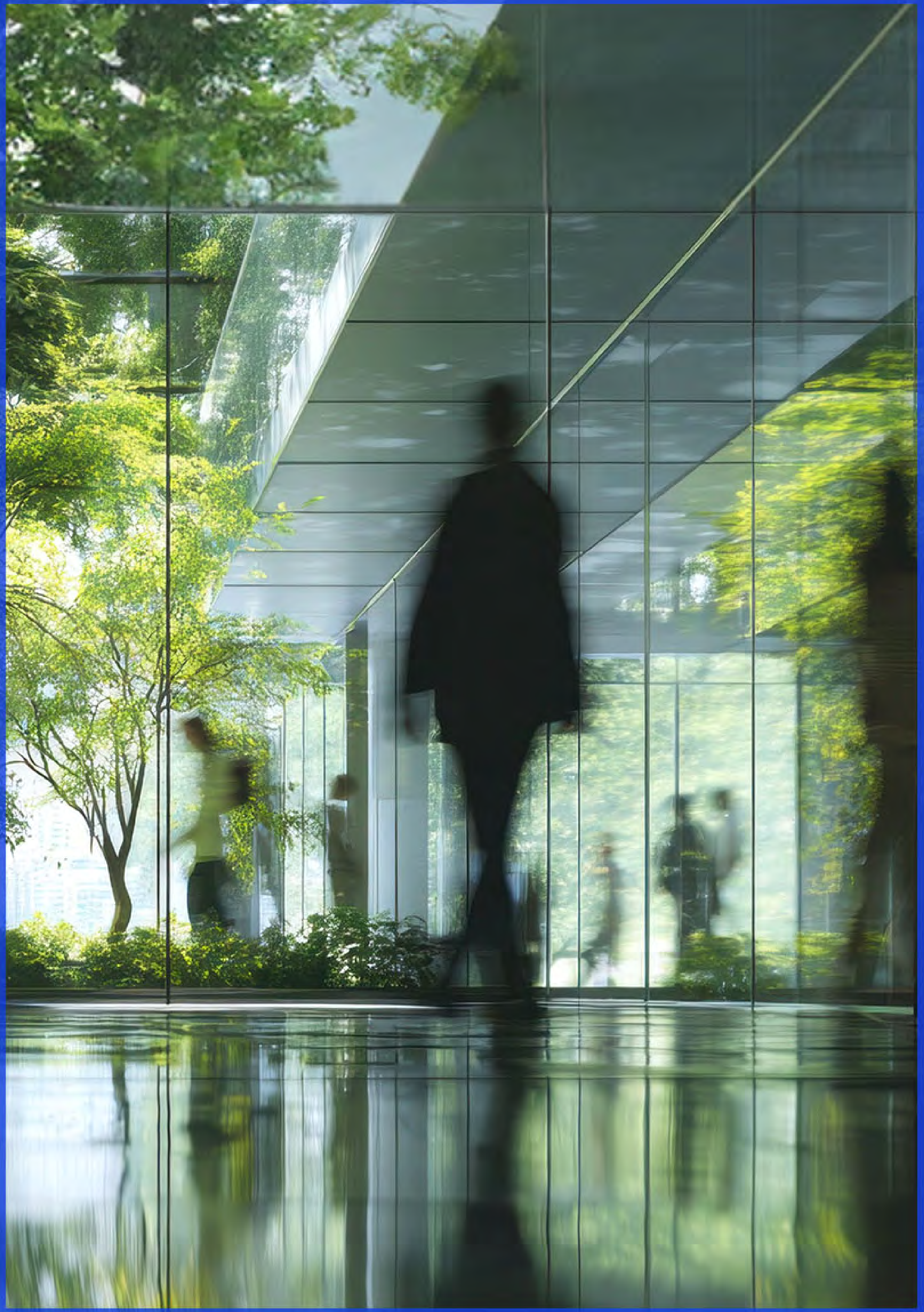
Competing in Europe's green-industrial transition

Navigating the EU funding landscape in today's complex new reality



Foreword

A new geopolitical and economic reality for Europe

Geopolitical tensions, trade disruptions, energy shocks and intensifying subsidy competition are reshaping the European Union's (EU's) climate and industrial transition journey. Europe is recalibrating its policy framework in response to a fragmented, volatile and competitive new reality. Strategic dependencies are being reassessed, trade relations are becoming more transactional, and major economies are increasingly using public support to anchor critical value chains at home.

Today's complex reality differs fundamentally from when the European Green Deal was adopted in 2019. EU policy previously relied on assumptions that no longer hold — stable globalization, secure energy imports and sustained growth. The COVID-19 pandemic, Russia's invasion of Ukraine and the subsequent energy crisis have exposed structural vulnerabilities across Europe's industrial and energy systems. Sharp increases in electricity prices, disrupted supply chains and rising input costs have directly translated into pressure on industrial competitiveness and household affordability.

Public and political priorities have shifted accordingly. Sustainability remains a core objective, but is increasingly pursued alongside concerns around security, resilience and economic stability. The global policy environment has evolved in parallel. Competition today is shaped as much by access to capital and speed of deployment as by regulation. Large-scale support schemes in the US and state-led industrial strategies in China illustrate that the ability to mobilize funding at scale has become a defining factor in global competitiveness.

For Europe, this has prompted a reassessment of the policy toolkit. Experience has shown that regulatory obligations and reporting alone are not sufficient to secure industrial investment and resilient value chains. Sustainability is increasingly framed as a condition for long-term competitiveness and strategic autonomy, grounded in circularity, secure access to materials and skills, and domestic clean-energy capacity. Retaining materials in circulation and expanding renewable energy are no longer only environmental objectives, but essential components of economic resilience and security.

This shift reflects a growing consensus that sustainable transformation can only be durable if it is also competitive, investable and scalable. Europe's challenge is therefore not just one of ambition, but of execution: translating policy goals into outcomes that attract capital, enable industrial deployment and strengthen competitiveness in a more state-supported global economy.

The EU's recent policy direction increasingly reflects this perspective. Initiatives such as the Competitiveness Compass, the Clean Industrial Deal and regulatory simplification efforts signal a clearer focus on enabling investment, scaling strategic technologies and improving delivery. At the same time, they underline a persistent tension in EU policymaking: the need to accelerate deployment while preserving policy credibility, legal certainty and long-term signals for capital-intensive investments.

Against this backdrop, the role of public funding is changing materially. EU funding is no longer limited to research or niche initiatives. It increasingly supports core business investments, including decarbonization, circularity, energy transition, digital infrastructure and strategic capacity expansion. As a result, credits, grants and incentives (CGI) have become a central element of investment planning, location decisions and industrial transformation strategies.

