CAN
CLIMATE ACTION NETWORK
Europe

Lessons learned from Member States concerning social and environmental conditionalities in public finance for companies: A promising way forward?

Briefing

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Contents

1. Introduction 1
2. Italy: Green Public Procurement and Minimum Environmental Criteria 3
3. The Netherlands: Green public procurement in tenders 5
4. The Netherlands: Tailor-Made Agreements 8
5. France: The example of the large decarbonisation tender 11
6. Belgium: Greening of the investment tax deduction 13
7. Belgium: Strategic investment support 15
8. Belgium: Carbon Communities in Wallonia 18
9. Germany: Climate protection agreements 20
10. Poland: Pre-commercial procurement (PCP) 23
11. Conclusion and Way Forward 25

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1. Introduction

Europe's industry is under real pressure, with new emerging challenges – from energy, raw materials and digital dependence to global overcapacity and ageing assets. Across the continent, industries are facing declining production in manufacturing heartlands, large-scale restructuring in both traditional and emerging sectors such as batteries and wind, and deep economic shifts in regions historically reliant on coal. For millions of Europeans, this transition will bring profound socio-economic change, often compounded by the ongoing cost-of-living crisis.

At the same time, large parts of industry are calling for a significant expansion of public financial support to fund this transition, as in the Antwerp Declaration. Business groups increasingly advocate for large-scale public backing to de-risk private investment, simplify access to funding, and mobilise public financial instruments to support industrial transformation. These demands point to a growing reliance on public finance to underpin Europe's industrial future, at a moment when austerity prevails in half of the Member States, pressurised to cut public spending by outdated EU fiscal rules.

Public finance can and should play a central role in this transition. It is a critical driver of decarbonisation, innovation, circularity and the creation of quality jobs. Well-directed public investment can foster green manufacturing, support innovative firms, and accelerate the transformation of industrial value chains.

The risks of unconditional public support

However, the expansion of public support also raises fundamental questions about how this money is used. Without a harmonised set of minimum conditions across Member States, companies will continue subsidy-shopping – driving up costs, undermining the Single Market, and deepening economic divergence. At the same time, poorly designed support risks reinforcing an imbalance in which risks are socialised while profits remain privatised, particularly through de-risking instruments, with significant distributional consequences – as largely evidenced in myriads of failed public-private partnerships all over Europe.

There are many examples where companies have received public subsidies – sometimes in the form of preferential tax treatment – and subsequently laid off workers, often while continuing to reward shareholders. Across sectors, large corporations have announced job cuts while maintaining or increasing dividend payouts, despite having benefited from public support. In some cases, restructuring is linked to automation and AI, fuelling concerns about a "jobless boom". BASF Antwerp announced in October 2025 that they would cut 600 jobs, while they paid out billions in dividends and had previously received financial support from the EU innovation fund and the Flanders region, as well as tax breaks that were later deemed illegal. Michelin announced in November 2024 the closure of two manufactures in France, with job losses, while having benefited from public aid from the French government. The next year, it proposed an increase in dividends paid to shareholders. Auchan underwent a similar move. While Arcelor Mittal cut jobs in spite of having benefited from public subsidies and continuing to distribute dividends to shareholders.

This reflects a broader structural trend. In recent years, large companies in key energy transition sectors – often energy-intensive and high-emitting – have increasingly prioritised short-term shareholder returns (through dividends or share buybacks) over long-term investment. Between 2010 and 2023, 841 listed companies in sectors such as automotive, fossil fuels, steel, energy and chemicals generated €2.1 trillion in net profits, distributing around 75% of these earnings to shareholders. Over the same period, investment rates declined significantly.

A critical moment to set conditions

This challenge is becoming more urgent in light of the rapidly expanding toolbox of public support. Looser state aid rules, new EU-level funding instruments such as the European Competitiveness Fund, and the growing pot of emissions trading revenues are significantly increasing the volume of public resources directed towards industry.

At the same time, “Made in Europe” requirements in public procurement are gaining momentum. Local content requirements – currently debated in the context of the Industrial Accelerator Act - may be justified to support strategic sectors or to scale up emerging clean technology value chains. They can also help ensure that the economic value generated through public support remains within the EU. However, EU preference or local production requirements alone are not sufficient to guarantee that publicly supported projects deliver broad benefits for European society.

As more public money flows, the absence of clear and consistent social and environmental conditions risks locking in inefficiencies, increasing fragmentation across Member States, and weakening public trust in industrial policy. More crucially, it may end up with no benefits for society, such as quality jobs, affordable products and services, substantial reduction in pollution and greenhouse gas emissions, and benefits for neighbouring communities. Conversely, aligning conditions across EU and national funding would improve predictability and simplicity for companies and ensure a level playing field within the Single Market.

There are already many examples of social and environmental conditionalities being applied at the national and sub-national level, in Europe and beyond. These experiences demonstrate both the potential of such approaches and the lessons learned to make them effective. This policy brief highlights a selection of these cases to support the broader mainstreaming of conditional public support. The era of blank cheques for companies must come to an end.

We would like to thank the members of CAN Europe who actively contributed to this brief with national case studies: Bond Beter Leefmilieu (Belgium), Canopea (Belgium), Réseau Action Climat (France), Germanwatch (Germany), ECCO (Italy) and Natuur & Milieu (Netherlands).

2. Italy: Green Public Procurement and Minimum Environmental Criteria

Green Public Procurement ("GPP") in Italy developed within the broader European push for sustainable procurement that began in the late 1990s, when the EU recognised the strategic role of public expenditure (around 19% of Member States' GDP), in shaping markets toward sustainability. Italy first adopted a National Action Plan on GPP (1) in 2008, updated in 2013 and 2023. It provided a technical and methodological framework to guide contracting authorities. Building on this foundation, the 2017 Public Procurement Code (2) made GPP mandatory for the first time in Europe, an obligation reconfirmed and strengthened in the 2023 Public Procurement Code (3), which replaced the previous framework. Through the PAN GPP Minimum Environmental Criteria (Criteri Ambientali Minimi, "CAM"), Italy has established one of the most advanced systems of environmental conditionalities in GPP in the EU. In a political and economic context marked by the need to align public expenditure with the objectives of the transition and a circular economy, the integration of environmental and social criteria into public tenders has been leveraged as a strategic tool to promote sustainability and innovation, while supporting the best-in-class companies.

The applicable legislative framework (4) defines a set of objectives that reflect both European strategies and national priorities. The CAM framework aims to:

- Mitigate climate change by reducing greenhouse gas emissions and promoting energy efficiency in buildings and infrastructure;
- Foster a circular economy through minimum requirements on recycled content, durability, disassembly, and material recovery;
- Prevent pollution and health risks by restricting hazardous substances and improving indoor air quality; and
- Stimulate innovation and companies addressing the challenges for the economy of tomorrow, particularly small and medium enterprises (SMEs), by creating a strong domestic market for sustainable products and services.

A further dimension is the safeguarding of ethical and social standards along supply chains, ensuring transparency, workers' rights, and fair competition.

Environmental conditionalities are at the core of the CAM system. In the construction sector, which is among the most environmentally impactful sectors covered by the CAM system, the technical annex (5) requires public works to include energy diagnoses and to meet minimum energy performance standards; to use construction materials with defined percentages of recycled or recovered content (e.g. at least 5% recycled aggregates in concrete, recycled steel, FSC/PEFC certified wood); to comply with strict limits on volatile organic compounds and avoid substances such as lead, mercury, cadmium, and chromium VI; and to guarantee water efficiency through rainwater harvesting and water-saving devices. All these requirements are embedded in a life-cycle approach, which is consistent with the EU Taxonomy's "Do No Significant Harm" principle and with the European framework Level(s) applying circular economy principles in the built environment.

(1) Piano d'Azione Nazionale "PAN GPP", (2) Legislative Decree no. 56/2017, amending Legislative Decree no. 50/2016, (3) Legislative Decree no. 36/2023, (4) Including the updated 2023 PAN GPP, as well as 2023 Public Procurement Codes, (5) Set out in Ministerial Decree no. 256/2022, as updated in 2024.

Social conditionalities, although less developed, are nonetheless present. The National Action Plan on GPP (PAN GPP) (2023) explicitly includes the protection of labour rights and ethical standards along supply chains, and the Italian Recovery Plan (*Piano Nazionale di Ripresa e Resilienza*, PNRR) has introduced obligations on gender equality and youth employment in public contracts (art. 47 Law Decree no. 77/2021). In addition, CAM provisions (para. 1.3.2. of the technical annex) require multidisciplinary competences and specific training for designers and project managers, indirectly promoting skilling and quality employment.

