InvestEU Scoreboard[1]

Presentation of the financing or investment operation:

Implementing Partner: European Investment Fund (EIF)

Name of the Operation: Second Framework Operation under SMEW RIDW Joint Equity Product – Climate and Environmental Solutions Sub-product

Type of approval: Framework Operation

Type of Financial Intermediaries: Financial Intermediaries established in EU27 and/or Iceland and Norway with strategies pursuing any of the Target Areas under the SMEW RIDW Joint Equity Product – Climate & Environmental Solutions Sub-Product.

Type of Final recipients: Typically, SMEs, Mid-Caps, Special Purpose Vehicles/ Project Companies, Public sector entity/ Public-sector type entity (in the case of TT), impact-driven enterprises, Proof-of-concept projects (PoC).

Country(-ies) of implementation of the operation: EU27 and/or Iceland and Norway

Short description of the financing or investment operation:

Framework Operation for Sub-Projects to be entered into with financial intermediaries and pursuing strategies in any of the following Target Areas:

- **Agriculture, Food, natural capital preservation and use of land resources**
- **Blue Economy**
- **Energy and built-environment solutions**
- **Industrial decarbonisation & environmental sustainability**
- **Mobility and transport solutions**
- **Other adaptation solutions**

The purpose of this Framework Operation is to support the research, development, demonstration, upscaling and commercialisation of technologies or solutions that contribute to the EU Green Deal and, in particular: i) energy and ecological transitions pursued in the areas of climate mitigation and resilience (adaptation), ii) mobility and transport urban and built environment, iii) water and marine resources, iv) pollution, v) circular economy, vi) agri-food system and vii) biodiversity, and environmental ecosystems, while supporting the EU's competitiveness and leadership in climate and environmental technologies and solutions.

Public Statement:
Eligible areas for the operation in accordance with Annex II to the InvestEU Regulation:

Item 3 of Annex II of the InvestEU Regulation:
environment and resources.

Item 7 of Annex II of the InvestEU Regulation:
financial support to entities employing up to 499 employees, with a particular focus on SMEs, and small mid-cap companies

The following additionality considerations apply to the Framework Operation. For the avoidance of doubt, the items highlighted below are considered to be met at the portfolio level with the understanding that at least one of the items below will be relevant for each Sub-Project under this Framework Operation.

[1] This Scoreboard of indicators reflects the information presented to the InvestEU Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

Item (b) of Annex V A (2) to the InvestEU Regulation:
Support through equity and quasi-equity or through debt with long tenors, pricing, collateral requirements or other conditions not sufficiently available on the market or from other public sources

The climate and environmental venture capital and private equity market is still greatly underdeveloped and underserved across themes, sectors, stages of company development and geographies. A first wave of cleantech venture capital funds appeared on the market in the 2000s but, due to the relative immaturity of the market, these early investors fared poorly. As a consequence, few of these managers are still active today and the landscape of dedicated climate and environmental investors is quite sparse, limiting the availability of equity financing for climate and environmental solutions. Market dynamics are however gradually changing, driven by the climate and environmental emergency, governmental regulations, technological developments, and growing corporate pressure to integrate climate and environmental innovation and become sustainable. This is attracting a new generation of venture capital and private equity investors to the market, some of which are spinning out from, or creating additional lines of businesses within, existing VC/PE firms, corporates and/or industry operators bringing with them relevant skillsets and experience. Capital investment remains however acutely deficient in relation to market needs, and following initial signs of progress, has dropped 50% over the last year due to the recessionary macro-economic environment and complex geo-political environment.

Against this backdrop, the Sub-Projects that will form part of this Framework Operation will aim at channeling much needed capital in the form of equity or quasi-equity financing to the development and commercialization of technological solutions that can tackle key climate and environmental challenges (CO2 reduction, energy transition, agrifood sustainability, resource efficiency, etc.) and will also contribute to the build-up of a well-functioning European climate and environmental ecosystem with the necessary breadth and depth to support European SMEs in different strategic policy areas and geographies and through all stages of development.

The Sub-Projects will address in particular specific verticals (energy, mobility and transport, agrifood, etc.) and stage (from seed to growth) funding gaps and ensure coverage of major European climate and environmental innovation hubs as well as MEICs.

Item (c) of Annex V A (2) to the InvestEU Regulation:
Support to operations that carry a higher risk profile than the risk generally accepted by the implementing partner's own standard activities or support to implementing partners in exceeding own capacity to support such operations

The use of the EU Guarantee allows EIF to support these strategies at a scale and/or a risk profile otherwise not achievable via other resources at EIF's disposal.

Item (e) of Annex V A (2) to the InvestEU Regulation:
Support that catalyses or crowds in additional private or public financing and is complementary to other private and commercial sources, in particular from traditionally risk-averse investor classes or institutional investors, as a result of the signalling effect of the support provided under the InvestEU Fund

Although the climate and environmental market is progressively garnering more attention from investors, it is still largely underdeveloped, nascent and characterised by a limited and historically poor track record. According to MIT, between 2006 and 2011, USD 25bn was channelled by VC firms into cleantech startups and over half of the investment was lost leading to a fallout amongst investors and funding drying up for the sector following this period[2].