At the same time, the CGI landscape has grown more fragmented, fast-moving and competitive. Programs differ across jurisdictions, sectors and timelines, making it difficult for organizations to maintain a clear and complete overview. Many companies risk leaving value on the table by identifying opportunities too late, lacking internal coordination, or approaching incentives reactively, project-by-project, rather than as part of a broader investment strategy.

This publication aims to offer organizations insight into navigating this new environment. Europe's approach to funding is evolving in response to geopolitical pressure, strategic competition and the expanded use of incentives by other major economies. At the same time, one EU budget cycle is entering its final phase while the next is being negotiated, creating a dynamic and complex setting for investment decisions. The aim is to: provide a structured, decision-relevant view of the EU funding landscape; highlight where opportunities are most material for businesses; and help organizations position investments that remain competitive, resilient and aligned with Europe's emerging priorities.

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A strategic new focus on investment

EU funding operates within the framework of the Multiannual Financial Framework (MFF), the EU's long term budget that sets overall spending ceilings and policy priorities for a seven-year period. The current framework, MFF 2021–2027, represents a total envelope of approximately 1.2 euros (EUR) trillion (1.4 US dollars (USD) trillion) and is now in its final implementation phase.[1] Most programs are fully operational, and the focus has shifted from design and launch to delivery, absorption and measurable impact.

At the same time, the EU is preparing the next MFF for 2028–2034. The EU presented a proposal in mid 2025 that formally opened negotiations with member states and the European Parliament.[2] These negotiations are expected to run throughout 2027, meaning companies face an unusual overlap of continued funding availability under the current framework and a future architecture that is still being shaped.

EU spending will promote partnership plans under the MFF

The EU proposal signals a more strategic and investment driven EU budget, with a proposed envelope of close to EUR2 trillion (USD2.3 trillion), equivalent to about 1.26 percent of EU Gross National Income. Structurally, the next MFF is expected to be simpler and more integrated, with a stronger role for national and regional partnership plans, greater emphasis on place based delivery and tighter alignment with national reform agendas.

Climate policy remains central, increasingly embedded as a horizontal objective. The proposed 35-percent climate spending target applies across the EU budget, while funding priorities shift towards clean industry, strategic technologies, infrastructure resilience and security, with cohesion remaining essential but more closely linked to competitiveness and investment impact.[3]

Bridge programs connect evolving MFF frameworks

Several programs under MFF 2021–2027 already reflect the logic of the next budget cycle and therefore function as transition instruments between the current and future frameworks.[4]

The Innovation Fund is a key example. Financed through the EU Emissions Trading System and extending to 2030, it supports large scale industrial decarbonization and first of a kind projects. Its strong focus on deployment, performance and replication closely aligns with the clean industry and competitiveness agenda expected to dominate beyond 2027.[5]

The Just Transition Fund (JTF) also anticipates future priorities. Although formally part of the current framework, it supports regions and companies undergoing structural transformation away from carbon intensive activities.[6] As the next MFF places greater emphasis on regional delivery, resilience and socio economic transition, the underlying logic of the JTF is likely to remain central.

Erasmus+ increasingly supports skills development, reskilling and cross sector cooperation linked to the green and digital transitions.[7] As workforce constraints become a binding factor for industrial investment, skills related funding becomes strategically relevant

The Strategic Technologies for Europe Platform (STEP)[8] is increasingly coordinating these programs. STEP is not a new fund, but a mechanism designed to steer existing programs towards critical technologies, including clean tech, digital technologies, advanced manufacturing and dual use capabilities. Operating across instruments such as Horizon Europe, InvestEU, European Regional Development Fund (ERDF) and the JTF, STEP reduces fragmentation and accelerates deployment. It provides a practical bridge between current funding instruments and the priorities shaping the next MFF.

InvestEU plays a complementary role by mobilizing private capital through EU guarantees rather than direct grants. By reducing investment risk, it enables projects that are larger, more complex and more capital intensive than traditional funding would allow.[9] This de risking model is expected to gain further importance under the next MFF, positioning InvestEU as a natural bridge between today's funding landscape and future competitiveness instruments.

A window of opportunity for rapid corporate action

As MFF 2021–2027 approaches its conclusion, a number of EU programs still hold significant uncommitted or under-absorbed budgets, particularly under cohesion, regional transition and infrastructure instruments. Managing authorities are under increasing pressure to deploy available funds within the remaining timeframe, shifting attention to projects that can be delivered quickly and at scale.

For companies, this creates a distinct window of opportunity. Funding bodies increasingly prioritize technically mature and implementation-ready projects, alignment with national and regional schemes is often stronger, and access to EU funding frequently materializes through co-financed investment programs, tenders and public procurement, rather than purely competitive EU calls. Targeting these instruments in 2026–2027 can accelerate investments, reduce capital expenditure risk and establish a funding track record aligned with the priorities shaping the next MFF.

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1 European Commission. "*Long-term EU budget 2021-2027.*" Accessed May 22, 2026.
2 European Commission. "*EU budget 2028-2034.*" Accessed May 22, 2026.
3 European Commission. "*Statement 25/1851.*" Accessed May 22, 2026.
4 European Parliament. "*Multiannual Financial Framework.*" Accessed May 22, 2026.
5 European Commission. "*What is the Innovation Fund?*" Accessed May 22, 2026.
6 European Commission. "*Just Transition Fund.*" Accessed May 22, 2026.
7 European Commission. "*Erasmus+.*" Accessed May 22, 2026.
8 European Commission. "*Strategic Technologies for Europe Platform.*" Accessed May 22, 2026.
9 European Commission. "*InvestEU Fund.*" Accessed May 22, 2026.

Under the current MFF, there are about 40 EU spending programs. Rather than covering the full universe, this report has grouped and highlighted the programs considered most relevant for industry into three categories: Research, innovation and scale-up; Cohesion, infrastructure and regional transition; and Environment and climate. The EU Funding Architecture map below focuses primarily on grant-based programs, which we consider the most relevant and impactful for corporate investment decisions in the current phase of the MFF.

The Recovery and Resilience Facility (RRF) aims to accelerate the green and digital transitions and reinforce long term economic and social stability. While the RRF sits outside the MFF 2021–2027 and is therefore not shown in the architecture map, it represents a significant funding source and is included in this publication due to its scale and relevance for business investments.

EU grant funding architecture 2026–2027

Multiannual Financial Framework (MFF) 2021–2027

A long-term budget of EUR1.2 trillion (USD1.4 trillion)

STEP (Strategic Technologies for Europe Platform)

Reprogramming and strategically coordinating EU funding towards critical technologies

Research, innovation and scale-up

Horizon Europe

Overall budget: ~EUR93.5 billion (USD109.7) (2021–2027)

Description: The EU's flagship research and innovation program increasingly focuses on deployment, industrial competitiveness and clean technologies in its final work programs.

