

We need to redesign Innovation Fund calls to invest into Europe's energy system

Dear President von der Leyen,

Dear Vice-President Sefcovic,

Dear Commissioner Hoekstra,

Dear Commissioner Simson,

Ahead of the European elections, we, members of civil society, firmly believe it is time to seize the momentum and ensure a concrete implementation of the Green Deal through far-reaching and efficient financing tools.

EU institutions have reached historic milestones over the last five years, adopting the Green Deal legislative packages in essential areas, crucial for climate and energy targets and environmental protection. The 455 million EU citizens are now better equipped than the rest of the world to face the climate emergency. The EU pledged to become the first green economy and is on the right way to earn this title. This would not have been possible without the continued cooperation between the diverse stakeholders, from policymakers to scientists, industry and civil society representatives.

Now has come the time of implementation for the Green Deal. This means unlocking important investments of €813 billion per year, according to I4CE¹, to reach its climate objectives. A significant share of these investments must go into derisking and accelerating the deployment of breakthrough electricity production technologies that will strengthen the energy and climate resilience of the EU. These priorities must be secured in the next legislative period.

We, the signatories of this letter, are deeply concerned about the pursuit of the Green Deal, particularly after the Parliament and Commission's renewal. Action must be taken to ensure the EU's undertaking continues to be driven by a common good and scientific-based approach particularly in the specific green funding vehicles to achieve European commitments.

The Innovation Fund is an incredible financing tool to drive Europe's transition towards climate neutrality while fostering the bloc's competitiveness. It is also a unique tool at the core of the EU firepower, by mobilising EU-level resources to invest in Union's priorities.

However, the Innovation Fund, as currently designed, does not support enough renewable energy sources to meet demand. Indeed, since the launch of the Innovation Fund programme, around 64% of the projects awarded solutions fall into the categories of carbon capture and storage (CCS), and energy-intensive industries. Only 36% of the Innovation Fund projects are based on renewable energy and energy storage. If we really want to phase out fossil fuels, we need to promote not only technologies that reduce emissions but also technologies that produce non-emitting energy and improve system integration.

This bias for CCS is due to the methodology of the fund to calculate GHG emission avoidance "*the emissions of the project are defined by the difference between the main emissions from the project activity, and the emissions that would occur in the absence of the project for the generation*". This

¹ I4CE. European climate investment deficit report: an investment pathway for Europe's future

methodology has a critical impact on each technology's chance of success as it directly influences the score in 2 of the 5 criteria.²

As the electricity network is already in the process of decarbonising, the difference possibly achieved by new RES generation is necessarily smaller than the difference that can be made by adding CCS to an energy-intensive and GHG emitting industry. Competition amongst these two decarbonisation pathways is neither fair nor desirable.

This practice is diverting funding and financial resources away from critical priorities. Funding is urgently needed to deploy novel renewable energy and energy storage technologies to optimise clean energy production and grid integration while supporting investments in an EU clean technology manufacturing base.

Renewable power generation and energy storage technologies are the main drivers of Europe's energy system decarbonization. The Innovation Fund must better incentivise their roll-out if the EU is to meet its climate and energy goals.

The Innovation Fund must therefore rethink its design by creating two separate calls: one for carbon capture technologies and one for renewable technologies and storage, which genuinely reduce carbon emissions. Such an amendment would not require a legislative proposal, as any structural modification is in the hands of the European Commission, and could easily be realised before the end of this EU mandate, making the new format effective for the next call for projects.

The future of the Green Deal relies on your actions during the last stretch of your mandate. We are calling on you to act on the present assessment and reconsider the Innovation Fund award criteria.

Yours sincerely,



² 'GHG avoidance potential' and the 'cost-efficiency' criteria.