Other conditionalities have also been integrated. Tenders can award additional points to companies that adopt environmental management systems, obtain sustainability certifications such as Environmental Product Declarations ("EPD"), ReMade in Italy (6) or the EU Ecolabel, or demonstrate effective ESG risk management. The life-cycle costing approach incentivises firms that internalise environmental and social externalities, while mandatory green criteria create market access opportunities for SMEs and innovative enterprises integrating environmental considerations in their work.

The impact of this system has been significant. Italy is the only EU country where CAM are mandatory in all public tenders since 2016 (7). According to the *Osservatorio Appalti Verdi 2024*, the average implementation rate of GPP in 2023 reached 76% among regional central purchasing bodies, 63% among local health authorities, 56% among protected area authorities, and 79% among metropolitan cities. The main benefits reported include a positive territorial environmental and social impact, reduction of environmental management costs (notably in energy and waste), and improved access to EU funds. The main challenges remain the complexity of tender drafting, the lack of training among contracting authorities, and the uneven market readiness in some sectors.

Lessons learned

Positive elements:

The Italian experience offers several lessons. The positive elements to replicate are the legal obligation to apply green criteria across all tenders, the integration of circular economy principles such as mandatory recycled content, and the combination of the environmental and social dimensions in procurement, including regarding gender equality and youth employment. Equally important is the governance model, coordinated by the Ministry of Environment with inter-ministerial cooperation.

Possible improvements:

However, improvements are still needed in monitoring and compliance verification, in strengthening the social dimension of CAM, and in simplifying procedures to make them more accessible for contracting authorities and SMEs, as current criteria are often perceived as administratively burdensome and challenging to apply in practice. Moreover, while CAM have helped integrate circularity requirements, they still lack clear and quantitative criteria for climate change mitigation.

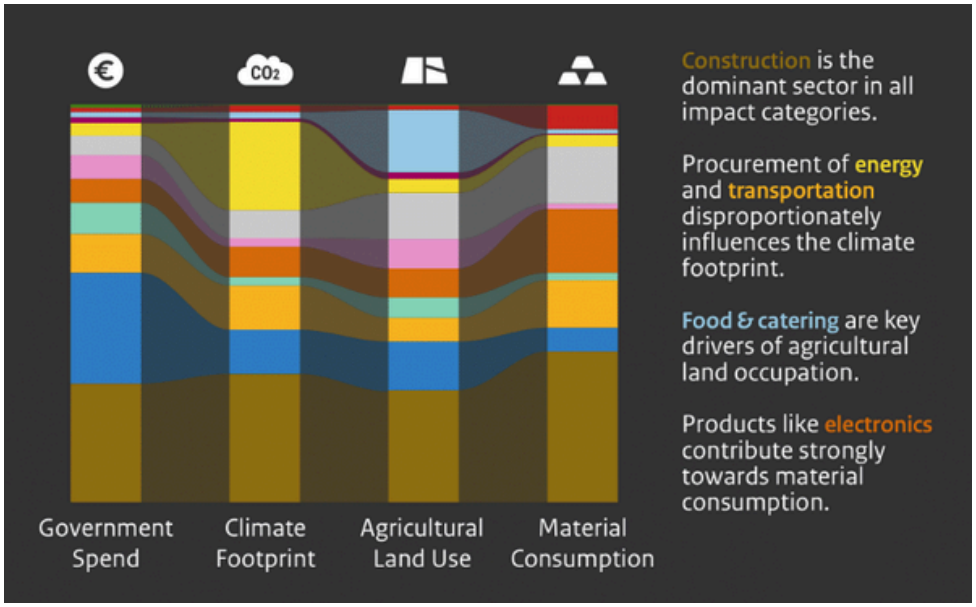
(6) The ReMade in Italy label requires that the main production process, or final stage of processing, takes place in Italy. It is one of several certificates of recycled content accepted under the CAMs scheme, each with its own specific requirements on where the transformation of the recycled material has taken place, (7) Art. 34 of the Public Procurement Code as amended in 2017, now art. 57 of the 2023 Public Procurement Code.

Addressing this gap requires the introduction of systematic methods for assessing and reporting embedded emissions, ideally by aligning them with the technical screening criteria used in the EU Taxonomy, and, for those sectors in which it is relevant (such as steel and cement production), with the criteria set out under the EU ETS framework, which relies on verified direct emissions data. Such simplification and alignment towards a single reporting standard would not only make it easier for companies to calculate the CO2 footprint of their products and for public authorities to evaluate sustainability, but would also strengthen demand and the national market for low-carbon products, providing producers with strong incentives to invest in clean technologies. Embedding such standards in a systematic and digitalised way would ensure comparability, reliability, and transparency of environmental performance across all public tenders.

3. The Netherlands: Green public procurement in tenders

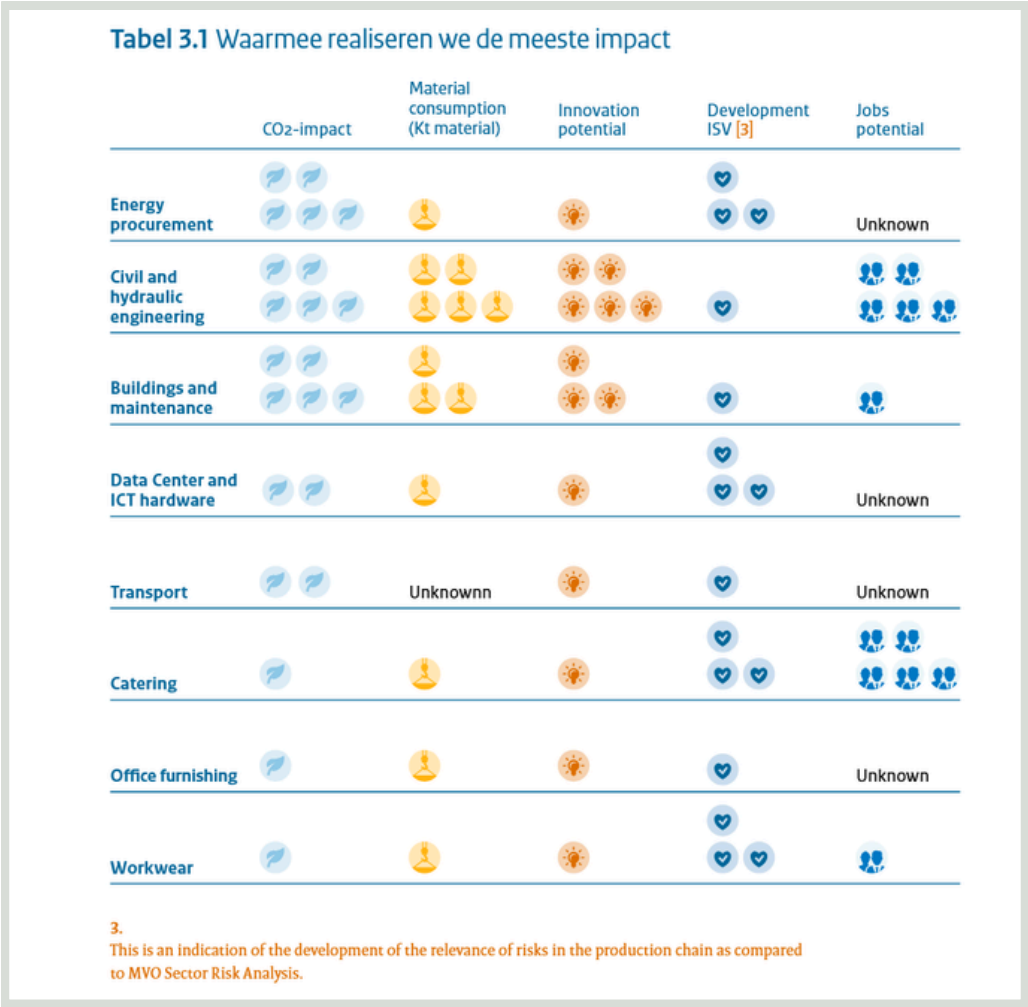
GPP in construction tenders in the Netherlands is stimulated by the use of two non-binding instruments: the Environmental Cost Indicator (MKI) and the CO_2 Performance Ladder. These tools have been in use since 2012 and 2009, respectively. Growing concerns about climate change and resource scarcity have increased the focus on sustainability in the Dutch construction sector, driving the development of standards and tools. Those two instruments provide a clear methodology for assessing the environmental impact of projects and provide a basis for comparison.

Both tools are used primarily for construction tenders. The following figure illustrates that the construction sector in the Netherlands is the one in which most government spending happens, as well as the one with the largest climate footprint, agricultural land use and material consumption.



