

# MAKING THE TRANSITION INVESTABLE

Investor priorities for financing the Clean Industrial Deal

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An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact



# About this brief

The EU requires an [estimated €750–800 billion](#) in annual investment for its transition to a competitive, equitable, circular net-zero economy and climate neutrality by 2050. Most of this capital will need to come from the private sector. Transition policies like the Clean Industrial Deal (CID) must help empower investors to make long-term capital allocation decisions and create an environment that delivers sustainable investment opportunities.

This policy brief sets out investor priorities for making the transition investable – specifically, how to finance the CID and advance a competitive, resilient and inclusive European net-zero economy. It draws on previous work undertaken by the Principles for Responsible Investment (PRI) on the economic transition, a survey of 44 PRI signatories followed by 15 in-depth interviews on priorities for the EU transition and the CID, and feedback from several discussions and roundtables.

**The PRI would like to thank all interview partners and participants for their valuable contributions and comments.**

For more information, contact:

Martin Stavenhagen  
Policy Specialist, Climate and Transition  
[martin.stavenhagen@unpri.org](mailto:martin.stavenhagen@unpri.org)

Elise Attal  
Head of Europe Policy  
[elise.attal@unpri.org](mailto:elise.attal@unpri.org)



# Executive summary

With the Clean Industrial Deal (CID), the EU has established a new competitiveness agenda to transition to an innovative and resilient European net zero economy. The EU needs an estimated €750-800 billion of annual investments, the majority which will have to come from the private sector. Transition policies like the CID aim to strengthen European global competitiveness, increase sustainable investment opportunities and enable accelerated capital flows for the transition.

**This policy brief identifies opportunities and barriers in the CID as assessed by signatories, their policy priorities to make the EU transition investable, and next steps for policy-investor dialogue.** It is based on survey data collected from 44 PRI signatories, 15 in-depth interviews with signatories and experts, and feedback from several discussions from March to October 2025.

Ten policy priorities for investors emerged to accelerate finance for the CID, across three categories:

- **Stable governance, climate target, and transition plans** require: 1) regulatory stability, 2) a robust 2040 climate target, 3) national transition and investment plans, 4) sectoral roadmaps.
- **Competitiveness, markets, and incentives** need: 5) strong lead markets, 6) predictable pricing signals, 7) integrating societal and environmental benefits.
- **An enabling financial environment** includes: 8) transition-aligned public finance, 9) derisking to crowd in private finance, 10) policy coherence, transition plans and sustainability information.

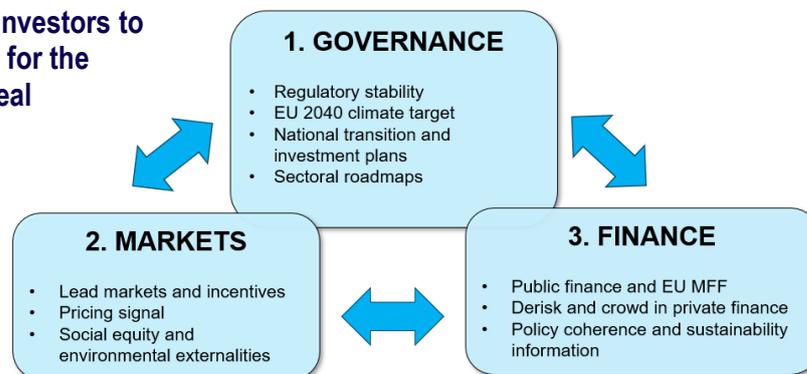
When enacted following a coherent whole-of-government approach<sup>1</sup>, these priorities can provide a stable regulatory framework that sends the right policy signals for investors; a competitiveness framework that grows sustainable investment opportunities and expands the ‘investable universe’; and an enabling environment that leverages public funds to crowd in private finance for the transition.

**To accelerate transition finance, investors need a coherent transition policy ecosystem** anchored in credible climate targets for 2035 and 2040, national transition and investment plans, detailed sectoral roadmaps, and transparent, accessible, and reliable sustainability data. This ecosystem should enable lead markets and facilitate demand for cleantech and innovative circular business models, products and services, provide the right price signals to incentivise investment, help align public budgets with transition priorities, and provide an enabling financial environment with de-risking mechanisms to accelerate capital flow – **for a competitive, clean and resilient European economy.**

More convening and collaboration mechanisms to connect policy, industry, financial and civil society stakeholders are necessary to make the transition investable. Based on these investor priorities, this policy brief aims to inform further policy-investor dialogue to:

- **Collaborate on transition priorities and investment needs.**
- **Improve coordination and coherence across implementation.**
- **Integrate feedback loops and communication.**

## 10 priorities from investors to accelerate finance for the Clean Industrial Deal



<sup>1</sup> A whole-of-government approach is an effort in which all relevant parts of government coordinate policies, actions and resources across institutional boundaries to address complex, cross-sectoral

sustainability challenges, for example climate change, inequality, security, or economic resilience.



# 1. From Green to Clean: the EU competitiveness strategy

The Commission's 2024–2029 priorities place competitiveness at the heart of Europe's transition to a net-zero economy, aiming to ensure that decarbonisation, innovation, green technologies, and resilience all drive a sustainable growth strategy for the EU.

This agenda is anchored in the [Draghi report on EU competitiveness](#), published in September 2024. It provided recommendations for “a more competitive, sustainable and secure EU economy”, and estimated investment needs of €750-800 billion each year until 2030 for the net zero transition and achieving the EU's 2030 climate targets. Most of these funds need to come from the private sector.

In January 2025, the new Commission launched the [Competitiveness Compass](#), setting the groundwork for its economic strategy by establishing three core objectives: 1) closing the innovation gap; 2) setting a joint roadmap for competitiveness and decarbonisation, and 3) increasing economic self-sufficiency and access to critical raw materials – linking climate, competitiveness, and resilience.<sup>2</sup>

The following month, the Commission presented the [Clean Industrial Deal](#), to address these three priorities – a non-legislative communication and a ‘business plan’ for Europe's transformation to a competitive, clean and circular economy. The CID focuses specifically on decarbonising high-emission industries, boosting the cleantech sector, and strengthening circular business models for more energy and material security. It attempts to provide the ‘carrots’ of industry and market incentives to complement regulatory ‘sticks’, specifically the Fit for 55 package, to achieve the 55% greenhouse gas (GHG) emission reduction target for 2030 mandated in the Climate Law.