Innovation Fund (marked: transition instrument)

Overall budget: Variable, financed via EU ETS revenues.

Description: Supports large-scale industrial decarbonization, hydrogen, CCUS and clean manufacturing, designed for continuation and expansion beyond the current MFF.

Erasmus + (marked: transition instrument)

Overall budget: ~EUR26–28 billion (USD30.5–32.9 billion)

Description: The EU's leading program for education, training and skills development, supporting mobility, cooperation and capacity-building in with green and digital transitions.

IPCEI (marked: transition instrument)

Overall budget: No single EU envelope; **EUR90+ billion (USD105.6 billion)** has been mobilized in public and private investment to date via state-aid from member states.

Description: A state-aid framework enabling member states to jointly fund large, cross-border projects in strategic technologies that support industrial scaling and strengthens European value chains.

European Defence Fund (EDF) (marked: transition instrument)

Overall budget: ~EUR7.3–8 billion (USD8.6–9.3 billion)

Description: Supports collaborative defense research and capability development among member states, strengthening industrial capacity, innovation and the EU's strategic autonomy, with strong continuity expected post-2027.

Cohesion, infrastructure and regional transition

Connecting Europe Facility (CEF)

Overall budget: ~EUR20.7 billion (USD24.3 billion)

Description: Funds strategic energy, transport and digital infrastructure, with increasing attention to energy security, cross-border grids and military mobility, and strong continuity expected post-2027.

European Regional Development Fund (ERDF) (marked: core STEP channel)

Overall budget: ~EUR226 billion (USD265 billion)

Description: Supports regional competitiveness, innovation, net-zero investments and economic cohesion, with implementation continuing until end-2027.

Cohesion Fund

Overall budget: ~EUR48 billion (USD563 billion)

Description: Supports investments in environment and transport infrastructure in less affluent member states to strengthen economic, social and territorial cohesion across the EU.

INTERREG (marked: not part of STEP but has related activities)

Overall budget: ~EUR8–10 billion (USD9.4–11.7 billion)

Description: A cohesion policy instrument fostering cross-border, transnational and interregional cooperation on shared challenges, including climate adaptation, energy, transport and innovation.

ESF+ (marked: core STEP channel)

Overall budget: ~EUR99 billion (USD116 billion)

Description: Cohesion policy instrument supporting employment, skills development, education and social inclusion, including workforce transition linked to green and digital priorities and strengthening human capital across regions.

Environment and climate

LIFE Programme

Overall budget: ~EUR5.4 billion (USD6.3 billion)

Description: Provides funding for environment, climate action and nature-based solutions, primarily supporting pilots, implementation and capacity building.

Just Transition Fund (marked: transition instrument; core STEP channel)

Overall budget: ~EUR19–20 billion (USD22.3–23.5 billion) including NGEU top-ups

Description: Targets regions most affected by the transition to climate neutrality, supporting diversification and reskilling, with its logic expected to be integrated into broader cohesion tools post-2027.

Marked programs act as transition instruments to the next MFF, either by design or by anticipated policy continuity.

Core STEP channel.

Not part of STEP but has related activities.

1. EU programs powering research, technology and industrial leadership

Horizon Europe

Putting new products, services and technology in focus

Horizon Europe is the EU's primary funding instrument to help companies innovate, scale technologies and strengthen competitiveness, while addressing strategic priorities such as the green transition, digitalization, resilience of value chains and technological sovereignty. The program de-risks research and innovation (R&I) investment and accelerates the translation of innovation into market and policy impact.

Description

Direct, non dilutive EU funding to support companies and other organizations in developing new products, services and technologies, typically in collaboration with leading European partners (industry, research and public actors). Funding spans the full innovation cycle, from applied research and pilot demonstrations to large scale validation and market oriented innovation.

Source: Horizon Europe

Key benefits

- Significant cost sharing for R&I investments, reducing financial and technological risk.
- Access to European innovation ecosystems and strategic partnerships.
- Acceleration of time to market through funded pilots, demonstrators and scale up actions.
- Alignment with EU policy priorities, increasing long term market relevance. Enhanced credibility and visibility with customers, investors and regulators.

Incentive type, funding coverage and funding amount

- **Instrument:** Direct EU grants (non repayable, non dilutive).
- **Funding coverage:** Up to 100 percent of eligible costs for research focused actions, 70 percent for close to market innovation actions (100 percent for non profits).
- **Total budget 2021–2027:** Approximately EUR93.5 billion (USD109.7 billion).
- **Focus areas:** Digital, climate and energy, health, mobility, advanced manufacturing, space, security and more.

Qualification requirement

Open to companies of all sizes (including small and medium-sized enterprises (SMEs) and corporates) established in EU member states or associated countries. Most calls require participation in a European consortium. Projects are selected through competitive evaluation based on excellence, impact and implementation capacity.

Timeline

Published annually under thematic EC Work Programs (currently WP 2026–2027).

Project duration:
Typically, 24–48 months, depending on action type and ambition.

Erasmus+

A spotlight on education, training and youth development

Erasmus+ supports the modernization and globalization of education, training, youth and sport systems — strengthening human capital, institutional capacity and long term competitiveness across Europe, while contributing to EU horizontal priorities such as inclusion, digital transformation, sustainability and democratic participation.

Description

Erasmus+ is the EU's flagship program for education, training, youth and sport, supporting personal, professional and civic development in Europe and beyond.

Source: Erasmus+ Programme

Key benefits

- Improved skills and employability through funded learning mobility and cooperation.
- Strengthened institutional capacity and international networks across education, training, youth and sport.
- Support for inclusion and equal access to opportunities for participants with fewer opportunities.
- Contribution to digital transformation, green transition and civic engagement.
- Enhanced visibility and long term impact through EU supported cooperation and recognized learning outcomes.

Incentive type, funding coverage and funding amount

- **Instrument:** Direct EU grants and indirect management via National Agencies.
- **Funding coverage:** Up to 100 percent under Key Action 1 and Key Action 2, and call based funding rules under Key Action 3.
- **Total budget 2021–2027:** More than EUR26 billion (USD30.5 billion).
- **Focus areas:** Inclusion and diversity, digital transformation, environment and fight against climate change, participation in democratic life and civic engagement.

Qualification requirement

Strong cross cutting emphasis on inclusion, diversity and equal access, with eligibility open to organizations active in education, training, youth and sport, as well as other organizations operating in fields relevant to the project activities, subject to the specific Key Action.

Timeline

Calls follow a recurring, comparable annual cycle across the different Key Actions, ensuring predictability and continuity between funding rounds.

Project duration:
Varies by action, but typically, 12 to 36 months, depending on the type of project.

European Defence Fund

Promoting research, innovation and strategic autonomy

The European Defence Fund (EDF) is the EU's flagship program to support member states' collaborative defense research and development. It aims to strengthen Europe's strategic autonomy, foster innovation in defense technologies and enhance the competitiveness of the European defense industry. The program de-risks defense research and development (R&D) investments and accelerates the development of interoperable and next-generation defense capabilities.

Description

Direct, non-dilutive EU funding supporting collaborative defense research and capability development projects involving multiple European partners — industry, SMEs, research organizations and public entities. Funding covers the full innovation cycle, from upstream research (Technology Readiness Level (TRL) 1–4) to development of prototypes and demonstrators (TRL up to 8), with a strong focus on cooperation and interoperability at the EU level.

Source: European Defence Fund

Key benefits

- Significant co-funding of defense R&D, reducing technological and financial risks.
- Access to strategic European defense ecosystems and cross-border partnerships.
- Acceleration of capability development and industrialization.
- Strengthened positioning in future EU defense value chains and enhanced credibility with institutional stakeholders.

Incentive type, funding coverage and funding amount

- **Instrument:** Direct EU grants (non repayable, non dilutive).
- **Funding coverage:** Funding covers up to 100 percent of eligible costs for research actions and typically 20 to 80 percent for development actions, depending on the activity and consortium structure, with additional bonus mechanisms available for SMEs, mid-caps and Permanent Structured Cooperation (PESCO) projects.
- **Total budget 2021–2027:** About EUR8 billion (USD9.3 billion).
- **Focus areas:** Defense technologies including AI, cyber, space, naval, air combat, sensors, energy resilience, and next-generation military capabilities.

Qualification requirement

Open to companies of all sizes established in EU member states. Projects must involve a consortium of at least three independent entities from three EU nations. Strict eligibility rules apply, notably regarding ownership and control, security of supply and information, as well as alignment with EU defense capability priorities.

Timeline

Published annually under thematic Work Programs (currently WP 2026–2027).

Project duration:
Typically, 24–60 months, depending on project scope.

Innovation Fund

Accelerating the drive to climate neutrality

The Innovation Fund is one of the world's largest funding programs for innovative low-carbon technologies, supporting the EU's transition to climate neutrality. The program is the EU's climate policy fund, with a focus on energy and industry. It aims to bring market solutions to decarbonize European industry and support the transition to climate neutrality while raising its competitiveness.

Description

The Innovation Fund focuses on highly innovative technologies and flagship projects in Europe that can deliver significant emission reductions. The program is financed through the sale of emission certificates under the EU Emission Trading System.

Funding is available for projects developing innovative low- carbon technologies and processes in energy-intensive industries, including: products that can replace carbon-intensive industries, carbon capture and utilization/storage, innovative renewable energy generation/storage, green hydrogen developers, and decarbonization of industrial heat processes.

Source: Innovation Fund

Key benefits

The program enables large-scale industrial decarbonization by sharing financial and performance risk with project promoters, offering flexible grant disbursement linked to project milestones, and supporting innovative technologies with strong replication potential and EU-wide scalability.

Incentive type, funding coverage and funding amount

- **Instrument:** Direct EU grants (non-repayable, non-dilutive).
- **Funding coverage:** Supports up to 60 percent of relevant project costs for regular grants. For auctions, a fixed-premium subsidy in EUR/metric ton of CO_2 abated covering up to 100 percent of relevant costs.
- **Total budget 2020–2030:** About EUR40 billion (USD46.7 billion).
- **Funding payments amount:** Depends on project scale and grant payments are linked to milestones and verified performance.

Qualification requirement

The fund is open to companies of all sizes in EU member states or associated countries. Projects must demonstrate significant innovation or a breakthrough, deliver significant greenhouse gas emission avoidance, and show sufficient maturity across technical, financial and legal dimensions. Projects must also be scalable, cost efficient and compliant with the Do No Significant Harm (DNSH) principle applicable from 2025 onward. Projects are selected through competitive evaluation based on excellence, impact and implementation capacity.

Timeline

Published annually through regular competitive calls for proposals (Call for proposals are published in December, with deadlines in February–April).

Project duration:
Typically, three to five years, depending on project scale.

Important Projects of Common European Interest (IPCEI)

Keeping large cross-border projects in focus

Important Projects of Common European Interest (IPCEIs) are a key EU aid instrument supporting large-scale cross-border projects that strengthen Europe's competitiveness, resilience and strategic autonomy. IPCEIs are closely linked to the MFF. While in the current 2021–2027 period they are primarily financed through coordinated national funding rather than the EU budget, IPCEIs are expected to become a central element of the EU's financial architecture under the 2028–2034 MFF.

Description

IPCEIs enable investments that would not take place without public support due to their scale, risk profile or coordination complexity. They are designed to support the development and first industrial deployment of strategically important technologies, infrastructures and value chains of European relevance.

Projects are jointly supported by several member states through national funding schemes, with aid authorized at the EU level under state aid rules. This model aligns national industrial priorities with EU strategic objectives and ensures that projects deliver clear cross-border benefits and positive spillover effects across the internal market.

Source: IPCEI — Competition Policy — European Commission (more detailed information can be found on the websites of national coordinating agencies).

Key benefits

- High visibility within strategically important European value chains, with potential global impact.
- Strong alignment with EU industrial, competitiveness and resilience priorities across sectors.
- Shared costs and risks within multinational consortia, with access to a high-level European collaboration network.

Incentive type, funding coverage and funding amount

- **Instrument:** Public funding in the form of non-repayable grants, awarded at the national level under EU State aid approval.
- **Funding coverage:** Forty to 70 percent of eligible costs; participants must show significant investments and explain 'funding gap,' maximum of EUR25 million for national projects.
- **Total budget:** No fixed EU-wide budget, dependent on company investments and national contributions. For example, Germany has allocated up to EUR1 billion (USD1.1 billion) in some IPCEI waves.

Qualification requirement

Open to companies of all sizes, but projects must make a significant contribution and demonstrate financial ambition and relate to national priorities; companies must provide the project brief to the national coordinating body to pre-register as a direct participant (DP). Associated Partners (AP), including SMEs, collaborate in a consortium with DPs. Projects must fit into one or more of the program's focus areas and demonstrate significant spillover effects.

Timeline

Timelines vary by IPCEI wave, and the member state involved. Typically, applicants submit a project brief or expression of interest to the national coordinating authority, after which pre-selected projects may proceed to matchmaking, prepare full project portfolio and funding gap documentation, and undergo the EU State aid assessment. Recent 2025–2026 waves have followed different national deadlines, so companies should closely monitor updates from national coordinating agencies.