Metabolic: The environmental impact of all €85 billion in Dutch public procurement

The table below gives an indication of the impact of central government procurement in eight sectors in the Netherlands (5 symbols signify high impact and 1 indicates low impact):



Tabel 3.1 Waarmee realiseren we de meeste impact

	CO2-impact	Material consumption (Kt material)	Innovation potential	Development ISV [3]	Jobs potential
Energy procurement					Unknown
Civil and hydraulic engineering					
Buildings and maintenance					
Data Center and ICT hardware					Unknown
Transport		Unknownn			Unknown
Catering					
Office furnishing					Unknown
Workwear					

3. This is an indication of the development of the relevance of risks in the production chain as compared to MVO Sector Risk Analysis.

Government of the Netherlands: Procurement with impact

Environmental Cost Indicator (MKI)

MKI is voluntary, but it is widely used. It will soon become mandatory in large construction projects for steel, asphalt and concrete (8). It allows for assessing and comparing the environmental impact of materials, products or projects and to make well-informed choices for environmentally friendly options in procurement. The MKI takes into account many environmental impacts throughout the life cycle, for example, climate change, toxicity and resource depletion (9). The MKI methodology provides shadow prices reflecting the environmental costs.

Natuur & Milieu has been showing the high potential for material savings (beyond the construction sector) compared to 2019.

(8) Witteveen+Bos, Copper8 and FluxPartners, Beleidsadvies Sturende MKI: Sectorbrede, eenduidige en voorspelbare sturing op milieu-impact in de grond-, weg- en waterbouw, May 2024, (9) Piano ExpertiseCentrum Ananbesteden, StappenPlan: Inkopen met de MKI het behalen van duurzaamheir doelstellingen in the GWW, Nov 2024.

According to this assessment, measures to foster a circular economy would lead by 2030 to:

- 45% material saving of cement, steel, aluminium and plastics
- 51% material saving including non-CO_2 intensive materials (10).

However, the list of MKI indicators should be complemented in order to reflect all environmental costs. For example, for some greenhouse gas emissions, the price is excessively low (e.g. for CO_2, € 50/t). This price thus does not reflect the full scope of effects. Other impacts are unknown or not (yet) quantified, so they are not taken into account. This is, for example, the case for the effect of bio-accumulating substances like PFAS. The effect of different substances combined could also be worse than the individual effects. In addition, the indicators could be complemented with effects on biodiversity, like deforestation and loss of habitat and species.

CO_2 Performance Ladder

The CO_2 Performance Ladder is not mandatory (11). It is used by companies and governments to measure, report and reduce CO_2 emissions, in particular for procurement of construction works and materials. The instrument encourages companies to reduce CO_2 emissions by rewarding them with advantages in the bidding process. The impact of the ladder has been assessed in 2022 for municipalities, and the conclusion is that the ladder most probably had a positive effect on the CO_2 emission reduction by municipalities (12).

Surveys show that the Dutch GPP program is reaching most of its targets. However, most companies now rank at the highest level, meaning that the CO_2 performance ladder no longer serves as a distinguishing factor. GPP programs, therefore, need regular updating and strengthening as both the public and private sectors improve their capacity to implement the requirements (13). This could be done by either adding additional levels to the ladder or raising the demands for the existing levels of the ladder. Indeed, companies should be incentivised to pursue continuous improvement, rather than reaching a fixed threshold and remaining comfortably at that level.

Lessons learned

Positive elements:

In spite of being non-binding so far, the two instruments described are widely used and provide a clear methodology for assessing the environmental impact. They provide an objective basis for comparison between bidders.

(10) Natuur & Milieu, Circulaire oplossingen als sleutel voor een duurzame industrie, 2024, (11) Sturen met de Milieukostenindicator in de GWW, 2025 (consulted on 2/4/2026) and Kennisplatform CROW, CROW-ambitie: meer duidelijkheid nodig in de sector, 2026, (12) CE Delft, Effecten CO2-Prestatieladder bij gemeenten, 2022, (13) Ali Hasanbeigi, Renilde Becqué & Cecilia Springer, Curbing Carbon from Consumption: The Role of Green Public Procurement, 2019, and Witteveen+Bos, Copper8 and FluxPartners, Beleidsadvies Sturende MKI: Sectorbrede, eenduidige en voorspelbare sturing op milieu-impact in de grond-, weg- en waterbouw, May 2024.

Possible improvements:

Those instruments could be further improved by:

- Making them mandatory, starting with the most impacting sectors and progressively expanding them to all sectors.
- Setting minimal criteria; for example, more specific requirements for steel & cement.
- Making sure the shadow prices calculated with the MKI reflect all environmental and social costs. On the environmental side, the price of greenhouse gas emissions should be adjusted in order to reflect the full scope of effects. The effect of bio-accumulating substances like PFAS should be quantified and taken into account, and indicators should integrate the effects on biodiversity, such as deforestation and loss of habitat and species. Social scoring criteria should be incorporated in the MKI tool to have a sustainability framework reflecting a just transition approach.
- The instruments should keep on stimulating improvements by setting targets and continuously raising the bar. The ladder, in particular, should be updated. This could be done by either adding additional levels to the ladder or raising the demands for the existing levels of the ladder.

4. **The Netherlands: Tailor-Made Agreements** (14)

The plan to set up these agreements was agreed in 2022 under the new government's coalition agreement, as an additional policy to reach the 2030 climate targets. Approximately two-thirds of industrial emissions in the Netherlands come from the 20 largest industrial companies. By concluding tailor-made agreements with the 10 to 20 biggest emitters of CO_2, the idea was to achieve significant reductions while ensuring these companies continue to operate sustainably in the Netherlands. This is a national policy, with EU approval required under State Aid regulations.

By 2030, a company must be able to reduce its CO_2 emissions beyond the reduction path set out in the national CO_2 tax, i.e. achieve so-called additional CO_2 reductions. Reducing other impacts (like pollution) can be part of the agreement, but this is not the primary focus. The government will, in turn, provide funding for those projects that lead to additional emission reductions. The amounts can be significant, e.g. for Tata Steel IJmuiden, €2 billion is at stake. The public authorities can also commit to realising energy or CO_2 infrastructure, speed up permitting or create demand for sustainable products.

The process of signing the agreements consists of three steps:

1. Expression of Principles (EoP): an exploration of plans and possibilities.
2. Joint Letter of Intent (JLoI): In which the plans are made more concrete. An independent advisory committee reviews these plans, after which additional requirements can be incorporated.
3. Tailor-Made Agreement: the legally binding agreement, in which all parties commit to the described actions.

(14) Nationaal Programma Verduurzaming Industrie, Maatwerkafspraken, (consulted on 2//4/2026) ; Besluit van de Minister van Economische Zaken en Klimaat van 16 februari 2023, nr. WJZ/ 26288340, houdende de instelling van de Adviescommissie Maatwerkafspraken Verduurzaming Industrie.

As of now, Nobian (15), a producer of salt and essential chemicals, signed a binding agreement, as well as Cosun (16), an international agri-food cooperative which processes all sugar beet grown in the Netherlands, sourced from more than 8,000 growers. Four companies signed a JLoI (Nobian and Cosun, as well as AnQore and Tata Steel Netherlands). Thirteen companies signed the EoP, but several of them are not continuing with the process. The government announced that, apart from the companies already mentioned, the current phase of the tailor-made approach will be continued with the companies Alco, OCI and Zeeland Refinery (17).

The main condition required from companies engaging in this process is to achieve an additional reduction of CO_2 emissions, compared to the emission reduction pathway of the Dutch CO_2-levy. In the framework of the negotiations of these agreements, other environmental impacts (like pollution, water usage and noise) and circularity are also being discussed, but the final agreement may or may not include related binding targets. Usually, there are no firm commitments in that regard, only intentions. There is one exception, though: Tata Steel's Joint Letter of Intent includes a commitment to faster reduction of local impacts, due to the intense public debate on health impact around this company.

Under the tailor-made agreement with Cosun, the government will contribute a maximum of €73 million to accelerate the transformation of the production process through electrification and green gas. The company will invest in the electrification of several production sites (in Groningen and Gelderland) and the start of certified green gas production in Limburg. CO_2 emissions are expected to fall by approximately 167 kilotonnes of CO_2 in 2030 compared to 2018–2021, while nitrogen emissions are expected to decrease too (18). In 2026, the government and its tailor-made partners will endeavour to also make binding agreements for CO_2 and nitrogen reduction at the production sites in North Brabant and Overijssel, as well as the reduction of water consumption at the production site in Gelderland. Cosun's investments for the two customised projects in Groningen and Steenderen amount to €256 million, of which the State will subsidise a maximum of €73 million.

