Climate Strategy's Response to the EIB Climate Bank Roadmap Phase 2 Public Consultation

- **Question 1 - Ambition:** Given the multiple challenges currently facing Europe (security, competitiveness, affordability), what considerations should inform the EIB Group's ambition on climate action and environmental sustainability for the 2026–2030 period?

How Europe invests in the coming years will determine the nature of the EU, its security, sustainability and competitiveness. "We need to spend more, spend better, spend together" said President von der Leyen recently on defence, yet this seems applicable to many parts of the EU budget. Oil and gas imports are fueling conflict in our continent while leaving Europe vulnerable to geopolitical volatility, whereas new wind and solar projects have saved €59 billion in import costs since 2019. Ramping up clean, homegrown energy and providing price stability must therefore be at the centre of an evolving EU Security Strategy with the EIB Group as the lead public investor. The EU's economic sovereignty is also critical as global technological leadership becomes fundamental to our security. Clean technologies must therefore be a priority of the financing schemes initiated under the Clean Industrial Deal. **Effectively addressing these multiple challenges can be achieved by increasing the EIB Group's financial support for European clean technologies, driving efficiency and European innovation in the net-zero value chains of the future, and facilitating access to these solutions for SMEs, cooperatives and households to support their transition and energy security.** Europe is the fastest-warming continent in the world and shifting resources away from climate mitigation and adaptation at this stage would further increase our vulnerabilities from the climate and security nexus.

Strengthening the engagement with local retail banks under the InvestEU Member State Compartment to fill the largest climate and energy investment gaps

A land-mark 2024 Climate Strategy report finds that the EU faces an additional annual climate investment need of €340-477 billion. This investment must deploy enough clean assets for the timely energy transition of Europe's highest-emitting sectors by 2050. Approximately 84% of the investment gap sits in demand-side sectors (buildings, transport and agriculture) that require millions of small retail transactions to accelerate the delivery of "climate assets" for households, SMEs, and farmers (renovations, solar rooftop panels, heat pumps, electric vehicles, etc.). Clean assets and energy sources will be key for their energy security, competitiveness and long-term resilience**.** **Overall, many of these clean technologies needed over the next 10 years are mature and produce savings and returns to private investors. This makes them ideal for an increased use of financial instruments for corporations and homeowners and like this also crowd-in private investments in the transition.**

Given Member States' limited ability to increase national expenditure under the new fiscal rules, European funding and solutions offered at EU-level borrowing costs are essential. EU-level funding intervention can unlock the "EU added value" necessary to lever Member States' investments and align them with the EU strategic priority of pushing for a just and competitive climate transition. **As the main implementing partner of the InvestEU €26 billion budget guarantee, the EIB can play a leading role in supporting Member States and their local financial institutions in channeling more affordable retail financing to all European SMEs, farmers and households for their climate and energy transition. This can be done via the Member State Compartment of InvestEU, which should be further promoted going forward to incentivise national authorities to contribute with EU funds under shared management, Recovery funding and even national ETS revenues.** The Clean Industrial Deal actually encourages Member States to make greater use of the InvestEU member state compartments and other "as-a-service" instruments "as a proven model to pool EU and national resources in a harmonised and State aid compatible competitive selection."

Several features make InvestEU financial schemes under the Member State compartment more efficient than national ones, while ensuring they are attractive enough for national managing authorities to decide to contribute with their own funds. **EU-level design leads to higher leverage factors, given an EU budget guarantee. Greater specificity on the target asset class would also be critical to reduce "time to market" and ensure greater harmonisation and comparability of financial instrument performance across the EU.** This means designing financial instruments tied to the asset that integrate the regional default risk ratios and instrument-specific leverage factors. Collateral requests will vary depending on sector, region, instrument and technology. For instance, looking at the very low mortgage default rates across Europe, it is expected that default rates for collateralised buildings lending and renovation loans would be very low compared to say - generic SME lending. This means that if an EU Renovation Loan as a Service was specifically designed and implemented via the Member State compartment, the amount of cash collateral that Member States would need to put in the national compartment for coverage would be much smaller than the generic InvestEU amount. This could create 50-100x leverage ratios - as compared to the average for InvestEU of 11.3x. See section below for more information on the EU Renovation Loan as a Service.

