Revision of the Governance Regulation of the Energy Union and Climate Action: I4CE's response to the European Commission public Consultation

Turning the NECPs into investment plans

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Introduction

Since the adoption of the Governance of the Energy Union and Climate Action Regulation in 2018, Member States have been required to develop ten-year integrated National Energy and Climate Plans (NECPs) to achieve their climate and energy objectives. In December 2025, the European Commission launched a public consultation to revise this regulation. **One key proposal is to transform NECPs into investment plans** to guide the significant investments necessary for a green and competitive energy sector and to direct public and private funding effectively. And there is a real need for it. According to I4CE's latest edition on the State of Europe's climate investment, **climate investments in the EU reached 498 billion euros in 2023, well below the 842 billion euros needed on average each year to meet the 2030 EU climate targets**, leaving an annual investment gap of at 344 billion euros.

A recent assessment by the European Commission indicates that full implementation of the NECPs could almost enable the EU to meet its 2030 targets, but only if the necessary funding were made available. This assessment also indicates that current NECPs often fall short of identifying actual investment needs and lack comprehensive strategies to mobilise both public and private financing.

Turning NECPs into investment plan presents an opportunity for Member States not only to implement their climate objectives, but also to establish large-scale investment plans that are essential for modernising and driving the economic development of the EU economy. An investment plan has the capacity **to actively steer economic transformation,** potentially in a more interventionist manner than carbon pricing policies alone. Rather than relying solely on private actors to respond to price signals, **investment plans can establish the necessary enabling conditions to guide both public and private investment**. Such forward-looking trajectories **would also respond to a strong demand from investors for greater predictability and clarity regarding national strategic directions.**

To achieve this, these plans must go beyond a tick-box compliance exercise and provide genuine value for Member States. **To be effective, investment plans must be backed by political ambition and reflect Member States' strategic priorities. Their framework must also adapt to the investment strategies already in place within Member States.**

In this consultation response, I4CE outlines the key building-blocks of a climate and energy investment plan. The objective of this proposal is to support policymakers in designing their investment plans by providing them with key initial elements that should be included (section I.). I4CE also highlights critical factors for successful implementation, such as incentives tied to the EU budget, capacity building support, and the need for improved tracking of private investment data at the European level (section II.).

I. How to develop a climate and energy investment plan: 4 key building-blocks

A climate and energy investment plan will only have a chance to succeed if it allows Member States to reflect their national strategic investment priorities. These plans should **underline priority and structuring investment needs** at national level and clarify where public and private capital should be mobilised first. These priorities should remain aligned with the five strategic dimensions underpinning NECPs: **decarbonisation, energy efficiency, energy security, internal energy market, research, innovation and competitiveness.**

Some Member States may already have climate and/or energy investment strategies that cover all or part of the NECPs' strategic priorities. It is crucial that the new framework outlining the investment plan be flexible enough to incorporate existing Member State strategies.

However, to facilitate comparison between the different plans, but also to ensure their robustness, **a set of key minimum components could be required within these plans**. The inclusion of these key minimum components would ensure a minimum level of comparability across plans and strengthen their overall robustness. Member States would remain free to add any additional elements reflecting their national context.

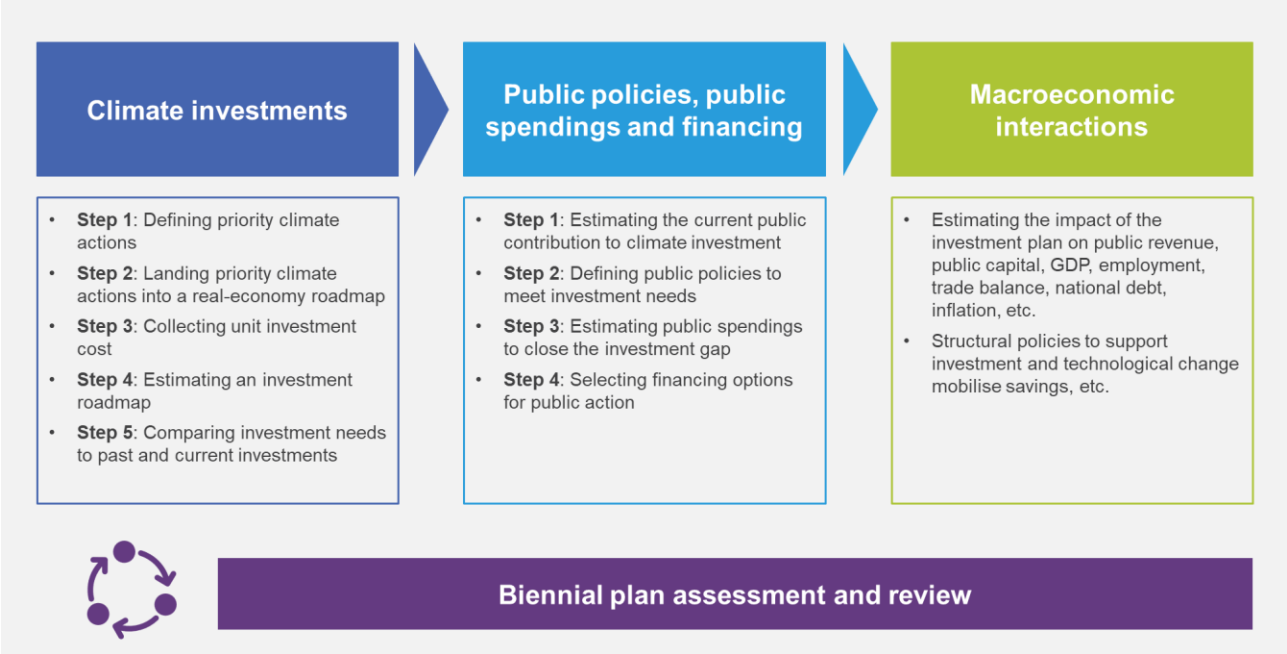
Under the current NECPs framework, Member States are already required to detail a financing plan that provides an estimation of investment needs as well as **an estimation of public and private financing for each policy and measure included in the NECPs.** However, this framework provides few details on the composition of these plans or the approach and methodology to adopt, making the exercise complex for Member States and resulting in poorly comparable outcomes.

Precisely estimating the public-private share for each identified investment need can prove to be a challenging task. A more effective approach would be to outline the public policies required in each sector to trigger investment (including the levers to mobilise private capital), assess their implications in terms of additional public financing needs for the transition, and identify potential funding sources that could be mobilised to close the gap.

To help Member States design their national investment plans, I4CE proposes **a toolkit**, composed of **4 key building blocks**:

- Building block 1: Translating energy and climate goals into sectoral investment roadmaps
- Building block 2: Defining public policies and spendings to meet the climate investment needs
- Building block 3: Accounting for macroeconomic implications
- Building block 4: Completing a biennial plan assessment and review

Figure 1: Key building blocks for a climate and energy investment plan



Source: I4CE.

1.1 Building block 1: Translating energy and climate goals into sectoral investment roadmaps

Key elements of the investment plan:

- Selection of priority sectoral climate actions
- Intermediate real economy target for each sectoral climate priorities in 2030, 2035 and 2040
- Associated investment needs in 2030, 2035 and 2040, for each sectoral climate priorities
- A trend of at least three years of current investment data, as of the plan's publication date, for each sectoral climate priorities

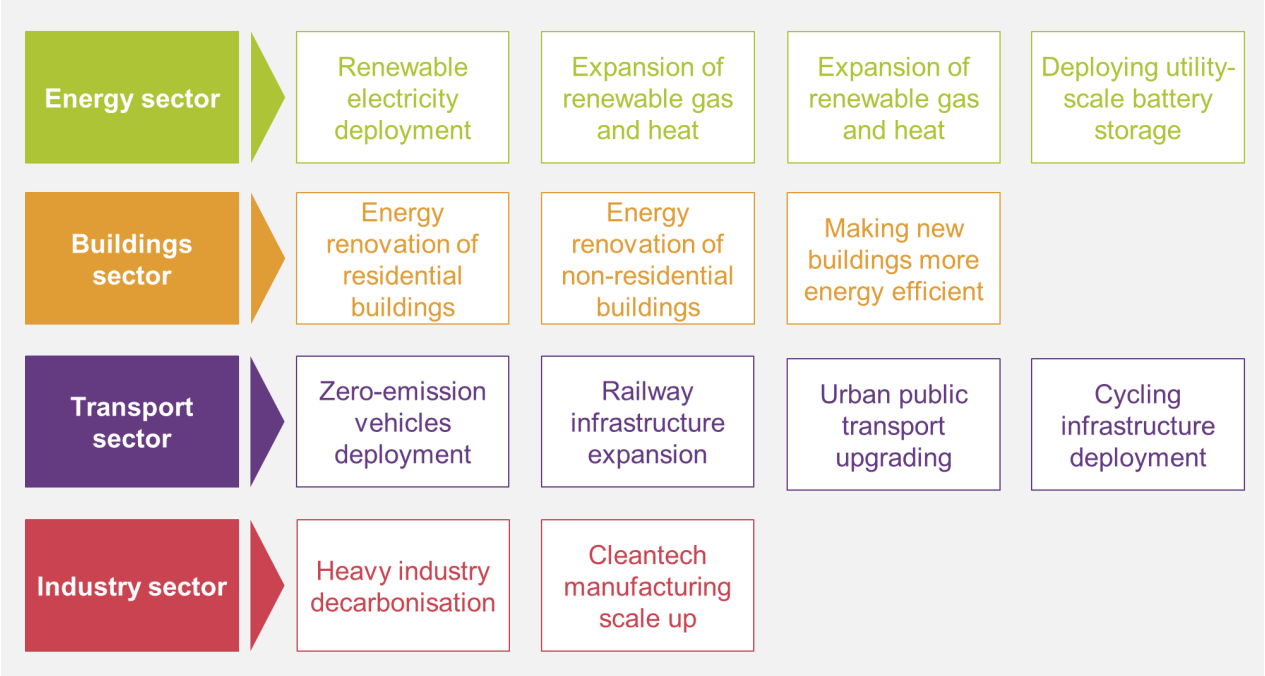
Step 1: Defining priority climate actions

