

FORTUM'S POSITION ON UPCOMING MFF

1 BACKGROUND AND CONTEXT

A new EU's long-term budget, Multi-Annual Financial Framework MFF, needs to be negotiated for the period of 2028-2034 during the new EU mandate. The EU budget plays a crucial role in shaping the European energy sector and considering the scale of the challenge for Europe to reach its climate and energy targets, it is of paramount importance that the next MFF will enable ever more investments in clean and strategic technologies, if these investments would not happen on a market base.

Grant allocation via the MFF programs is often based on competition (e.g. Horizon Europe, Connecting Europe Facility, Euratom), unlike State aid, where national governments directly support specific national industries and companies, offering tailored financial assistance in form of grants, tax credit, loans, and guarantees. While targeted State aid is justified in certain cases, support allocated via MFF programs is preferred to truly encourage innovation and excellence in a way that does not cause distortion to the competition within the EU.

2 FORTUM'S KEY RECOMMENDATIONS FOR THE NEXT MFF (2028-2034):

- **Improving efficiency in deployment of MFF resources via simplification of the budget framework and alleviation of the administrative burden:** MFF should form a clear and coherent set of programmes with common instruments and practices to achieve maximum impact. All measures directed at reducing unnecessary bureaucracy and simplify funding application processes will be highly welcomed.
- **Technology-neutral funding:** The next MFF should provide technology-neutral funding to support all relevant technologies critical for the EU's energy and material autonomy listed in relevant EU legislation, especially the Net-Zero Industry Act.
- **Excellence-based financial support:** Funding from all headings under MFF should be awarded based on project quality and excellence to promote innovation and prevent inequities in distribution. Lessons from the current and past MFFs, as well as from the implementation of the Recovery and Resilience Facility, can guide the European Commission in strengthening the application of the excellence principle in the allocation of funding.
- **Avoiding competition distortion:** MFF funding mechanisms should be designed to prevent competition distortion within the EU, ensuring a fair and level playing field for all participants. The means for ensuring fair competition across Member States are below:
 1. **Alignment with State aid regulations to avoid subsidy accumulation:** The next MFF should align funding mechanisms with State aid regulations to avoid the over-subsidization of projects, while ensuring that clean transition investments are not excessively reliant on public funding.
 2. **Prioritizing MFF funding over State aid for EU competitiveness projects:** In the coming years, particularly when designing the upcoming European Competitiveness

Fund and related funding instruments, the focus should be on maximizing financial support for European industries through MFF programs rather than relying on State aid. This is especially important for initiatives like Important Projects of Common European Interest (IPCEI), which are crucial for decarbonizing industries across the EU but have often been constrained by varying levels of State aid contributions from Member States.

- **Ensuring eligibility of large impactful decarbonisation investments:** the eligibility criteria in EU funding should enable the realisation of large impactful projects that are replicable within the EU enhancing the European industrial competitiveness, while keeping the crucial support for innovative R&D projects
- **Going beyond funding for low Technological Readiness Level (TRL):** next MFF should have a clear emphasis on funding clean investments at later TRL stages of R&DI when promoting take-up and first industrial deployment of new technologies
- **Enhancing EIB support:** the upcoming MFF should enhance the European Investment Bank's ability to support and de-risk large, impactful clean investments by offering long-term loans with favourable terms and grants. This support should extend to a wide range of clean projects, not just green or small-scale ones, and aim to reduce the EIB's risk aversion.
- **Incentive driven funding:** By positioning public support as a catalyst rather than a replacement for private capital, ensuring that clean transition projects remain attractive for private investors while benefiting from targeted strategic public funding to accelerate their implementation
- **Recognition of importance of MFF to small Member States:** MFF instruments, as well as other funding instruments, such as the Innovation Fund are crucial for national investment projects, especially in smaller Member States. Therefore, the national governments should ensure that the next MFF is designed in a favourable way to support new investment projects in these markets