"Local tailoring" of the national compartments (i.e. size, scope of operations, implementing partners) is important to take into account national and regional circumstances, and the extent of this needs to be pre-cleared for State Aid (at the EU and instrument level ex ante, as a service to Member States). This would deliver administrative simplicity and offer a greater role from the Commission and the EIB in the design and monitoring of the new financial instruments "as-a-service" to the regions and Member States. Further, **we expect this can unlock local and sectoral retail channels as partners to provide maximum capillarity to end-beneficiaries and accelerated speed of delivery.**

For case studies on the Member State compartment and its advantages, this 2024 report dives deeper into how the design of these compartments can be taken forward in the next Multiannual Financial Framework (MFF). Looking at the 2028-2034 MFF and the negotiations that will unfold after September is critical as it coincides with the last two years of Phase 2 of the EIB Climate Bank Roadmap. **The Commission's proposal for the design of the new European Competitiveness Fund (ECF) builds on the InvestEU to provide a "one-stop-shop" financial toolbox that integrates a Member State Compartment to pool EU and national resources, including those under the new National and Regional Partnerships. Only a minimum budget of €17 billion is assigned to the ECF InvestEU Instrument, and therefore it is expected that Member State contributions will increase the guarantee available to up to €70 billion. This means the EIB Group faces increased responsibilities in the next MFF as the Climate Bank to support Member States in delivering efficient and effective financing schemes for the climate and energy transition. A strengthened and proactive EIB that unifies national efforts towards net zero and the clean industrial race is a determinant step in the build-up to a Capital Market Union by "pioneering pan-European financial instruments" (as stated in the EIB Group's 2024–2027 Strategic Roadmap). Phase 2 of the Climate Bank Roadmap should align with these objectives and coherently fit into the new MFF framework.**

Piloting a greater role for the Member State compartment with a new EU Renovation Loan as a Service

Building decarbonisation is 39% of the total climate investment gap until 2050 (€142 billion annually) and the largest public gap. **Many of the industrial sectors associated with building renovations (e.g. heat pumps, insulation materials) are critical for EU competitiveness, and the Renovation Wave will create significant green jobs in Europe. To ensure affordable energy prices to households and businesses, efficient buildings are also fundamental.** However, building renovation activity across the EU remains too low, arguably in part because EU funds have not delivered enough grants and blended finance solutions. Climate Strategy identifies a residential buildings investment need of €500 billion of public funding by 2030 (around €70 billion annually) to lever the necessary €1.5 trillion of private finance. For the tertiary sector, I4CE finds an investment gap in renovations of €42 billion annually. Heat pump deployment at scale will require an additional €36 billion per year by 2030.

Specific recommendations for the buildings sector are presented in Climate Strategy's 2024 report on the next MFF (see chapter 6, pages 85 to 88) alongside a new design for an EU Renovation Loan as a Service, a concept that has been in development with experts since 2022 and revisited in 2023 long-form reports.

The EU Renovation Loan ("ERL") is a long-term (30 year) financial instrument with a low (near-zero) coupon structure, enabling eligible homeowners to borrow the funds needed for a deep renovation of their property, with the option to roll up part of the interest until the property is sold or transferred, or the loan reaches maturity. Interest on an EU Renovation Loan would be set at EU borrowing costs and accrue under an EU Green Guarantee (similar to that provided under InvestEU) ensuring access to low-cost financing to older and less affluent EU homeowners. ERLs are collateralised obligations with a second-lien on the building refurbished after the primary mortgage (if any). Combined loan-to-value (LTV) for ERL and any existing mortgage would be capped at 100%. In principle, the , the financial cost of an ERL would be covered by the value of the energy savings and therefore allow homeowners, especially retirees and those with limited incomes, to achieve a net-chasflow positive from day one.

An EU Renovation Loan can be designed as a Financial Instrument as a Service under InvestEU, piloted at the EU level via EIB and its existing PF4EE and its counterparty bank networks. Simultaneously Member States can be provided technical assistance to draw down specific "Renovation Loans as a Service" under a pre-State Aid cleared, one-design tailored InvestEU Compartment. Currently under InvestEU, renovation products are part of the wider sustainability guarantee that covers SMEs and households under the Sustainable Infrastructure window. But these products have not been successful at delivering finance for residential renovations at scale. **Until now the EIB did not design a specific product just for building renovations - to address the annual Euro 200 billion "investment gap" in the EU's Climate and Energy aspirations for 2030. Clearly, a new window under InvestEU (or its successor) exclusively dedicated to building renovations** would provide a design that is granular enough to take into account the risks and default rates of the specifics of the residential or commercial buildings sectors in each Member State, and have default rates and collateral requirements that are commensurate, and expected to be lower than SMEs (for ERL collateralised with a primary residence).