As a first step, each Member State can select which priority climate actions it wishes to pursue. Ideally, these climate actions should cover all the targets set under the Effort Sharing Regulation, as well as other European regulations falling under the five strategic dimensions of the NECPs. However, the type of effort required to achieve these targets may vary depending on the Member States. For example, some Member States might be highly advanced in renovating their building stock but less so in deploying electric vehicles.

To reduce the administrative burden of these plans and increase their political support, NECPs don't need to be exhaustive as long as they shape climate action in their national context. What the plans must do is demonstrate the contribution of each action to the European climate and energy targets.

These actions may include, for example, energy-efficient building renovation, electrification of the vehicle fleet, decarbonisation of industry, strengthening of modal shift, or deployment of renewable energy (see **Figure 2**).

Figure 2: Examples of priority climate actions



Source: I4CE.

Step 2: Landing priority climate actions into a real-economy roadmap

Based on the previously defined priority climate action, each Member States should translate them into specific targets. These targets must be as granular as possible, as they enable the development of a real economy-based trajectory for each of the Member States's strategic priorities.

For example, the Member State could set a target of deploying [x]% of GW of new wind power in 2030, 2035 and 2040.

Step 3: Collecting unit investment cost

To translate the real-economy-based trajectory for each priority climate action, **the Member State must evaluate the investment cost per technology or sector and how these costs evolve within the timeline of the plan**. To do so, it can draw on existing literature and/or conduct surveys within its territory to gather data on current investment costs by sector.

For example, the Member States could disclose the evolution of wind power farms installation investment cost between now and 2040 in €/kW.

Step 4: Estimating an investment roadmap

Based on the volume's deployment trajectory of each priority climate action, the Member State can apply the associated investment cost for the corresponding year (e.g., 2030, 2035, 2040) to

determine the investment needs roadmap. These investments include both public and private investments in the Member States.

Step 5: Comparing investment needs to past and current investments

To put these investments into perspective, the Member State can compare them with the actual investments already made. This allows it to calculate the investment gap and thus understand the additional effort required to meet its targets.

The Member State may refer to the existing literature in its own country, use the data from Eurostat (Investments in climate change mitigation [env_ac_ccminv]), or estimate investment trends based on volumes installation and average investment cost. It is essential that the scope of actual climate investments be comparable to the scope of investment needs for each sector over the analysis period cover.

Table 1 below summarises and exemplifies the five key steps of the Climate Investment Roadmap which we detailed in this section.

