OPEN LETTER: A CLEAN INDUSTRIAL STATE AID FRAMEWORK (CISAF) TO DELIVER ON THE CLEAN INDUSTRIAL DEAL

To:
Executive Vice-President and Commissioner for a Clean, Just & Competitive Transition, Mrs. Ribera;

Cc:
European Commission President Ursula Von der Leyen; Executive Vice-President and Commissioner for Prosperity and Industrial Policy, Mr. Séjourné; and Commissioner responsible for Climate, Net-Zero and Clean Growth, Mr. Hoekstra

RE: A Clean Industrial State Aid Framework (CISAF) fit to support the objectives of EU Clean Industrial Deal

Dear Executive Vice-President Ribera,

We, the undersigned organisations representing European cleantech start-ups, scale-ups and investors from across Europe, are writing to express the urgent need for **a revised EU State Aid framework that fully aligns with the objectives of the Clean Industrial Deal** in a time of **growing global competition** to attract and scale-up the cleantech manufacturing industries of the future amidst growing economic uncertainty. Attracting these industries is vital for the long-term competitiveness and resilience of the EU and critical to ensure affordability and sustained societal support for climate policies.

The starting point for the CISAF should be to focus on what it would take to scale cleantech manufacturing in Europe on a level to be able to compete internationally. Depending on technology, that may require between several tens of millions and a few billion euros in capital expenditure per project. Through that prism, **the current draft CISAF falls short of that mark.**

While State Aid is only one of the many policy tools to foster cleantech manufacturing capacity in the EU, with the current EU budget nearly spent and the new EU budget not starting before 2028, up until then national **support schemes are realistically the only additional pool of public funding at scale available in the near future to crowd in private capital**. Looking beyond, the next EU budget must complement State Aid by **delivering strong, coordinated European instruments to de-risk cleantech manufacturing that preserve a level playing field**. Ensuring access to financing across all regions will help accelerate clean investment and deliver a more resilient clean transition across Europe.

The CISAF proposal seems focussed on limiting distortion in the EU Single Market between Member States. But it seems to miss the point that competition for cleantech manufacturing is global rather than between EU Member States, with the EU's competitors not concerned by the amount and intensity of aid distorting competition. It also maintains a project-by-project approach, limited to upfront capital expenditure, with lengthy decision-making processes, a lack of clarity and visibility and very complex cumulation rules with EU funding instruments that results in a lengthy process – time that smaller companies do not have. As a result, mostly large companies with sufficient resources and ample existing funding can afford to navigate the State Aid rules while waiting for public support.

Uncertain times require fast and bold actions and a 'whatever it takes' mindset to ensure the EU scale-ups its cleantech manufacturing capacity. Therefore, **we call on the Commission to include in the CISAF draft the possibility for Member States to design transparent, predictable, ex-ante production-based schemes for cleantech manufacturing** – such as the booster for battery manufacturing in the Automotive Sector Action Plan – targeted at supporting specific cleantech manufacturing.

Upfront production support provides predictability for companies, lowers the marginal cost of production versus international competitors, and can be more easily factored into business case decisions, both by companies and financiers. It can be simpler to design and administer for smaller companies and smaller Member States. Finally, it offers Member States a more straightforward way than ad hoc project-based support to tie aid to specific sustainability, resilience, and European content criteria. Such criteria, coordinated at EU level where appropriate, can help ensure that public support strengthens Europe's clean industrial base while maintaining open, fair competition within the Single Market.

These schemes could be time limited and gradually degressive to limit its distortive effect and mitigate the risk of misallocation of public funding, while enabling the ramping up of production at scale rapidly. Moreover, cleantech manufacturing tends to generate positive spillover effects across downstream and upstream value chains across Member States. Such schemes could also be managed via a coordinated approach between Member States through the Competitiveness Coordination Tool or through clear incentives to deploy national funding through European mechanisms, such as the Hydrogen Bank auctions, Invest EU national compartments or the future Industrial Decarbonisation Bank.

Additionally, we call on the European Commission to ensure that CISAF acts as a strong enabler of the EU's net-zero, energy resilience, and technology sovereignty objectives. Aligning EU funding rules strictly with these goals is vital to build certainty, risk appetite, and investment in Europe's cleantech sector. Member States should also be mandated – where appropriate – to apply resilience criteria in their national support schemes as set out in the Net Zero Industry Act and mechanisms like the second European Hydrogen Bank auction and the Industrial Decarbonisation Bank's pilot auction.

