruments specialised in sectors or topics of importance – like a Biodiversity Fund[1] or a Cleantech Investment Plan[2].

- We estimate that the EU can channel up to **€332.9 billion annually, strategically earmarking €225.4 billion per year for sustainable investments** (a 71% increase compared to current climate investment levels).
- This 10-year timeframe will **provide long-term visibility to decision-makers, investors, and citizens and deliver on an economic green transformation programme**. This will enable EU decision-makers to transform this pilot project into a permanent investment instrument, and establish a permanent investment capacity at EU level.

Introduction

Since 2019, the European Green Deal has set ambitious climate policies and targets at EU level, backed by ground-breaking regulations. But when it comes to implementation, **financing for the green transition is alarmingly scarce**. The European Commission estimates that an additional investment of €620 billion is needed for each year throughout the 2020-2030 decade to fulfil the EU's climate commitments. For 2030-2050, the total investment needs for energy and transport average €1.5 trillion each year[3]. For social infrastructure, additional public and private investment needed requires €192bn (1.3% of EU GDP)[4].

This means that **the green transition is also an investment challenge**. The environmental, social and economic costs linked to climate change will largely outweigh the cost of implementing the transition. The **cost of inaction** risks knocking 7% off the EU GDP by 2100[5], and economic losses from coastal floods alone could exceed €1 trillion per year according to the European Environmental Agency[6]. Therefore, significant public and private resources will need to be deployed in the coming years.

This challenge is further compounded by the global competition for clean technologies' supply chains and manufacturing. The EU Green Deal Industrial Plan announced in early 2023 emerged as a promising initiative to accelerate the energy transition and decarbonise the industry across Europe. However, the financial resources allocated to our industrial transformation fall short in comparison to the USA's uncapped Inflation Reduction Act and its associated $1.2 trillion subsidy package which could reach the

[1] BirdLife. (2023). *Funding Our Future: A Proposal to Overhaul the EU's Multiannual Financial Framework.* Link
[2] Cleantech for Europe. (2024). *A Cleantech Investment Plan for European Competitiveness.* Link
[3] European Commission. (2024). *Impact Assessment Report: Europe's 2040 climate target*. Link
The 3 scenarios identified by the Commission imply annual energy investment needs (excluding transport) above 3% of GDP for 2031-2050 - similar to the investment needs for 2021-2030 to reach Fit-for-55 objectives. When integrating transport, extra 4.2% of GDP in 2031-2050 are necessary (a total of €870 bn per year). Still, 60% of transport investments relate to the purchase of cars, so will not fully be borne by the public purse and EU funding.
[4] European Commission. (2019). *Staff working document: Identifying Europe's recovery needs*, Link
[5] European Commission. (2024). *Communication: Europe's 2040 climate target.* Link
[6] European Environment Agency. (March 2024). *European Climate Risk Assessment.* Link

economy by 2031[7]. In 2023 alone, following the IRA's launch, investments in cleantech in the US reached $225 billion[8]. In comparison, recent cuts to extra funding for cleantech under the EU's proposed STEP platform highlight the **need for immediate and impactful action**. If not, Europe risks lagging behind international competition, on top of failing to deliver on its climate targets. In light of the climate urgency, ramping up renewable energy and green technologies, at speed and an unprecedented scale, is a precondition if we are to limit global warming to 1.5°C.

Europe stands at a crossroads. 2026 marks a crucial juncture in EU public spending, with **the end of the Recovery and Resilience Facility leading to a substantial gap in investments**. Relying solely on the EU budget will be insufficient to meet our sustainable investment needs, especially considering the uneven capacities of Member States to fund their transition. Recent crises, including the Covid-19 pandemic and the energy crisis, have exacerbated disparities between and within Member States. Moreover, the future EU Growth and Stability Pact is unlikely to provide sufficient fiscal space for Member States to invest adequately in their green transition[9].

Numerous high-level experts and institutions are calling for an investment plan at the EU level to close this gap. The European Scientific Advisory Board on Climate Change asked the EU to "*take further policy action to drive the required increase in public and private investments in climate mitigation*"[10]. The Commission stressed the need for a "*comprehensive investment agenda in the coming decades to ensure broad improvements in quality of life and secure Europe's future economic competitiveness*"[11], calling the EU's investment agenda a "*make-or-break for delivering on the climate and economic transition*". EU Climate Commissioner Hoekstra announced that the Commission will propose a "*concrete roadmap to boost and finance technologies across Europe*". In its high-level report on the future of the EU Single Market, Enrico Letta emphasised that "*in the next legislative term, it will be necessary to direct all energy towards the financial support of the transition, channelling all necessary public and private resources towards this goal to make the transformation of the European production system possible*[12]".

While private investments will contribute significantly to the transition, public funding is crucial to steer the economy and crowd in these private funds. To address these challenges and create a level playing field across the Union, a coordinated, long-term, European response is imperative.

A widely endorsed ecological transformation will only be achieved with a corresponding social shift, guaranteeing economic and social fairness throughout the Union. This involves fostering regional development, strengthening reskilling and upskilling initiatives and nurturing a fair and just transition toward a more sustainable future.

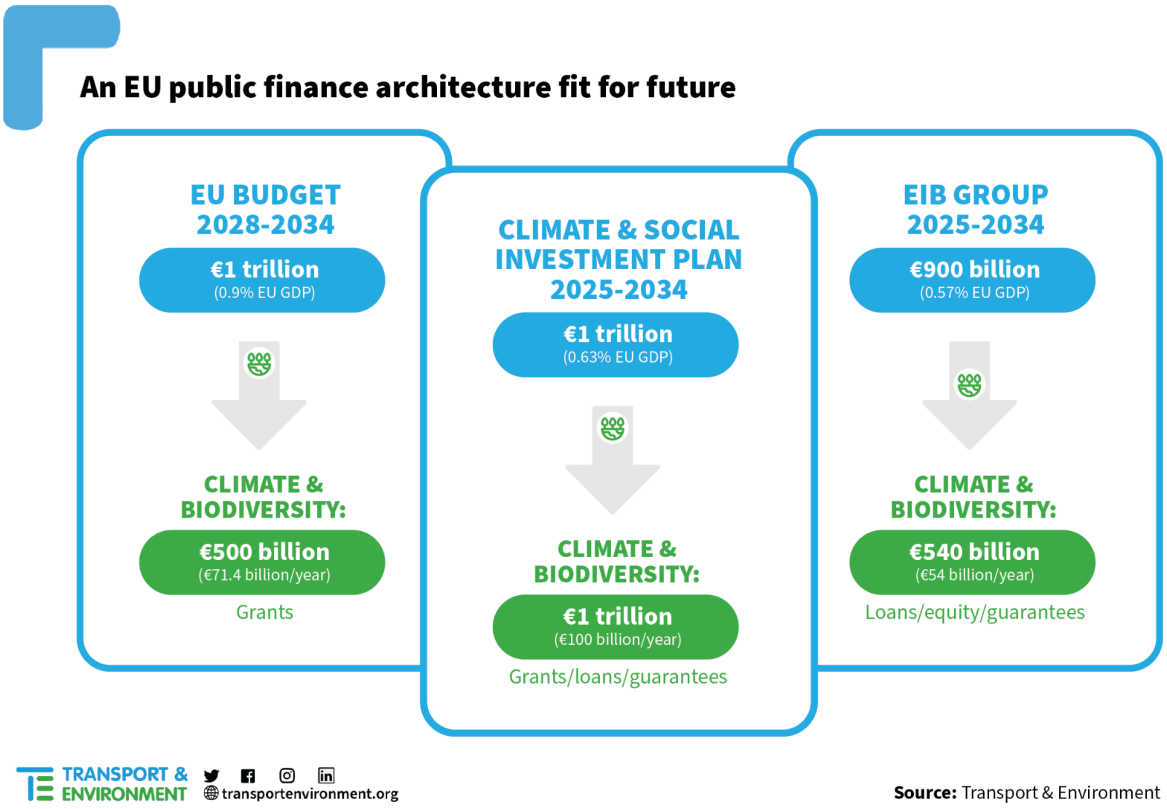
[7] The Wall Street Journal. (2023, March 24). The Real Cost of the Inflation Reduction Act Subsidies: $1.2 Trillion. Link
[8] The Clean Investment Monitor. (2023). Link
[9] Mang, S., Caddick, D. (2024). Navigating Constraints for Progress, Link
[10] European Scientific Advisory Board. (2024). Towards EU climate neutrality. Link
[11] European Commission. (February 2024). Q&A – Communication on Europe's 2040 climate target. Link
[12] Enrico Letta. (April 2024). *More than a market.* Link

Therefore, **T&E puts forward a €1 trillion Climate and Social Investment Plan to bridge the sustainable investment gap and propel the EU towards its green transition goals**. Coupled with smart regulation and carbon pricing, EU public funding should help close the green investment gap. This note explores how a new investment plan will impact the broader EU public finance structure, its design, and the legal foundations for its establishment. This is our modest contribution to a wide-ranging challenge — perhaps the largest one of the 21st century.