A new mandate for doubling investments in sustainable and affordable housing through Cohesion Policy, as recently proposed by the Commission, could be a relevant avenue for raising funds for building renovations via a Renovation Loan InvestEU member state compartment approach. One of the main barriers to tailoring the design of, and delivering, renovation loans is the lack of granular data. A standard cohesion product can make renovation loans more accessible to the harder to fund homeowners, and tying these loans to upgraded Energy Performance Certificates and real data is a way forward. It was underlined that the Taxonomy for Sustainable Finance, as currently for building renovations, should look at whether the building being financed is "green", instead of at the finance attached to it. This creates hurdles in labeling renovation finance as green.

Increasing the efficiency and strategicness of the EIB Group's programs for Cleantech

The EIB also plays a significant role as a lead investor and manager of a set of EU-funded programs and instruments with which it de-risks cleantech projects and looks to lever private investments. **An**

enhanced EIB role in building EU cleantech can be improved both at the programme level and at the governance level.

European clean industry is facing global competitiveness challenges posed by significant clean investment programs in other countries, particularly China. **Young and fast growing European companies that are developing cleantech solutions need specific attention and a targeted public-private funding approach to enable them to grow from lab to scale in the EU.** Grants are a key public funding tool and need to be doubled for net-zero aligned R&I investments in early-stage cleantech development. For the capital-intensive scale-up phase, smarter financial instruments are needed to de-risk private investments at a scale that is sufficient for market commercialisation. **Given their novelty and technical complexity, European cleantech companies face higher financing costs and constraints than other innovative companies, particularly at the scale-up phase where the financing gap is most worrying, and underserved, in Europe.** The lab to scale journey of a European cleantech company is not a smooth one, as it has to deal with fragmented EU capital markets, a patchwork of funding at the EU level, which is too small to bridge the cleantech investment gap and mostly oversubscribed, complicated and diverse application procedures, and a "risk-averse" conservative attitude in the EU budget, and within the EIB Group and implementing partners, as highlighted by Mario Draghi's landmark report on competitiveness.

The EIB Strategic Roadmap 2024-2027 highlights the need to "**maximise the impact of every euro invested"** in disruptive cleantech and the scale-up of clean industrial capabilities that will take the EU to a global leadership position. This is particularly important as the EU faces multiple challenges of security, competitiveness and affordability that require higher spending rates than what historically has been invested by the EU and Member States as a whole. **But with significantly constrained EU and national budgets, ensuring "efficiency-first" in the deployment of EU finance and EIB programs is particularly important, as well as being strategic in deciding what sectors, technologies and end-beneficiaries are the recipients of this financing.**

Climate Strategy's 2024 report finds that of the current EIB programs focused on cleantech, approximately €10.3 billion are programmed, or could be programmed, for the financing of cleantech initiatives in Europe. Most of this has historically focused on cleantech infrastructure instead of on innovative cleantech manufacturing. Under the Clean Industrial Deal, the EIB will also develop: a new €1.5 billion counter-guarantee facility for grids, a €500 million counter-guarantee for PPAs, and a €250 million CleantechEU guarantee scheme. The EIB has also announced a €1.5 billion top-up to a successful EIB programme supporting European wind turbine and component manufacturers. **However, all of EIB's cleantech programs to date amount to just 37% of the €37.8 billion in total public investments needed by 2030 to manufacture just 10 clean technologies.** Moreover, not all of the EIB's programs are exclusively focused on cleantech, and some have failed to adequately target innovative clean manufacturing. For instance, **The size thresholds for the European Tech Champions Initiative (ETCI) can be lowered to boost the incidence of Cleantech fund coinvestments**. ETCI is not exclusively focused on cleantech. Given the scope of funds targeted under ETCI and the required co-investment rates, it has been difficult to support first generation and second generation funds that are focused on cleantech because they are often not big enough. Few private funds in Europe exist that are big enough that have a dedicated strategy for cleantech. The scope of this instrument and the definition of cleantech can be worked upon to facilitate its visibility and compatibility for EU Cleantech scaleups.