Finally, a very significant enhancement is the recognition of loans and guarantees as public support schemes that can have a significant de-risking effect for companies and financiers. Our recommendation would be to expand the scope of guarantees from loans guarantees to explicitly cover manufacturing guarantees, technology performance guarantees and guarantees for power purchase agreements, as well as in very specific cases some minimum off-take guarantees. It is interesting to see the idea of blended finance investment vehicles also being included, although we believe the draft rules are likely to make these vehicles unappealing to institutional investors.

We provided further detailed feedback on the CISAF in the Annex.

The geopolitical and economic uncertainty of 2024 that have spilled over in 2025 saw a slowdown in the volume of cleantech investments in the EU. So, the urgent need for decisive and bold actions cannot be understated. We have European successes, proving **the EU is able to scale up the new industries of tomorrow**. **But we need many more.** At stake is nothing less than the future prosperity of European citizens. We stand ready to partner with you in delivering this ambitious plan for Europe.

Your sincerely,

Cleantech for Europe
Cleantech for France
Cleantech for Italy
Cleantech for Iberia
Cleantech for Nordics
Cleantech for Baltics
TECH FOR NET ZERO

Annex – Policy Actions

In this Annex, we provide more detailed feedback on the CISAF draft proposal that is open for consultation.

Chapter 3 – Compatibility of Aid (limits to competitive bidding & cumulation rules with EU Funding)

Paragraph	Feedback
Paragraph 21	Competitive bidding processes can work has price discovery mechanisms in markets for mature technologies, with many bidders with experience of executing projects. In more cutting-edge, innovative, newer technologies with significant technology risk, competitive bidding process can face risks of strategic bidding (at unrealistic levels) and non-execution of projects. If the latter is mitigated with strong penalty schemes, it can disincentive cutting edge projects with innovative but risky technologies. In this setup, production-based support that is transparent upfront, time/volume limited and degressive over time may actually be much more effective than competitive bidding at bringing online rapidly manufacturing capability.
Paragraph 29	While we understand the rationale for the current drafting, experience shows it can be complex to have a clear delineation of identifiable eligible costs. In the event that aid is received from centrally managed EU funds, such as the Innovation Fund or the European Innovation Council, it becomes rapidly complex for scale up companies to understand how much support they might receive without exceeding thresholds. To ease access to both centrally managed EU Funds and national state aid support, we would push for the temporary possibility to have full cumulation regardless of the identifiable eligible costs.

Chapter 4 – Accelerate rollout of Renewable Energy

Paragraph	Feedback
Article 37	In some Member States, the main challenge can be to obtain a timely connection to the electricity grid which can take up more than 36 months. Under the current draft such projects would face a high degree of uncertainty as to the possibility to be eligible for aid. Therefore, we would suggest amending to clarify that the 36 months should be calculated as of the date at which connection to the grid is confirmed and guaranteed. Additionally,

	competitive bidding should not be the only route to aid. For less mature technologies, fixed or administratively set premiums—transparent, time-bound, and volume-capped—should also be allowed.

Chapter 5- Industrial Decarbonisation

Paragraph	Feedback
Articles 73 & 75	Fossil energy projects should be fully excluded from eligibility. Reducing natural gas dependence is critical to strengthening Europe's resilience.
Article 76	While a scheme-based approach is an improvement over project-by-project appraisals, further steps are needed. Approvals based on transparent, ex-ante conditions would significantly enhance predictability and bankability for cleantech investments.
Article 82	Cleantech for Europe strongly supports the principle of mandating a minimum share of RFNBO for industrial decarbonisation projects using clean hydrogen. Given the urgent need to scale and deploy non-fossil technologies such as electrolysers, and ensure that public support delivers meaningful climate benefits, the Commission should require this share to at least be aligned with the RED III targets. These changes would align national targets with EU funding rules, thereby providing clearer signals and more certainty to investors in clean technologies.
Article 86a & 92	We recommend moving away from funding gap calculations as the basis for aid decisions. Aid should be based on clear, strategic objectives rather than complex, ex-post financial assessments.
Article 90	Aid intensity ceilings should be raised to 50% for all decarbonisation technologies. Given its superior abatement cost in €/tCO_2 avoided in many applications, direct electrification should be prioritised where appropriate.
Article 101	We strongly support excluding new fossil gas infrastructure from aid eligibility under CISAF decarbonisation provisions.

Article 103	The proposed 5% flexibility margin between decarbonisation and capacity increases is artificial and unnecessary. Investments in cleaner capacity expansions should be supported without such arbitrary caps.