[2] Venture Capital and Cleantech: The Wrong Model for Clean Energy Innovation an MIT Energy Initiative Working Paper July 2016 MITEI-WP-2016-06.pdf

The EIF is expected has an enhanced role as anchor or cornerstone investor, supporting new or emerging teams and making strong and meaningful commitments to the funds to assist in their launch. EIF's approval and investment is expected to be instrumental in catalysing additional investor interest and helping the funds to diversify and enlarge their LP base with new investors for this emerging market. EIF's commitment is oftentimes considered as a quality stamp and endorsement of the strategy, setup, and structure of the funds it supports and thus has a strong signalling effect towards other investors considering a commitment.

EIF's advancement in its evaluation process and due diligence have already served to accelerate the intermediaries' fundraising momentum and certain prospective investors have expressly stated that EIF's commitment will be a pre-condition to their own investment. EIF has provided or will provide referencing as well as introductions to other potential LPs to the intermediaries further assisting their fundraising efforts and helping the funds to mobilise additional third-party capital from private investors.

Item (f) of Annex V A (2) to the InvestEU Regulation:
Support through financial products not available or not offered to a sufficient level in the targeted countries or regions due to missing, underdeveloped or incomplete markets

The availability of capital for climate and environmental solutions is considered limited and insufficient in all European geographies given the nascent nature of the market, small number of specialised investors and funds and generally difficult fundraising environment. Most Sub-Projects are pan-European in scope with certain regional or national emphases. Although the majority of fund proposals originate from more developed VC and PE markets in Western or Northern Europe, EIF is receiving an increasing number of Sub-Projects from MEICs and geographies considered vulnerable from a climate and environmental standpoint and that need to accelerate the green transition such as Southern Europe or CEE.

The following market failures are addressed by this Framework Operation:

Item (b) of Annex V A (1) to the InvestEU Regulation:
Externalities which the operator or company generally fails to internalise, such as R&D investment, energy efficiency, climate or environmental protection

Our economic and industrial development to date has not taken into account the need for sustainable development, which has resulted in climate and environmental degradation, which now poses real business risks and even existential threats. Environmental costs have not been or have only been marginally priced in transactions and markets. This situation is changing gradually, but the economy still fails to internalize such costs. Greenhouse gases, waste or biodiversity loss externalities are side-effects of economically valuable activities. The Sub-Projects targeted by this Framework Operation will support enterprises addressing those externalities by developing either i) an alternative for delivering a product or a service with a lower environmental impact, or ii) an economic viable solution to revert the negative environmental impacts generated by the economy. Normally, these undertakings entail significant levels of R&D investments.

Additionally, the market gaps associated with the different Target Areas addressed under the Climate & Environmental Solutions Sub-Product are substantial, given the insufficient resources available in relation to market and financial needs:

- Investments in the continent's energy system would need to rise from an average of 1.3% of GDP per year over the last decade to 2.8% of GDP over the next decade if the EU is to meet its goal of cutting greenhouse gas emissions by 55% by 2030[3]. Adding investments in sustainable mobility brings the total over the next decade up to 3.7% of GDP per year. It is estimated that in order to achieve the 2030 climate target by 2030, around EUR 275 billion of investments per year are needed – the lion's share in energy efficiency[4].

- Adaptation investment needs in the EU are estimated to range between EUR 35 billion and 500 billion annually, the large variation reflecting different underlying assumptions and methodological approaches.[5]
- In 2020, the first attempt to present a likely global cost for protecting the oceans estimated that USD 174.52 billion per year is required in order to implement SDG 14 (Life below water) until 2030[6]. On a more concrete level, a study by the European Commission found that, while most companies in the blue economy sector were able to secure early funding up to EUR 2-3 million, it was difficult for them to go beyond the EUR 2-3 million mark to achieve the 'next stage' of business growth and up to EUR 15 million threshold, where mainstream later stage investors in mature businesses are often more interested[7].
- Global food security is threatened by population growth, climate change, biodiversity loss, environmental degradation and political instability. According to the FAO, food production will have to increase by 70% in order to feed the global population in 2050[8]. ICT developments have the potential to both increase the agricultural sector's resilience and adaptation to climate change and the resource efficiency, yield and production. Europe has an excellent position to participate strongly in this innovation trend and significantly shape it. The EU is pioneering many fields of agrifood tech innovation with prominent academic and research centres and innovation hubs. The uptake of ICT at farm level is, however, lagging behind, especially in small and medium-sized farms. According to the EIB, a financing gap exists regarding the scale-up of agritech businesses and 61% of small companies with revenues below EUR 10 million per year reported that obtaining financing had been "difficult" or "very difficult". Mobilising sufficient equity is the largest financing constraint for these smaller agrifood innovators wishing to grow their business[9].
- Following initial signs of improvement, climate and environmental capital investment from VC and PE funds has fallen by half over the last year.