2. EU programs for cohesion, infrastructure and regional transition

Cohesion Fund

Targeting disparities to foster EU growth and convergence

The Cohesion Fund is a core EU funding instrument supporting large-scale investments that strengthen competitiveness, sustainability and territorial cohesion in 15 eligible member states under the current MFF. Its primary objective is to reduce economic, social and territorial disparities while supporting long-term growth and convergence across the EU.

Description

The Cohesion Fund operates under shared management between the EU and member states and is implemented through national partnership agreements and operational programs. Funding supports investments of EU importance that contribute to environmental protection, climate objectives and improved connectivity across the internal market.

Support is typically channeled through public-led projects, infrastructure deployment and co-financed investment schemes. Companies are involved as project developers, technology providers, contractors, or operators within publicly funded investments — rather than as direct grant beneficiaries in most cases.

Source: Cohesion Fund (CF) — European Commission

Key benefits

- Co-financing of large-scale capital investments linked to sustainability, climate action and infrastructure.
- Reduced investment risk in capital-intensive sectors such as energy, water, waste and mobility.
- Indirect market opportunities through publicly funded infrastructure and utility projects.
- Strong alignment with the EU Green Deal and climate objectives, supporting regulatory readiness.
- Stable, multiannual funding framework under shared management.

Incentive type, funding coverage and funding amount

- **Instrument:** Grants under shared management, implemented through national and regional programs.
- **Funding coverage:** Up to 100 percent of eligible investment costs, depending on region, priority, investment type, and beneficiary.
- **Total budget:** Defined at member-state level within the MFF and national partnership agreements.
- **Focus areas:** Environment and climate action, energy efficiency and renewables, water and waste management, circular economy, digitalization and sustainable transportation infrastructure.

Qualification requirement

Eligibility depends on the specific program and call for proposals. Public authorities, public utilities and private entities may participate depending on the investment type. Projects must align with national Partnership Agreement priorities and comply with applicable program rules. Calls are launched periodically within the funding period.

Timeline

The Cohesion Fund operates in line with the applicable MFF period.

Project duration and implementation timelines are governed by program rules and national or regional legislation.

Connecting Europe Facility

Strengthening connectivity and integration across the EU

The Connecting Europe Facility (CEF) is a key EU funding instrument under the 2021–2027 MFF that supports strategic infrastructure investments across the energy, transport and digital sectors. It aims to develop, modernize and complete Trans-European Networks (TENs) by financing projects of common interest with clear European added value.

The CEF plays a central role in strengthening connectivity and integration across member states by supporting cross-border links, removing bottlenecks and addressing missing connections in Europe's infrastructure backbone. It contributes to the effective functioning of the internal market while enhancing competitiveness, cohesion and resilience across the EU.

Across its three strands, CEF fosters collaboration between sectors to accelerate the green and digital transitions. In energy, it supports the integration of renewable energy, system flexibility and the development of interconnected electricity, hydrogen and CO_2 networks. In transport, it enables sustainable, smart and multimodal mobility through interoperable infrastructure and alternative fuels deployment. In digital, it promotes secure, high-capacity connectivity, including 5G corridors and backbone infrastructure for cloud, edge and data services.

By enabling coordinated investments at the European level, CEF facilitates sector coupling and system integration, ensuring that energy, transport and digital infrastructures evolve in a mutually reinforcing manner. This integrated approach is essential to achieving the EU's climate-neutrality objectives, strengthening energy security, advancing digitalization and reinforcing the EU's strategic autonomy.

Source: Connecting Europe Facility — European Commission

Description

CEF supports cross border infrastructure projects in areas such as transport, energy and digital networks, with a focus on addressing bottlenecks, missing links and interoperability gaps that are critical to EU policy objectives, including decarbonization, energy security and digital connectivity.

Key benefits

- EU co-financing for capital-intensive infrastructure projects with high strategic relevance.
- Support for cross-border, interoperable infrastructure that strengthens the internal market.
- Reduced financial and deployment risk for projects aligned with EU policy priorities.
- Contribution to the EU climate, energy, digital and connectivity objectives.
- Crowding-in of public and private financing alongside EU grants.

Incentive type, funding coverage and funding amount

- **Funding instrument and structure:** EU grants awarded under CEF calls, typically combined with additional public or private financing.
- **Funding coverage:** Defined per call and project type, with higher co-financing rates available for Cohesion countries.
- **Total budget:** Defined under the MFF and allocated through sector-specific CEF work programs.
- **Focus areas:** Transport networks, energy infrastructure, alternative fuels and clean energy networks, digital connectivity and other cross-border strategic infrastructure.

Qualification requirement

Open to legal entities established in EU member states proposing mature infrastructure projects aligned with CEF priorities. Projects are selected through competitive evaluation procedures and must demonstrate EU added value, cross-border relevance and financial maturity. National endorsement or preselection may be required, depending on the call.

Timeline

CEF operates within the applicable MFF period. Calls for proposals are launched periodically, with implementation timelines defined at the call level. New calls are expected under future CEF work programs.

European Regional Development Fund

Promoting green transition and competitiveness

The European Regional Development Fund (ERDF) supports regional economic development by strengthening competitiveness and promoting the green transition across EU regions. It contributes to sustainable growth by supporting investments in energy efficiency, renewable energy, the circular economy, innovation and sustainable production, to reduce regional disparities in line with EU Cohesion Policy.

Description

The ERDF is a core instrument of EU Cohesion Policy under the MFF, designed to support long-term structural transformation of regional economies. It translates EU priorities on climate neutrality, competitiveness, innovation and resilience into place-based investments that reflect differing regional development levels.

Through shared management, the ERDF aligns EU policy objectives with national and regional development strategies via partnership agreements and operational programs. This framework ensures that the green and digital transitions are implemented in a territorially balanced way and embedded into national and regional investment planning rather than treated as standalone projects.

Source: European Regional Development Fund (ERDF) — European Commission

Key benefits

- The fund provides non-repayable grants and financial instruments that reduce the investment burden for sustainable projects.
- It supports the adoption of energy-efficient technologies, renewable energy solutions and circular business models, enhancing competitiveness and environmental sustainability.

Incentive type, funding coverage and funding amount

- **Instrument:** Non-repayable grants and financial instruments such as loans, guarantees and equity.
- **Funding coverage:** Higher funding intensities are typically granted in less-developed regions, supporting economic convergence, and for SMEs, reflecting their role in innovation and regional development.
- **Total budget 2021–2027:** Defined under the MFF and allocated across member states through national and regional ERDF programs.
- **Focus areas:** Multiple sectors of the EU Cohesion policy, including energy efficiency, renewable energy, circular economy, innovation and competitiveness.