We are yet to see the design and scope of a new TechEU program expected to be €70 billion in equity, quasi-equity, loans and guarantees in 2025-2027 to support innovation and tech leadership. **If an ambitious earmarking is integrated within TechEU for cleantech investments, this may be the much needed increase in ambition to fill a significant part of the cleantech investment needs by 2030. To maximise the leverage and impact of the TechEU initiative and other EIB programs, a greater use of manufacturing and performance guarantees would also be a step forward in the support to first of a kind facilities in Europe.** This is supported in a joint letter signed by 39 organisations that had asked the EIB to stimulate more public guarantees to unlock the EU's cleantech competitiveness. By shifting risk from commercial banks to the EIB's balance sheet and the European budget, via InvestEU, commercial banks can cover 20-30% of a clean project's financing needs. Because cleantech manufacturers have a lower bankability than industrial incumbents, banks usually require 100% cash collateral to issue these guarantees. This means that Europe's most promising companies are locking away expensive venture capital in banks as collateral, instead of investing it in growing their manufacturing capacity, and sometimes have to limit their sales for lack of cash for this collateral. The International Chamber of Commerce reported the average ultimate loss rate for performance and financial guarantees was between 0.2% and 1.7% between the years 2000 and 2018.

For the EIB to become an effective "bridge to bankability" for cleantech scale-ups, it must grow its role providing sizable amounts of debt to clean energy and manufacturing projects. The Venture Debt program provides loans to early-stage companies to provide liquidity in between equity funding rounds. Over the 10 years since its creation, it has delivered €6.8 billion to about 300 companies (not exclusively cleantech). However, some market commentators see the lack of significant scale common equity as driving start-ups to accept venture debt products which provide investors downside protection and significant upside with conversion rights into equity when things go well. This may be fine for the investor, but it limits the company's speed of growth and caps the ability for scale-ups to raise more market debt or reach scale.

The new ClentechEU guarantee scheme is a significant step in the right direction, but €250 million won't be enough to cover all needs EU-wide. Via the InvestEU Member State compartment, the EIB can pool-in national resources to enhance the budget guarantee and develop national cleantech guarantee programs to scale strategic initiatives across the EU. The Clean Industrial Deal encourages Member States to make greater use of the InvestEU member state compartments and the Innovation Fund auctions-as-a service "as a proven model to pool EU and national resources in a harmonised and State aid compatible competitive selection." The CID has committed around €10.6 billion from the current EU budget to cleantech and industrial decarbonisation, which is around one third of the public funding needed until 2030 for just 10 clean technologies. For the post-2027 budgetary period, the Commission aims to mobilise €100 billion in public funding for the new Industrial Decarbonisation Bank under the European Competitiveness Fund. **Much of this funding for industrial decarbonisation is expected to come from Member States' resources, particularly the new National and Regional Partnership Plans (i.e. currently funds from Cohesion Policy and Common Agricultural policy).**

- **Question 2 - Policy impact:** As a public bank and multilateral development bank, on which areas of the green transition should the EIB Group focus its financial and advisory support in the next phase, both inside and outside the EU?

Supporting Member States and local financial institutions in delivering sustainable retail finance via the InvestEU Member State compartment

In the current and previous programming periods of the MFF, local managing authorities have faced administrative difficulties and a lack of capacity in the design and management of financial instruments, as reported by the European Court of Auditors and the European Commission. This causes delays in the establishment of financial instruments and restricts their use. The stop-start nature of grant tenders and the often heavy administrative overload has also slowed down the absorption of grants[1]. Just 7%-8% of Cohesion funding in both the 2014-2020 and 2021-2027 programming periods are deployed through financial instruments. **The proposed design of the new European Competitiveness Funds seeks to build upon years of evidence showing that good “financial instrument design” and their deployment can be separated.** The EU has designed thousands of instruments tailored to deliver specific outcomes and much of that resident knowledge exists within the EIB Group and the promotional bank architecture. Best-in-class instruments tailored to the regional needs and asset class of the project can be provided at the “fund level”. Member States can then empower managing agencies to take a lead role in project pipeline identification and deployment, potentially packaged together with tied technical assistance grants, and extra support to vulnerable communities.

Instrument design can feel like reinventing the wheel, and be slow, repetitious and stressful for those without the necessary skills. Via the InvestEU Member State compartment, the EIB Group can support national and local authorities in instrument design to effectively finance specific clean transition assets, while ensuring a speedy delivery via implementing local retail banks. At the EU-level, with thousands of past case studies to draw from, the EIB Group and national policy and public financial institutions can simplify the “fit for asset class and purpose” design and administration of new instruments and tap into the (often) lower borrowing costs at EU-level.