Item (c) of Annex V A (1) to the InvestEU Regulation:
Information asymmetries, in particular in the case of SMEs and small mid-cap companies, including higher risk levels related to early stage firms, firms with mainly intangible assets or insufficient collateral, or firms focusing on higher risk activities

Investments in the field of climate and environment can be hindered by information asymmetries on associated benefits and costs, financial constraints, capital intensity[10] or the higher risk levels related to early-stage firms. Additionally, uncertainty over regulation and taxation continues to hamper climate investments[11].

Item (e) of Annex V A (1) to the InvestEU Regulation:
Exposure to higher levels of risks in certain sectors, countries or regions beyond levels that private financial actors are able or willing to accept, including where the investment would not have been undertaken or would

[3] EIB Investment Report 2020/2021: European Union is leading the way in green technology investment
[4] Closing the gap on energy efficiency investments | European Commission (europa.eu)
[5] The EIB Climate Adaptation Plan
[6] The cost of saving our ocean - estimating the funding gap of sustainable development goal 14
[7] Study to support investment for the sustainable development of the Blue Economy. D13 – Investment Platform Recommendation
[8] FAO HLEF2050_Global_Agriculture.pdf (fao.org)
[9] Feeding future generations: How finance can boost innovation in agri-food - Executive summary (eib.org)
[10] Platform on Sustainable Finance's report on environmental transition taxonomy (europa.eu)
[11] European firms and climate change 2020/2021: Evidence from the EIB Investment Survey

not have been undertaken to the same extent because of its novelty or because of risks associated with innovation or unproven technology Climate and environmental technology-focused funds face a difficult fundraising environment. Investors have not totally overcome the disappointment of the first cleantech wave in the 2001-2011 years, when environmental technology-focused investing made the promise of superior returns and expectations were not met. Technologies were still in early stages of development, costly, difficult to scale, pioneering investors were inexperienced, and there was a general lack of corporate interest ensuring business development and exit opportunities. Many of the investments were ahead of their time, with market uptake of environmental technologies being slowed down by: (i) a lack of speed and regulatory consistency in imposing climate and environmental standards and, accordingly, (ii) a lack of economic incentives for market players to adopt new technologies and sustainability in their business models (i.e., it was cheaper to continue taking a free-ride on externalities at the expense of society than adopting market leadership in environmental standards). As a result, there was a significant fall-out amongst these early investors and LPs. Given the climate and environmental emergency, the European Commission and national regulators are now pushing for true climate and environmental transformation and breakthroughs in many sectors (energy, water, agri tech, etc.). Sustainability is no longer a “nice to have” but a “must have” if a company wishes to remain viable and thrive. Despite the magnitude of the market need and opportunity, the perception of a strong dependency of the entire sector on regulatory pressure to create market momentum prevails. Moreover in the current geopolitical context sustainability is again being put on the backstop in the face of other challenges and crisis. The perception of risk is further compounded by the first-time or emerging nature of the teams leading new climate and environmental fund initiatives. As a result, investors tend to direct their capital flows to sectors where value uplifts are more obvious, predictable and faster to realise, such as general technology businesses that have shorter product development and sales cycles, are less capital intensive and have clearer exit paths. Interest amongst institutional and corporate LPs remains limited, is still early and very uneven across different themes and verticals and has been furthermore heavily impacted by the recent economic downturn and uncertain and recessionary geopolitical conditions. Consequently, private sector investors in climate and environmental technology funds are still oftentimes concentrated around mission-driven investors (e.g., family offices and foundations). All in all, prospective LPs attribute a great deal of credibility to EIF’s investment selection process when allocating capital within their investment portfolios, given EIF’s general standing in the VC/PE market and specific experience in climate and environmental impact investing as an early LP and one of the most active and consistent fund of fund investors in climate and environment in Europe over the last decades.
Pillar 3 - Market failure or sub-optimal investment situation addressed by the financing or investment operation **(Excellent)**
Pillar 4 - Financial and technical contribution by the implementing partner **(Very Good)**
Pillar 5 - Impact of the financing or investment operation **(Excellent)**
Pillar 7 - Complementary indicators

Key characteristics	Expected as of time of submission	Comments
Leverage Effect (at target fund sizes)	Indicative on average c. 5-5.4x	Preliminary estimation
Multiplier Effect (at target fund sizes)	Indicative average c. 13x	
SMEW specific Indicators		
(b) Allocation volume dedicated to SME/Mid-Caps [%], if it can be reasonably estimated at the moment of submission:	Majority SMEs	Preliminary estimation
RIDW specific indicators		
(a) Number of enterprises carrying out research and innovation projects:	Majority SMEs	Preliminary estimation

ESG aspects

Within the due diligence process, EIF assesses the financial intermediaries' environmental, climate and social risk management procedures and the capacity to screen, assess and manage environmental, climate and social risks associated with its business activity, including the presence of an Environmental and Social Management System (ESMS), by means of an "ESG" due diligence questionnaire.

Signature page

Approvals:

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Approved on 07.03.2025

Comments:

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Approved on 09.03.2025

Comments:
