



## **CBE JU Deployment Group (DEG) on Finance & Investments**

### **Note for the Governing Board**

The purpose of this note is to present the scope, objectives, and tasks of the CBE JU Deployment Group (DEG) on Finance & Investments. The note also covers the phases of the establishment of the DEG as well as the role and responsibilities of the different actors in the CBE JU (EC, BIC and the CBE PO).

#### **Context**

The CBE JU Deployment Groups are established in accordance with Article 22 and 56 of the Council regulation<sup>1</sup>, and should take into consideration the CBE Impact Assessment (IA)<sup>2</sup> and the CBE JU Strategic Research and Innovation Agenda<sup>3</sup>.

The CBE JU Deployment Groups, as defined in the Council Regulation, are new types of advisory bodies that will play a key role in the creation of favourable conditions for deployment of bio-based solutions in their thematic area and will advise the Governing Board on issues critical to market uptake of bio-based innovation. The Deployment Groups can provide their advice upon the request from the Governing Board or on their own initiative. To be able to play this role, the Deployment Groups will be informed about activities of the partnership and their chairs may be invited to the meetings of the Governing Board, SC and SRG as appropriate. Their advisory function does not include consultation on the programming documents, such as the CBE JU Annual Work Programmes.

The CBE JU Deployment Groups will be established by the CBE JU Governing Board. The GB decides on the thematic focus, the composition (including the profile of members), the mandate and its duration. Once the members of the Deployment Groups are appointed, they follow the procedural requirements set in the Council Regulation, e.g. adopt the rules of procedure, elect a chair, meet in regular meetings at least once a year and deliver on tasks defined by the Governing Board.

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<sup>1</sup> [Council Regulation \(EU\) 2021/2085 of 19 November 2021 establishing the Joint Undertakings under Horizon Europe](#)

<sup>2</sup> [SWD\(2021\) 37 final PART 17/19](#)

<sup>3</sup> [CBE JU Strategic Research and Innovation Agenda](#)



## CBE JU Deployment Group on Finance & Investments

### 1. Problem to be tackled

A study published by the European Investment Bank in 2017<sup>4</sup> collected information on the investment and access-to-finance conditions for bio-based Industries and blue economy projects and companies, identifying the main drivers and barriers for bio-based investments. According to the EIB, the European financial incentives materialize especially in the form of grants and these grants are critical, particularly at the early and intermediary stages (TRL 6-7). However, funding for the subsequent stages (to upscale or industrialize up to TRL8-9) appears to be absent for large-scale bio-based projects, failing to meet increased capital needs and/or are not targeted at bio-based investments. This corresponds with the result from a survey carried out by BIC<sup>5</sup>. In addition, funding from private investors is, in general, overly expensive, and funding provided by public authorities is frequently provided for R&D purposes but not for market replication. This leads to a funding gap, which in turn lead to the result that many bio-based innovations never reach the commercialisation stage.

A study carried out by Fraunhofer ISI, BTG, and ICONS<sup>6</sup> in 2021, acknowledges the findings of the EIB that access to finance is a major barrier to the commercialisation of new and innovative products and, in line with EIB, they recognize the pivotal role at European level of the Horizon Europe programme and the value of the actions undertaken by the BBI/CBE JU in bridging funding gaps by funding Flagship first-of-its-kind biorefinery projects. However, as the CBE JU is supporting only projects up to TRL 8, Fraunhofer et al., encourage the Commission and other actors to enlarge the access to finance to further increase the commercialisation of break-through innovations. In addition, as especially SMEs risk to fall through the crack, the funding needed should cover multiple dimensions including training and skills development, information exchange and knowledge transfer, and infrastructure.

All these findings are in agreement with one of the lessons learned from the implementation of the BBI JU, that has been the importance of de-risking investments for, especially Flagships types of projects. However, the grant budget available to fund Innovation Actions under CBE JU is by far not enough, with the risk of pushing companies towards markets outside Europe. In addition, a growing need of investment has been registered to support the “replication” of the first of the kind Flagships Biorefineries. Hence, the access to funding for the replication of Flagships Biorefineries need to be facilitated to retain these investments in Europe.

The impact of insufficient funding is particularly important for SMEs. In fact, the growing SME involvement in Innovation Action types of projects, including Flagships, has proven to be essential in developing their business model and to support the possibility of scaling up their technology and get access to the market. Being SMEs the backbone of European economy – and especially active in this sector – they need to be supported in their effort to innovate and compete in the global markets.

Therefore, the main problem seems to be the lack of capital which consortia or individual companies have at their disposal to be able to scale up from TRL 6-8 and investing in new production facilities (TRL 9). There can be multiple reasons for this gap, including:

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<sup>4</sup> [https://www.eib.org/attachments/pj/access\\_to\\_finance\\_study\\_on\\_bioeconomy\\_en.pdf](https://www.eib.org/attachments/pj/access_to_finance_study_on_bioeconomy_en.pdf)

<sup>5</sup> Bio-based Industries Consortium / IDEA Consult (October 2021). Study on public funding for bio-based products.

<sup>6</sup> [Study conducted for the European Commission \(DG RTD\) on support to research and innovation policy in the area of bio based products and services.](#)



- i) risk associated with an investment,
- ii) the amount of funds needed to be mobilized to such scale up,
- iii) cautiousness of investors in terms of investing into consortia in comparison to individual companies,
- iv) missing strategy for commercialisation on the side of the consortium/company, and many more.