While the InvestEU Member State compartments have not been widely utilised yet (just by 6 Member States), more are being negotiated at the moment. **National authorities seem to be acknowledging the speed of delivery and efficiency gains of using these national compartments**, as they are now considering their use due to time pressures to spend funding from the Recovery and Resilience Facility (RRF). **The Commission’s proposal for the next MFF with an extended mandate for InvestEU in the European Competitiveness Fund is an opportunity for the EIB Group to take a more proactive role in supporting Member States and their retail networks in delivering sustainable finance at scale via the development of National and Regional Partnership (NRP) Plans.** We expect these Plans to include specific chapters for Climate and Cleantech aligned with their NECPs, Member States should identify when an EU financial instrument is needed via the InvestEU Member State compartment and, therefore, when the EIB may need to step in.

For instance, taking the example of the Common Agriculture Policy which will now be part of the NRP Plans and is expected to have a reduced budget: **It is clear that there is a greater role in EU Budget design for agricultural and specialist banks.** The EIB is currently discussing with banks in the agricultural sector the potential for the insurance sector to support the resilience of farmers. EU institutions, think tanks, NGOs and experts have raised concerns about inefficiencies in theCAP and Member States’ Strategic Plans, as well as inconsistencies in CAP’s earmarked climate expenditures. A more efficient approach to financing the transition of small and young farmers with **tailored EU Financial Instruments as a Service for agriculture investments via the ECF InvestEU Member State Compartment could release pressure from the CAP budget to fill the additional climate investment gap.** This would particularly benefit R&I investments in early stage cleantech to transition the food system into a more sustainable one, while strengthening EU industrial capabilities in these new agro-food sectors.

The EIB can also more actively engage national promotional banks and integrate them in the political equation and during the planning process of the National and Regional Partnership Plans to activate the ECF InvestEU Instrument. This negotiation should allow for greater local empowerment and to incentivise more Member States to contribute to the InvestEU national compartments. Certainly, the capacity and quality of services of different national promotional banks

[1] Italy received €50 billion from the European Regional Development Fund (ERDF) and has spent just 1%. Data from the Cohesion Policy platform shows that Italy has also spent just 4% of its Cohesion funding. Source: https://cohesiondata.ec.europa.eu/cohesion_overview/21-27

and of retail banks varies between Member States. Given stringent approval procedures and standards in deploying InvestEU, more partners and improved capacities will be a primary focus. Retail banks admit needing to strengthen their teams and working tools to provide more targeted "accompanying" services for SMEs in their green transition, which will also require faster and greater amounts of sustainable financing. **<u>EIB-led capacity-building initiatives of local retail channels may also be needed to promote their proactive engagement under InvestEU, e.g. via shared data and due diligence collaborations in emerging cleantech sectors or even including OpEx funding in lower-income regions with less developed banking systems.</u>**

<u>A permanent platform constituted by the EIB Group, with National Promotional Banks, implementing partners and other national retail lenders and channels can be launched to propose, design and monitor targeted EU Financial Instruments as a Service under the InvestEU Member State compartment</u>. The Pan European Investment platform for Affordable and Sustainable housing is a model for consideration. **This platform could work on tailoring EU instruments to local financial ecosystems by also integrating and engaging with proximity banks and sector-specific, specialised retail channels in the design phase of financial instruments to ensure their voices are heard.** The benefits of involving and engaging with proximity and sectoral banks include a more granular understanding and capillarity to local SMEs and households and operational level improvements to ensure an efficient and transparent delivery of finance. An example is that of agriculture banks in Spain known as *Caja Rurales*. While these banks have a deep penetration in the Spanish agriculture sector, they may not have the IT-systems needed in banks' systems to deliver new reporting requirements for sustainable finance instruments and so due consideration of operational changes may be needed. **In delivering this support, the EIB can leverages its long and deep experience negotiating with hundreds of different banks across the EU in counter-guarantees and specific financial instruments like InvestEU.**

<u>Boosting EIB internal resources to enable proactive funding and advisory services for European cleantech</u>

The US Department of Energy Loan Programme Office has remained a benchmark from the perspective of the forward-leaning, number of specialist staff (in cleantech) and size of both teams and finance packages. Under the previous US administration, the US LPO has 3x times more staff than central EIB offices (approximately). It is believed that a significant majority of the LPO transactions in cleantech projects have been sourced by proactive outreach driven by a well-staffed team (120 federal employees and 60 contractors). LPO staff are dedicated to engaging and identifying target innovators and potential funding recipients, and to proactively engage with all prospects and ensure that the companies are well informed about the DOE LPO's products and offers. The prior US administration made political choices when supporting cleantech projects, as does China, and both from a value chain perspective.

