

IOGP Europe recommendations on the proposed new EU funding architecture under the MFF (2028-2034)

Europe's industrial transition requires a **clear and predictable EU funding framework that both overcomes structural financing challenges and mobilises the large-scale investment needed to drive decarbonisation and safeguard industrial competitiveness** – as highlighted in both the Draghi and Letta Reports. Today, the complexity and fragmentation of EU funding programmes – together with prescriptive technological requirements, insufficient funding, and unclear governance – risk slowing the decarbonisation of European industry. This **complexity erodes investor confidence and delays the development of critical, cost-effective solutions** such as CCS, low-carbon hydrogen and supporting infrastructure, all essential to achieving EU climate goals.

The EU must establish a pragmatic, technology-neutral, and flexible funding architecture that will accelerate large-scale decarbonisation projects, enhance investor confidence, and strengthen Europe's industrial competitiveness.

In this context, IOGP Europe welcomes the European Commission's proposal for a **European Competitiveness Fund (ECF)** in the post-2027 Multiannual Financial Framework (MFF) and encourages the new funding framework to prioritise clarity of scope, reliance on proven technologies and effective de-risking. Establishing a coherent funding architecture – built on the principles of **technology neutrality, maximisation of the opportunities for blending of different funding instruments, and competitive delivery tools** – is essential to crowd in private capital and enable industrial decarbonisation at the scale and pace required.

IOGP Europe calls to strengthen the EU funding architecture proposed under MFF, including the proposed ECF, by improving several key areas that would deliver tangible benefits.

I. Funding architecture and clarity of scope

The proposed funding architecture carries risks of uncertainty due to the scale of the reforms. Therefore, **the swift adoption of clear and predictable implementing measures, outlined in secondary legislation (Work Programmes) must be a top priority.** These Programmes should send a strong signal **that cost-effective industrial decarbonisation is critical for Europe's competitiveness.** This would allow project developers to plan investments in advance, addressing the **current misalignment between MFF-linked funds running until 2034 (e.g. ECF, CEF) and ETS-related instruments** such as the Innovation Fund, which is currently programmed to operate until 2030 under the EU ETS framework.

Project developers operating in complex value chains should easily identify which project components qualify for each EU funding mechanism and how different EU funding options can be combined. **The announced Industrial Decarbonisation Bank should bring this clarity by targeting EU industrial investment needs in a truly technology-neutral way,** bridging the gap between funding for pilots and scale-ups. In fact, funding for early-stage projects has been instrumental to bring crucial decarbonisation technologies from concept to first-of-a-kind deployment – such as CO₂ capture from cement and refinery flue gases, low-carbon hydrogen production via reforming with CCS, and CO₂ injection into basalt rock formations such as Iceland's Mammoth project.

However, **funding for commercial viability and scale-up remains insufficient**. To deliver decarbonisation at the scale and pace required by EU targets, future programmes should **prioritise the deployment of proven technologies** – notably low-carbon hydrogen and CCS – and the build-out of enabling infrastructure – such as CO₂ and H₂ transport networks. In this context, **IOGP Europe supports the proposal for “value-chain builder calls”**, which can be valuable tools to develop integrated EU markets and fully develop emerging value chains.

To ensure a seamless investment journey, the focus of key funding instruments and blending opportunities should be clearly defined, **as IOGP Europe suggests below**:

- **Horizon Europe (FP10)**: research, pre-deployment, pilots;
- **ECF**: industrial decarbonisation deployment, scale-up and value chain integration;
 - **Industrial decarbonisation bank**: bridging innovation, and scale-up of proven technologies, aiming to reach significant CO₂ reductions over time;
 - Specifically, the **Innovation Fund** covering innovations and efficient CO₂ reduction;
- **National and Regional Partnership Plans (NRPPs)**: National programs and investments, with ring-fenced industrial decarbonisation chapters;
- **CEF**: cross-border projects, infrastructure backbones;
- **Important Projects of Common European Interest (IPCEI)**: EU-wide strategic deployment and support to market formation.

Together with low-carbon solutions, **natural gas remains indispensable for Europe’s security of supply and for enabling a realistic decarbonisation pathway towards Net-Zero by 2050**. Yet the current framework leaves uncertainty over its role and recognition, particularly for combined cycle gas turbines (CCGTs) with CCS or H₂-ready retrofits. Clear eligibility criteria, harmonised with the Clean Industrial Deal State Aid Framework (CISAF), would **unlock investments**, prevent inconsistencies with permitting and State Aid processes, and send a strong signal that Europe recognizes gas as a crucial carrier for its low-carbon future.