Table 1: Key Steps of the Climate Investment Roadmap for 3 priority climate action examples

Step 1: Defining priority climate action	Step2: Landing climate goals into real-economy roadmap	Step 3: Collecting unit investment cost	Step 4: Estimating an investment roadmap	Step 5 : Comparing to past and current investment
Decarbonising energy production	• Installing [x] GW of renewables for the duration of the plan • Repowering [x] GW of renewables for the duration of the plan	Projected investment cost for several renewables in €/GW for the duration of the plan for: - Greenfield project - Repowering / refurbishment	Investment need in year n = [x] GW installed in year n x €/kw in year n	Trend of past installation in GW x by an average investment cost in €/kW Or real investment figures
Energy renovation of residential buildings	Renovate [x] m² of residential buildings every year	Projected investment cost for energy renovation of residential buildings for the duration of the plan in € /m²	Investment need in year n = [x] m² to be renovated every year x €/m²	Trend of past renovation in m² x by average investment cost in €/m² Or real investment figures
Zero-emission vehicles deployment	Deployment of [x] electric vehicles per year	Projected average investment cost for an electric vehicle for the duration of the plan in € TTC / vehicle.	Investment need in year n = [x] vehicle x € TTC / vehicle	Yearly registration of electric vehicles x average price of electric vehicles per type of vehicles

Source: I4CE.

1.2 Building block 2: Defining public policies and spendings to meet the climate investment needs

Key elements of the investment plan:

- Reporting of existing policies implemented to increase energy and climate investment and evaluation of their effectiveness
- List of additional public policies and instruments and / or improvement of existing ones to close the investment gap
- Projected additional public funding between each milestone
- List of funding options
- Part of EU budget financing for each climate action in 2030, 2035, 2040
- Contribution of EU ETS revenues in climate action financing

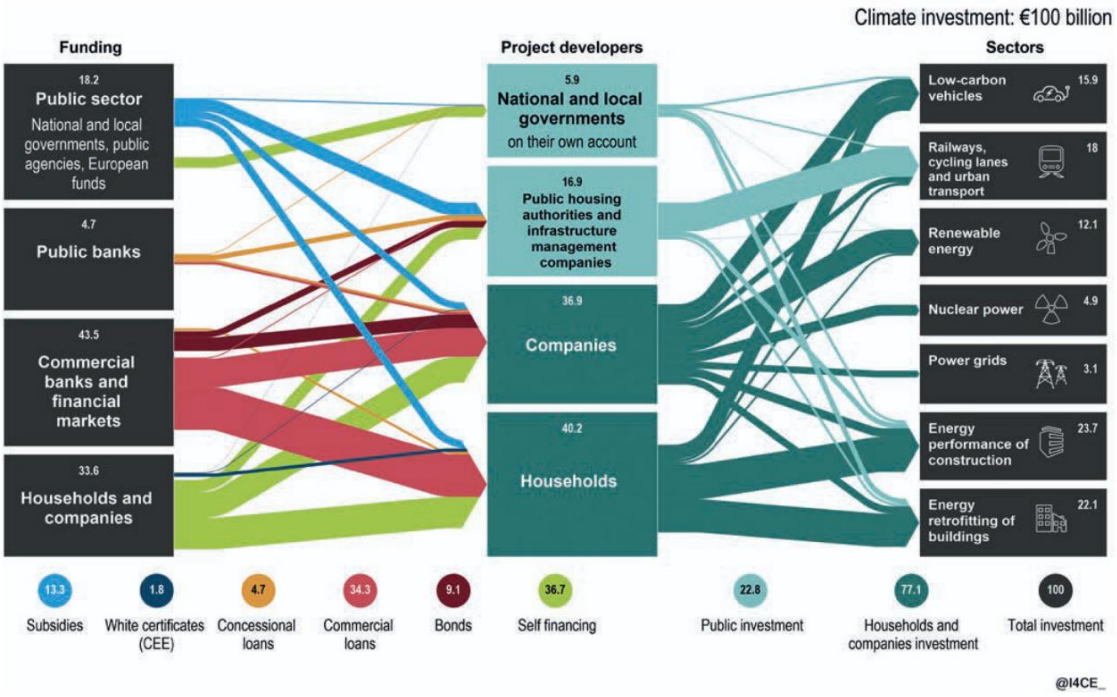
Step 1: Estimating the current public contribution to climate investment

Member States may already have implemented a range of measures and public policies to increase climate investment. **Listing these, along with assessing their effectiveness, provides a first baseline from which Member States can either introduce additional policies or strengthen existing ones.** Member States can also assess the contribution of public funding to these policies, drawing in particular on green budgeting exercises.

Estimating the private share of existing investments can be challenging due to data gaps. Several recommendations to improve access to data on private investment are outlined in Section II.3. It can also be difficult for Member States to compare estimated public funding in the national budget with actual investment amounts, estimated in section I.2 as the scopes may differ. I4CE therefore recommends that these estimates remain optional and at the discretion of Member States.

Nevertheless, estimating the public and private share of actual investments could greatly enrich the Member State's analysis. This estimation could mention which project holders decided to invest in each climate action and through which instruments of funding (see **Figure 3**). This would provide a stronger foundation for assessing the effectiveness of the public policies they intend to implement to close the investment gap.

Figure 3: Climate finance in France in 2022



Source: I4CE (2024), Landscape of Climate Finance in France – Edition 2023.

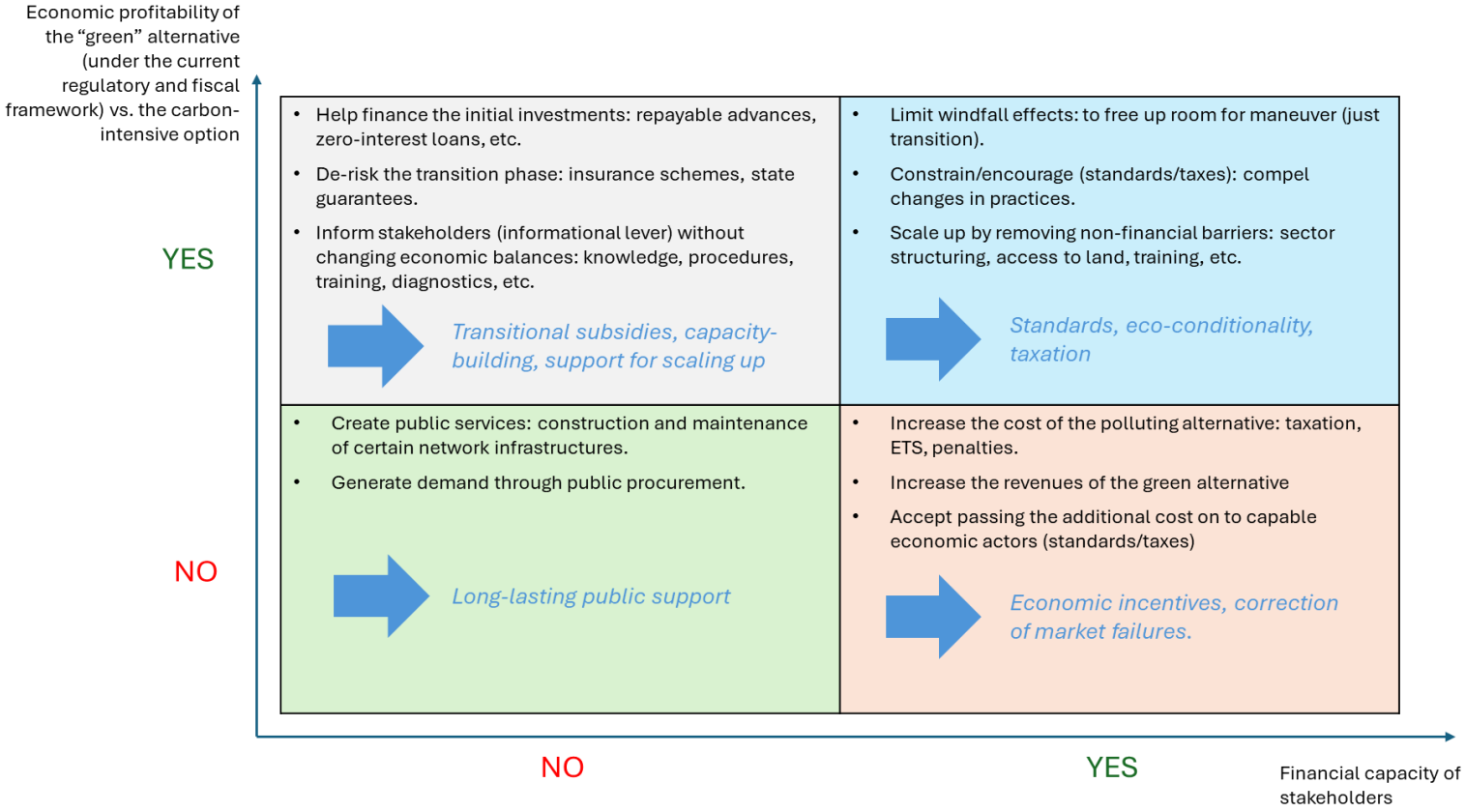
Step 2: Defining public policies to meet investment needs

Once the investment trajectory is clear for the Member State, it must estimate the **policies and public instruments that need to be implemented** to meet the investment needs. These policies and instruments may vary depending on the climate action priorities. More specifically, **the Member State should estimate when public intervention is necessary and how to make it efficient.**

In order to determine which public policies or instruments would efficiently close the climate investment gap, the Member State can rely on decision-support tools. For instance, a Member State can use a tool that look at the capacity of stakeholders to finance the necessary investments, and the economic profitability of a "green" alternative versus a carbon intensive option within the current and/or envisaged regulatory framework (see **figure 4**). For example, if a given climate action has a green alternative that is already more cost-effective than the carbon-intensive option, but actors lack the financial capacity, the Member State may implement transitional subsidies, de-risking mechanisms, or support for the most vulnerable actors to enable private stakeholders to choose these options. Conversely, if the green alternative is less cost-effective than the carbon-intensive option but actors have the capacity to invest, the Member State could opt for taxation, standards, or penalties on carbon-intensive alternatives.

This analytical framework should remain under the control of the Member State and be adapted according to the specificities of its country. It is important, however, that this framework is sufficiently robust and comprehensive so that the Member State can implement relevant public policies to finance the investment gap.

Figure 4: Example of a framework for analysing decarbonisation levers for a Member State



Source: I4CE, based on SGPE (2024). Cadre d'analyse pour les financements de la planification écologique.

Step 3: Estimating public spendings to close the investment gap

For each action, the Member State must be able to estimate **how much public funding will be allocated to each priority, through which instrument over the duration of the plan.** Where possible, the Member State should also specify what share would fall to the central government and what share to regions or local authorities. The portion of the investment gap not covered by public funding will need to be filled by private investment. Private financing is estimated by deduction, based on the level of public funding the Member State is willing to commit and the total investment required for each climate action identified in Building Block 1. It is therefore essential for the Member State to clearly specify which public policies it intends to implement in order to mobilise private investment.

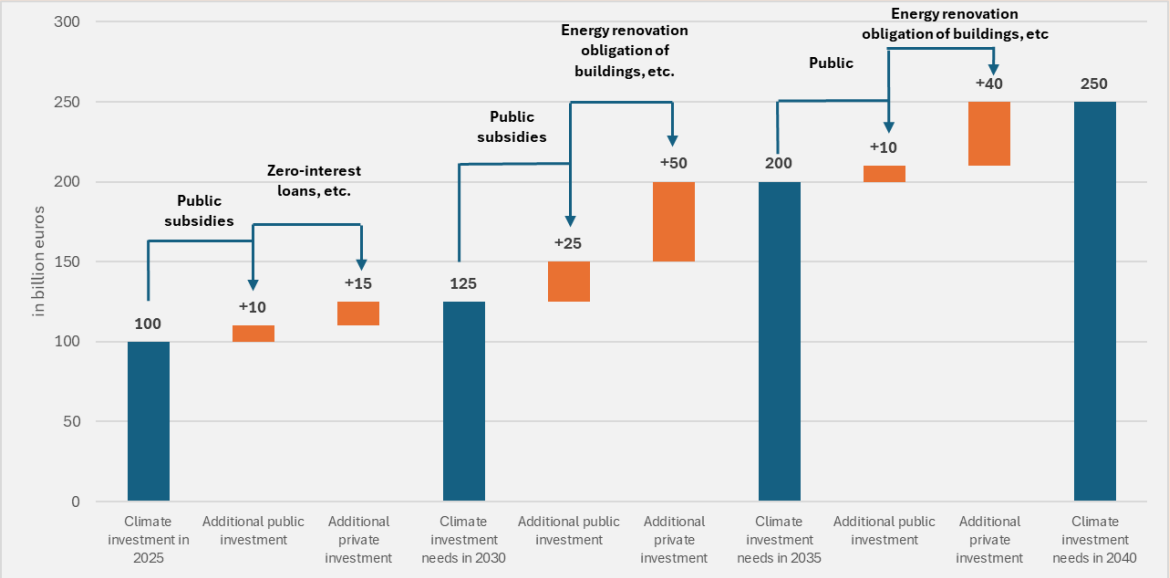
The Member State can break down these different actions over five-year periods, specifying the investment amounts and the public-private share for each period and for each climate action priorities detailed in the plan.

Box 1: example on how to close the energy renovation of residential buildings investment gap

To increase investment in the energy renovation of residential buildings, each Member State may decide to introduce renovation support schemes. These subsidies may vary depending on different factors, including for example the level of renovation of the dwellings and/or the income of households.

Depending on the amount of public funding it is able to provide, the Member State may introduce complementary policies to stimulate private investment in the renovation of residential buildings. For example, it may introduce policies banning the rental of energy-inefficient dwellings or develop zero-interest eco-loans.

Figure 5: Example of an investment roadmap and split of the public/private financing for energy renovation of residential buildings



Source: I4CE.

Within this step, Member States may opt to conduct a scenario analysis. Several policy and investment mixes are possible, depending on Member States' political choices. They may also depend on European-level decisions, regional-level decisions, or linked to public financial institutions decisions.

Such scenario-building would allow Member States to illustrate how various policy levers could affect investment outcomes, for example:

- Budgetary flexibility: A Member State constrained by fiscal rules could demonstrate how an additional [x]% flexibility would enable an equivalent increase in sectoral investment.
- Public bank intervention: if public development banks were to deploy a given volume of loans or guarantees, this could generate [x]% of additional private investment in specific sectors.
- EU instrument reinforcement: if programmes such as Connecting Europe Facility were expanded to [x]%, this could enable a Member State to close its investment gap in power grids or railways infrastructure.

Through these scenarios, Member States could demonstrate the leverage effects of different public instruments and/or EU actions. In this way, investment plans could also become structured tools for

policy dialogue between Member States, the European Commission, public banks and regional authorities. Even if leverage estimates are imperfect or potentially overstated, they would nonetheless provide valuable signals to EU institutions and economic actors regarding existing constraints and policy bottlenecks.

Step 4: Selecting financing options for public action

If closing the climate investment gap will require additional public funding, the Member State must also determine how it intends to finance these additional spendings.

This should cover both direct public investments, and the cost of the supporting policies to the private sector, in the framework of the general public budget. Funding sources may include redirection of climate-harmful subsidies, increase of available fiscal resources, new fiscal or extrabudgetary tools (such as resource funds or the EU ETS revenues), debt instruments such as green or sustainable bonds, or external finance (I4CE, 2024).

Within this investment plan, it is particularly important for the Member State to specify how the EU budget will contribute to climate investment over the plan's duration (see section II.1). It is also important for Member States to demonstrate how they intend to allocate revenues from the EU ETS to finance climate investments.

1.3 Building block 3: Accounting for macroeconomic implications

Macroeconomic considerations arise throughout the planning process. One issue is to build financing plans within an accurate macro forecast. For example, in the recent context of high inflation, public funding in support of climate investment needs to increase to keep up with prices. Moreover, climate action profoundly reshapes the economy, altering public revenues, private capital, job creation or the trade balance, far beyond the sectors initially targeted in the financing plan. Macroeconomic analysis helps not only to grasp these wider consequences, but also to advise which structural policies are required to help increase investments, mobilise savings or sustain technological change (I4CE, 2024).

I4CE does not recommend specific KPIs. Member States may choose to estimate the impact of the public policies they intend to implement on GDP, the public deficit, national debt, employment, inflation, the trade balance, and other macroeconomic indicators.

1.4 Building block 4: Completing a biennial plan assessment and review

To ensure the plan is effective, it is important that the Member State regularly analyses the effectiveness of the measures proposed within the plan. An ex-post assessment, for instance every 2 year, is therefore strongly recommended for all the priority climate actions included in the plan. In this assessment, the Member State must also demonstrate how EU funding has effectively contributed to achieving these investment objectives, as set out in its energy and climate investment plans. Based on the conclusion of the assessment, the Member State may revise the plan and notify the European Commission accordingly.

II. Making things work: using financial incentives, capacity-building and private sector data to unlock public spendings and private capital

2.1 Linking climate and energy investment plans to National and Regional Partnerships Plans (NRPPs) and EU funds: providing financial incentives and reduced burden for Member States

To encourage Member States not only to draft climate and energy investment plans but also to implement them while keeping the administrative burden low, one approach to explore would be linking EU funds disbursement to sectoral milestones. These milestones would be designed based on the key elements of the investment plan, which are detailed in building block 2, section I.

The ongoing negotiations on the next Multiannual Financial Framework (MFF) offer a timely opportunity to strengthen this link. The exact form that NRPPs will take is still under discussion, which leaves room for creating greater bridges between NRPPs and climate and energy investment plans. This would be coherent with the European Commission's initial MFF proposal which introduced a compulsory green target for all NRPPs, requiring at least 43% of planned expenditure in each plan to be devoted to climate and environmental objectives (annex II, COM/2025/545 final). Designing the NRPPs and certain relevant EU funds to channel their resources toward priority sectors identified in Member States' investment plans could be considered as a possible way to support the achievement of the plans' targets.