On the other hand, the EIB is currently limited by EU policies to a large extent in this regard. This is a real challenge for the EIB, who as a policy bank can only advise the Commission on what not to invest in. **<u>The EIB can be more proactive in the outreach to potential cleantech champions and support Member States in their strategic investment planning to activate EU Financial Instruments as a Service for cleantech under InvestEU.</u> A better resourced EIB team for cleantech financing would enable a more proactive outreach to cleantech companies to make financial instruments more visible and help them navigate the journey from lab to scale through the "patchwork" of EU funding.** This can also be done taking advantage of the InvestEU Advisory Hub, which aims to be the central entry point for project promoters and intermediaries seeking advisory support and technical assistance related to centrally managed EU investment funds. Working towards a more proactive approach is in line with the "efficiency reforms" that EIB President

Nadia Calviño has pointed out to reduce bureaucratic processes like questionnaires and remove procedural steps for companies.

The EIB can also provide more proactive support, and awareness raising, about the benefits of the InvestEU Member State compartments to national authorities looking to deploy cleantech-specific financing instruments. The lack of Member State demand for these instruments is why they are under-used and the EIB can play a significant role in "activating" this demand by pointing at the benefits of tailored instruments for cleantech manufacturing ring-fenced to national territories.

Achieving an EU-wide coordinated approach to streamline investments in cleantech also requires greater engagement between the EIB and Member States' banking networks with strengthened cleantech data and due diligence collaborations. The novelty and high level specialisation required to develop cleantech projects has proved to be a disincentive for investors, worsening the "asymmetric information inefficiencies" in the market. The EIB, as the European Climate Bank, has more experience in investing in cleantech, thus it has useful data on the quality and risk of these investments, and has built specialised and technical teams in the different cleantech sectors that conduct thorough due diligence processes. **This data and knowledge would be useful for national public development banks, retail banks, funds and other private investors, particularly in lower-income EU countries with less mature bank networks.** An interesting example from Canada provides some ideas to address this challenge: to try and expand the knowledge base for clean technologies, the public export development corporation is piloting shared due diligence rooms and expert analysis to encourage co-investments by lenders who do not have such developed internal teams in those growing sectors. The EIB could follow this shared due diligence model through the InvestEU Advisory Hub to support capacity-building in national financial intermediaries of EU funds.

Within its new TechEU program, the EIB can take advantage of industrial alliances and extend initiatives to map strategic elements of cleantech supply chains and proactively build greater inhouse cleantech expertise. This will be supportive of and aligned with upcoming sectoral one-stop-shops that are being created to facilitate project outreach, support and access to funding, such as EIT Innoenergy's new one-stop-shop for the battery supply chain, which may be soon extended to other sectors. This can also help bring national players to the table through the pooling of data and a curated and shared due diligence platform for EU investments in cleantech. **Greater data collaboration across national financial institutions, and proactive contact with EU-level and national clean industrial alliances, can lead the EIB as the pioneer of the much needed build-up to a Green Capital Market Union.**

- **Robust and simple:** How can the EIB Group strike the right balance between simplifying access to finance and maintaining strong frameworks to support climate action and environmental sustainability?

An asset-based approach to EU sustainable finance (that is, designing financial instruments tied to the clean asset) can also help simplify reporting, and be based on existing positive lists of clean assets, such as the ones developed by the EBRD for many countries. This will simplify the application process for beneficiaries while ensuring a transparent reporting framework for the retail channel. Spain is developing a similar list for the new ICO Green Line, which identifies "Green interventions" in support to the climate transition of SMEs and households that would only require a self-declaration of compliance from end-beneficiaries. This will also simplify the application process for beneficiaries while ensuring a transparent reporting framework for the retail channel.

For the next MFF, the Performance Regulation can further develop this asset-based reporting framework for the ECF InvestEU Instrument, which should be accompanied by the creation of asset-specific financial instruments under the new InvestEU instrument (e.g. an EU Renovation Loan as a Service, or a Solar Rooftop PV Loan as a Service). **Any DNSH derogations in the next MFF would only exacerbate the EU vulnerabilities to fossil imports and stranded assets, while sending the wrong signals to private investors and creating market uncertainty regarding the path to the EU climate and energy targets.**