# Six Times Oversubscribed: What the EU Innovation Fund Reveals About Scaling Clean Tech



Image source: https://www.inspiralia.at/innovation-fund/

Achieving net zero requires technological innovation, but developing new technology is not the same as implementing it. Because building the first commercial plant is expensive and risky for private investors, many clean technologies work at pilot scale yet fail to reach commercial deployment. Public funding is meant to bridge this gap, and the EU Innovation Fund is one of its main tools. Its latest call, however, received six times more funding requests than its available budget. What does this funding gap reveal about the financial barriers preventing clean technologies from reaching commercial scale?

## What is the EU Innovation Fund?

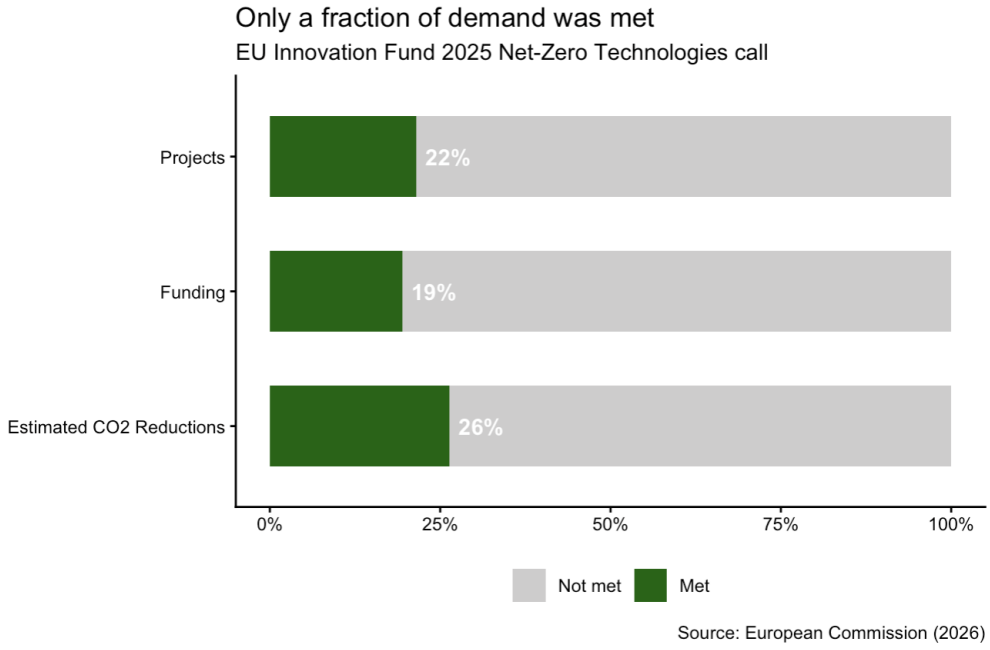
The Innovation Fund is one of the world's largest programmes for deploying net-zero technologies. It is financed by revenues from the EU Emissions Trading System and could provide around €40 billion between 2020 and 2030. It covers up to 60% of project costs for first-of-a-kind projects in areas like hydrogen, energy storage and industrial decarbonisation, reducing the risk for private investors.

## Analysis

Using European Commission data, Responsible Alpha analyzed the 2025 Net-Zero Technologies call in R to assess how far demand for funding exceeds what is available. The call received 358 applications requesting €17.5 billion, six times its €2.9 billion budget. The

Commission subsequently selected 77 projects (21.5%) for €3.4 billion in funding, representing approximately 19% of the total funding requested.

The gap is even clearer in terms of potential climate impact. Applicants collectively estimated they could avoid 1.1 billion tonnes of $CO_2$ in their first ten years of operation, while selected projects account for approximately 290 million tonnes, or 26% of that estimate. While this does not mean the remaining emissions reductions will necessarily be lost, it highlights the scale of proposed climate investments that did not receive funding through this call. This oversubscription is not a one-off: the Commission notes that it continues the trend of previous calls.




**Why This Matters**

The EU Innovation Fund's oversubscription highlights a central challenge in Europe's clean-energy transition: technological innovation does not automatically translate into commercial deployment. The high level of oversubscription suggests that Europe has a substantial pipeline of clean-tech projects seeking support, but available public funding is insufficient to meet that demand.

The bigger problem is finding enough money to move them from pilot stage to commercial scale. Building a first commercial plant is expensive, and when the technology has not yet been proven at that size, private investors are often unwilling to take the risk. With only about a fifth of the requested funding available, many promising projects may be delayed or never built, which slows down the emission reductions the EU is aiming for.

The funding gap also has a political dimension: when there is far more demand than available resources, the Fund's selection criteria effectively decide which technologies get the chance to

scale. In addition, because the Fund is financed through the EU ETS, its budget depends partly on carbon prices rather than solely on industry's financing needs.

There is also a risk that the transition becomes uneven across Europe. Projects that were not selected can still receive support from national governments, but wealthier Member States are generally in a better position to provide this funding than others. This could influence where clean technologies are developed and deployed, creating disparities in the pace of the transition across Europe.

Overall, the €14 billion gap between requested and selected funding highlights the scale of unmet demand for public support. Closing the financing gap will require not only greater public support, but also mechanisms that reduce investment risk and mobilize private capital. Without these solutions, promising clean technologies may struggle to reach the scale necessary to deliver meaningful emissions reductions.