Under the tailor-made agreement with Nobian (19), €190 - 290 million government grants are provided to support five decarbonisation projects (e.g. electrification of salt production, energy efficiency initiatives, etc), combined with accelerated licensing. The company commits to reducing CO_2 and nitrogen emissions so as to achieve climate neutrality in scope 1 and 2 emissions by 2040 and to have reduced scope 3 emissions by at least 50%. It also commits to reducing water consumption by 1.5 million m^3 by 2030 and 50 MW lower heat purge in water (20).

The government wanted to make sure these companies stay in the Netherlands for job retention purposes. Therefore, the Agreements with both Cosun and Nobian include a reference to the intention of the companies to remain in the Netherlands, invest there and remain a substantial employer. However, this social condition states, for example, that the company will "use reasonable efforts" to keep investments flowing in the production facility, in local communities and in innovation in the Netherlands, will strive to maintain at least an office and current production levels in the country, while "remaining a substantial local and national employer".

(15) Joint letter of intent with Nobian, and Tailor-made Agreement with Nobian, (16) Tailor-made Agreement with Cosun, (consulted on 2/4/2026), (17) Nationaal Programma Verduurzaming Industrie, Maatwerkafspraken (Tailor made Agreements), (consulted on 2/4/2026), (18) Letter from the Ministry for Climate and Green Growth to the Presidents of the Parliament concerning the tailor made agreement with Cosun, 18 December 2025, (consulted on 2/4/2026), (19) Tailor-made Agreement with Nobian, (20) Nobian, Summary of the Tailor made agreement, (consulted on 6 March 2026).

As mentioned above, some of the Joint Letters of Intent do mention in broad terms the commitment to invest in local communities. However, these remain vague and non-binding terms. For example, Tata Steel Netherlands (TSN) JLoI indicates that the parties acknowledge that the production plan is located in a densely populated area in the vicinity of large population centres. This requires efforts to “seek good relations with the direct surroundings” and for TSN to “engage with and consider local communities and stakeholders in an early phase of (transition) plans”.

The binding agreement that has been signed with Nobian is expected to lead to 387 kt additional CO_2 emissions reduction in 2030. The agreement with Cosun should reduce an additional 167 kt of CO_2. There is still a long way to go to achieve the combined goal for the Tailor Made Agreements, which is an additional CO_2 reduction of 3,5 Mt by 2030. Negotiations are still ongoing, and a few more companies may reach a final agreement, but a number of them have dropped out of the process for different reasons. Some companies considered that no additional or faster GHG emissions reductions could be achieved beyond the national legal baseline (the emission reduction pathway resulting from the minimum carbon price for industries, i.e. the Dutch CO_2-levy). This additionality is indeed a requirement for the Tailor-Made Agreements. In addition, the process to get to concrete emission reduction projects is complex and time-consuming, which could also be a reason for parties not to continue.

The process of setting up these agreements was new. This is one of the reasons it is not going as smoothly as planned. There could, however, be some benefits of the mechanism, even if there is no agreement (21).

Lessons learned

Positive elements:

The direct talks between the government and companies can strengthen trust between these parties and help them to have a better understanding of each other’s needs. Having direct contact with the government can also give companies more guidance through legal requirements and generic subsidy schemes, while the government can get insight into possible decarbonisation projects, their conditions and associated risks. This could be useful in the future.

Possible improvements:

- Clear deadlines for negotiations. These negotiations take time, but the timeline should be clear and reasonable. For example, if 2 years from the start, no letter of intent is signed, the deal could be considered off.
- Improve environmental and social criteria for companies to be eligible for the tailor-made agreements: For example, companies should have a robust climate plan that takes the plant to net zero by 2040, with clear milestones. The company should also have clearer social commitments towards both workers and their trade unions, as well as neighbouring communities.
- Tailor-made agreements should be made available for greenfield projects, as well as for the phase-out of fossil plants, with a social transition plan.

(21) Kabinet zet maatwerkaanpak verduurzaming industrie voort, focus op realisme, 2025 (consulted on 2/4/2026)

- For now, beneficiaries are mostly multinational companies, investing in countries offering them high subsidies. Smaller or less-polluting companies don't get access to these agreements. Providing access to smaller companies should be considered.

5. France: The example of the large decarbonisation tender

“Grands projets industriels de décarbonation 2025” (GPID) is a call for tenders that took place in 2025, and will be renewed in 2026 with the goal to finance major industrial decarbonisation projects (22). In 2025, the public authorities held a consultation with a view to further improving this financing mechanism. In February 2026, 7 laureates were announced for a total of 1.6 billion euros granted. The laureates are Holcim, Aluminium Dunkerque, Eurolysine, Vicat, Syensqo, Ineos Naphtachimie and Heidelberg Materials. Among the 7 projects granted, 4 are carbon capture projects.

In the framework of this mechanism, aid is distributed via a tendering process based on an auction by industrial companies for the lowest possible cost per tonne of CO2 reduction. It targets decarbonisation projects requiring a minimum public aid of EUR 20 million for industrial sites registered in the EU-ETS. Other funding mechanisms targeting smaller projects for less emitting industrial sites also exist (DECARB Flash, DECARB IND).

This public funding mechanism targets projects involving decarbonisation levers such as energy efficiency, a change in the energy mix, a change in the material mix, or CO_2 capture, utilisation or storage. Selected projects will receive a performance-based subsidy over 15 years, each annual payment being calculated ex-post according to the project’s verified GHG emission reduction compared with the project baseline. The amount of the subsidy may be adjusted downward in case of underperformance or overlap with other public subsidies. Unlike carbon contracts for difference (CCfD), this mechanism does not adjust to EU-ETS carbon prices but provides stable, predictable support to encourage and trigger large-scale industrial decarbonisation investments.

This financing mechanism is part of the “France 2030” program, a €54 billion national investment initiative launched in 2021 by President Emmanuel Macron. It aims to position France as a leader in innovation, ecological transition, and technological sovereignty by 2030. This program is part of President Macron's supply-side economic policy and builds on the momentum of financial support for businesses during the COVID crisis and after the war in Ukraine. This financing program is also underpinned by the national industry decarbonisation policy targeting the most carbon-intensive sites, which is part of the ecological planning launched by the French government in 2023. Finally, under the condition of the establishment of decarbonisation roadmaps, the president promised a €5 billion funding package for industry decarbonisation, linked to the France 2030 programme.

The France 2030 program doesn’t rely on specific legislation other than the finance laws. It is financed through the Investments for the Future Programs (PIA 3 and 4), which are included in the budgetary mission “Investing for France 2030.”

(22) Ministère de l’Economie, des Finances et de la Souveraineté industrielle, énergétique et numérique, Transition écologique : une planification pour accélérer la décarbonation des sites industriels, 2023 (consulted on 2/4/2026)

The 50 most carbon-intensive sites plan is not codified in a specific law; it is based on non-binding government-led contracts and strategic directives.

The call for tenders for major industrial decarbonisation projects aims to support the acceleration of industrial decarbonisation in France and the development of the most ambitious decarbonisation technologies in order to achieve the European and national climate objectives. In particular, it should accelerate the decarbonisation of the industrial sectors and sites that emit the most and are the most difficult to decarbonise, while enabling the emergence of the most cost-effective decarbonisation solutions. The establishment of financing contracts between the State and the winning industrial companies for the selected projects will enable the construction and operation of ambitious low-carbon production processes within the industrial facilities with the highest emissions (23).

In terms of eligibility, the following criteria apply:

- The candidate must not be subject to sanctions adopted by the European Union,
- The project must respect the Do No Significant Harm (DNSH) principle
- The candidate must submit an assessment of the project's impact on the applicant's capacity to adapt to climate change
- The project must enable a positive projected annual decarbonisation performance throughout the duration of the contract
- If a candidate uses coal, diesel, lignite, oil, peat, bituminous shale on the site where the funded decarbonisation project will be implemented, it must define and submit a precise and credible plan to phase out these fossil fuels uses by 2030, and to convert to renewable thermal energy, thermal recovery or electricity.

The amount of the subsidy is calculated based on the project's forecast decarbonisation performance and the difference between the additional cost of the project and the CO2 price considered. Unlike a carbon contract for difference, the CO2 reference price considered is not the actual price of the carbon allowance on the EU-ETS but a projected value estimated by ADEME (the French Environment and Energy Management Agency, which also operates decarbonisation subsidies). The amount of the subsidy is therefore independent of the actual price of carbon. This mechanism is therefore not a CCfD, and the beneficiary does not have to reimburse the State if the actual price of CO2 exceeds the reference price set within the subsidy contract.

The total aid granted to a project is not paid in a single grant, but:

- spread over the duration of the financing contract, up to a maximum of 15 years
- indexed each year to the tonnes of CO_2 actually avoided
- adjusted ex-post in the event of a discrepancy between the forecast performance and the actual performance.

There is an ex-post penalty applied if the actual annual performance is less than 90% of the forecast performance announced for the year. However, if actual performance exceeds the forecast, a catch-up mechanism compensates for previous years when performance was lower. If the project is stopped, modified or no longer complies with its obligations (e.g. non-compliance with DNSH), payments will be suspended or even cancelled, and any amount received will be refunded.

(23) ADEME, Appel d'offres - Grands Projets Industriels de Décarbonation 2024 (consulted on 2/4/2026)

While the conditions are quite detailed on the environmental side, there are no socio-economic conditions or criteria attached.

As the scheme is new, there has not yet been any feedback from the industry. The consultation document for the next scheme only contains the following statement: “Initial applications, which are currently being assessed, indicate strong interest from manufacturers.” In the consultation for the future GPID scheme, industrial companies are asked whether they prefer the current mechanism, where the amount of aid is known in advance, or a scheme where the amount is indexed to the carbon price, as is the case for CCfDs. The consultation document also addresses the possibility of financing greenfield projects as well (the first GPID scheme only targeted brownfield projects), based on decarbonisation performance assessed in comparison with brownfield projects. A synthesis of the responses to the consultation has been published.

The French Court of Auditors is currently evaluating the public financial support mechanisms for decarbonisation in industry, including this one. The results of this assessment have not been published yet.

Lessons learned

Positive elements:

- The request to develop a plan to phase out fossil fuels is positive, but it should also cover fossil gas in the future (see below).
- A subsidy proportional to the decarbonisation performance, with penalties for underperformance.

Possible improvements:

- Future tenders should include social conditions, the minimum requirement being the preparation and sharing with employees of the impact assessment of the company's decarbonisation strategy on employment and skills.
- The request to elaborate a phase-out plan for fossil gas should be integrated in the environmental conditions.
- The candidate should prove that the project, beyond greenhouse gas emissions decrease, will also enable energy and material consumption reduction. In the case of a project increasing energy consumption, the candidate should justify it.
- An annual subsidy amount could be allocated, dependent on decarbonisation performance, but also on the energy and material consumption reduction achieved.
- Establish a national public database of state aid to companies, detailing the financing mechanism, the amounts involved, the beneficiary company and the associated project.

6. Belgium: Greening of the investment tax deduction

In Belgium, a federal system of investment-boosting tax deductions had been in place for 20 years. Although spending soared, the rationale for many of the deductions was unclear at best. Deductions were available for investments going from security vaults to ‘sea-faring vessels’.

Reforms added a number of ‘green’ deductions, yet these remained marginal. Fossil fuel investments were not excluded.

As part of the green tax reforms of the previous federal government, the system was reformed, and the budget expanded (24).

Before the 2024 reform, the investment deduction consisted of two major parts:

- A ‘basic’ deduction of 8% by small businesses on the one hand, for all investments without any specific steering or exclusions (not even for fossil fuels).
- A ‘specific’ deduction (typically around 13.5%) for an exhaustive set of investments included in a list. This specific deduction was also available to large companies. Energy efficiency improvements for fossil gas boilers, for example, were eligible for such a tax deduction.

From 2025 on, a deep reform was enacted. It is the first time that climate is being mainstreamed in Belgian corporate taxation, and that a domestic tax is linked explicitly to EU environmental criteria.

The ‘specific’ (thematic) tariff will both be a lot higher, up to 40%, and will only be accessible for green investments. The previous deductions have been repealed, and the government has provided an exhaustive list of technologies that are eligible, divided into three lists that include (i) fossil-free transport, (ii) renewables and energy efficiency, and (iii) investments respecting the environment.

In the drafting of these lists, the law states that the government should base itself on the EU taxonomy. Any investment will also need to undergo a ‘Do No Significant Harm’ check to make sure that they’re not harming any other environmental goals. The lists also have a built-in sunset clause, meaning the government needs to actively update and confirm the included investments.

Eligible investments notably include:

1. Insulation, heat pumps, renewable electricity generation, industrial electrification.
2. Cycling infrastructure, emission-free trucking, rail transport, charging stations.
3. Investments related to resource use, such as reusable packaging, tools for recycling and repair, industrial investments in CC(U)S, climate adaptation.

The reform of the tax deduction regime **for SMEs** maintains a differentiated treatment. They can still count on investment support based on lighter criteria, albeit at a lower rate. The allowed tax deductions are not limited to an exhaustive set of environmental technologies. However, the law establishes an environmental exclusion list. This means SMEs can no longer get a deduction for investments such as:

- Fossil heating or electricity generation
- Fossil cars and light trucks
- Assets used in the production of pesticides or harmful chemicals
- Projects that harm the habitat directive

SMEs can also still apply for the expanded support for the explicitly green investments.
The scheme includes no social criteria or conditions.

(24) Loi portant des dispositions fiscales diverses, 12 May 2024, https://etaamb.openjustice.be/fr/document-du-12-mai-2024_n2024004641.html

The total amount of fiscal support that should now shift to investments that are at least non-harmful or (for the most part) climate-positive, will be about EUR 500M per year.

Lessons learned

While it is currently not possible to make an assessment of the impact in terms of directly avoided harm (especially in relation to SMEs) or the total amount of additional green investments that the reform has triggered, this reform appears extremely positive. It turns blunted corporate tax incentives into a targeted support mechanism for companies, with a combination of green tax incentives, use of the DNSH principle and exclusion lists.

7. Belgium: Strategic investment support

This support instrument has existed in the Flanders Region since 2008. It was reformed in 2021 to focus more on ‘innovation, competitiveness and sustainability’. It is meant to support large ‘transformative’ projects, with an emphasis on strategic or regionally important investments (25). It is a regional initiative from Flanders (26).

The goal of this mechanism is to support investment projects of a ‘transformative’ nature for businesses. This can indicate a variety of things, including sustainability, but also innovativeness in general or even international competitiveness. It covers investment in material and immaterial assets, but also in training for employees.

The support can be a maximum of EUR 500k for an investment/educational project. This can be raised to EUR 1M per project for projects ‘exceptionally important for the climate or sustainability’. Furthermore, all these limits can be (and are) breached for projects of ‘exceptional importance’. Here, there is essentially no ceiling on the amount of support (apart from limits imposed by EU State Aid regulations). The concept of “exceptional importance” is not defined in the legislation, leaving quite some leeway to implementing authorities. Since the 2022 reform, about EUR 80M in support has been granted. This makes it a medium-sized support instrument for Flanders.

Any supported project is ranked according to five parameters, looking at whether the investment contributes to:

- Innovation
- International competitiveness
- Environmental or social sustainability
- Anchoring of the firm in the local economy
- Strengthening of a strategically important value chain or cluster

To be eligible, certain minimal thresholds must be met for each of the criteria. For the criteria of ‘sustainability’, SMEs must score at least ‘good’ while large companies must score at least ‘excellent’.

In addition, companies must present a climate strategy for which they can use a standard template (light) or their own formatting.

(25) VLAIO, Vlaanderen Agentschap Innoveren & Ondernemen, Strategische transformatiesteun (consulted on 2/4/2026), (26) Vlaamse Codex, Ministerieel besluit 22/12/2021 (consulted on 2/4/2026)

Whatever format they use, the government must be able to check the direct and (if relevant) indirect impacts, the plan must include mitigation as well as adaptation, it must show how the investment is in line with the climate strategy, and it must be sufficiently informative for the government to be able to score the firm on the 'sustainability' criterion. In general, the climate strategy must show how the firm will make the transition to a 'low carbon ('koolstofarm') business' by 2050, taking into account the Flemish 2030 energy and climate strategy (i.e. the Flemish contribution to the Belgian NECP). These plans can be no more than 4 years old. They are not (must not be) publicly available.

It is to be noted, however, that any medium-sized or large firm, especially when energy-intensive, is already obliged to submit such a plan at the company level under Belgian law, while EU law is being weakened at the moment in that regard under various omnibus legislations.

Every transformation project funded through this instrument must include a section on investments as well as skills (even if only one of these receives funding). In addition, as part of parameter 4 (anchoring), the contribution to direct employment is taken into account. There must be a minimal growth in employment, depending on the baseline (0 or >0) and on the size of the firm. For instance, a large firm that is conducting a new investment (so baseline employment = 0) must grow employment by at least 50 over a period of 45 months. A project that leads to a 'sustainable anchoring' of 'significant employment' in Flanders can also be eligible (i.e. without additional employment). In addition, firms are invited to demonstrate whether their project also has an impact on indirect local employment.