1. Our proposal for the EU public finance architecture

To fill the sustainable investment gap at EU level, **the entire EU public finance architecture needs a serious revamp**. Therefore, our proposal for a €1 trillion climate and social investment plan is to be read in conjunction with the key role played by the EU Budget (Multiannual Financial Framework - MFF) and the EIB Group. A holistic perspective on EU-level funding will limit duplication with already existing spending programmes and ensure the establishment of a comprehensive investment programme.

INFO BOX 1: THE EU PUBLIC FINANCE ARCHITECTURE



- The total annual investment capacity of the EU could reach **€332.9 billion,** or 2.1% of the EU GDP[13]. This calculation does not include the extra private and public resources leveraged by these instruments which include grants but also loans, guarantees and equity financing.
- On climate finance, **investments worth €225.4 billion per year, or 1.4% of the EU GDP, will be directly allocated to the green transition**.
- For the 2021-2027 period, the European Commission estimates that EU climate investments – including the Next Generation EU programme – reached €578 billion (averaging €82.5

[13] Based on 2022 figures, the EU GDP was €15.8 trillion (Source: Eurostat).

billion annually)[14], while the climate operations of the EIB Group amounted to €49 billion in 2023.

- Our proposal would thus lead to a **71% increase in sustainable investments, from €131.5 billion per year (estimation for 2023) to €225.4 billion per year**.

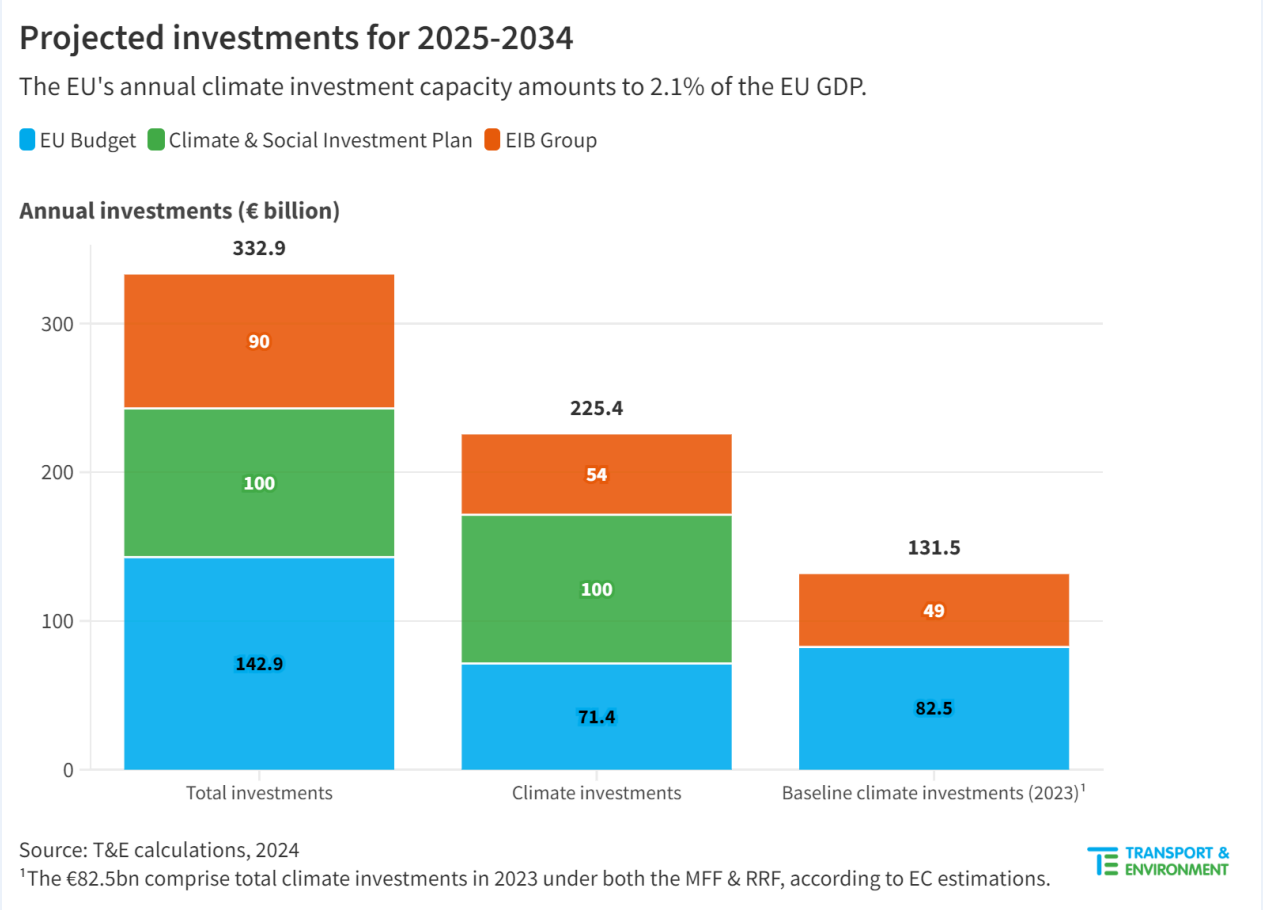


Figure 1: Projected investments across the EU for 2025-2034

1.1. The EU multiannual financial framework (MFF)

Amounting to €1.2 trillion for the 2021-2027 period, it is a cornerstone for advancing the Union's long-term objectives, such as supporting the green and digital transition, as well as reinforcing social and economic resilience. Within the current budgetary cycle, the MFF earmarks a minimum of 30% – totaling €360 billion – to climate action, underscoring its commitment to climate mainstreaming.

For the future budgetary period (2028-2034 if a 7-year timeframe is maintained), a conservative assumption is for the overall MFF volume to be maintained at a level of €1 trillion (0,9% of the EU GDP)[15].

[14] Climate mainstreaming. (n.d.). *European Commission*. Retrieved February 29, 2024, Link

[15] Recent negotiations on the mid-term review of the 2021-2027 EU budget demonstrate the obstacles to raising national contributions of EU Member States. Despite the need for an increased EU budget, we base our calculations on a scenario where the future MFF will remain stable in absolute terms.

With an increased climate earmarking (from 30% to 50%)[16], **the total climate investments under the MFF could realistically reach €500bn**.

As per the current MFF, a stable regulatory framework would maintain current priorities (research and innovation, agriculture, nature and biodiversity, digital, defence and external action) and preserve crucial funding for the transition and for tackling economic disparities under cohesion and regional funds. The EU budget, as it currently does, would mostly provide grants under shared management (by the EU centrally, and by the Member States and regional or local authorities).

Under our proposal, several significant instruments (the InvestEU Fund, the European Social Fund+ and the Just Transition Fund) would be extended for the period 2028-2034 but relocated from the MFF to the off-budget instrument under our Climate and Social Investment Plan. Therefore, this would free up more space within the MFF to better fund other priorities as highlighted above.

As recommended by the European Court of Auditors[17], it will be of paramount importance for the MFF to improve climate tracking, climate proofing, and reporting methodologies to better track expenditures that contribute to climate action and those that fuel harmful activities. Urgently phasing out harmful subsidies to fossil fuels under the EU budget is a prerequisite for the EU to make the most efficient use of its limited public resources in support of its climate objectives. Similarly, in the transport sector, the future MFF should explicitly exclude funding for building roads and airports.

1.2. The European Investment Bank Group climate operations

The European Investment Bank (EIB) Group, made of the EIB and the European Investment Fund (EIF) is another crucial pillar of the EU climate finance architecture. Owned by the 27 EU Member States, it is the financial arm of the EU, and the largest multilateral public bank globally. This institution has been increasingly influential in climate funding, distributing loans, guarantees, and equity in support of the EU policies and objectives. The EIB Group is currently in the process of becoming the "EU Climate Bank" by implementing an ambitious Climate Bank Roadmap for the period 2021-2025. A major commitment under this Roadmap is to reach a minimum of 50% of the group's operation in the climate and environmental sustainability field by 2025[18], while aligning all operations with the objectives of the Paris Agreement.

The EIB group operations reached €88 bn in 2023[19]. Our key assumptions are for this volume of operations to remain stable in the current decade, at a level of €90 bn a year. This is a conservative assumption given the steady growth of the EIB's capital and operations since 2008. In 2023, the EIB Group reported that 55% of its operations (totalling €49 billion) were directed to climate and environmental sustainability. Given its transformation into the EU Climate Bank, we assume that this proportion will slightly grow to 60% in 2030 over the years 2025-2034. Therefore, we estimate the EIB Group's contribution to future climate finance to reach €54 bn a year, **for a total of €540 bn over the 2025-2034 decade**.

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[16] To implement the EU's climate commitment, it is crucial to raise the MFF climate earmarking from 30% to at least 40% for the 2028-2034 period. An increase up to 50% (10 extra points) could be linked to new objectives of the EU, for instance heavy industry decarbonisation and the EU green industrial strategy, or the greening of more resilient and sustainable infrastructure (including in the security field).