Qualification requirement

Open to enterprises, public bodies and other eligible beneficiaries under the ERDF, implemented through national and regional programs, subject to program-level eligibility criteria and territorial alignment. Aid intensity may vary by region, in line with EU classifications and, where applicable, state aid rules.

Timeline

The programs cofinanced by the ERDF are implemented over the 2021–2027 EU Cohesion Policy period (until 2029–2030), with calls for proposals published periodically at national and regional levels. Project duration varies depending on the type and scale of investment and on program-specific rules.

Interreg

Solving shared challenges across borders

Interreg supports cross border, transnational and inter-regional cooperation to strengthen economic, social and territorial cohesion across Europe by addressing shared challenges beyond national borders.

Description

Interreg is part of the EU Cohesion Policy. It promotes cooperation between regions, cities and public authorities through joint projects in areas such as innovation, green transition, connectivity, social inclusion and governance. Cooperation is organized through four strands: cross border, transnational, interregional and outermost regions' cooperation.

Source: Interreg — European Territorial Co-operation

Key benefits

- Improved territorial integration.
- Stronger institutional capacity, exchange and transfer of good practices.
- Reduced border related barriers.
- Enhanced coordination between public authorities and regional stakeholders.

Incentive type, funding coverage and funding amount

- **Instrument:** Grants under shared management.
- **Main fund:** European Regional Development Fund (ERDF).
- **Co financing rate:** Typically, up to 80 percent ERDF, with national co financing required.
- **Total budget 2021–2027:** EUR9.2 billion (USD10.3 billion), mainly directed to cross border cooperation (about 72 percent), followed by transnational (18 percent), interregional (6 percent) and cooperation involving outermost regions (3 percent).

Qualification requirement

Open to public authorities and public equivalent bodies, as well as private entities, companies and third sector organizations, provided they are active in fields relevant to the project objectives and eligible under the specific Interreg program.

Timeline

Calls for proposals are launched by individual Interreg programs throughout the 2021–2027 period.

Project duration:
Typically, 24 to 48 months, depending on the program and strand.

3. EU programs for decarbonization, resilience and green innovation

LIFE Programme

Accelerating innovative solutions with social impact

The LIFE Programme is the EU's primary funding instrument for environment and climate action, co-financing innovative projects to implement EU environmental and climate policy while supporting the transition to a sustainable, circular, carbon-neutral and climate-resilient economy. The program de-risks environmental and climate investments and accelerates the translation of solutions into policy and societal impact.

Description

Direct, non-dilutive EU funding to support industry and public organizations in developing innovative environmental and climate solutions, typically in collaboration with leading European partners (non-government organizations (NGOs), research institutions, businesses). Funding spans the full project cycle, from innovative pilot demonstrations and best practice development to large-scale validation and policy implementation.

Source: EU LIFE

Key benefits

- Substantial EU co-financing reduces financial and implementation risk for organizations.
- Catalyzes large-scale deployment of successful solutions by replicating results.
- Enhances credibility and market viability by demonstrating eco-innovations and green technologies.

Incentive type, funding coverage and funding amount

- **Instrument:** Direct EU grants (non repayable, non dilutive).
- **Funding coverage:** Sixty percent general rate for Standard Action Projects (SAPs); up to 75 percent for priority habitats/species.
- **Total budget 2021–2027:** About EUR5.45 billion (USD6.36 billion).
- **Focus areas:** Nature and biodiversity, circular economy and quality of life, climate change mitigation and adaptation, clean energy transition.

Qualification requirement

Open to companies of all sizes established in EU member states or associated countries. Legal entities established in a third country not associated with the LIFE Programme may be eligible to participate.

Timeline

Published annually under thematic work programs (currently WP 2026–2027).

Project duration:
Typically, 36–60 months, depending on action type and ambition.

Just Transition Fund

Taking aim at economic diversification and modernization

The Just Transition Fund (JTF) is one of the EU's key instruments supporting regions most affected by the shift from a high emission economy to climate neutrality by 2050. It forms part of the Just Transition Mechanism, proposed under the European Green Deal, which aims to mitigate the socio economic consequences of the transition in regions heavily dependent on fossil fuels and high emission industries, and to prevent the deepening of regional disparities within the EU.

Description

The JTF primarily provides grants to support economic diversification, the modernization of local economic structures, and measures for workers in regions most affected by the phase out of fossil fuels — coal, peat, oil shale — and high-greenhouse gas emission industrial processes.

Source: The Just Transition Fund

Key benefits

- High cost sharing for activities related to the company's transformation, reducing business risk and enabling new solutions.
- Support can be provided for investments in energy transition, increased production capacity and R&D activities.
- The instrument strengthens competitiveness by helping companies adapt to evolving regulatory and market requirements related to climate change.

Incentive type, funding coverage and funding amount

- **Instrument:** Direct EU grants (non repayable, non dilutive).
- **Funding coverage:** Up to 85 percent of eligible costs, depending on the region, which may be increased through co-financing from the state budget.
- **Total budget 2021–2027:** About EUR19.7 billion (USD23 billion).
- **Focus areas:** Digital, climate and energy, advanced manufacturing, workforce reskilling and upskilling, and coal regions.

Qualification requirement

The project must be located in an area covered by a Territorial Just Transition Plan (TJTP). Eligible applicants may include, in particular, enterprises such as SMEs that fall within the scope of the call, for example, in the fields of robotics, innovation development or climate efficiency. An important requirement for some is job creation.

Timeline

Published in accordance with the regional call/program schemes.

Project duration:
Varies depending on the type and scope of the project.

4. EU programs beyond MFF 2021–2027

The Recovery and Resilience Facility (RRF)

Implementing large-scale reforms and strategic investments

The Recovery and Resilience Facility (RRF) aims to strengthen EU resilience, sustainability and competitiveness, supporting member states in implementing structural reforms and strategic investments that accelerate the green and digital transitions and that reinforce long term economic and social stability across Europe.

Description

The Recovery and Resilience Facility (RRF) is the EU's central financial instrument, created in response to the COVID 19 crisis, to support member states in implementing large scale reforms and strategic investments through national recovery and resilience plans. It operates as a performance based mechanism, linking EU funding to the achievement of agreed milestones and targets, and translating EU priorities into concrete national action.

Source: Recovery and Resilience Facility — European Commission

Key benefits

- The RRF supports EU implementation of structural reforms and strategic investments that enhance long term resilience and competitiveness.
- Enables coordinated national investments aligned with EU priorities.
- Strengthens public and private investment capacity.
- Supports green and digital transitions while reinforcing economic stability and social cohesion.