In this regard, the MFF proposal suggests that the new MFF, including the Fund linked to NRPPs, could adopt some performance-based features like the Recovery and Resilience Facility (RRF). That means that the disbursement of the funds could be contingent on achieving predefined milestones linked to pre-determined public investments and/or reforms. Under this same characteristic, NRPPs funds could be disbursed for the priorities highlighted within the climate and energy investment plans only when designated intermediary key elements of the investment plan (see I.2) are met. The European Commission could disburse an initial tranche of funding once the plans have been established, and then release subsequent tranches only when the intermediary key elements from the plan have been achieved.

Linking both tools also offer the potential to reduce the administrative burden on Member States as they can be complementary. NRPPs would provide long-term EU budget financing information and disbursement milestones, while climate and energy investment plans would display investment needs by priority sectors and the public/private funding share, including corresponding NRPPs fund contributions. The administrative burden can also further be reduced by allowing intermediary milestones to vary across Member States, depending on their priority sectors and available data, and by coordinating the timelines of both plans.

2.2 Building Member States' capacity to develop climate and energy investment plans

Drafting climate and energy investment plans, as outlined in section I, requires a robust administrative capacity. Tracking the level of current climate investment flows, estimating medium-term investment needs, and developing coherent public/private investment strategies rely on specific skills, data, and methodologies. It is therefore important to assess whether, and in which areas, additional capacity

building may be needed, notably at the Member States level. The European Commission could play a role in supporting this effort, at the request of Member States for example, notably to ensure that the plans will be methodologically sound, operationally credible and consistently implemented in Member States. This support could materialise by organising targeted training programmes reuniting both national Finance and Environment ministries. This aspect is particularly important. For climate and energy investment plans to act as a strategical tool to guide investment in Member States, the design of climate and energy investment plans cannot be driven solely by national Environment ministries but should involve the ministries of Finance and economy. In several Member States, this has sometimes contributed to data gaps within NECPs, hindering accurate estimation of climate investment needs.

Based on this observation, the European Commission could provide methodological support directly or through partnerships with independent entities or academic institutions with recognised expertise in the field. This support could include training programmes aimed at improving Member States' technical expertise, data collection capacities, and promoting a harmonized methodology across the 27. Such initiatives would also allow Member States to share their best practices, promoting mutual learning and more robust planning.

2.3 Strengthening climate and energy investment plans with private sector data to enhance predictability

A key aspect of climate and energy investment plans should be for investors to have more clarity on the planning of future public investment and policy support. This should guide them in knowing which sectors need more private investment in the medium run. Moreover, to design plans grounded in reality, the public sector must be able to leverage private sector data to determinate appropriate investment levels, select financial instrument with optimal leverage effect, and implement the right regulatory policies to attain its transition targets.

In this regard, E3G and ECCO, have put forward several proposals to reinforce the positive feedback loop between public and private transition investment strategies. Theoretically, their objective is twofold: first, to gather and rely more extensively on granular private sector data when designing national transition plans, making these plans - and their associated investment and regulatory policies - more relevant for investors' own planning. This, in turn, will help the private sector have a clearer view of the policies and investments mobilised in the medium run by the public sector to achieve its transition targets, enabling them to have more visibility on what investment decisions they can make in response.

To leverage private sector data, E3G and ECCO propose to further mandate financial market authorities to aggregate transition-related information in CSRD reports of listed companies. Currently, National Competent Authorities (NCAs) - usually financial market authorities - are responsible for an oversight of disclosed sustainability information contained in CSRD-compliant annual reports under the CSRD legislation. These reports notably include corporate transition plan data helpful to identify sectoral needs, opportunities and country-specific bottlenecks. The aggregation of this data could be very useful for Member States in the designing process of their investment plans. However, for financial market authorities to be able to aggregate sustainability-related information, a legal mandate should be provided by national ministries which will require an adaptation of the legal framework.

In complement, if well-designed, the European Sing Access Point's (ESAP) data base could be used as a relevant platform to access disaggregated private data on transition, which could also feed the

designing process of transition plans. To recall, ESAP was established by Regulation (EU) 2023/2859, with the ambition to provide an easy centralised electronic access to public information about entities and their products, including sustainability-related data. Different series of implementation phases will take place in the next years, with the ambition of gathering climate-related information coming from the CSRD by listed companies in July 2027. This data, analysed by national ministries or independent research entities, could also durably serve the designing process of climate and energy investment plans, including more reality-grounded information from the private sector.