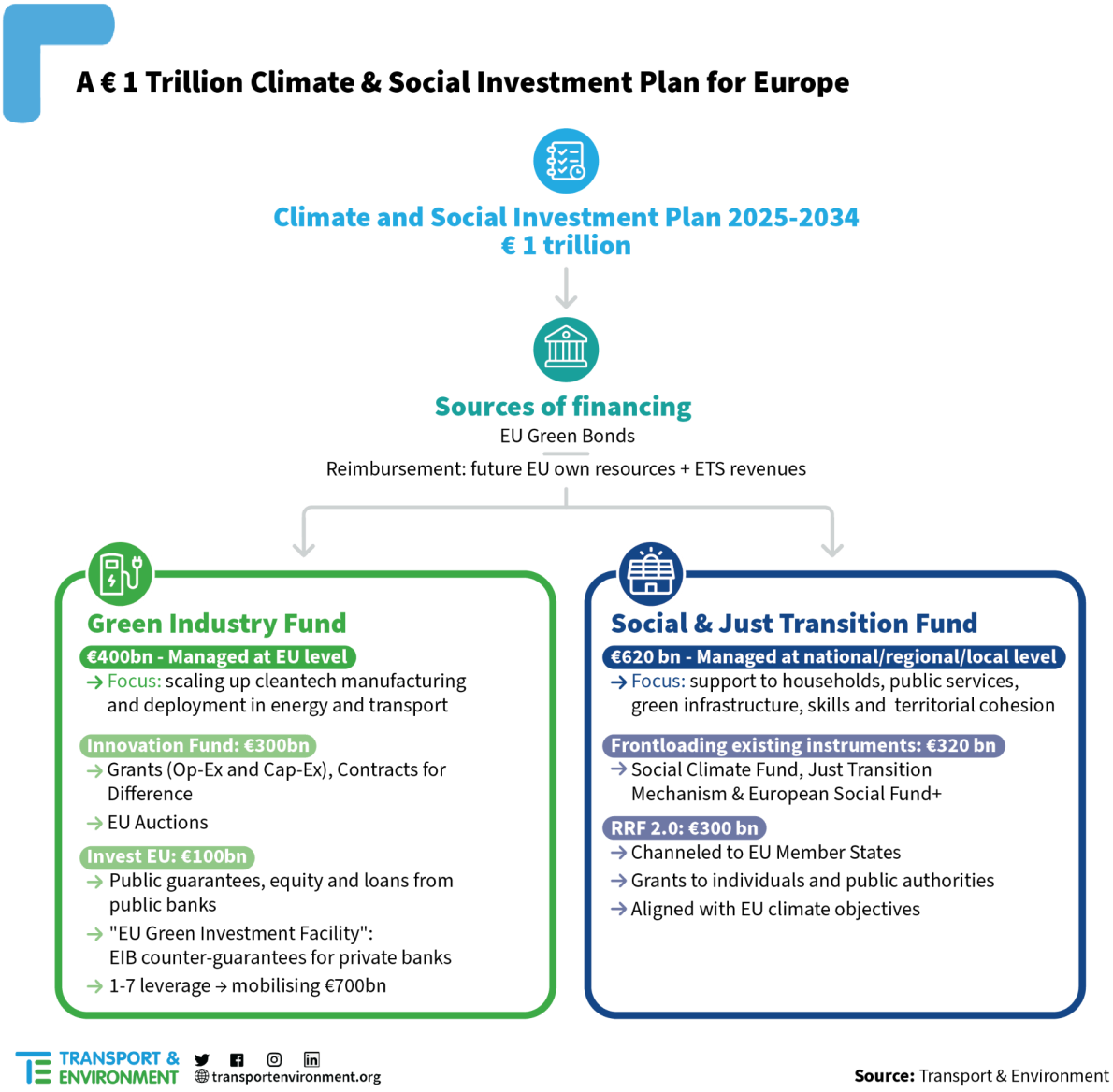
[17] European Court of Auditors. (2022). *Climate spending in the 2014-2020 EU budget.* Link

[18] European Investment Bank. (2020). *The EIB Group Climate Bank Roadmap 2021-2025*. Link

[19] European Investment Bank. (2024). *2023 EIB Group annual results*. Retrieved February 29, 2024, from Link

To fulfil these objectives, a new long-term strategy should replace the EIB Climate Roadmap 2021-2025. Boosting the quality and quantity of its investments has to be a priority for its new leadership[20].

2. The Climate and Social Investment Plan (2025-2034)



Despite earmarking approximately €580 billion for climate action in 2021-2027[21], **the EU budget alone falls short of bridging the climate investment gap.** The European Commission projects that **an additional €620 billion per year is required in the present decade to meet the EU's 2030 climate**

[20] Nadia Calviño replaced Werner Hoyer in early 2024 at the helm of the institution.
[21] This figure includes RRF funding (both grants and loans) on top of MFF budget lines.

commitments[22]. A recent report from the French think tank I4CE estimates that at least €813 billion is needed annually until 2030 in the transport, energy and buildings sectors to meet the EU's decarbonisation target – with a deficit of €406 billion per year compared to climate investments in 2022[23].

While the private sector is expected to contribute significantly, substantial public investments are essential to underpin policies aligning with the goals of the European Green Deal. Adding to the challenge, the Next Generation EU (NGEU) programme is expected to end by 2026 without a designated replacement, pointing to a significant decline in climate investments towards the end of the decade[24].

In response to this pivotal moment, **our investment plan aims to trigger €1 trillion** through the **issuance of EU green bonds, propelling the Union's climate objectives forward from 2025 to 2034**. **With an annual disbursement of €100 billion,** it would amount to 0.63% of the total EU GDP. Envisioned as a successor to the NGEU (and the RRF which has a climate target of 37% for the period 2021-2026), this off-budget instrument would complement and reinforce the future EU budget.

This **ten-year horizon** provides crucial **long-term visibility** for decision-makers, investors, and the public. Looking at the global picture, it also matches the timeframe of other major investment plans such as the US IRA. In addition, it creates an opportunity to initiate pilot projects and new initiatives addressing fundamental market deficiencies. This comprehensive strategy includes a toolbox of **grants, loans, and guarantees**, which should all provide a simplified and streamlined access to funding. It is designed to reinforce sustainable investments, ramp up clean and affordable energy supply and demand through net-zero technologies, and ensure a socially just transition. This investment plan also advocates for collaborative governance, bringing together the Commission, Member States, the EIB, and other public banks in a concerted effort towards a sustainable future.

Our proposal is strategically timed to coincide with the upcoming EU budget cycle (2028-2034), aligning with discussions on the future MFF (the Commission should table a proposal in spring 2025). Still, with the new Commission President expected to take office in the summer of 2024, we recommend implementing the bond issuance program from 2025 onwards to frontload already existing financial instruments (Innovation Fund, Social Climate Fund) and ensure seamless continuity in climate and social investments when the RRF comes to an end in 2026. This off-budget instrument would complement and reinforce the future EU budget.

This programme is envisioned as a successor to the NGEU (and the RRF which has a climate target of 37% for the period 2021-2026). Our proposal entails **issuing EU green bonds to bolster climate investments across the Union**. To reach the €1 trillion figure, we suggest borrowing €850 billion, building on the €86.7 billion already foreseen for the Social Climate Fund (with an estimated extra €23.7 billion for an extension in 2033 and 2034), an estimated €49.7 billion under the Innovation Fund for the period 2025-2030 and a contribution of €10 billion from implementing partners in the InvestEU guarantee fund for the 2028-2034 period. Therefore, out of the €1 trillion figure, €850 billion would be fully additional.

[22] European Commission. (2022). *Communication Towards a green, digital and resilient economy: our European Growth Model.* Link
[23] I4CE (2024). *European Climate Investment Deficit Report: an investment pathway for Europe's future*. Link
[24] Bruegel. (2023). *A new governance framework to safeguard the European Green Deal*. Link

This follows recommendations from the European Scientific Advisory Board on Climate Change which called for the EU to "*consider continuing the common debt approach under the current RRF beyond 2026 to increase investors' certainty and boost EU public investment in climate action*"[25].

Back in 2020, the RRF was a historic breakthrough for EU solidarity in the face of a deep crisis. With the NGEU programme, the European Commission has demonstrated its ability to raise resources on the financial markets. Previous bond issuances have shown both the appetite of investors for EU-labelled bonds, and the solidity of the financial engineering established by the Commission[26]. This tested mechanism should now be replicated, with a stronger focus on sustainable investments.

We identify two key options for revenue streams to reimburse the debt incurred and service the bonds:

1. Use **future revenue generated by the Emissions Trading System (ETS)**. A higher percentage of ETS revenues channelled at EU level would provide an important source of revenues to reimburse this investment plan. Given the fluctuations of carbon prices, a conservative assumption should be adopted, and ETS revenues should not be the only source of financing.

2. **Build new EU Own Resources**, beyond ETS revenues. EU primary law allows debt-financing for the EU budget but the EU must be able to service its debt any year with its Own Resources. Therefore, even if a temporary and exceptional one-off borrowing programme can be established, ultimately the EU will need to **further develop a robust system for its own resources, enabling the creation of a permanent investment capacity at EU level**. Another option is not to fully service EU bonds but to allow the build-up of a limited EU debt stock[27].