Chapter 6 – Cleantech Manufacturing

As a general comment, we would recommend examining more closely the different technologies, as the amount of capital expenditure needed to scale up production may vary widely between different technologies. Moreover, the level of technological maturity will also have a bearing on the ability to raise private capital to fund projects, diminishing the need for public de-risking measures.

Paragraph	Feedback
Chapter 6.1	Chapter 6.1 (replaces TCTF Article 85, on investment aid)
Article 126	At a time when the EU has made the scaling up of cleantech manufacturing capacity a priority under the Clean Industrial Deal, we do not understand the rationale for halving the authorised aid compared to the Temporary Crisis Transition Framework (TCTF) (Paragraph 85). While the focus has shifted from assessing aid at the level of an undertaking to that of a project, in practice smaller companies may struggle to run and develop several projects in parallel. As a result, this is unlike to translate in significantly enhanced opportunities for small and medium sized companies. Considering the total capital expenditure for projects large enough to sufficiently bring down the marginal cost of production for certain technologies (i.e. several billion EUR for batteries), EUR 75M will not make a significant difference.
Paragraph 128	Loans, and particularly guarantees, can be very effective publicly funded de-risking tools that also tend to have less risk of distorting the market. Therefore, it is very welcome that the CISAF explicitly recognises and simplifies rules around these instruments. In general, we would recommend clarifying that these guarantees are not limited to loan guarantees but can be extended to manufacturing guarantees (guarantee that the technology delivered works), performance guarantees (after

	installation/sale of the equipment) and potentially extended to guarantees to SMEs for entering into long-term Power Purchase Agreements (PPAs), as foreseen in the Clean Industrial Deal EIB pilot program of EUR 500M. Some minimum offtake guarantees could be considered for certain technologies and projects to enhance the business case and predictability.
Chapter 6.2	Chapter 6.2 on ad hoc project-based aid (replaces TCTF 86 on matching aid) If the EU wants to regain international competitiveness for cleantech manufacturing, it is this section that will be key. Unfortunately, it is also the section that would need the most thorough rewrite, based on the principles outlined on this contribution.
Article 133, Article 134, Article 135, Article 136, Article 139	TCTF 86 has not been successful because the conditions attached are too ambiguous and therefore not bankable. Chapter 6.2 makes the conditions even more ambiguous because it introduces: • proof of no relocation in EEA • proof of no job losses within EEA • proof of no crowding out effects • and a clawback mechanism, further exacerbating uncertainty The first three bullets are impossible to prove for any project developer, and particularly for SMEs and scale-up companies. It is impossible to provide certainty that a specific investment is fully additional and does not go at the expense of any investment or jobs elsewhere. For the EU to gain its international competitiveness this section must be fully reconsidered.

Chapter 7 – Aid to reduce risk for private investors (blended finance)

As a general comment, blended finance and de-risking structures will need to play a significant role to mobilize private capital for the sectors identified in the CISAF. Therefore, it is of vital importance that this section is workable for financial intermediaries in setting up these structures. This should follow the principle that to ensure as much as possible a commercial approach, the specific investment strategy and portfolio construction, risk-management policy and potential exit strategy should be kept sufficiently flexible for the financial intermediary, within the confines of the investment mandate set by Member States.

Paragraph	Feedback

Paragraph 150	The decision on the construction and allocation of the portfolio of an SPV or fund to particular investments is based on commercial considerations, return on investment (ROI) prospects and sound risk-management and diversification requirements. Therefore, it seems artificial to specify a maximum amount per investment. Furthermore, in the funding structure of a company or project, EUR 100m in equity capital may be considered quite different than EUR 100m in loans or guarantees. Therefore, we would suggest removing the maximum amount and instead indicating that the allocation of investments must follow well-diversified investment policy underpinned by sound risk-management processes.
Paragraph 152	It seems unusual for the Member State to set the investment strategy of the investment portfolio. We would rather suggest indicating that the Member State defines the investment mandate/objective (technological focus or priority areas). The concrete investment strategy and risk-diversification policy is set by the financial intermediary within the parameters set by the investment mandate by the Member State. Furthermore, we would adjust the requirement to have a clear and realistic investment strategy for each equity and quasi-equity investment ex ante. For any time-limited fund/SPV structure, a financial intermediary will always plan for an exit strategy, which may vary significantly in time due to market conditions, the sector and the technology concerned. For example, a public listing/IPO may not be the logical route for every single investment.