## The Clean Industrial Deal

The non-legislative EU action plan aims to increase EU competitiveness by addressing six key pillars:

- **Affordable clean energy**, to make EU industrial production competitive and cost-efficient
- **Lead markets**, to create market demand for clean energy products and market differentiation
- **Financing**, to provide public support and incentives while leveraging private finance
- **Circularity and access to materials** and resources, to reduce dependencies, offer more innovative products, and gain more security over the own cleantech value chain
- **International partnership and global markets**, to strengthen trade relationships in a highly competitive geopolitical environment and grow markets for clean products
- **Skills and quality jobs** for a workforce ready and able to build the innovative circular net zero economy.

The CID promotes industry roadmaps as a horizontal enabler for selected sectors, e.g. for automotives, steel and metals, chemicals, and the bioeconomy, to help develop sectoral transition pathways, and includes the EU's proposed climate target of 90% emission reductions by 2040.

For more detail, see the [PRI investor brief on the CID](#).

<sup>2</sup> Speech by EU Climate Commissioner Wopke Hoekstra at EU Sustainable Energy Week, June 2025



## 2. Assessing the Clean Industrial Deal: enablers and barriers

*Most interviewed investors are cautiously optimistic, as they see the CID as a step in the right direction, and a potential accelerator for industrial decarbonisation if implemented effectively. They welcome the holistic approach to connect competitiveness, decarbonisation, and innovation, while simplifying financial support mechanisms. However, they remain cautious as the CID does not yet set clear priority actions, and ambition may dilute under political pressure and geopolitical instability. Investors stress that the CID's ambition must be matched by rapid delivery, stable rules, adequate funding, and policy coherence.*

### Transition enablers and opportunities

Investors recognise the CID's potential to strengthen the EU's global competitive position in both survey and interviews, by differentiating the EU market from other markets by providing more stability, transparency, and predictability for companies and investors. If implemented correctly, the CID provides clear transition goals, policy predictability, and accountability for targets and results. For investments with high up-front costs, like innovative cleantech and circular economy solutions, this would provide market confidence and attract international investments.

- **Boosting investment through stronger demand signals.** Closing the investment gap requires enabling markets to function effectively. Investors see creating EU lead markets to kickstart demand for clean products and services as most effective to raise investments for further expansion and economies of scale. This would help growth of cleantech, bioeconomy and other competitive growth industries by providing companies and investors greater certainty about future demand. As one investor put it: *"You can't regulate a market into existence – but you can grow it by providing incentives and long-term planning security."* Clearer demand signals help build stable project pipelines and thus expand the investable universe.

- **Providing public incentives to increase bankability of business models.** Public incentives can help companies create business models that are more viable from an investment point of view. These financial 'carrots' help increase bankability of projects, grow the market, and help increase competitiveness by enabling innovation, technology leadership, and economies of scale.
- **Improving access to finance to derisk initial investments.** Investors welcome the Clean Industrial Deal's focus on pooling resources and simplifying access to funding. De-risking mechanisms, such as guarantees, power purchasing agreements (PPAs), and contracts-for-difference (CfDs), can make higher-risk investments viable, while helping markets mature and reduce capital costs over time.
- **Pooling and streamlining resources for efficient financing.** Although overall funding remains insufficient, access is gradually improving through the simplification and pooling of existing funds. Current efforts mainly repackage and streamline available funds, which supports more efficient (co-)financing mechanisms.
- **Connecting strategy, security, and social benefits for a successful transition.** With a coherent policy framework, the CID can help to "connect the dots" by aligning strategic objectives such as competitiveness, economic resilience, climate action, and global technology leadership. By linking energy sovereignty with secure jobs, social equality measures, and ensuring broad societal benefits of the transition, the CID can build broader political and public support and strengthen prospects for successful implementation.

### Transition barriers and challenges

However, investors remain uncertain about the long-term regulatory outlook. While the CID connects many elements into a holistic framework, it remains a strategy at this stage that suggests new regulation that, for most parts, still awaits formal proposals. Investors thus want greater clarity on what CID implementation will mean in practice. Policy certainty – through consistency, accountability, and predictability – remains their primary concern. Many of the necessary policy signals are still missing, and uncertainty around stability and enforcement continues to limit the CID's impact on investment decisions.



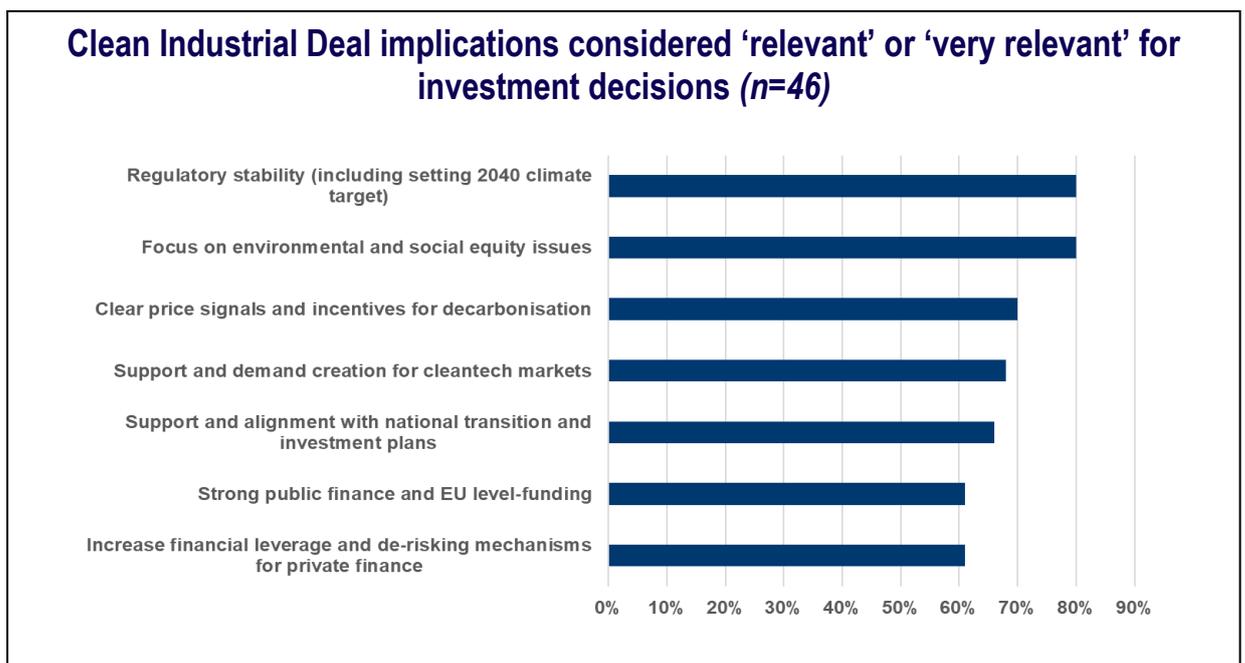
- **Policy uncertainty undermines market confidence.** The CID’s ‘trickle-down’ incentives are important for market development, but investors expressed a lack of confidence in the EU’s ability for policy implementation and enforcement. The final content and formulation of policy plans and initiatives in the CID have not yet been decided or negotiated and do not yet provide the market security or predictability. The two-year timeline of legislative implementation in the CID is also considered too ambitious for regulation to be negotiated, decided, adopted and put into effect.
- **Clear priorities need to guide investment.** A key gap in the CID is the absence of clear sectoral priorities and hard choices about which industries and technologies to promote over others. Investors would benefit from a defined list of priority sectors, guiding both public and private capital flows and aligning long-term strategies. Without such focus, the CID risks spreading too broadly – *“involving everything and nothing,”* as one interviewee put it – making its core political priorities unclear.
- **Early-stage cleantech needs more public funding.** Existing funds remain inefficient given overall transition investment needs, as cleantech solutions are still considered at an early stage with the need of more public support for high front-up capital costs, still too large to be covered by the private sector. Public funding at the necessary scale is still lacking in the CID, in the new EU Multiannual Financial Framework (MFF), and for financial derisking instruments, guarantees, and blended finance mechanisms.