Several initiatives stand out regarding the EU New Own Resources (NOR):

- **Support and quickly implement the proposals for NORs** as put forward by the European Commission and the European Parliament.
- **Further develop the solidarity levy on fossil fuels**, which raised at least €17,57 bn in 2022[28], by making it a permanent tool and further **taxing polluters, in particular the oil and gas sector**. Building future NOR on the polluter-pays-principle is a prerequisite to ensure that companies having detrimental impacts on the planet and the climate are providing an extra contribution to the financing of EU public goods.
- Bring to life a **package of initiatives** such as digital taxation (for large internet companies), a common EU corporate tax, a single market levy, a wealth tax (permanent, or temporary on the richest households as suggested by Selma Mahfouz and Jean Pisani-Ferry in France) or a tax on financial transactions.
- **Fully phasing out fossil fuel subsidies** in the EU in line with the 8th Environment Action Programme and developing a plan to redirect these subsidies towards EU own resources.

[25] European Scientific Advisory Board., op. cit.
[26] See the recent successful bond issuance in January 2024: European Commission. (2024). *European Commission issues €8 billion in its 1st syndicated transaction of 2024*. Link
[27] Heimberger, P., & Lichtenberger, A. (2023). *RRF 2.0: A Permanent EU Investment Fund in the Context of the Energy Crisis, Climate Change and EU Fiscal Rules*. The Vienna Institute for International Economic Studies. Link
[28] European Commission. (2023). *Report on Chapter III of Council Regulation (EU) No 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices*. Link

The new resources borrowed on financial markets will be primarily directed towards existing EU programs in the climate and energy fields, such as InvestEU and the Innovation Fund.

This plan can be implemented without creating new ad hoc financial instruments, while acknowledging proposals by various stakeholders to create additional funds or instruments targeting critical sectors or topics (like a Biodiversity Fund[29] or a Cleantech Investment Plan[30]).

The €1 trillion should fuel **two pillars: a Green Industry Fund** (€400 billion) aimed at advancing cleantech manufacturing and deployment, and a **Social and Just Transition Fund** (€620 billion) addressing the social impacts of climate mitigation and adaptation policies.

This dual-pillar structure ensures strategic investments in sectors crucial for meeting the EU's climate targets. The plan not only serves as a follow-up to the RRF but also leverages public investments to attract private financing, as the latter plays a pivotal role in meeting our sustainable investment needs. Additionally, this approach ensures climate and social investments align with needs despite national fiscal constraints.

To ensure that social, climate and environmental considerations are fully intertwined, we recommend social, climate and gender mainstreaming to be integrated in all EU funds and programmes under the MFF and our €1 trillion investment plan.

The rules, procedures and application criteria governing access to EU public funds should be significantly simplified to ensure easier and quicker access to funding. Designing a **single rulebook of simplified and harmonised procedures** would be an important step forward for the future EU public finance architecture. This is particularly relevant for Small and Medium Enterprises, start-ups or energy communities who are currently facing obstacles to benefit from the numerous EU financial instruments and funding streams.

Key objectives:

- Decisively contribute to **bridging the EU Climate Investment Gap**, key to implementing the EU Green Deal and climate targets (2030 and future 2040 targets).
- Reinforce the **competitive sustainability** of the European Union, its resilience and energy security, while strengthening its **strategic autonomy**.
- Ensure economic and social fairness across the union, create **new jobs and support upskilling and reskilling** initiatives in carbon-intensive industries.
- Provide **EU-level funding to help address regional disparities**, reduce imbalances between European countries and ensure a **level-playing field across Europe** (running counter to the fragmentation of the EU single market linked to national subsidies). A pan-European approach should be favoured over a patchwork fragmented and competing national approaches.
- Ensure proper funding for nature and biodiversity, while transforming Europe into a circular economy.
- Provide **long-term visibility** to decision-makers, investors and citizens with a 10-year time span.

[29] BirdLife., op. cit.
[30] Cleantech for Europe., op. cit.

2.1. A Green Industry Fund in support of an EU industrial strategy

Our proposed Green Industry Fund should stand at the heart of the future EU investment plan. **A robust budget of €400 billion** would combine fresh funding (for both a future InvestEU in the period 2028-2034 and frontloading the Innovation Fund and ensuring its continuation beyond 2030) and anticipated funding under the Innovation Fund until 2030. This would make a major contribution to the scaling up of cleantech manufacturing and deployment initiatives. This fund will be managed at the EU level, by frontloading existing EU programmes with joint borrowing.

Strong support in the face of international competition is needed to capture the growing value chain of cleantech in Europe, at the benefit of climate, employment and economic resilience.

Current EU financing is fragmented and mostly targeted at innovation (upstream research and development, up to €36 bn under the current EU budget), and then to technological downstream deployment (up to €124 bn). **What is missing is a real focus on scaling up manufacturing and reshoring**: the Commission estimates that only up to €8 billion could be available for supporting first-of-a-kind installations and net-zero technology production plants under the current EU budget[31]. Hence our proposal is to **focus on scaling up and deployment** rather than research and development solely. This is about building European green industrial champions, e.g. battery gigafactories, not just supporting smaller start-ups.

The **technological scope** of the Green Industry Fund needs to be carefully designed. A technology-neutral approach risks perpetuating business as usual. This Fund should focus on a more limited set of technologies and key components than the list identified in the Net Zero Industry Act. It is high time to make the best use 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 – for instance, the sectors most affected by the US IRA, such as the EV battery value chain, renewable energy sources and technologies (e.g. wind power, solar power, geothermal and heat pumps), grid technologies and electrolysers for green hydrogen and e-fuel production for aviation and shipping. In parallel, EU funding should explicitly rule out unproven or environmentally harmful technologies and any fossil fuels related activities, including biofuels, biogas and non-renewable hydrogen.

The European Commission estimates that an additional €92bn is needed by 2030 to address the objectives of the Net Zero Industry Act for five strategic technologies: the domestic manufacturing of wind, solar, heat pumps, electrolysers and batteries. Out of this total envelope, €16-18 bn should be public investments[32]. For the 2030-2040 decade, approximately €23 billion will be needed in total for the same technologies[33]. The German think tank Agora Energiewende estimates that public funding needs to

[31] European Commission. (2023). *Investment needs assessment and funding availabilities to strengthen EU's Net-Zero technology manufacturing capacity,* SWD(2023) 68. Link
[32] ibid.
[33] European Commission. (2024). *Impact Assessment Report., op. cit.*

scale EU manufacturing are between €164 and 180 billion for 2022-2034, and should triple in the future EU budget for 2028-2034[34]. A lot more is needed to scale the responsible supply chains for these cleantech industries, as foreseen under the Critical Raw Materials Act, focusing on minerals processing and recycling. Therefore, the Fund we suggest to set up would have sufficient resources to cover the need for investments into **domestic manufacturing and supply chains of key green technologies in Europe**.

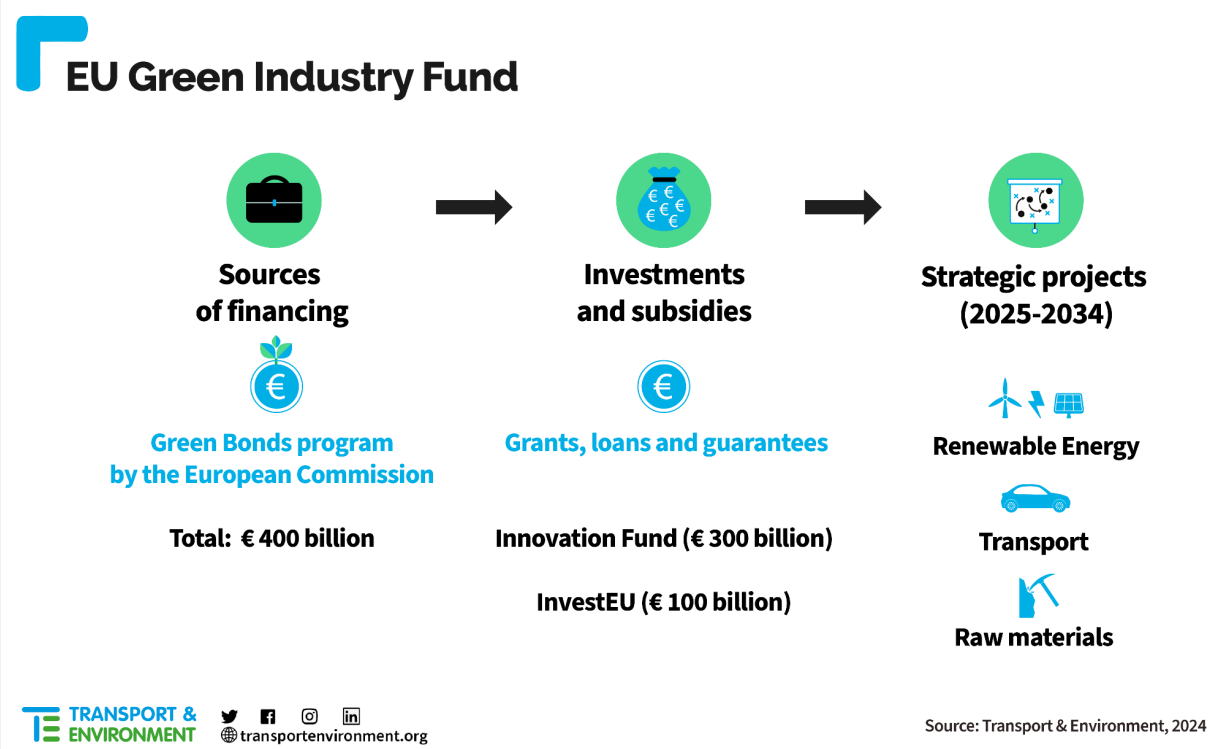
This proposal echoes calls from other stakeholders to establish a EU Cleantech Investment Plan[35] or a Net Zero Investment plan in support of a 360° e-mobility industry strategy[36]. By bringing the EU industry to a sustainable and competitive edge and focusing on sustainable value chains – enhancing the strategic autonomy of Europe – this instrument could bring back to life the defunct "European Sovereignty Fund" envisioned by the European Commission in early 2023.