Key recommendations:

- Ensure swift adoption of **Work Programmes that provide full clarity on scope and priorities, establishing a clear “who-funds-what” scheme across available instruments** – outlining blending options and establishing joint or value-chain builder calls dedicated to industrial decarbonisation.
- **Develop the Industrial Decarbonisation Bank as the central, technology-neutral vehicle for scaling-up proven decarbonisation technologies**, ensuring a seamless pathway from pilots to EU-wide commercial deployment.
- **Prioritise funding for commercial, EU-wide deployment and scale-up of proven technologies** – not only early-stage R&D or pilots – to deliver industrial decarbonisation at the required scale and speed.
- **Guarantee eligibility for all cost-effective low-carbon solutions, including CCS, low-carbon hydrogen, H₂ and CO₂ networks.**
- **Guarantee eligibility for natural gas power generation** in NRPPs and ECF Work programmes.

II. Predictability, magnitude, delivery timing of funds

Large-scale, capital-intensive assets such as CO₂ hubs, CO₂ capture facilities, or low-carbon hydrogen production plants require multi-year funding visibility over a 5 to 15-year horizon, in line with average project life duration. Funding instruments should therefore include **longer implementation periods** and **flexibility** for phased investments – covering feasibility, FEED and construction.

Clearly defined funding allocations, indicative grant rates, together with recurrent scheduled calls are essential to prevent the cost of uncertainty and leakage of investments to regions with more predictable frameworks. A stable cadence of calls, published through a single, cross-programme calendar, would provide transparency on timing, enabling project developers to plan effectively and align investment cycles.

While milestone-linked payments are sound practice, **delays often stem from factors beyond the project developers' control** – such as lengthy permitting processes, grid access, supply chain issues or geopolitical shocks.

To strengthen the magnitude of available resources, **a larger, ring-fenced share of EU ETS revenues should be channelled towards industrial decarbonisation**. Currently, only about 7–15% of ETS auction revenues support industrial decarbonisation projects across the EU¹. Increasing this share would provide long-term certainty and signal EU's commitment to industrial decarbonisation at scale.

Key recommendations:

- Guarantee predictable, **multiannual funding envelopes** for large-scale CAPEX projects, coupled with legally binding provisions on delivery schedules.
- Publish a coordinated, **multiannual calendar of funding calls** to ensure a stable cadence and alignment across EU and national instruments.
- **Ring-fence a higher, stable share of ETS revenues** (this could include part of the EU's receipts from CBAM, other new own resources or exploring flexible budgetary instruments) **for industrial decarbonisation** projects to enhance predictability and funding magnitude, to deliver on EU-wide decarbonisation targets.
- **Introduce force-majeure/permit-delay** clauses for milestone-linked payments to protect investments from external shocks, enhancing investors' confidence.

III. Competitive instruments, delivery tools design

The ECF should build on key principles – technology neutrality, competition, cost-effectiveness – and deliver through state-of-the-art de-risking instruments, ensuring harmonisation between new and traditional funding schemes such as grants under the Innovation Fund, national programmes, State Aid and other EU funding schemes. To achieve this, the **ECF must enable recognition of eligibility between funding instruments with comparable objectives**, such as CEF for cross-border decarbonisation infrastructure and Innovation Fund's alignment with ETS scopes.

Large, CAPEX-intensive infrastructure and decarbonisation projects require significant upfront investment before achieving revenue certainty. Blended finance and risk-sharing mechanisms are essential for early-stage infrastructure, unlock emerging value-chains and ensure private sector participation. Nevertheless, **CAPEX support alone is not sufficient** to provide long-term revenue certainty for low-carbon projects, or bridge some of the investment risks. For projects along the CCS value chain, **guarantees** covering the possible lack of CO₂ volumes could be gradually implemented to protect and encourage early movers.

For these reasons, **the proposed reliance on InvestEU-style loan-heavy models could not represent the optimal financing pathway for EU-wide technology deployment and market formation**, as it would be the case for the CO₂ and H₂ markets.

¹ [European Commission](#). In 2024, the EU ETS raised €38,8 billion in auction allowances, of which €2.9 bn went to the Innovation Fund and over €6,5 bn to the Modernisation Fund – which mainly supported the modernisation of energy systems, reducing greenhouse gas emissions in the energy, industry and transport sectors, and improving energy efficiency.