- **Predictable price signals and coherent policies guide capital flows.** Investors stressed the need for the CID to align closely with transition finance frameworks and broader EU sustainable finance policies. Clear and predictable long-term price signals are essential to guide capital flows, particularly for high-emission but transition-critical sectors such as utilities. While these sectors are covered by the ETS, they still require significant investment for decarbonisation and face mounting financial pressures. Ensuring policy coherence will help channel capital effectively and strengthen investor confidence.

## Implications for investment decisions

As part of the research for this policy brief, PRI conducted a survey with 44 signatory responses on EU omnibus legislation and the Clean Industrial Deal. Survey participants were asked to rate CID implications according to how relevant they are for their investment decisions (see box below). Some key insights:

- Regulatory stability and a clear 2040 climate target and focus on nature and social equity issues are the two top investor priorities (each cited by 80%).
- Clear price signals and incentives for decarbonisation (70%), increasing cleantech market demand (68%), and national transition and investment plans (66%) are also considered highly relevant for investment decisions.
- Strong public finance and financial leverage and de-risking mechanisms are important to a majority (61%) of interviewees, though not top priorities.
- Investors seem to value a combination of policies rather than reliance on any single instrument.





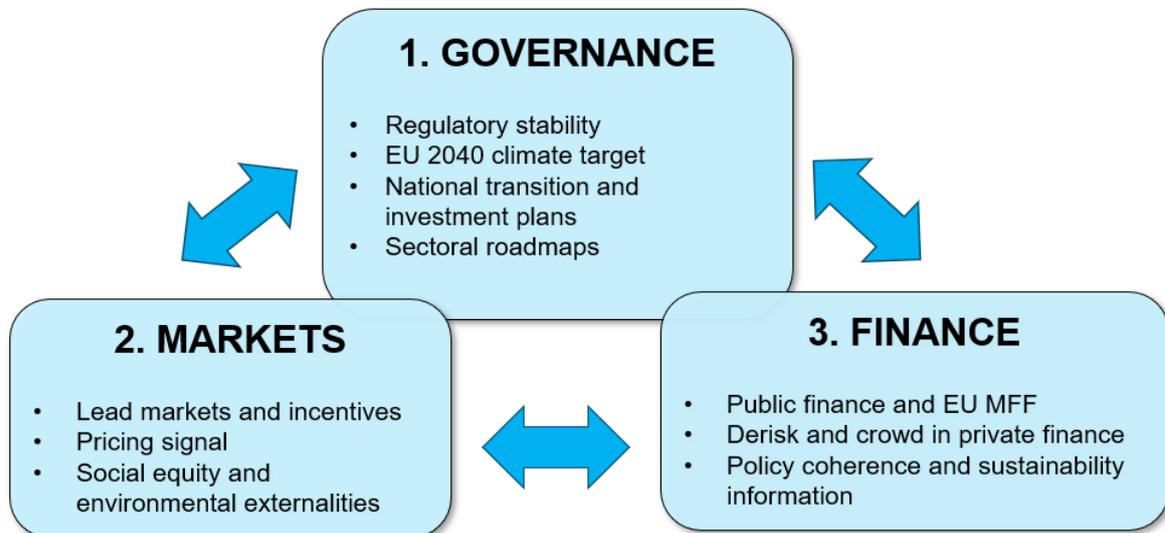
# 3. Investor priorities for the EU transition

After assessing CID opportunities and challenges, investors expressed their views about policy priorities which will drive their transition investment decisions. They elaborated what CID proposals are most relevant to increase sustainable investments; what policies or mechanisms are missing from the CID; and how the EU sustainable finance framework should integrate into EU transition policy to support transition investments.

**Investors' answers can be categorised into ten priorities, across three broad categories:**

1. Stable governance, climate targets, and transition plans
2. Competitiveness, markets, and incentives
3. An enabling financial environment.

## 10 priorities from investors to accelerate finance for the Clean Industrial Deal





# 1. STABLE GOVERNANCE, TARGETS AND TRANSITION PLANS

*Regulatory stability needs a policy framework that integrates transition policy targets, plans, and implementation pathways and guidance, for the CID and beyond. In the EU, this includes: (i) setting an adequate 2040 climate target to achieve climate neutrality by 2050; (ii) National Energy and Climate Plans (NECPs) that specify targets and implementation at national level, and (iii) sectoral roadmaps that provide guidance and investment-useful data for financing the transition.*

## (1) Regulatory stability creates market confidence

**Regulatory certainty is at the core of investors' ability to make long-term capital allocation decisions.**

Investors stress how a Clean Industrial Deal that makes European industry, products and technologies competitive in global markets requires stability, predictability, and reliability of transition policies. Policy measures in the CID need to support and align with the [EU Climate Law](#), [Fit for 55](#) transition policies, and corporate disclosure and due diligence regulation in the [EU sustainable finance](#) framework – with a clear trajectory of legislative adoption and implementation timelines, as investors expressed their need for policy predictability over a long-term investment horizon of at least ten years or longer. Market demand for clean products, for example, will partially depend on policy incentives that need to remain stable over longer time periods to assess sector growth and related investment opportunities.