These gaps need to be consolidated and carefully assessed to develop synergies and instruments to help the bio-based ecosystem with deployment of their solutions and entering the market.

## 2. Scope and objectives of the deployment group on Finance & Investments

The scope of the Deployment Group on Finance & Investments is to pave the way for a new and more favourable EU funding landscape by 2030 that will mobilize capital and create a stronger funding and less fragmented portfolio targeted on bio-based industries proposing solutions ready to market and industrial production. In order to do that, different sources of investments available in Europe for high TRLs projects should be gathered and mobilized in an effective way for supporting the growth of a circular and sustainable biobased industry.

Therefore, the CBE JU Deployment Group on Finance & Investments is expected to strengthen synergies and complementarity among different funding instruments, to improve their access, and also to create new financial instruments tailored to high TRL projects and targeted beneficiaries operating in the biobased sector. In addition, the Deployment Group on Finance & Investments should promote actions to raise awareness about the existing instruments and support financial institutions in engaging potential beneficiaries.

The objectives of the DEG on Finance & Investments should be to:

- Facilitate access to finance for companies, SMEs and start-ups in the bio-based sector in the EU to decrease the risk of financing and investment in the biobased sector;
- Conduct activities/actions<sup>7</sup> that will facilitate the mobilisation of capitals from various financial institutions and private capital to support companies operating within the scope of the CBE JU;
- Identify existing and develop new financial instruments and approaches to support the deployment of bio-based solutions, as well as the scale-up and replication of successful bio-based technologies/solutions.

In the long term, financial institutions and other stakeholders are expected to mobilize and earmark capital and invest in the bio-based sector within a defined timeframe. In ideal case, a commitment to jointly invest a specific amount should be agreed upon. Inspiration could be drawn from the precedent where national promotional banks made a commitment on investments into circular economy.

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<sup>7</sup> Organising workshops and events to raise awareness of biobased companies on the different financial instruments and help the matchmaking



### 3. Specific tasks

The Deployment Group is expected to propose **effective actions** to tackle some of the barriers the bio-based sector faces in bringing bio-based solutions to the market.

From the CBE JU governance perspective, the Deployment Group is expected to:

- Submit and present its action plan to the Governing Board for approval;
- Report to the Governing Board on the implementation of its action plan;
- Advise the Governing Board on synergies with funding partners and on any strategic discussion related to access to finance;
- Advise on specific communication and promotion of the CBE JU programme in the field of competence of the DEG. Its member will act as an ambassador of CBE JU towards specific stakeholders and events for investors.

### 4. Phases

The establishment of the Deployment Group on Finance & Investments is foreseen in different phases.

#### Phase 1 – Study

To support the development of an action plan and the establishment of the DEG F&I, the EIB commissioned a study via procurement. The study will cover the following tasks:

1. Explore the specificities of the bio-based sector and assess what are the risks that prevent public and private financial institutions from investing in companies of the bio-based sector;
2. Make a proposal on how to address these risks and with what kind of instruments;
3. Identify actions needed on the side of financial institutions to adapt their instruments and reassess their risk perception to unlock investments in the bio-based sector;
4. Identify regulatory barriers to investments, including the obstacles in combining different funding sources (public, private, EU, national, etc.).

Representatives from EC (RTD B1), BIC and CBE PO will be involved to assist the EIB in assessing the progress of the study starting from the drafting of the Terms of Reference.

*Lead organisation:* EIB

*Steering/Advisory Board members:* RTD B.1, BIC, CBE PO

*Deliverables:* a report including:

- Mapping of relevant stakeholder and assessment of their appetite to participate in the CBE JU deployment group on Finance & Investments as well as their views on market needs and priorities.
- Analysis of financial, support and policy schemes dedicated to the bio-based sector in best-in-class markets both inside and outside of the European Union.
- Identify top performers in the industry and document their experience to understand (i) the financing needs, (ii) the key success factors and challenges for access to finance, (iii) investment barriers and (iv) perceived funding gaps in the market.
- Numerical estimation of the funding gap to update the previously conducted assessment.
- Propose a course of action and a set of recommendations for policy makers, bio-based industries and financial institutions on how the identified funding gaps could be addressed.



### Phase 2 – Establishment of the Core Group of members

Based on the results of the study and upon decision of the CBE JU Governing board, relevant stakeholders/actors will be invited to form the first Core Group of the DEG F&I which will develop the Action Plan.

*Stakeholders involved:* Stakeholders identified in the assessment (Phase 1)

Lead: to be determined based on the Phase 1 outputs

*Deliverables:* **Action Plan** including actions by (current and additional) members of the Deployment Group to take into account the recommendations proposed by the study.

### Phase 3 - Enlarged Group of members

Once the Action Plan has been finalized, the DEG F&I will open up to additional stakeholders/actors who are willing to commit to the implementation of the Action Plan.

*Stakeholders involved:* Stakeholders involved in Phase 2 + additional stakeholders committed to implement the Action Plan

*Deliverables:* Implementation of the Action Plan by the members of the enlarged DEG

- The identification of existing and creation of new tailored financial instruments and approaches adapted to the bio-based sector.
- Develop a pipeline of bankable projects through increased mobilization of investments by bio-based companies, and other economic actors in the bioeconomy sector (e.g. in addition to the ones funded by CBE JU).
- Conduct activities/actions to facilitate the mobilisation of capital, and increase awareness of and access to existing financial instruments.

In this phase, a declaration in which members commit themselves to the implementation of actions in the action plan is also expected.