Geographical quotas or a strict allocation key may not be mandated for this centrally managed fund. Instead, emphasis is placed on directing funds towards best-in-class projects that align seamlessly with the overarching goals of the EU Green Deal and its associated industrial strategy. Where feasible, funding should be based on industrial output rather than on a project basis only, alongside sound social and environmental criteria.

As this Green Industry Fund entails direct public (and a mix of public-private) support to the industry, solid conditions should be attached to support under the Innovation Fund and the InvestEU Fund. This includes **strong climate, environmental and social conditions** (adoption of decarbonisation and transition plans and targets at company level, decent and local job creation, sustainability and resilience criteria, reduction of resource and energy consumption, circularity, etc) to benefit from EU public funding. Ultimately, it is of paramount importance to avoid subsidies that are primarily channelled to those firms – for instance, large-scale incumbents or major polluters — with strong political access to EU governments and institutions, rather than firms which are new entrants on the market and bring an extra edge to Europe, for instance in terms of innovation and circularity.

[34] Agora Energiewende (2023). How much clean-tech manufacturing Europe needs to safeguard its energy transition. Link
[35] Cleantech for Europe., op. Cit.; I4CE. (2023). *Think House, Not Brick: An EU CleanTech Investment Plan to Match the US Inflation Reduction Act*. Link
[36] Platform for ElectroMobility. (January 2024). *Five steps towards a 360° e-mobility industry strategy*, Link

INFO BOX 2: AN EU GREEN INDUSTRY FUND



Key objectives:

- Provide a **toolbox of financial instruments to support an EU green industrial strategy**: grants and auctions (Innovation Fund) and guarantees, loans and equity from public and private banks (InvestEU).
- Reach the **objectives of the Net Zero Industry Act and Critical Raw Materials Act** to scale up clean tech manufacturing across Europe – providing resources to a **"made in Europe" strategy** across the value chain of strategic technologies.
- Foster the **sustainable competitiveness** of the EU.
- Invest in **sustainable infrastructure**, providing long-term visibility to the industry.
- Support best-in-class projects demonstrating that they meet **high environmental and social standards**, so that a future wave of investments does not lead to harmful impacts on people and nature.
- Significantly **simplify** access and application criteria for EU funding (based on a single rulebook), and reduce waiting times.
- Beyond low-hanging fruits, enable the EU to **develop pilot projects and new initiatives** to tackle fundamental market failures and decarbonise sectors where emissions are hard to abate, such as steel, shipping and aviation.

2.1.1. Frontloading the Innovation Fund

The EU should boost the resources of the Innovation Fund (IF) so that it provides a total of €300 bn of financing over the 2025-2034 period.

- **Focus:**

Beyond research and innovation, the IF should **reinforce its support for scaling up clean technologies (manufacturing and deployment)**, directed towards strategic projects within well-defined eligible sectors. Focus areas should encompass key technologies in the energy sector (wind, solar, heat pumps, green hydrogen) and the transport sector (clean hydrogen for aviation and shipping, electric vehicle battery value chains). Prioritisation extends to deep decarbonisation efforts in heavy industries such as green steel, as well as critical raw materials' value chains identified in the Critical Raw Materials Act (including for processing and recycling).

- **Instruments:**

Grants: frequent cleantech manufacturing calls for proposals. This should include dedicated calls for hard-to-abate sectors and priority sectors like aviation and shipping, offering specific tools like contracts for difference (CfDs) to support the production of green hydrogen and derived e-fuels on the condition of direct offtake by the aviation and shipping sectors. CfDs can help shipping operators or fuel suppliers to aviation bridge the gap between fossil fuels and e-fuels.

Centralised auctions: replicating the EU Hydrogen Bank approach and the new EU Battery Fund announced in December 2023, dedicated auctions should be replicated to other technologies.

The IF should also offer a **platform for "auctions as a service"** enabling EU Member States to use the Innovation Fund's auction structure to support clean technologies at national level via their national resources – without prejudice to EU state aid rules.

The IF should **focus both on capital expenditures** (Cap-Ex, e.g. to cover the upfront costs of building a best-in-class factory producing e-methanol) **and operational expenditures** (Op-Ex, e.g. to cover the costs associated with the production of green hydrogen or cathodes for electric vehicle batteries – output-based financing).

- Resources: **Raising the volume of the IF for 2025-2034 by €250bn, for a total of €300bn**.

Given the fluctuations of carbon pricing in the ETS, the value of the Innovation Fund can vary over the period. It is impossible to run firm calculations on how much extra resources will be necessary to inject into the IF to reach €300bn in climate financing. The European Commission uses a carbon price of €75/t to estimate the IF volume between 2025 and 2030 (€40 billion). For our calculations, we use a higher carbon

price projection of €90/t. This runs relatively lower than reference carbon price forecasts (e.g. BloombergNEF projects ETS prices will head towards €149/t in 2030)[37], but takes into account recent decreasing prices in Europe. In February 2024, the carbon price under the ETS was worth €54.9/t[38].

We estimate that the IF will have a financial capacity of €49.7bn over the period 2025-2030. This is a conservative assumption for the total IF investment capacity, which stands for instance lower than projections made by the French think tank I4CE, which foresees a total IF volume of €77.7bn over the 2025-2030 period[39]. For the period 2031-2034, we assume an extension of the Innovation Fund beyond 2030, and use only additional and fresh resources from the proposed joint borrowing programme to feed the Innovation Fund[40].

To reach a €300bn objective, we suggest two complementary options:

1. **Inject extra resources into the Innovation Fund (a minimum of €250bn coming on top of the estimated €49.7bn resources for the IF for 2025-2030)** from the debt borrowed under the Investment Plan. Given the uncertainty around the future carbon price and upcoming revisions of the ETS directive, we recommend setting up a flexibility reserve, for extra funds to be deployed to bridge a gap if the carbon price significantly decreases. If the carbon price is higher than in our conservative estimations, the Innovation Fund should keep the additional budget and reinforce its financial firepower.

2. **Frontload the Innovation Fund** with new resources (€50bn) raised under the Investment Plan in order to **increase funding available as of 2025**, ensuring swift channelling of resources to innovation and scaling up of green technologies until 2030. Inspiration could come from Japan, where the government recently started using a promising financing model. In February 2024, it issued climate transition bonds worth $11 billion (the first tranche of a $135 billion bond issuance program over ten years). This debt will then be repaid by revenues generated under the Japanese emission trading system. As of 2033, revenue generated from the auction of emission allowances for power generators will be used to repay the transition bonds, in addition to a levy on fossil fuel imports kicking off in 2028[41].

[37] Global Carbon Market Outlook 2024. (2024, February 22). *BloombergNEF*. Link
[38] EUA futures. (n.d.). *EUA Futures Pricing*. Retrieved February 22, 2024, Link
[39] I4CE. (2023). *The sharpest tool in the box: how to strengthen the EU Innovation Fund for climate, competitiveness and security.* Link. I4CE estimates a total of €82.2bn in the years 2025-2030, with a high of €27.1bn in 2030 only. By retrieving the funds tentatively committed under STEP, the total IF volume stands at €77.7bn.
[40] As of 2030, if the ETS1 keeps feeding the Innovation Fund at a similar percentage level of total ETS1 revenues than in the current period, the extra resources stemming from bond issuance should increase the financial capacity of the Innovation Fund and could partly be re-allocated to strengthen other components of this Social and Green Investment Plan, starting from the RRF 2.0.
[41] Chen, Y. & Ritchie, A. (February 2024). Japan is breaking new ground with its climate transition bonds. Link

2.1.2. Revamping InvestEU

The InvestEU program is a key instrument to stimulate investments across Europe. In the current MFF (2021-2027), the size of its guarantee fund is €26.2 billion. The actual earmarking is only €10.5 billion, as the provisioning of a guarantee is typically lower than the entire amount of the guarantee. Implementing partners (public banks) are expected to contribute to the guarantee, by chipping in an estimated total of €6.55 billion, raising the total guarantee fund to around €32.75 billion.