At the same time, unexpected policy revisions – like the [Omnibus I package](#) to simplify recently introduced requirements for sustainable data disclosure, due diligence and transition planning, with further omnibus simplification measures on their way – without advance notice or regular consultation procedures have made it challenging to effectively plan investments. Investors have expressed concern about the impacts of current lobbying efforts on rapid regulatory changes without taking the time to conduct an impact assessment.

In this political environment, the CID proposed legislative timetable to negotiate and implement several wide-ranging transition policies in just two years seems

overly ambitious. Policy implementation can take effect in phases, with a clear trajectory and reliable timeline. Also, industry guidance on application should accompany new regulations simultaneously, as this kind of guidance can quickly become outdated when delivered two or three years after the regulation.

**“The EU’s clean industrial transition must be guided by coherent, science-based policy. Weakening key directives like CSRD and CSDDD risks creating legal uncertainty and undermining investor trust.”**

*– Linda Sundberg, Head of Sustainable Investing, Church of Sweden*

## (2) A robust 2040 climate target provides the compass for decarbonisation

A credible, science-based GHG [emission reduction target for 2040](#) consistent with Paris Agreement commitments and climate neutrality by 2050 provides the cornerstone to strengthen regulatory certainty by aligning policies as mandated in the EU Climate Law. Investors need to be able to rely on mandatory climate targets to create the time horizon they need for informed decisions on long-term investments, portfolio alignment, and capital allocation.

The 2040 climate target acts as a benchmark that informs sectoral decarbonisation pathways and timelines at EU and national levels, national transition and investment plans (e.g. NECPs), and transition plans and targets for companies and financial market actors at entity-level. It builds market confidence for industry decarbonisation and cleantech innovation and provides long-term certainty to investors, enabling confident capital allocation for the transition. Circular economy targets in the CID – increasing the circular material use rate to 24% by 2030 – were also mentioned as helpful to increase investments.

In July, the Commission [proposed](#) reducing GHG emissions by 90% by 2040, compared to 1990 levels. More than 150 companies and investors [support](#) this



target which follows the lower end of [recommendations](#) of the European Scientific Advisory Board on Climate Change (ESABCC).

It proposed ‘flexibilities’ in the target, including covering up to 3% of emission reductions through international carbon credits. These flexibilities could lower the investment incentives in decarbonising domestic EU industries and make climate neutrality by 2050 more difficult.<sup>3</sup>

The EU 2040 climate target is linked to its Nationally Determined Contributions (NDC) for 2035, as an important interim target that will define EU decarbonisation pathways and decide about its global credibility and climate leadership. An ambitious NDC based on the 2040 target can help strengthen international partnerships for climate action and trade that support green value chains and grow joint markets for clean products. A 2035 NDC in line with the 2040 target would require 72.5% reductions of GHG emissions by 2035.<sup>4</sup>

### (3) National transition and investment plans need to guide capital allocation

National transition plans can help guide investors’ capital allocation and project investments if they provide the right kind of macro-economic information to guide corporate transition plans. They can send clear, long-term signals on government’s commitment to the transition and help the private sector assess the long-term viability of investment opportunities.

In the EU, each Member State is mandated to publish and regularly update 10-year National Energy and Climate Plans (NECPs). Current NECPs are for 2021-2030 and outline GHG emission pathways, renewable energy and energy efficiency measures, and regulatory measures of support for the [European Energy Union](#).

However, NECPs are criticised by investors as too fragmented and less relevant for financial decisions, as they lack information that would help assess overall market developments and project viability for specific industry sectors. NECPs and the information they provide can be made more investor-useful, the same way [NDCs can be improved](#) to increase both credibility and bankability.

Investment-ready NEPCs, accompanied by national transition investment plans, have the potential to send important signals to global markets and facilitate greater flows of capital for the transition to a competitive net zero economy. They can act as coordinating vehicles to bring together public and private sector finance for national transition investments.<sup>5</sup> To do this effectively, they should:

- **Connect to sectoral roadmaps** with detailed decarbonisation and technology strategies and pathways, including sector-specific targets
- **Include national investment plans** that quantify both economy-wide and sectoral investment needs and timelines, funding gaps, public-private split and funding plans, and private sector support instruments to attract capital and identify transition investment opportunities
- **Provide supporting policy and regulatory frameworks** to achieve sectoral targets, including workforce preparedness, skills development, and social support measures, to provide investor confidence on the credibility of sectoral decarbonisation plans
- **Enable easy access** via an online platform that provides harmonised and comparable information across Member States’ national transition plans
- **Ensure broad stakeholder consultation** with companies, investors, EIB and national public banks, independent experts, and civil society, as well as cross-departmental collaboration including Ministries of Finance as part of a whole-of-government approach.

Well-designed and harmonised NECPs will also lead to a more integrated European Energy Union and enable larger transboundary investment opportunities. Feedback from investors will be useful to inform revision of the [Climate Governance regulation](#) for NECPs for 2031-2040.

<sup>3</sup> As of November 2025, the proposed Climate Law amendment is in trilogues between the European Council and Parliament.

<sup>4</sup> Linear progression from the mandatory climate target of 55% emission reductions by 2030 and a 90% target by 2040 results in a 72.5% target for 2035.

<sup>5</sup> See also: IIGCC (2024) [Making NDCs investable - the investor perspective](#)



## (4) Sectoral roadmaps show markets the direction of travel

**Sectoral roadmaps are the single most-mentioned priority for investors to provide clarity and planning security for transition finance.** Several investors stress their need for sector-specific decarbonisation and technology pathways to provide clarity on long-term market developments and provide the time horizon needed to make long-term transition investment decisions. While the climate target provides the destination, the roadmap informs the actual pathway on how to get there.