Incentive type, funding coverage and funding amount

- **Instrument:** EU grants and loans allocated to Member States through shared management.
- **Funding coverage:** Up to 100 percent of eligible costs, depending on the type of project and the applicable European regulatory framework, including aid rules such as the General Block Exemption Regulation (GBER).
- **Total budget:** Up to EUR577 billion (USD674.46 billion) in grants and loans at the EU level.
- **Focus areas:** Green transition, digital transformation, social and territorial cohesion and gender equality.

Qualification requirement

Only EU nations are eligible for Recovery and Resilience Facility funding. Access to RRF resources is conditional upon the submission and approval of a national Recovery and Resilience Plan that sets out coherent packages of reforms and investments, together with clearly defined milestones and targets.

Final beneficiaries, such as public bodies, companies or individuals, access funding through national calls and programs financed under approved plans.

Timeline

Project duration:
2021–2027 (indicative timeframe, subject to extension).

Putting the funds to work for your organization

Key actions to consider

Research, innovation and scale-up
(Horizon Europe, Erasmus+, EDF, Innovation Fund and IPCEI)

- **Build a 24-month funding pipeline.** Create a rolling view of priority calls and instruments mapped to your product or service roadmap, using TRL framework. Include capital expenditure (CAPEX) projections and strategic partnerships with academic and research centers, so you can move quickly when opportunities arise.
- **Identify innovation projects early.** Pre-develop concept notes, collaborate with partners, create preliminary work plans, estimate budgets, and define exploitation logic, including intellectual property (IP) plans, go-to-market strategies, scaling pathways. This proactive approach reduces lead time and enhances competitiveness across Horizon Europe or other funding instruments.
- **Choose the right collaboration model (and role) upfront.** Decide early whether to lead, co-lead, or participate, as well as what to retain, including IP/foreground, access rights, manufacturing/industrialization roles and downstream revenue. This clarity helps prevent late-stage consortium friction.
- **Strengthen "impact proof" with measurable outcomes.** Translate ambitions into key exploitable results and KPIs that the EU recognizes (e.g., avoided emissions, industrial capacity enabled, jobs/skills created, security of supply, market uptake). Prepare baseline data and a credible measurement approach to validate your impact.
- **De-risk delivery and compliance before applying.** Put in place internal governance for EU projects, including decision rights, finance controls, partner management and audit readiness. Verify eligibility constraints early in the process, such as financial capacity and ownership/control rules in EDF, as well as DNSH expectations when applicable.
- **Use "skills funding" as a scale accelerator.** Where skills shortages are an obstacle, integrate Erasmus+ cooperation and mobility into your industrial strategy. Build partnerships with Vocational Education and Training (VET) institutions and universities, standardize curricula, and create cross-border talent pipelines that align with your technology rollout.
- **Position for large strategic platforms (e.g. IPCEI/STEP-linked pathways).** If your investments are cross-border, capital-intensive or strategically sensitive, engage early with national coordinating bodies. Clearly articulate the "funding gap" and design strategies to create spillover effects, such as involving small and medium-sized enterprises, establishing open access/testbeds and developing standards and training.

Cohesion, infrastructure and regional transition
(Cohesion Fund, CEF, ERDF and Interreg)

- **Engage early with managing authorities and program calendars.** Build an intelligence loop on national and regional operational programs, focusing on the timing of calls, eligibility rules, budget availability, selection preferences, and any fast-track priorities in the final MFF implementation phase.
- **Treat cohesion funding as a market enabler.** Align projects with territorial priorities, focusing on Smart Specialization Strategies (S3) and regional transition logic. For ERDF and Interreg especially, show strong local embeddedness, including regional value chain fit, SME linkages, skills/job creation, and contributions to place-based competitiveness and resilience.
- **Identify the right investment pipelines.** Determine where the public investment pipelines in utilities, mobility, health, digitalization and regional decarbonization will procure technologies and services. Position your organization early as a supplier, contractor or operator.
- **Make large infrastructure projects (e.g. CEF) by demonstrating EU added value.** For CEF opportunities, prepare robust cross-border rationale that includes interoperability, bottleneck removal, Trans-European Transport Network (TEN-T) and energy (TEN-E) relevance, project maturity (permitting/land), and a financing plan. Secure any required national endorsements as early as possible.
- **Design delivery models that combine grants, finance and procurement.** Many infrastructure opportunities blend co-financing, loans/guarantees, InvestEU-style de-risking and public procurement. Structure your application strategy accordingly, considering consortia, public-private partnerships (PPPs), and engineering, procurement, and construction/operations and maintenance (EPC/O&M) models, while carefully managing procurement constraints from the outset.
- **Build repeatable regional replication packages.** Convert a successful regional deployment into a replicable model. This includes creating technical specifications, business cases, permitting approaches, and stakeholder engagement strategies. This replication can improve scalability and reduce participation costs across multiple regions and programs.

Environment and climate
(LIFE Programme and JTF)

- **Select projects that can demonstrate scalability and replicability.** Prioritize pilot programs and demonstrators that can credibly expand beyond a single site and promote broader uptake of new processes, circular models, climate adaptation solutions, and clean-energy transition applications.
- **Plan for policy and market uptake as part of the project.** For LIFE actions, prepare a clear pathway from demonstration to adoption from stakeholders, regulatory interfaces, standardization, procurement routes, culminating in a replication plan with targeted adopters.
- **Embed strong monitoring and evidence from the start.** Define baselines, indicators and verification methods to access environmental outcomes, resource efficiency and resilience benefits. This approach strengthens the quality of the applications and helps improve delivery credibility.
- **Use Just Transition Fund to accelerate transformation in eligible territories.** If you operate or want to invest in regions covered by a Territorial Just Transition Plan, develop a portfolio that includes factory modernization, diversification and reskilling initiatives that demonstrate the socioeconomic transition benefits, such as jobs, new value chains and worker transitions.
- **Pair CAPEX transformation with workforce transition.** Make reskilling, upskilling and job redesign integral to decarbonization and modernization. This creates a consistent differentiator in transition-focused funding and serves as a practical risk-mitigation measure for delivery.
- **De-risk implementation by aligning permitting, partners and co-financing early.** Environmental and climate projects often fail on delivery friction. Pre-align with local authorities, financing sources, technology providers and operational readiness to demonstrate your capability to execute projects within the timelines set by the program.

EU Programs beyond MFF
(Recovery and Resilience Facility)

- **Boost national plans into investable opportunities.** Translate the national Recovery and Resilience Plan measures into a shortlist of relevant business opportunities (calls, tenders, schemes) linked to your CAPEX and transformation priorities.
- **Design projects to match milestones and implementation speed.** The RRF is performance-driven and emphasizes the importance of project scope, procurement approach, and governance to achieve quick results while demonstrating progress against milestones and targets.
- **Build application strategies around delivery partnerships.** Many RRF opportunities are implemented through public bodies and intermediaries. Identify who controls budgets, form delivery consortia early, and prepare "turnkey" packages that include technical, compliance and reporting elements.
- **Strengthen auditability and reporting from day one.** Ensure that financial traceability, documentation discipline, and KPI reporting are embedded into project governance to reduce downstream risk and accelerate approvals and payments.