Thanks to this guarantee fund, implementing partners are able to lend more than the guarantee amount (**leverage effect**). These public banks then attract other private and public investors (**mobilisation effect**). Under InvestEU, the European Commission aims to mobilise more than €372 billion of public and private investment. For every public euro in the Fund, €11.4 of total investment should be generated – an 11.4 **multiplier effect**.

Budgetary constraints at national level, coupled with high interest rates, mean that **public institutions will be asked to "Do more with less". For cleantech projects, getting access to commercial banks will prove increasingly challenging.** This is exactly when an **increased role for public banks** (EIB, European Bank for Reconstruction and Development and national promotional banks like KfW in Germany, CDP in Italy or BPI in France) can make a difference. Public banks can offer concessional loans, long-term and patient support as well as preferential interest rates.

Therefore, revamping the InvestEU programme holds a strategic potential: this is the only existing tool at EU level where public banks can be called to the rescue and steered towards contributing to the EU policy priorities. While preserving the current governance structure (with the European Commission managing the Fund), we **call for increasing the financial firepower of InvestEU, reinforcing its focus and enhancing its contribution to the EU climate objectives.**

- **Focus: support a green EU industrial strategy**

Policy objectives and benchmarks under the NZIA and CRMA should guide the future set-up of the fund. New investment windows should **focus on scaling up the manufacturing and deployment of green technologies** (accelerating investments like the recent support scheme[42] to Northvolt crowding in private investments), **Critical Raw Materials and strategic infrastructure**, in particular grids (including distribution grids), charging infrastructure (including transformers and fast and bi-directional charging technologies enabling EV charging) or rail rolling stock and infrastructure. It is crucial to limit the priorities of InvestEU, so that it can become a more strategic tool in support of the scaling up and deployment of key technologies across Europe. For instance, InvestEU should provide support for decarbonising freight in Europe, notably the roll-out of high-power charging infrastructure required for deploying electric trucks of all ranges and the completion of a high-quality, interoperable rail network with very high-speed connections.

[42] European Commission (2024), Press release, Link

InvestEU should be fully aligned with the EU climate objectives. The current earmarking of 30% for **climate and environmental sustainability should be raised to a minimum of 60% in 2028**, reaching 80% by the end of 2034. In total, an estimated €70 billion of EU guarantees can be allocated to climate and environmentally sustainable operations over the 2028-2034 period.

- **Develop new financial instruments to deploy a toolbox for the green industry:**

- Public guarantees and loans from the EIB Group and national public banks to companies. This should include support to **both Cap-Ex and Op-Ex** (predictable and upfront support via **production loans**).

- **New counter-guarantee tool ("EU Green Investment Facility")**: public banks (e.g. EIB) providing counter-guarantees for private banks to provide performance guarantees (corporate/project finance), unlocking private finance. This entails a stronger role for private institutions to blend public funding and private financing to de-risk private investments contributing to the green industrialisation of the EU. This new facility should target de-risking for EV battery cell manufacturing in Europe and for green hydrogen and electrolyser technology deployment for offtake in the aviation and maritime sectors. Any leveraging should aim to trigger projects that would not have been financed otherwise, hence providing genuine additionality to public funds.

- **Equity financing** from the European Investment Fund (EIF).

- **Resources:**

For the years 2025-2027, the current InvestEU programme should be fully rolled out[43]. Then, for the 2028-2034 period, **the InvestEU guarantee fund should receive an upfront injection of €90 bn** – tripling the fund's size compared to its current level. Matched by €10 bn of contributions from implementing partners, **a total of €100 bn can be reached.** By using new EU debt to increase the fund's size, the Fund could be fully de-linked from the MFF (freeing up MFF resources).

With a mobilising effect of 1 to 7, **InvestEU could mobilise €700 bn in support of the EU green industry from 2028 to 2034** (with an estimated €490 bn being directly earmarked for climate and environmental sustainability, as suggested above with the earmarking raising from 60% to 80% from 2028 to 2034). This is a conservative assumption compared to the current leverage effect announced under Invest EU (1 to 11). This high leverage ratio has been criticised by the European Court of Auditors and raised concerns about the additionality of this guarantee tool for the public purse. Therefore, we consider a ratio of 1 to 7 to be a more realistic one, enabling the public and private banks supported by the Guarantee Fund to focus on the quality of their operations rather than their leverage ratio.

[43] The deployment of InvestEU in the years 2025-2027 is not accounted for in our €1 trillion proposal, and therefore comes on top of it.

Ultimately, the InvestEU guarantee fund could be turned into a **revolving fund –** a permanent feature of the EU public finance architecture. An option is for the EIB Group and other implementing partners to re-inject a share of the profits generated by their operations under the InvestEU programme into the fund's capital.

2.2. Towards a Social and Just Transition Fund

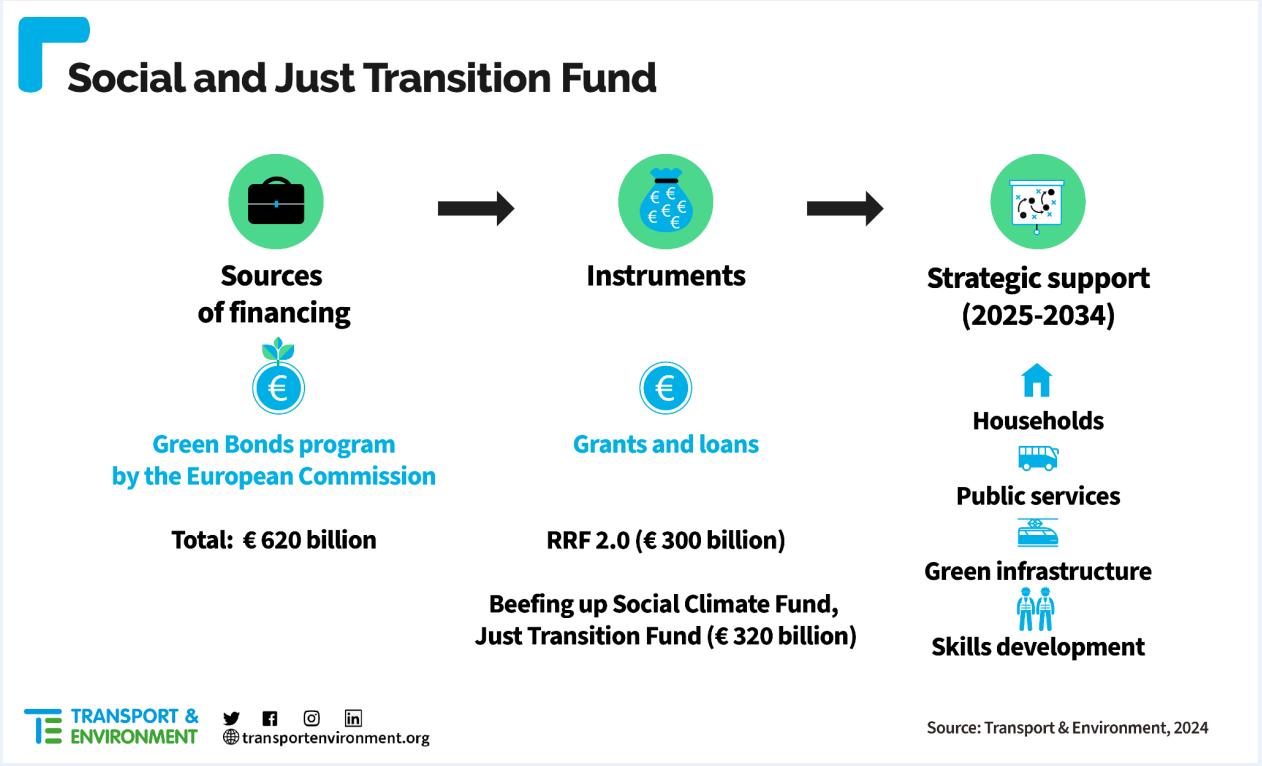
Massive investments are needed to respond to the social crisis arising from climate change and to **alleviate the upfront investments of transitioning to a sustainable economy**. The recent surge in energy prices exacerbated energy and transport poverty across the EU, and capital-related investment costs linked to the thermal renovation of buildings are projected to increase in the coming decade. As a result, the European Commission estimates that for the 2031-2040 decade, annual energy-related expenses will represent up to 8.2% of expenses for European households, and an even larger share for low-income households across the Union (up to 14.4%)[44]. It is therefore critical to allocate significant resources to support the most vulnerable in the upfront investment costs of the transition and **ensure no one is left behind**.

The Social and Just Transition pillar of our investment plan – with a firepower of €620bn (made of €110 billion of anticipated funds and €510 billion of fresh funds) – aims to:

1. **Bolster the capacity of key instruments such as the Social Climate Fund (SCF) from €87 billion to €150 billion**, while maintaining funding for the EU Just Transition Mechanism and the European Social Fund +
2. **Channel resources to EU Member States, and regional and local authorities via a RRF 2.0**

[44] European Commission. (2024). *Impact Assessment Report., op. cit. p. 65-66*

INFO BOX 3: A SOCIAL AND JUST TRANSITION FUND



Key objectives:

- Address the social impacts of the climate crisis by **increasing the resilience of communities and supporting vulnerable stakeholders** in the transition to a climate-neutral economy.
- Invest massively in the creation of future-proof and decent **jobs, education and training to develop skills** for sustainable employment.
- Provide **grant funding for sustainable infrastructure, building renovation and sustainable transportation options**, making them accessible to low-income households. Specific focus for public support should be on **non-bankable projects**, unlikely to benefit from sufficient private financing.
- Reinforce territorial cohesion among Member States by supporting the transition of carbon-intensive regions and industries.
- **Increase the financial capacity of the Social Climate Fund, the Just Transition Mechanism and the European Social Fund+** to address the current cost-of-living crisis, energy poverty, and ensure that the costs and benefits of the transition are distributed fairly across society.
- Ensure democratic control, **public participation, transparency and accountability** over EU-level funding.

2.2.1. Frontloading existing instruments

The European Commission should directly extend loans to Member States under the Social Climate Fund (SCF) as of 2025, with repayments sourced from future revenues generated by the new, parallel Emissions Trading System (ETS2). This would supplement the initial – and too low – €4 billion proposed for the SCF frontloading in 2026. As it stands, the Social Climate Fund aims to channel €86.7 billion from 2026 to 2032 using revenues from the ETS2, which includes the mandatory 25% contribution by Member States. When accounting for estimated revenues generated under the ETS2 during the years 2033 and 2034 (€23.7 bn), including the co-financing from EU Member States, the total SCF budget until 2034 reaches a total of €110 bn.

We recommend frontloading the instrument as of early 2025, with at least €30 billion of ETS2 revenues[45], enabling the SCF to start its operations earlier than planned and to increase its impact. Then, €40 billion from joint borrowing should further provision the fund so that it reaches a total funding capacity of €150 billion over the 2025-2034 period[46]. This **extra support of €40 billion in total** would enable Member States to prepare solid national Social Climate Plans ahead of their submission to the European Commission by June 2025.

Extra resources for the SCF are needed to deliver on its mission: providing Member States with funding to support the **most affected vulnerable groups**, such as households in energy or transport poverty, including via direct income support. The SCF will make it possible to **develop innovative support schemes**, such as the creation of an EU-wide low-cost social leasing scheme for electric vehicles. The French government has for instance established in 2024 a social leasing platform to enable low-income households to access EVs for a monthly rent of €100.

Resources raised via EU Green Bonds should maintain the capacity of the **EU Just Transition Mechanism (JTM)** and of the **European Social Fund+ (ESF+)** which are crucial to support skills needed for a just transition. Both instruments are currently located under the EU budget. Relocating the JTM and ESF+ outside of the EU budget would enable for an increase of other budget lines under the MFF.

The Just Transition Mechanism consists of the Just Transition Fund, just transition investments under InvestEU and the Public Sector Loan Facility managed by the EIB and public banks. It was created to support vulnerable regions in the transition, in line with EU cohesion policy goals to reduce regional inequalities. We suggest extending **the Just Transition Fund beyond 2027,** together with an expansion of its scope to cover automotive regions with an acute need to upskill workers, avoid industrial relocation and transform supply chains. The Just Transition Fund's initial €8.5 billion financial envelope is topped up by €10.87 billion under NGEU, reaching a total of €19.4 billion. It is expected to leverage a total of €25.4

[45] An alternative option is to frontload the Social Climate Fund using an intermediary like the European Investment Bank or another public institution. The EIB could provide Member States with low-interest loans which would be repaid via resources from ETS revenues.

[46] The SCF (as well as the ETS2) is currently planned to end in 2032. Our calculation here includes the potential 2 extra years of revenues from the auctioning of allowances under the ETS2 which would occur if the SCF and ETS 2 are extended beyond 2032.

billion in investments by 2027[47]. However, given the slow pace of its development and implementation, it is premature to draw lessons about the efficiency and impact of this instrument. Therefore, we suggest **securing a similar funding level at €20 billion for the 2028-2034 period**.

Regarding the **European Social Fund Plus (ESF+)**, under the current budgetary period, it benefits from a €142.7 billion budget line until 2027. Its main goal is to fund the EU's employment, social, education and skills policies. To continue investing in skills and people, we recommend a stabilised budget with a limited **increase of the ESF+ pot to €150 bn for the 2028-2034 period** (in real prices).

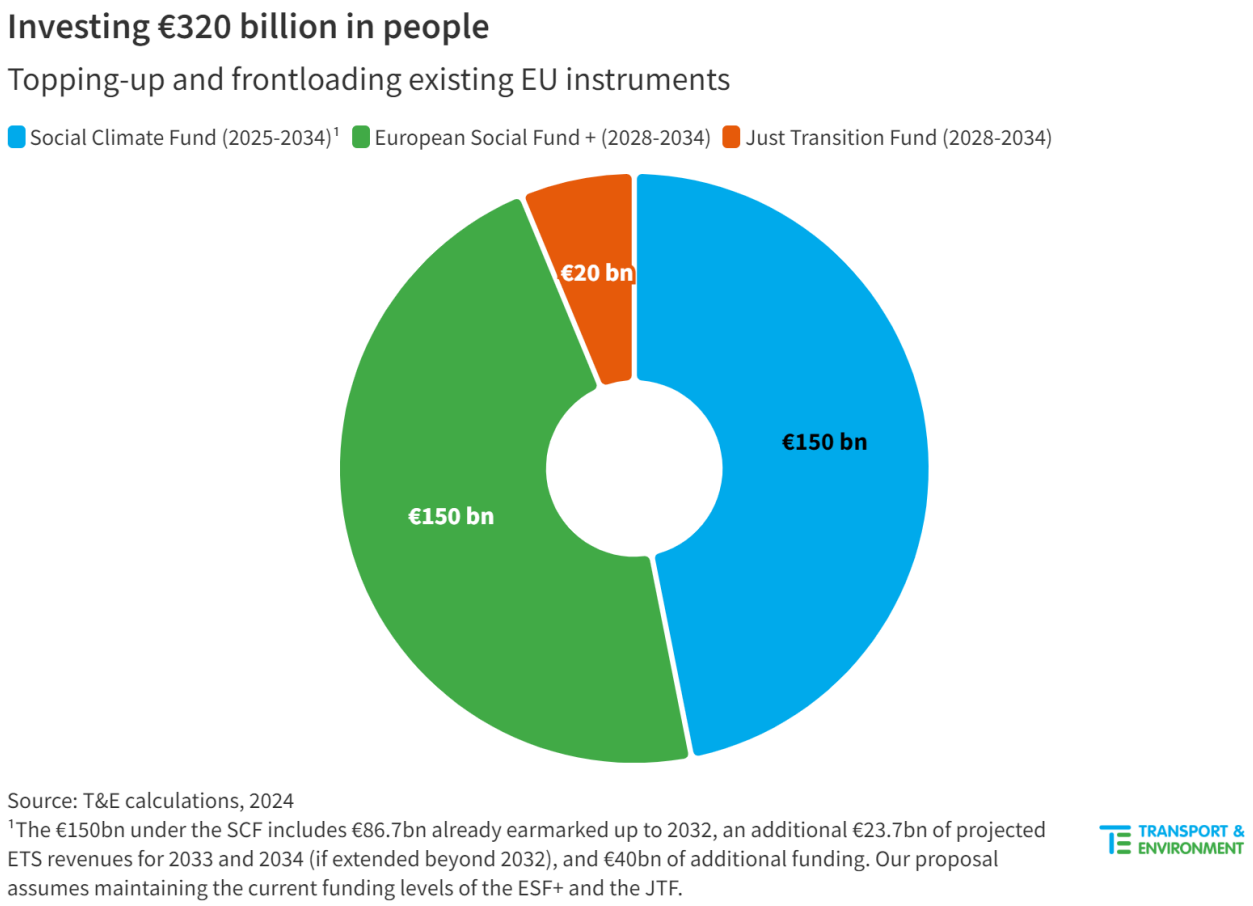


Figure 2: Frontloading existing EU instruments

2.2.2. Channel resources to Member States, regional and local authorities – RRF 2.0

Building upon the RRF experience, new EU debt should be channelled to EU Member States and administered at national, regional, or local levels. This would support various initiatives, including household assistance, enhancement of public services, thermal renovation of buildings, deployment of green infrastructure, and the development of skills for the ecological transition. **Allocation would**

[47] Operations under the InvestEU are expected to leverage private investments, while the EIB under the Public Sector Loan facility should leverage public funding.

primarily take the form of grants directed to individuals and public authorities, overseen by a task force hosted by the European Commission to review Member states' proposals and greenlight disbursements. This means further developing the **performance-based delivery of EU funds** following the RRF experience.

A RRF 2.0 must **prioritise the types of projects that may be less attractive to private investors** (e.g. public transport) and prioritise grants in such areas. For instance, to support cities in accelerating the modal shift and in electrifying their vehicle fleets, the EU should provide investments into zero-emission public transport networks. A dedicated budget for urban nodes, for example to deploy smart and efficient charging infrastructure, should also be included.