The EU Climate Law (Art. 10) calls for the Commission to engage with economic sectors on 'sectoral roadmaps' to achieve climate neutrality, and the CID also includes dialogues for the automotive sector, steel and metals, chemicals, sustainable transport investment, and a new EU bioeconomy strategy. For all sectors, the EU aims to strengthen circularity as an enabler for innovation, decarbonisation, and resource security. Several high-level EU sector-specific action plans have been published, including for [Affordable Energy](#), for the [Automotive Sector](#), for [Steel and Metals](#), and for the [Chemicals Industry](#).

National-level roadmaps were viewed favourably by investors, like the French [National Low Carbon Strategy](#) which provides €54 billion by 2030 to support investments in reindustrialisation, technological innovation, and employment for six [key economic priority projects](#). It also provides support for projects related to public services, nature restoration, and democratic participation.

To be effective, detailed sectoral decarbonisation roadmaps need to:<sup>6</sup>

- **Provide credible and decision-useful information for investors**, linked to sectoral decarbonisation pathways and carbon budgets aligned with the EU 2040 target and 2035 NDC
- **Include sector-specific technology pathways, investment needs**, timelines, policy dependencies, and financial support instruments
- **Clarify investments in public goods needed** to create a physical, technological and financial enabling environment, e.g., transboundary

electricity grids, climate-resilient infrastructure, low-carbon public transport, etc.

- **Align decarbonisation and transition plans with financing mechanisms** that articulate total investment needs alongside measures to de-risk and crowd-in private capital
- **Be based on stakeholder engagement** with companies, industry experts, investors, financial institutions, civil society, and independent scientific experts and initiatives
- **Reflect recommendations** on action-oriented sectoral roadmap requirements from the [Science-Based Targets initiative](#) (SBTi), the [Transition Plan Taskforce](#) (TPT), or the [CEN/CENELEC' standard EN 18074:2025](#) on "Industrial decarbonization - Requirements and guidelines for sectoral transition plans".

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<sup>6</sup> See also IIGCC (2025), [Principles for developing sector decarbonisation roadmaps - the investor perspective for policymakers](#)



## 2. COMPETITIVENESS, MARKETS AND INCENTIVES

*The EU's growth agenda aims to strengthen competitiveness through decarbonisation, increase economic resilience and independence through renewable energy and circular material security, and 'bring home' innovation and high value cleantech value chains.*

*Investors' main policy priorities to achieve these objectives include: (i) lead markets and incentives that de-risk transition investments; (ii) pricing signals that shift market incentives; and (iii) a strong focus on social and environmental factors, to ensure a competitive, resilient and inclusive net zero transition.*

### (5) Creating strong lead markets helps grow clean product demand

**Innovative, first-of-its-kind projects face high upfront costs, uncertain demand and willingness to pay a green premium, and a lack of track record,** which increases risks and makes cash flow predictions difficult. Not knowing how much, for example, green steel, cement, or hydrogen will be in demand and at what price over the next five to ten years makes it difficult for financial markets to commit to long-term, capital-intensive investments today.

- **Strengthening lead markets** for innovative green products and services is essential to accelerate the clean transition because they create the predictable demand needed to scale up-front investments. Policies like sustainable product labelling, quotas for green steel (e.g. for automotive production), and non-price procurement criteria (e.g. on carbon content) can help guarantee early uptake and provide companies with confidence to scale. For investors, this predictability can translate into stable and plannable revenues, reduced risk, and stronger business cases for financing innovative technologies. Lead markets function as catalysts: they transform innovative technologies

perceived as risky into investable opportunities by guaranteeing a baseline of market uptake.

- **Setting priority sectors** within the CID guides capital by signalling where public and private investment will concentrate. Clear choices – on hydrogen, batteries, and clean industrial materials, among others – build confidence that these areas will receive policy and financial backing, while clarifying which sectors will not receive support avoids stranded assets and ensures efficiency. For investors, this prioritisation sharpens long-term strategies and directs resources to the most competitive and viable markets, and sectors with political backing and long-term competitiveness. The EU Taxonomy can help create transparency for transition investment needs by aligning its definitions of 'sustainable' and 'transition activities' with priority sectors and technologies needed for the CID.
- **Public procurement** represents a [€2 trillion annual market opportunity, or 14% of EU GDP<sup>7</sup>](#), and is one of the strongest tools to accelerate clean markets. By embedding sustainability standards in public tenders – whether in construction, energy systems, or infrastructure – and leveraging guarantees, long-term contracts, and power purchase agreements (PPAs), governments can secure early demand and de-risk projects. For financial actors, this can transform uncertain early-stage markets into bankable opportunities, enabling private finance to crowd in once public demand anchors market creation. The CID includes a revision of the [Public Procurement Directive](#) to mainstream the use of non-price criteria, planned for late 2026.
- **Market incentives** are essential complements to regulation and transparency that help shift capital flows by making clean technologies and innovative business models investable. Incentives such as grants, tax breaks, and innovation subsidies enable early investments in clean technologies, which later become viable investment opportunities for private finance. Utilities and infrastructure operators – often high-emitters but indispensable for the transition – require significant up-front capital for decarbonisation that is difficult to unlock without targeted incentives. With ongoing financial pressures on companies and the scale of required capital, investors see stable, well-designed incentives as essential to enable markets, reduce risks, and ensure long-term returns.

<sup>7</sup> Around €2 trillion, or 14 % of the EU's gross domestic product, is spent each year on public procurement. Public procurement is a key element of the single market, both from an economic perspective and from that of integration and helps public authorities achieve the best

value for money when purchasing works, goods and services. See European Court of Auditors (2023), [Special Report on Public Procurement in the EU](#)



■ **Circular economy** policies strengthen competitiveness and create new business opportunities for recycling, waste management, manufacturing, and construction. Investors are watching other CID targets like the EU's 24% circular material reuse goal by 2030, but to scale these business models, there needs to be clearer accountability for waste and material streams, particularly as technologies like batteries reach end-of-life. The forthcoming [Circular Economy Act](#) and an updated [bioeconomy strategy](#) – for which the PRI [responded](#) to the Commission's call for evidence – aim to strengthen legal responsibilities and help create investable business models. Circularity also supports strategic resilience by increasing energy and material security, reducing reliance on imports, and capturing a larger part of green value chains – with the EU setting a target of 40% of domestically produced key components of cleantech products.