De-risking should be the frameworks' guiding principle. IOGP Europe welcomes the proposed inclusions of targeted de-risking tools such as **Carbon Contracts for Difference (CCfDs) in the ECF (Art. 35)** to help address OPEX-related risks and enhance the long-term bankability of projects.

The inclusion of competitive bidding mechanisms under ECF is a positive signal for a more transparent and efficient funding scheme. In defining their design, it is important that the Commission ensures **geographically balanced** and equitable access to funding: award criteria and auction designs should prevent a disproportionate concentration of support in single regions and reflect the differing starting points and transition costs for Member States. Complementing these tools with **inflation/carbon-price indexation mechanisms and demand-side measures** (public procurement commitments, clean product standards, offtake guarantees) would then create favourable market conditions for the commercial development of such value-chains.

Key recommendations:

- Ensure **mutual recognition of eligibility criteria and unique reporting rules** between funds with similar scope.
- Introduce **technology-neutral, competitive instruments under the ECF**, such as **CCfDs** and **strike-price auctions** providing long-term certainty to investors.
- **Combine CAPEX de-risking with OPEX support through blending-finance tools** to bridge the gap between demonstration and scaled-up deployment of decarbonisation projects.
- **Ensure embedded geographical balance in the funding architecture**, recognizing differing starting points and transition costs for Member States.
- **Complement supply-side support with demand-side measures** (procurement, offtake guarantees) to accelerate market uptake of decarbonisation technologies.

IV. Eligibility, compliance, single rulebook

Embedded EU-origin preference criteria for component sourcing and security filters are necessary to protect strategic interests. However, nascent value chains could still rely on non-EU-sourced components and expertise, even with the NZIA and CRMA² in force. Time-limited derogations are therefore essential to avoid delays and missed decarbonisation targets, without diluting strategic objectives.

The ECF framework should apply the EU-preference rule **flexibly and fairly**, ensuring that EU-based entities with global affiliations are **not excluded or disadvantaged**, as long as they uphold EU legal and operational standards, and that EU-based subsidiaries of non-EU companies are **not penalized** in terms of sourcing, control and transfer of project results.

Similarly, the single rulebook proposal is welcome, as it could translate into **one legal commitment and harmonised indicators**, avoiding parallel or inconsistent requirements. Such a harmonisation could go beyond MFF-related funds and seek **alignment with ETS-related funds** (e.g. the Innovation Fund).

Key recommendations:

- Introduce **targeted, time-limited derogations** to EU preference/compliance rules to safeguard project delivery during the transition.
- **Apply the EU-preference rule flexibly**, avoiding exclusions or limitations for any EU-based entity that uphold EU legal and operational standards.
- Implement a **harmonized single rulebook** with common indicators and reporting requirements **across all ECF- and-ETS-related instruments**.

² Critical Raw Materials Act.

V. Alignment between ECF, National and regional partnership plans (NRPPs), IPCEIs and CISAF

Diverging national levels of readiness risk watering down industrial decarbonisation chapters. **This is especially important for emerging value chains, such as H₂ or CO₂, which need to progress on an EU-wide scale to become solid and profitable.** The proposed NRPPs could reduce fragmentation, **but major EU priorities (i.e. industrial decarbonisation) need to be evenly reflected across National plans.**

Support from ECF should be aligned with complementary national and CISAF-related programmes, provided that such measures comply with Articles 107 and 108 of the TFEU. Therefore, the Commission shall apply State aid rules in a flexible and expedient manner for projects aligned with the objectives of the ECF.

Finally, **IPCEIs** can serve as a strategic coordination platform between EU, national and regional instruments – particularly for cross-border, large-scale industrial decarbonisation initiatives. Leveraging IPCEIs to scale-up emerging value chains at the EU level would help align funding streams, de-risk early investments and accelerate deployment across Member States.

Key recommendations:

- **Include industrial-decarbonisation-specific chapters in NRPPs,** tailored to the specific decarbonisation needs for MSs.
- **NRPPs should ensure coherence between EU and national instruments** – including CISAF-related aid schemes, national CCfD schemes, CCS funds and investment banks – to maximise co-financing while avoiding duplication.
- **Promote IPCEIs dedicated to key decarbonisation value chains (e.g. hydrogen, CO₂ transport and storage),** ensuring coordination with ECF objectives and cumulation of support where appropriate.