In a nutshell, we aim for a **simplified, easier to access and more focused RRF** to replace the funds drying out in 2026. The new system should ensure closer alignment with the EU climate objectives, respect the 'Do No Significant Harm' principle all down the line and ensure higher transparency, accountability and public participation. Eligibility criteria should be specified and Europeanised, in order to avoid ending up with 27 national funds administered in different ways with different interpretations of rules and diverging priorities.

To ensure a **fair and effective distribution**, a model similar to the NextGenerationEU (NGEU) programme approach could be adopted. This might involve replicating the allocation key proposed under the RRF, making sure that countries and regions with the greatest need for public support in the transition access to EU-level funding. Member States' proposals should be linked to their National Energy and Climate Plans, as well as their Just Transition Territorial Plans (under the Just Transition Fund), and Social Climate Plans, promoting a harmonised and well-structured deployment of resources in line with the EU's overarching climate justice objectives.

As for the EU budget and recovery funds, a major challenge lies with the **absorption capacity** at national, regional and local level. A recent study commissioned by the European Parliament highlights the considerable challenges related to absorption of the MFF. For the 2014-2020 programming period, just a quarter of the total resources had been paid out at the end of 2018, and by the end of 2020, only 52.5% of the total financial resources available from key instruments (such as regional funds, cohesion funds and the European Social Fund) had been paid to Member States[48].

This underlines the importance of developing a simplified distribution mechanism, which would make it easier for households, small innovative companies and energy communities to access well-needed EU funding. Allocating a share of the new funds to the reinforcement of staffing, expertise and skills within public authorities should be eligible, and actually encouraged, under this instrument. Reinforcing the capacity to manage new funds at national level is crucial to get projects and financing off the ground.

The task force hosted by the Commission's Secretary General for the RRF should be revived and play a central role in supporting Member States' authorities. If deemed relevant by public authorities, Member States could opt to delegate part of the funds' disbursements to the European Commission (or the EIB Group) directly.

[48] Ciffolilli, A., Pompili, M. (2023). *Research for REGICommittee –Absorption rates of Cohesion Policy funds*, Link

3. Implementation: challenging but achievable

A little-noticed working paper from the European Central Bank (ECB) analyses the legal basis for establishing a new investment fund at EU level. In March 2023, ECB staff explored the feasibility of creating a €500 billion Climate and Energy Security Fund aimed at enhancing investments aligned with climate objectives and facilitating the energy transition[49]. Its conclusions are clear:

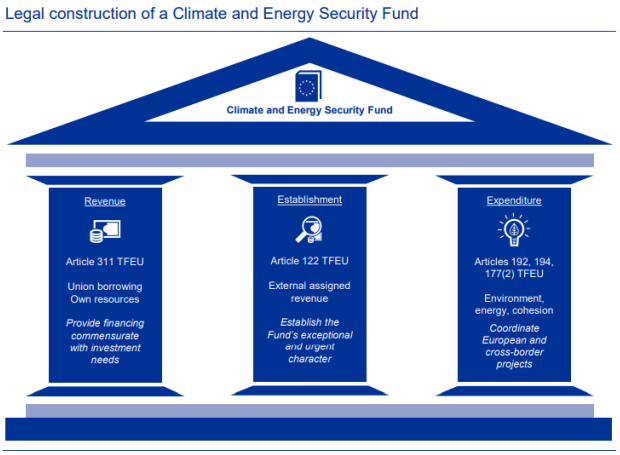
First, **joint borrowing emerges as the most viable solution to address the EU's significant climate investment needs.** The ECB also concluded that **the NGEU framework can be replicated to establish an extraordinary and temporary financial mechanism until 2034**.

Several legal provisions set the foundation for establishing a Climate and Social Investment Plan:

- The first pillar for the establishment of NGEU was the amendment of the Own Resources Decision, aligning with Article 311 TFEU[50]. This amendment empowered the EU to borrow from capital markets and raise its Own Resources ceiling.
- The climate emergency's unprecedented, destructive, and potentially irreversible nature demands a response of equal significance to that deployed for the Covid-19 crisis. As Member States face diverse climate investment needs and capacities, the ECB argues that individual efforts and varying investment capacities across the EU intensify the risk of free-riding. To ensure the effectiveness of climate investments, a coherent and coordinated pan-European response is deemed justifiable under Article 3 TEU, which promotes solidarity between generations, economic, social and territorial cohesion, and sustainable development. The ECB also suggests Article 122 TFEU as an appropriate legal basis for the fund's establishment, given its provision for measures proportionate to challenging economic conditions, adverse impacts from natural disasters, or extraordinary circumstances beyond Member States' control.
- Articles 192, 194, 176, and 177 TFEU, pertaining to EU measures in the fields of environment, energy, regional development, and territorial cohesion respectively, offer suitable legal bases for new spending programmes under this investment package.

The combination of these different legal bases provides the essential foundation for establishing a robust framework at EU level, which is crucial to allocate climate investments efficiently, thereby reducing transition risks and individual costs for Member States.

[49] O'Connell, M., Abraham, L. & Arruga Oleaga, I., (2023) *ECB Occasional Paper No. 2023/313*. Link
[50] *ibid.,* 16.



Source: ECB (2023) 'The Legal and Institutional Feasibility of an EU Climate and Energy Security Fund.'

Figure 3: The legal construction of a Climate and Energy Security Fund proposed by the ECB

An investment plan should be established shortly following the EU elections, providing a robust, one-time response within a defined timeframe. **The Commission should table a proposal in the first 100 days of its new President entering office** (by end 2024).

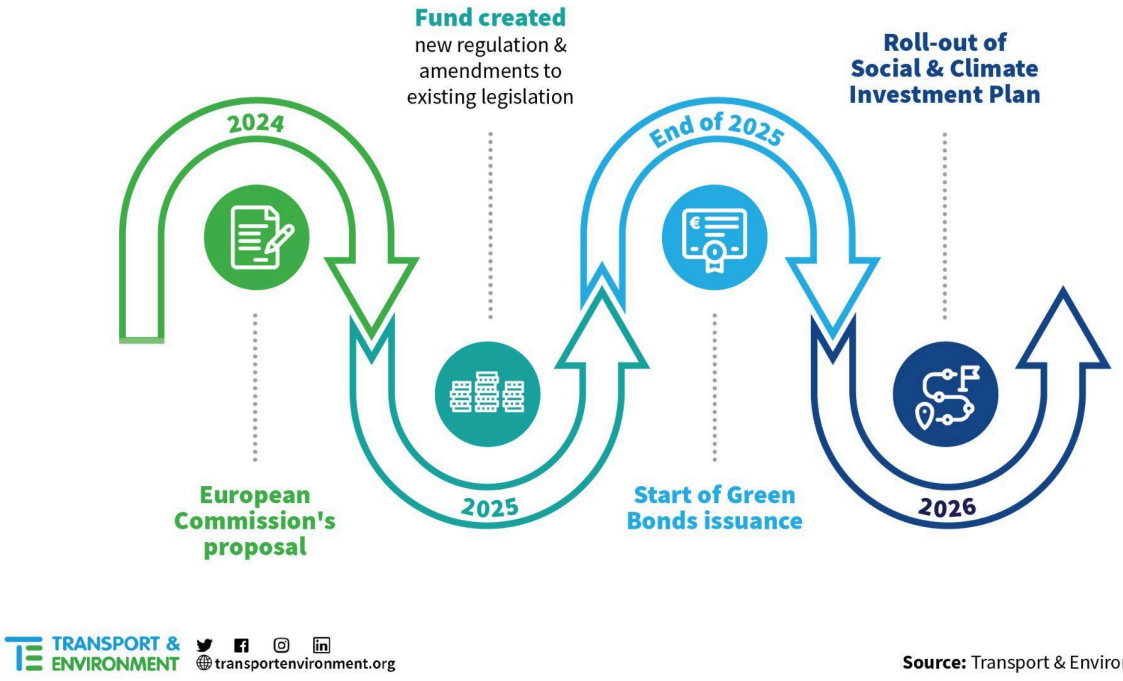
In 2025, the Recovery and Resilience Facility 2.0 should be established through a new regulation, accompanied by necessary amendments to existing instruments to enable frontloading: **the InvestEU regulation, the ETS directive, the Social Climate Fund regulation and the Just Transition Fund regulation** at minima.

The EU Green Bonds issuance programme should begin as of 2025. For the NGEU and EU macroeconomic assistance to Ukraine, the Commission has demonstrated its ability to rapidly borrow on financial markets (time span of 1 to 2 years). The Own Resource Decision should also be amended to raise the "Own resources ceilings" and enable the EU to issue more debt.

In 2026, the Climate and Social Investment Plan should be rolled out, starting with frontloading existing instruments. This timeline aligns seamlessly with the end of the RRF and the proposal for the future MFF that the European Commission should table in Spring 2025.

The 10-year horizon of this investment plan offers time for EU decision-makers to transform it into a permanent instrument, following an initial pilot phase. This would be a major step forward in **building a permanent investment capacity** at EU level, supported by own resources. Concurrently, this would make the EU public finance architecture less dependent on Member States' national contributions.

Timeline



Source: Transport & Environment

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