**“To unlock private investment at scale in the EU's low-carbon infrastructure and businesses, the Clean Industrial Deal and related national policies must address key obstacles (like planning delays and volatile carbon pricing), balance supply- and demand-side policy measures, and expand affordable low-carbon electricity. Public investment should be used to strategically crowd in private finance in sectors where market barriers remain.”**

*Nick Molho, Head of Sustainability Advocacy (EU&UK), Aviva*

■ **Resilience and strategic autonomy** are crucial to ensure European competitiveness and security. Scaling EU manufacturing capacity in batteries, hydrogen, and [critical raw materials](#) reduces reliance on imports, while clean industrial partnerships and international cooperation can ensure diversified supply chains. At the same time, embedding climate targets such as 90% emissions reduction by 2040 and 24% circularity by 2030 into industrial planning gives investors a clearer framework for risk and opportunity and a stable foundation for investment in Europe's future economy.

If the CID successfully aligns lead markets, incentives, and financial de-risking tools with EU competitiveness and resilience goals, it can lay the groundwork for a strong circular net-zero economy based on affordable energy, clear demand signals, and sustainable value chains.

## **(6) Predictable pricing signals drive long-term sustainable investment decisions**

**A successful CID needs strong and predictable carbon pricing through the EU Emissions Trading System (ETS) and the Carbon Border Adjustment Mechanism (CBAM).** Pricing needs to shift the market to make sustainable investments more attractive than more harmful alternatives. These long-term pricing signals must be clear, credible and transparent, so investors can factor them into long-term decisions.

**The EU ETS is one of the cornerstones of EU climate policy, giving investors long-term carbon price signals.** Emissions under the ETS1 are already 50% below 2005 levels and on track for a 62% reduction by 2030. The next ETS revision expected in 2026 will plan its further reduction of allowances in line with 2040 climate targets and net climate neutrality by 2050.

**In 2027, the new ETS2 will apply carbon pricing to buildings and transport,** expanding the coverage of emissions but also expanding the pricing more directly into citizens' lives. These measures increase the risk of political backlash if not embedded in adequate social and affordability safeguards. Despite the introduction of an [EU Social Climate Fund](#) to mobilise €86 billion from 2026-2032, [there are concerns](#) that measures outlined in Member States' National Social Plans (NSP) are insufficient to protect the most vulnerable from ETS2 prices. Adequate measures to mitigate adverse impacts



specifically on vulnerable households will be needed to ensure social inclusion and political acceptability of transition policy measures.

**CBAM is largely welcomed by investors as levelling the playing field for companies to operate in**, to help ensure competitiveness, and avoid carbon leakage from pricing externalities. It needs to be calibrated carefully to enable interoperability with ETS, as CBAM adjusts in line with phasing out ETS allowances, to keep providing the same price signal within the EU and externally. Revising and simplifying the CBAM is justified according to the Commission's analysis (i.e. increasing the carbon disclosure threshold to remove 90% of companies from its scope while still covering 99% of GHG emissions in the system). An impact assessment needs to inform its further development, coverage, and necessary adjustments.

**Fossil fuel subsidies of at least €111 billion in 2023 need to be rapidly phased out** to align market incentives with sustainable investment, while addressing energy poverty and safeguarding vulnerable households through the energy transition. Removing subsidies and correcting market signals that favour unsustainable economic activities provides political credibility for achieving climate targets and reduces adverse incentives to delay necessary transition investments.

## (7) Ensuring societal and environmental benefits strengthens public transition support

**Investors stress how social and nature-related issues are central to the transition, with fairness, inclusivity and planetary boundaries as priorities.** While the CID addresses green jobs, skills development, and monitoring adverse transition impacts, it does not include funding mechanisms to support social equity and just transition outcomes. However, the Commission plans to establish a European Fair Transition Observatory to strengthen evidence on the fairness of the green transition, develop indicators, share best practices, and foster dialogue with stakeholders on employment, reskilling, social protection, and other just transition aspects.

**Focusing on climate and decarbonisation technologies risks leaving vulnerable groups behind** in the transition, as rising energy and utility costs disproportionately affecting the poorest households. Social considerations like affordability, workforce preparedness, and equality should be embedded into

regulatory frameworks to [ensure public support](#) for a transition seen as fair and beneficial for all of parts of society, or otherwise risk public backlash and weakened political support. Citizens should be able to profit from tangible benefits, like affordable electric vehicles (EVs), adequate public transportation, heat pumps, or efficiency measures, supported by adequate leasing and financing options.

- As part of the introduction of ETS2 from 2027, the EU [Social Climate Fund](#) was introduced in parallel to alleviate social and economic impacts. It is designed to support vulnerable households, transport users and small businesses affected by rising costs and the transition, through investments in building renovation, low-emission mobility, and direct support. Running from 2026 to 2032, the SCF aims to generate €87 billion, mainly from ETS2 revenues and national co-financing.
- The [Just Transition Fund](#) runs from 2021-2027 with a total budget of €19 billion supports the economic diversification and reconversion of the territories concerned, both aiming to ensure a fair transition to climate neutrality. It is specifically targeted at regions most affected by transition impacts from decarbonisation, and supports economic diversification, up- and reskilling of workers, investments in SMEs and creating new firms, environmental rehabilitation, and other socio-economic and environmental efforts.

**Nature and biodiversity, especially for land use sectors (like forestry, crops, and agriculture), remain under-addressed in the CID**, which only mentions the growing role of the bioeconomy. Investors recognise that biodiversity loss poses material risks. They see frameworks like the Taskforce for Nature-Related Financial Disclosure (TNFD) as useful for measuring and managing impacts, and how regulation can help further shape this emerging area. Protecting ecosystems and ensuring sustainable land use is considered an essential complement to decarbonisation efforts, given the long-term risks to natural capital, food security, and climate resilience.

Across both social and environmental dimensions, science-based regulatory frameworks and political certainty need to guide transition policies that ensure affordability of clean technologies, embed social inclusion of vulnerable populations, and align with planetary boundaries. A double materiality approach is seen as helpful to integrate both nature and social metrics into investment decisions.



### 3. ENABLING FINANCIAL ENVIRONMENT

*The clean industrial transition needs significant investments and leveraging private capital. The CID needs to tackle this challenge in three areas: (i) mainstreaming climate in long-term public finance like the new EU MFF budget 2028-2024; (ii) leveraging public finance with de-risking instruments that crowd-in private investments; and (iii) increasing policy coherence to improve transparency and access to investor-relevant sustainability information.*

#### (8) Strong public finance needs to link to transition objectives

**Public funding at the necessary scale is still missing from the CID, as early stage cleantech needs more support than the private sector alone can provide.** Investors welcome pooling existing resources by consolidating funds, making access easier and requirements for their use more flexible, but also stress how the transition requires significant additional public funding, to fill investment gaps and de-risk capital-intensive projects.

Concentrating public resources on fewer but more powerful instruments, as proposed in the new [European Competitiveness Fund](#) (ECF), can help strengthen and focus mechanisms such as [InvestEU](#), the [Innovation Fund](#), and [Horizon Europe](#). The proposed [Industrial Decarbonisation Bank](#) and the [Industrial Accelerator Act](#) are also welcomed by investors, as they aim to mobilise over €100 billion for EU-made clean manufacturing by pooling revenues from the ETS, the Innovation Fund, and InvestEU guarantees.

The proposed EU [Multiannual Financial Framework \(MFF\) 2028-2034](#) needs to clearly prioritise key sectors to signal political commitment and guide investor expectations. Identifying priority areas for capital flows, whether public or private, provides long-term certainty, as large-scale transition projects are often closely intertwined between public and private actors. Climate mainstreaming helps align the EU budget with CID objectives for competitiveness, innovation, cleantech, and industrial policy.

Including so-called ‘do no significant harm’ (DNSH) criteria in EU funding, for example in the [Social Climate Fund](#) or the [European Regional Development Fund](#),

further helps to ensure public spending is aligned with EU transition objectives, and to avoid investments detrimental to climate or biodiversity goals. Its implementation, however, [remains inconsistent](#) across programmes, with varying levels of detail, enforcement, and monitoring. Strengthening and harmonising DNSH application would enhance policy coherence, accountability, and transition impact of EU funding.

Given fiscal budget constraints, limited funds should target market barriers and support public goods, such as [core infrastructure](#) necessary for numerous transition investments. Priorities should include:

- **Key industrial sectors** like low-carbon steel plants require support where hydrogen prices are not competitive yet to scale operations.
- **Logistically complex projects** can be coordinated, scaled and made accessible for institutional investors, for example renovating 500,000 homes under one public body, supported by public guarantees.
- **Critical infrastructure** essential for multiple sectors but where no individual actor will take the investment lead should be set up with public support, like hydrogen pipelines.
- **Core infrastructure for green supply chains**, like deeper ports for offshore wind farming, require public-private partnerships that create the conditions for accelerated investments.

For Member States, the [Clean Industrial Deal State Aid Framework](#) (CISAF), adopted on 25 June and in force until 31 December 2030, makes it easier to fund clean industry and other transition objectives through grants, tax credits, and guarantees without lengthy Commission approval. It enables faster, more flexible public support for decarbonisation and cleantech investment and can help crowd in private capital but may also increase risks of subsidy competition between Member States.

#### (9) Derisking and incentivising sustainable investments crowds in private finance

**Using limited public funds to cover risks through guarantees and risk-sharing instruments rather than direct capital provision can be politically and fiscally beneficial.** As public funds cannot bridge the annual [€480 billion investment gap](#) to achieve the EU’s 2030 target, combining clear pricing signals with targeted



incentives and flexible risk-sharing instruments helps to crowd in transition finance.

Guarantees, for example, can crowd in much larger sums of private finance – InvestEU achieves up to a [14-fold leverage](#) effect – and at the same time reduce political resistance to large-scale government spending. Instruments like Carbon Contracts for Difference (CCfDs) and Power Purchasing Agreements (PPAs) provide companies and investors with long-term revenue certainty, which is particularly important for hard-to-abate sectors.

De-risking instruments help to create market confidence, accelerate capital flows for first-of-a-kind projects, and cover risks for both early-stage innovation and scaling of proven technologies. They work best when flexible, pooled, and easily accessible – bridging the gap between near-market innovations and fully commercial solutions while reducing uncertainty for investors and lenders.

- **InvestEU** is a well-trusted mechanism by investors [proposed](#) to expand its risk-bearing capacity, aiming to mobilise up to €50 billion in additional investment across cleantech, mobility, and waste reduction, by increasing the scope of EU guarantees.
- **The European Investment Bank (EIB)** and its Climate Roadmap 2026-2030 play a [central role](#) by providing counter-guarantees and other de-risking mechanisms, including a cleantech guarantee facility, support for power-purchasing agreements (PPA), and backing for grid and industrial investments.
- **The European Banking Federation (EBF)** [recommends](#) increasing the bankability of the CID by improving a blended finance ecosystem with standardized financial tools and include SMEs and households in micro-blended finance, and a digital EU funding platform.

Building a robust ‘financing ecosystem’ with deep and liquid capital markets, stronger venture funding, and scalable blended finance instruments is critical to drive long-term innovation and make the transition investable at scale. Enabling the [Savings and Investment Union \(SIU\)](#), as proposed in the [Letta report](#) and part of the [EU Competitiveness Compass](#), would help to create new savings and investment products, provide incentives for risk capital, and enable seamless capital flows across the EU. By enhancing financial opportunities for EU citizens, the SIU should strengthen the EU financial system’s capacity to channel savings into productive, transition-aligned investments and away from assets at risk of becoming stranded, such as fossil fuels.

## (10) Investors need coherent policies, corporate transition plans, and sustainability information

**Investors need clear, consistent, and reliable information to finance the EU’s transition.** This requires coherent policies that align sustainability data, definitions, and targets across governance levels, enabling investors to assess risks, compare opportunities, and fund long-term projects.

Focusing only on disclosure and due diligence rules – while excluding the broader enabling framework and incentives – risks placing the transition burden on the private sector, with limited impact on capital flows. A truly effective approach connects financing instruments, disclosure standards, and regulatory frameworks, linking sustainable finance with real-economy transition needs so that public and private capital support shared EU objectives.

The [EU Climate Law](#) states (Art. 6) that “[t]he Commission shall assess the consistency of any draft measure or legislative proposal, including budgetary proposals, with the climate-neutrality objective [and] 2030 and 2040 climate targets before adoption, and include [a publicly available] impact assessment”.

This legal requirement underlines the need for policy alignment at the core of EU competitiveness and investor confidence. Coherent policies make large-scale transition projects more investable and bankable. This includes consistent definitions of transition risks, dependencies, opportunities, and impacts (RDOI) across the following policy domains:

- **EU climate and transition frameworks** – including the EU Climate Law, 2040 climate target amendment, 2035 NDC, CID policies, and the 2028–2034 MFF budget.
- **National transition planning frameworks** – such as NECPs and national investment plans, aligned with EU and sectoral roadmaps.
- **EU sustainable finance and due diligence rules** – such as the SFDR, CSRD/ESRS, CSDDD, and the EU Taxonomy.