STEP and InvestEU

Use STEP and InvestEU as cross-cutting accelerators. For projects involving clean technology, digital technologies, advanced manufacturing, dual-use capabilities or other strategic technologies, evaluate how aligning with STEP can strengthen positioning under existing instruments such as Horizon Europe, ERDF, InvestEU or JTF. In cases where grant funding is insufficient or the project is capital-intensive, prepare an InvestEU-compatible investment case showing bankability, identifying risk-sharing needs and outlining strategies for mobilizing private finance.

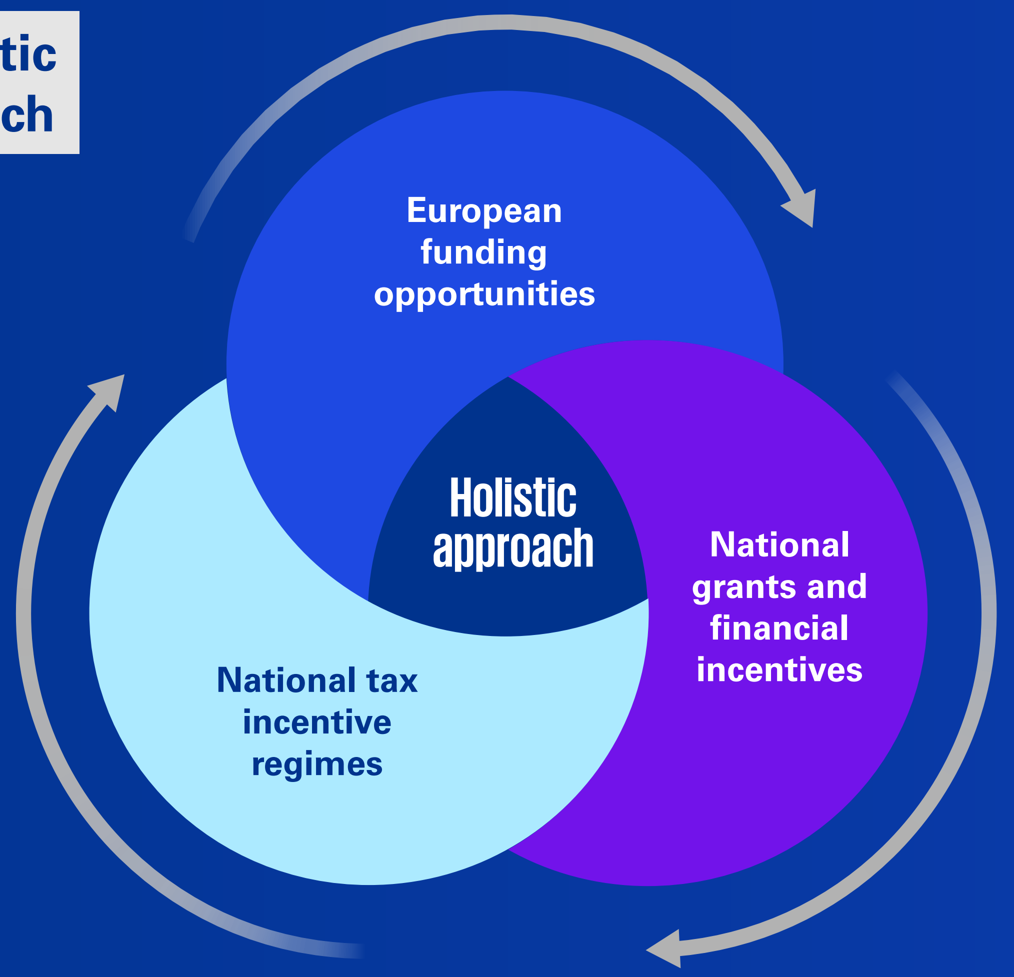
Due to the temporary nature of the RRF, which is now in its final delivery phase, its practical usefulness is increasingly constrained by time and implementation requirements. The EU has set deadlines for member states to complete milestones and targets by 31 August 2026, submit the final payment request by 30 September 2026 and make all payments by 31 December 2026. Ther will be no payments in 2027. Consequently, RRF opportunities tend to prioritize measures that are implementation-ready and can be delivered quickly, leaving limited room for initiatives that involve long lead times, complex permitting, or extended multi-year ramp-ups.

How KPMG can help

Integrated support for credits, grants and incentives

Strategic funding plays a critical role in driving corporate sustainability and supporting transition. The KPMG Global Credits, Grants & Incentives (CG&I) practice is positioned to assist companies in navigating the complex landscape of government funding and tax benefits, particularly those that are vital to achieving ESG objectives within the EU. Our global network includes over 1,000 dedicated CG&I specialists comprising tax advisors, scientists, engineers and IT technologists.

A holistic approach



Proactive identification of ESG-aligned opportunities

- **Tailored horizon scanning:** We leverage local experts to conduct focused analysis, identifying EU and national funding programs, tax credits and incentives that directly support ESG initiatives. This includes government grants for developing green technologies, R&D tax incentives for sustainable innovation, and capital expenditure incentives for sustainability-based infrastructure investments or energy efficiency projects.
- **Comprehensive opportunity reporting:** Our technology-supported process generates curated opportunity reports that outline available benefits by jurisdiction within the EU, complete with indicators for ease of access, tax implications and regulatory alignment. This ensures companies have visibility on relevant incentives to support high-impact ESG projects.

Optimized application and compliance support for EU funding

- **Expert application and submission:** Our experienced teams prepare and submit optimized applications for EU and national grants, ensuring all requirements are met to maximize success rates. KPMG firms handle local workstreams, while central oversight guarantees robust governance, risk, and compliance management throughout the application process.
- **Seamless compliance management:** For successfully awarded EU grants, we provide ongoing support, including centralized communication and compliance updates. Our bespoke technology enhances global connectivity and visibility, enabling efficient tracking of CG&I initiatives and ensuring compliance with complex EU funding regulations.

KPMG is dedicated to supporting organizations' ESG transition journey. By leveraging our experience in credits, grants and incentives, global reach and innovative technology, we help businesses strategically access and manage EU funding and tax incentives, turning sustainability commitments into measurable financial success and accelerating their positive impact.

Related thought leadership

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An overview of where European businesses stand and the sectors most impacted by DPP requirements

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Designed by Evalueserve.

Publication name: Competing in Europe's green-industrial transition | Publication number: 140330-G | Publication date: June 2026