If firms close their operation and fire their employees within 7 years of receiving the support, the government will order the firm to pay it back. There have indeed been cases where there has been a clawback of support for social reasons. For example, in 2024, the minister announced that about €6M in transformation support for Audi would be clawed back, because the firm was ending its operations and firing its employees, before the 7-year term had expired.

On the other hand, there have been a number of cases where support was provided while socioeconomic conditions had arguably not been met (e.g. investments of large enterprises outside of the regional support zone).

Some mixed examples

An example of a large firm receiving support for a 'good' investment, but where the social and environmental contribution of the subsidy is unclear - i.e., the production of EVs and jobs created may have happened even without the subsidy:

- €3M in support for Volvo in Ghent, to support an investment and education programme dedicated to new production facilities to produce a novel model of electric car.
- At the same time, €1M in investment support for Adient Belgium, which will provide the car seats for the new Volvo model. The investment will increase production volumes at the site and lead to 120 new employees.

An example of support for a firm that perhaps meets regional social criteria, but where green claims are unsubstantiated:

- 650k support for GRW Industrial Vehicles. Although there is a clear regional socio-economic case to be made for this project, the project claims a 'significant contribution to the transition to a green economy' because it invests in welding infrastructure for the production of containers and tankers - the latter supposedly being necessary for the 'transport of H2 and CO2'. Concrete CO2 or employment effects are not quantified.

A large economic project whose environmental benefit is unclear, and where it is doubtful whether the support mechanism was actually instrumental for the project to take place:

- €5M in support for a large logistical site, known for the large amount of trees that needed to be felled to make place for its operations. It is a project designed to handle the logistics of dangerous chemicals. The project will lead to 400 new jobs.

A project where financial additionality is lacking, considering the size, other support that is already in place, and the project's phase and history, the project could be financed without public aid. The regionality criterion is not met, and the sustainability impact should be considered negative:

- €3M in support for INEOS Olefins for Project One in Antwerp. This investment was labelled as 'super strategic' in the documents evaluating its subsidy request, because of its impact on the Flemish economy, on employment and on the strengthening of the strategically important chemical sector.

Large enterprises can only receive investment support if the investment happens in a 'regional support zone'. There are EC-condoned zones that require additional attention because of their more vulnerable socio-economic position.

Between 2022 and 2026, about €80M in support was allocated. The (detailed) individual assessments are not public, although brief summaries are. Neither is there a recent evaluation of the instrument or its impact.

Lessons learned

<u>Positive elements</u>

In principle, this instrument offers a very interesting mix of social (employment, skills and regional targeting) and environmental (climate mitigation and adaptation) conditionality. The combination of social and environmental conditions is crucial from a just transition perspective.
The requirements regarding skills and the eligibility of investments in training for the workforce are positive as well.

The use of minimum thresholds for each of the criteria, including regarding sustainability, rather than just scoring, is also positive. SMEs must score at least 'good' while large companies must score at least 'excellent'.

Possible improvements:

The lack of transparency, combined with the huge flexibility left to public authorities deciding to provide subsidies, undermines the credibility of the mechanism.

- Provide clear definitions: While flexibility is needed to adapt to each specific situation, the wide room for interpretation means that the support can be provided to numerous firms without a clear demonstration of the social and environmental benefits. For example, the notion of 'exceptional importance' allows for further increase in support (in practice up to €5M), and should be better defined.
- Transparency: The detailed individual assessments should be made public in order to allow external scrutiny.
- Monitoring: There should be a monitoring mechanism with regular independent assessments allowing to assess the respect of the conditions and apply the sanctions (claw-back) where relevant.
- Social conditions could refer to collective bargaining and the role of unions in order to contribute to lasting social benefits resulting from the company's operations.

8. Belgium: Carbon Communities in Wallonia

Carbon communities are the new support mechanism for businesses in the Wallonia Region, designed to help them achieve carbon neutrality by 2050. This mechanism replaces the sectoral agreements (Accords de branche) that had been in place for 20 years (27), representing a significant improvement in both the level of requirement and the support provided.

A carbon community is an association of companies committed to working together under a carbon convention, grouped by geographical area, value chain, or economic sector. Participating companies voluntarily join a carbon community by signing a carbon convention with the authorities. This convention sets out collective (the community) and individual (each company) objectives aimed at reducing greenhouse gas emissions across three axes:

- Energy efficiency (reducing needs and consumption),
- CO_2 emissions (and equivalents),
- The share of renewable energy (in unavoidable consumption).

The Carbon Decree of November 16, 2023, defines carbon communities and regulates carbon conventions. It is supplemented by the Walloon Government Executive Orders, respectively on carbon conventions and on subsidies for energy efficiency audits (so-called Arrêté AMUREBA), both adopted in 2024.

Carbon conventions are signed for a period of 8 years, with automatic renewal. Under those conventions, members of the carbon community set a long-term decarbonization trajectory (2050, with intermediate targets for 2030 and 2040) and conduct entry audits (1st year), intermediate audits (4th year), and exit audits (8th year). These audits include action plans, performance indicators, and set objectives.

(27) L'énergie en Wallonie, Accords de branche 2014-2020-2023

The community and its members must carry out follow-up audits and submit an annual report detailing the objectives and measures implemented to achieve them. This report should also describe the potential impact of these measures on employment, training, and the need for workers' reskilling.

Companies are required to set precise objectives, backed by binding and conditional actions, as well as investment commitments. Conditional actions are those identified by the audit as potential improvements but are not currently cost-effective or technically/administratively feasible. If barriers to implementing a conditional action are removed, it becomes a binding action. The administration assesses whether commitments are sufficient and whether a convention can be signed between the Walloon Government and the carbon community.

In return, Wallonia provides financial and technical support to participating companies. They receive financial compensation on their energy bills and are protected from any regulatory measures that would impose stricter conditions than those set in the carbon convention while it is in force. Subsidies are also available through project calls, and advantageous financing can be obtained from Wallonie Entreprendre, the regional investment body.

The carbon community and its members have the obligation to achieve promised results by the end of the 8-year convention, and to make their best efforts during the whole period, for example, by conducting regular audits, developing and updating action plans, and submitting annual progress reports. Failure to meet commitments can result in sanctions, including potentially the recovery of all benefits received.

Each carbon community is overseen by a technical committee composed of representatives from the community, public authorities, and technical experts. The committee meets annually to validate audits and annual reports and to address technical challenges. Technical committees report to a strategic committee that oversees all carbon communities. The strategic committee, which includes participating companies, public authorities, social partners, experts, and the environmental organisation Canopea, is consulted on draft carbon conventions, validates annual progress reports, is informed of non-compliance cases, and advises on technical issues. (28)

Beyond the decarbonisation goal, this system also seeks to maintain and develop employment in Wallonia. However, there are no social conditions related to job creation, job retention, or training. The only requirement is that the annual report must include the potential impact of decarbonisation on employment, training, and workers' reskilling needs.

Lessons Learned

To date, there are 12 carbon communities, with 202 members and covering 253 sites. For example, carbon conventions have been concluded with the professional federations of the steel sector, glass and paper-cardboard producers and processors, the chemical and life sciences industry, and the technological industry. It is still too early to assess the actual impact of the mechanism, which came into effect in 2025. However, we can already outline positive elements and areas for progress.

(28) L'énergie en Wallonie, Comité stratégique des Conventions Carbone

Positive Elements:

- Carbon conventions have prompted internal reflection and action within participating companies through mandatory audits and the implementation of both binding and conditional actions/investments, as well as setting targets for CO_2 reduction, energy efficiency, and renewable energy use.
- The system encourages companies to collaborate to optimise energy consumption, although no site consolidations have yet occurred on this basis.
- Carbon conventions and a summary of their qualitative assessment are public, ensuring transparency.
- The mix of binding and non-binding conditions, with the possibility for non-binding conditions to become binding once obstacles are removed, offers flexibility while clearly indicating the direction of travel and future additional goals.

Possible Improvements:

- Reporting on employment impacts is welcome and could help anticipate and manage the effects of decarbonization on workers, supporting a just transition. However, this commitment goes with no teeth, and it would be important to ensure that such reporting leads to concrete actions to support workers in the transition, encourage unionisation and generate quality jobs.
- Carbon conventions should evolve to progressively integrate circularity goals and indicators.
- Transparency could be further enhanced by publishing the full qualitative assessment by the Walloon Region, while ensuring data anonymity.

9. Germany: Climate protection agreements

The Klimaschutzverträge (KSV) or climate protection agreements in English (now called Carbon Contracts for Difference) are a national initiative, launched in 2024 by the Minister for economics and climate protection (29). These contracts' logic follows Carbon Contracts for Difference, and they are modelled after hedging tools in the private financial sector: the federal government provides funding to industrial companies for them to decarbonise their production. In contrast to a simple loan, this money has to be paid back only once the climate-friendly technologies become more profitable than their fossil counterparts - which will happen once emission certificates rise to a sufficiently high price. The idea behind this mechanism is to reduce the risk for companies to invest in emission-free production processes and to kick-start so-called green lead markets.

The KSV mechanism was adopted in a context marked by a risk of recession and the industry's exposure to increasing global competition. In the US, the Inflation Reduction Act provided green incentives to strengthen the competitive edge of local industries. Meanwhile, the war in Ukraine sheds light on the importance of keeping vital industries within the sphere of control as a matter of national security.

(29) Website for KSV operated by the German government (limited English translation available); Article explaining the process; Portal with all the official documents published by the agency; Matthias Frederichs, Bundesverband Baustoffe – Steine und Erden, Klimaschutzverträge: Zentrale Maßnahme für wettbewerbsfähigen Klimaschutz, 2025; Aaron Rittmeier, Anna Lena Lesch, Kilian Bizer, Martin Führ, Klimaschutzverträge als regulatorischer Hebel für die Dekarbonisierung der Industrie?, 2025; New Climate Institute, Assessing Safeguards,for Hydrogen Sustainability in Germany's carbon contracts for difference, 2025;
Sören Amelang and Benjamin Wehrmann, Germany awards first companies with pioneering 'climate contract' scheme to slash industry emissions, 2024.

The first funding round of KSV was completed in 2024, allocating a total of €2.8 billion to 15 companies. The preparation for a second round, with a higher funding volume, has already started, but under the new administration, it remains uncertain if the program will receive the necessary funding to continue.

The rules for KSV are outlined in the funding guidelines. These rules do not constitute statutory law, but administrative regulations. The program is based on Section 23 and 44 of the German Federal Budgetary Regulations (30). In 2024, the European Commission approved the scheme under the State aid regulations. The funding guidelines for climate protection contracts for 2025 have been amended to make the mechanism more attractive for companies, and the Commission approved them for a second bidding process, with a volume of up to EUR 5 billion in State Aid.

By offsetting the additional costs incurred by companies in emission-intensive sectors when switching to more climate-friendly technologies and equipment, the climate protection agreement funding program (31) aimed at:

- Supporting industrial companies in establishing and operating large, climate-friendly production facilities that would otherwise not yet be profitable (cf risk mitigation for companies)
- Achieving substantial greenhouse gas emission reduction
- Preventing the migration of key industries outside of the EU by modernising German industry to become a forerunner in new green markets
- Creating and boosting green “lead markets” for climate-friendly end products

The funding is allocated through a bidding process to companies that can reduce greenhouse gas emissions in their facilities at the lowest cost. It supports investments in more climate-friendly facilities (CAPEX) and the operation of these facilities (OPEX). Support is provided on the condition that companies decarbonise their production process efficiently and cheaply.

The companies that can outline a plan with the cheapest reduction of CO2 emissions (price per ton of saved CO2) get the funding. The applicant estimates the additional costs incurred by producing a reference product with the new plant compared to manufacturing the same product with the conventional plant for each tonne of greenhouse gas emissions avoided. This results in the bid price; if the bid is accepted, this is the base contract price. Funded companies enter into a long-term contractual commitment with KSV for a period of 15 years.

The funding is disbursed after the companies have switched their production methods to clean alternatives. The annual funding amount depends on the absolute greenhouse gas emission reduction achieved by the project and thus on the actual production volume achieved. The actual annual funding amount paid out takes into account the real energy prices and the CO2 price from the EU ETS. If, under the prevailing conditions during the contract period, production using the climate-friendly plant is more cost-effective than the conventional process operated at that time, the companies pay the difference to the state (32).

(30) Bundeshaushaltsordnung (Federal budget regulation), (31) From KSV funding guidelines, (32) Aaron Rittmeier, Anna Lena Lesch, Kilian Bizer, Martin Führ, Klimaschutzverträge als regulatorischer Hebel für die Dekarbonisierung der Industrie?, 2025.

On the social side, applicants are required to present a proposal for site retention and employment development as part of their application. This can take the form of an agreement with the works council or the relevant trade unions. Where no co-determination structures exist, companies must submit a credible in-house concept that demonstrates a viable strategy for maintaining the site and securing jobs in connection with the transformational investment, i.e. for 15 years after signing the contract. This condition may help retain existing jobs in Germany, and the fact that the role of trade unions is explicitly recognised and encouraged is very positive.

That said, there is no enforceable obligation to keep the site in Germany on a permanent basis. Rather, the requirement functions as a funding eligibility criterion at the application stage, not as a binding contractual obligation. Trade unions remain, in fact, critical of the effectiveness of such site-retention commitments under the Climate Protection Contracts. It is unclear how robust these safeguards are in practice, for example, in cases of company sales or restructuring. There is no claw-back clause if workers are laid off while the company is making profits.

Lessons learned

Positive elements:

The Climate Protection Agreements constitute a new and innovative tool. The first bidding round received praise from both industry and NGOs. The 15 contracts already signed with the industry are estimated to save 17 million tons of CO2e in the future. It remains difficult to assess the real impact of the program, however, because it is very limited in size at the moment and its intended secondary effect – to create green lead markets for carbon-free technology – is difficult to measure. Furthermore, the number of 17 million tons is an estimate by the ministry for economic affairs and climate protection, and has not been confirmed through an independent evaluation (33).

The fact that collective bargaining agreements are a condition to access the financial support is definitely very positive, as it empowers workers in the industry and secures accountability and transparency in their regard.

Possible improvements:

An in-depth assessment of the first bidding process (34) allowed an identification of a number of recommendations, and some of them have already been taken into consideration in the revision of the bidding guidelines:

- Simplify the application process, for example, by providing all information on a single digital platform in a user-friendly format, with online templates.
- It has been reported that the complex calculation formulas for the annual payments led to uncertainty regarding the expected subsidy amount. This makes it difficult to calculate the profitability of a project and inhibits the decision to submit a KSV bid. Automated calculation mechanisms on the digital platform to ease the bidding process should be put in place. Some requirements, such as the required reduction in production in conventional reference plants, have been considered too rigid, and this has been addressed in the revised guidelines for the second bidding process.

(33) Bundesministerium für Wirtschaft und Klimatschutz, Bewertung des ersten Gebotsverfahrens Klimaschutzverträge: Lektionen aus der Pilot-Auktion, 2025, (34) See notably Aaron Rittmeier, Anna Lena Lesch, Kilian Bizer, Martin Führ, Klimaschutzverträge als regulatorischer Hebel für die Dekarbonisierung der Industrie?, 2025.

In addition, we consider that:

- The application process should be more accessible for small to middle-sized firms
- Funding should be made available for more systemic approaches, such as circular economy projects or electric arc furnaces for the steel sector.

The instrument could be opened for joint ventures. This is in particular relevant for circular economy activities, where emissions reduction often happens not at the site of primary production, or with several companies involved in the value chain.

10. Poland: Pre-commercial procurement (PCP)

The National Centre for Research and Development (NCBR) is an executive agency established in 2010 to support and develop innovative technological and social solutions, working under the Minister of Science and Higher Education. It notably contributes to the implementation of programmes financed from European financial instruments.

In order to contribute to the objectives of the European Green Deal, NCBR initiated **Pre-Commercial Procurement (PCP)** to accompany and support the development of research and development projects about new solutions and technologies to reach carbon neutrality. The preparation and support of projects has been co-funded under the European Regional Development Fund (35).

PCP is an approach to public procurement of research and development services outlined in a 2007 European Commission Communication (36). Public procurers share with suppliers the benefits and risks related to the intellectual property rights resulting from the research and development. Suppliers retain intellectual property ownership rights, while procurers keep some usage and licensing rights. PCP does not cover large-scale commercialization: it rather creates opportunities for companies to take international leadership in new markets.

Poland has over the years increased its use of PCP, especially in the last four years, with support to ambitious spending targets for those forms of procurement, and a good monitoring system (37). Poland's State Purchasing Policy recommends all Polish public buyers to allocate 3% of their procurement budget to pre-commercial procurements and 20% to public procurement of innovation (innovation procurement). This spending target is applicable in the whole country and for all procurers, and in addition to the 20% target for all types of innovation procurement. There is also a separate target for R&D procurement. However, the targets are non-binding (86).

NCBR, as the contracting authority, defines a research and development problem or challenge connected to the real needs of the Polish economy.

(35) The National Centre for Research and Development, Green Deal, (36) Communication on Pre-commercial Procurement: Driving innovation to ensure sustainable high quality public services in Europe, COM(2007) 799 final, (37) European Commission, research and Innovation, Benchmarking of innovation procurement investments and policy frameworks across Europe (consulted on 2/4/2026), (38) PwC, Country Profile: Poland, Benchmarking of national policy frameworks for innovation, 2024, procurement,

Entities interested in solving this problem participate in the process. The solution, not available on the market today, is then identified and developed through a four-step process. First, NCBR conducts extensive market consultations with potential contractors and stakeholders, based on specific needs identified, mapping technologies available in a given area, as well as the feasibility of a given solution. Second, a tender is opened (model of the "funnel"), through which several contractors are selected and sign contracts for the projects. Contractors carry out R&D works by developing their solutions, and then submit their results to NCBR for evaluation. Third, NCBR selects contractors for the next stages of the project (funnel), gradually reducing the number of contractors, and at the same time selecting the best solutions. Fourth, the contractor admitted to the implementation of the last stage develops a full-scale solution.

The NCBR is shaping the new technologies for which there will be a tender, through dialogue with contractors and progressively narrowing down the number of stakeholders involved based on an assessment of the innovative solutions proposed by the various contractors who carry out research in parallel during the first three phases. The end result is the implementation of the developed solution, not yet available on the market.

Research challenges have been defined to stimulate the development of technologies that have a chance to gain wide market acceptance, and then, through mass commercialisation, have a chance to become a Polish speciality. Nine projects have been launched so far (39). We mention three of them as an example:

- To develop innovative 2D and 3D technologies to construct cost-effective buildings with a positive or zero energy balance, using recycled materials and ensuring an efficient use of rainwater for utility purposes.
- To develop an innovative micro-retention system for the storage, conditioning and usage of rainwater. The developed system will lead to the reduction of water usage from the water supply network through efficient rainwater management. At the same time, this will lead to the reduction of sewage supply to the sewage network as well as a positive impact on the storage and retention of torrential rains to minimise the impacts of drought and flood.
- To develop an innovative solution enabling the modernisation of the existing domestic heating systems based on fossil fuels. The developed solution will constitute a cost and energy-efficient system covering the production, processing and storage of energy for heating purposes with the use of renewable energy sources, with the goal to supply at least 80% of heat from renewable sources, maintaining an acceptable price for customers.

Based on the experience gained during the preparation and implementation of nine PCP projects supporting the European Green Deal, NCBR developed the “Innovation Sapper” methodology to deliver innovative PCP projects in the field of green technologies. The “Innovation Sapper” approach integrates the legal frameworks for public procurement and State aid, while enabling its application across a wide range of project scopes. It also facilitates cooperation with both public and private stakeholders involved in project delivery. Moreover, the methodology allows contracting authorities to maintain flexibility during project implementation, for example, by adapting to the specific characteristics of the technology, suppliers, and market-available services.

(39) The National Centre for Research and Development, Green Deal

An assessment commissioned by the European Commission highlighted the need to improve the level of competition and transparency on the procurement market to give companies with innovative solutions better chances to compete for procurement business opportunities.

11. Conclusion and Way Forward

Across EU Member States, a growing number of innovative policy instruments are emerging to link public financial support to environmental and social outcomes. These include mechanisms in public procurement, competitive bidding for industrial transformation, and targeted green tax incentives. While many of these schemes are still recent and evolving, early evidence points to the fact that the most effective approaches combine conditional financial support with strong environmental and social criteria, alongside a supportive framework that enables companies to participate successfully. Notably, many of these national practices already build on the EU Taxonomy, providing a common reference point for defining sustainable economic activities.

To scale and systematise such efforts, Europe needs to strengthen its governance architecture for a truly mission-driven industrial policy. This requires building an independent, EU-level analytical capacity that systematically monitors and evaluates national initiatives, identifies best practices, and facilitates their replication across Member States.

Building on these findings, the following recommendations outline how the EU can reinforce the link between public support and public value, while strengthening the governance structures needed to scale effective practices across Europe.

Recommendations: linking public support, public value and stronger EU governance

- **Strike the right balance between precision and flexibility.** Clarity is needed to ensure a level playing field between bidders and achieve effective social and environmental outcomes. However, funding conditions also have to be adapted to meet the needs and constraints of companies. There is therefore a balance to strike between detailed criteria and flexible implementation, with the view to being attractive for companies while achieving the overarching objectives of the funding instrument.

- **Uphold the highest standards in terms of transparency and accountability.** Monitoring and compliance verification, including via independent bodies, are key to measuring the effectiveness of the schemes and ensuring accountability towards taxpayers. These assessments should always be publicly available. Claw-back clauses and sanctions mechanisms also play an important role and require adequate monitoring of whether the promised commitments have effectively been achieved. SMEs may require a specific approach, taking into account their needs and capacity constraints.

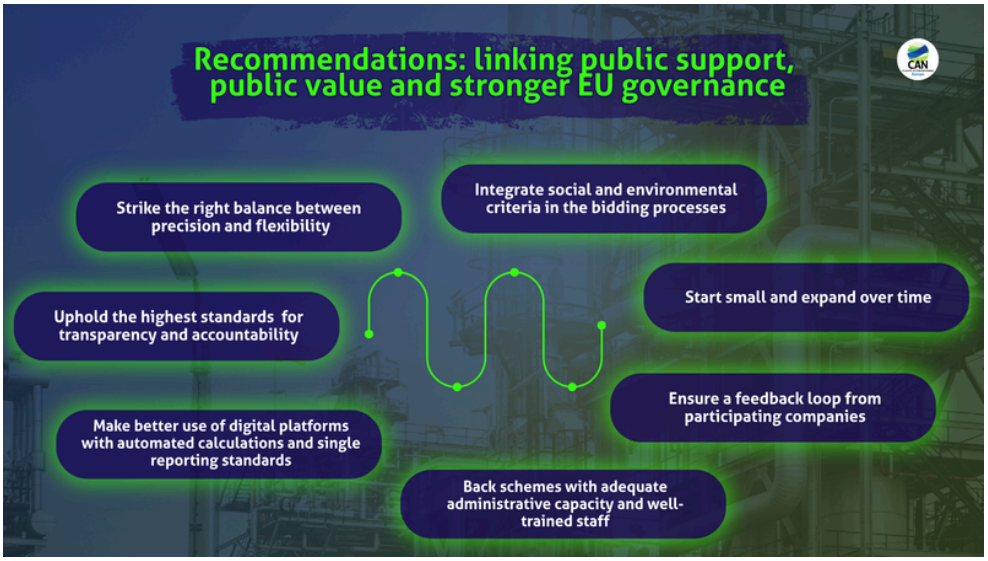
- **Make better use of digital platforms** with automated calculations and single reporting standards, for example, on greenhouse gas emissions, based on existing methodologies, to avoid the burden on companies to make multiple calculations using diverse methodologies. Centralising information in a one-stop shop is also important to reduce complexity and make the support (whether public procurement, state aid or tax deductions) accessible to a large number of businesses. Dedicated support for SMEs to navigate those processes is necessary.

- **Ensure a feedback loop from participating companies** in order to improve the processes over time to make the scheme both attractive for the companies and effective in terms of societal outcomes.

- **Integrate both social and environmental criteria in the bidding processes** (or in the public procurement framework or the tax deduction schemes), as they must work hand in hand to deliver a green and just transition. Expressly requiring trade unions' consultation is instrumental in supporting workers' agency. It would contribute to the implementation of the Adequate Minimum Wage Directive's aim of collective bargaining coverage of 80%, including in new emerging green sectors. Social conditions related to skilling and training should also be systematically integrated, as well as gender equality and youth employment criteria.

- **Start small and expand over time.** Green conditions are sometimes limited in scope and ambition at the beginning, which is fine as long as they are regularly strengthened as companies improve their performance over time. Those conditions should, as a minimum, be aligned with EU climate goals, and ideally go beyond the minimum requirements. The inclusion of greenhouse gas reduction targets should be complemented with other environmental criteria, including energy and material consumption reduction and the integration of circular economy principles, such as the use of recycled content. Minimum criteria (thresholds) can be useful as a bottom line.

- **Back schemes with adequate administrative capacity and well-trained staff** able to ensure effective delivery, including support to companies to navigate the processes where needed.



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