**Many investors view current proposals to simplify sustainability reporting in the Omnibus I as a risk to the transition.** They expressed concern about reduced regulatory certainty and transparency, and a lack of availability of reliable sustainability data. Such instability reduces investor confidence – especially for capital-



intensive projects – and can slow the redirection of capital toward sustainable activities.

Maintaining the core elements of the [Corporate Sustainability Reporting Directive](#) (CSRD), the [Corporate Sustainability Due Diligence Directive](#) (CSDDD) and the [EU Taxonomy Regulation](#) is therefore essential, as they help channel capital toward forward-looking technologies and sectors to support CID objectives.<sup>8</sup> Over **475 investors, companies, and organisations** have called for simplification that preserves these frameworks' integrity, including transition plans and full value-chain coverage. CID credibility and implementation can be strengthened through transparent, harmonised corporate data aligned with transition objectives.

**Aligning NECPs with Taxonomy definitions of transition activities – including ‘do no significant harm’ (DNSH) criteria – would help make NECPs more actionable for investors.** Taxonomy-aligned data disclosed under the CSRD and the [Sustainable Finance Disclosure Regulation](#) (SFDR) allows investors to assess long-term capital expenditures in industrial decarbonisation and green technologies.

To strengthen their investment relevance, **NECPs should include credible transition investment plans** that align with CSRD and CSDDD [mandated transition plans and targets](#), and international best practices like the [Science-Based Targets initiative](#) (SBTi) and the [Transition Plan Taskforce](#) (TPT). Integrating aggregated corporate and financial transition data into NECPs would help governments better monitor and assess transition progress, identify policy dependencies, and address investment barriers.

Creating public–private [feedback loops](#) between NECPs and private transition plans would help align national commitments with financial and corporate strategies. Aggregated, high-quality private-sector data can support better national planning of investment needs, costs, and resource allocation.

Ultimately, investors need **greater alignment of concepts and definitions**, not fragmented or weakened rules. Simplifying the sustainable finance framework without maintaining consistency risks creating more complexity, fragmentation, and uncertainty – making long-term investment decisions in support of the EU's transition more difficult.

To create the policy predictability needed for long-term capital decisions, **investors require a coherent transition policy ecosystem that connects transition policy, finance, and industry.** Such an ecosystem employs a whole-of-government approach to create the governance and investment environment that makes the green transition predictable, investable, and inclusive – connecting high-level policy objectives with real-economy action and financial flows.

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<sup>8</sup> This requires sustainability data from a sufficient share of companies to make informed decisions, with a focus on targeted, high-quality, comparable and decision-useful data, and due diligence

requirements that ensure transparency on human rights and environmental impacts across supply chains.



## 4. Next steps: Towards a transition policy ecosystem

To create the policy predictability needed for long-term capital decisions, **investors require a coherent transition policy ecosystem that connects transition policy, finance, and industry.** Such an ecosystem employs a whole-of-government approach to create the governance and investment environment that makes the green transition predictable, investable, and inclusive – connecting high-level policy objectives with real-economy action and financial flows.

**“The low carbon transition is a multi-layered coordination problem. It is increasingly recognised that we need a structured approach to connecting business, finance, and policymakers, creating the conditions for integrated transition planning across the ecosystem.”**

*Mark Manning, sustainable finance advisor and member of Transition Plan Taskforce (TPT)*

The **CID can help provide this policy ecosystem to accelerate investment for a competitive clean economy** that benefits companies, workers, and citizens. An effective policy ecosystem should show a clear transition trajectory by providing a science-based EU climate target for 2040; credible NECPs aligned with national transition priorities and investment needs; detailed sectoral roadmaps, targets, and carbon budgets to guide long-term capital allocation; and easy access to sustainability data from corporate transition plans (enabled by CSRD, CSDDD, and the EU Taxonomy). Such a coherent framework should help connect industrial, financial, and social objectives, link top-down targets with bottom-up investment plans, and create stable, investable conditions for Europe’s transition.

**Policies to enhance competitiveness should help enable markets** – by providing the right price signals, investing in critical infrastructure, and offering de-risking mechanisms to scale clean technologies and circular business models. These policies need to support lead markets for clean, resource-efficient technologies, products and services, crowd in private investment, and strengthen Europe’s industrial resilience. More coordination and collaboration mechanisms to connect policy, industry, financial and civil society stakeholders are necessary to make the transition investable.

An effective transition policy ecosystem will need to support stakeholders to:

- **Collaborate on transition priorities and investment needs.** Establishing structured public-private dialogue – like an EU Transition Platform or Council – would support aligning NECPs with sectoral roadmaps and national transition investment plans. Stakeholder platforms should bring together policymakers, investors, industry, experts, and civil society to identify investment barriers, define infrastructure needs, and decide on financing tools. CID-initiated action plans and previous initiatives like the [EU Transition Pathways Stakeholder Support Platform](#) provide a strong foundation to expand and increase investor participation.
- **Improve coordination and coherence across implementation.** The CID should guide long-term investment priorities, aligned with the EU 2040 climate target and the next MFF. NECPs and sectoral roadmaps need to become ‘investment-ready’, linking clear political signals with financial support instruments and frameworks. Investors need flexible de-risking mechanisms and guarantees to leverage private capital efficiently and scale investments in new markets.
- **Integrate information feedback loops and communication.** Corporate transition data under CSRD and CSDDD can inform national investment planning, helping align NECPs with private sector needs. Two-way information flows between companies, investors, and governments can enhance transparency and capital allocation. Effective communication is equally critical: public understanding of the social and economic benefits of the transition – including new jobs, lower energy costs, and local community investments – help build support and credibility for transition policies.



# About PRI

The Principles for Responsible Investment (PRI) is the leading organisation in advancing responsible investment globally. Set up with United Nations' support, our unique community contributes to stable financial markets and a more prosperous world for all. We bring together signatories, amplify their voices and provide resources and guidance for complex sustainability challenges. The six Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. More information at [www.unpri.org](http://www.unpri.org).

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To inform this policy brief, its authors interviewed European and global investors, experts, and relevant stakeholders, and consulted with the PRI's Global Policy Reference Group.

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