

Investment needs for the provision of European Public Goods (three Ds)

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This presentation draws from the 2023/24 EIB Investment Report

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Main messages

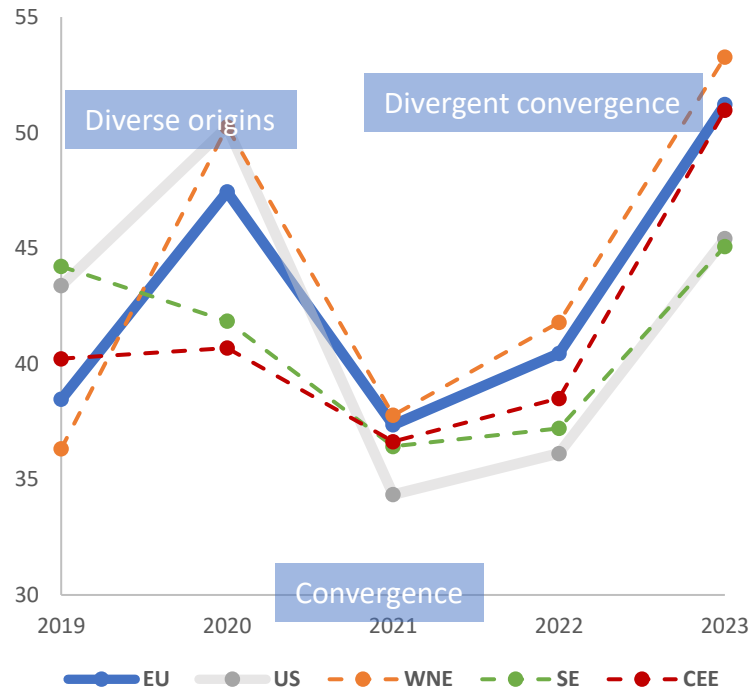
1. **Decarbonizing:** Very high investment needs - Regulation pricing and reliance on market mechanisms also support the green transition
2. **Digitalising and Innovating:** EU Still at the front of cleantech but loosing ground in many domains – More integration, better business prospects, improved access to finance?
3. **Derisking:** Reducing dependencies and increasing supply chain resilience through legal acts and firms reactions as well

Targeted financial support at the EU level can help (especially given market fragmentation and the absence of Central Fiscal Capacity)

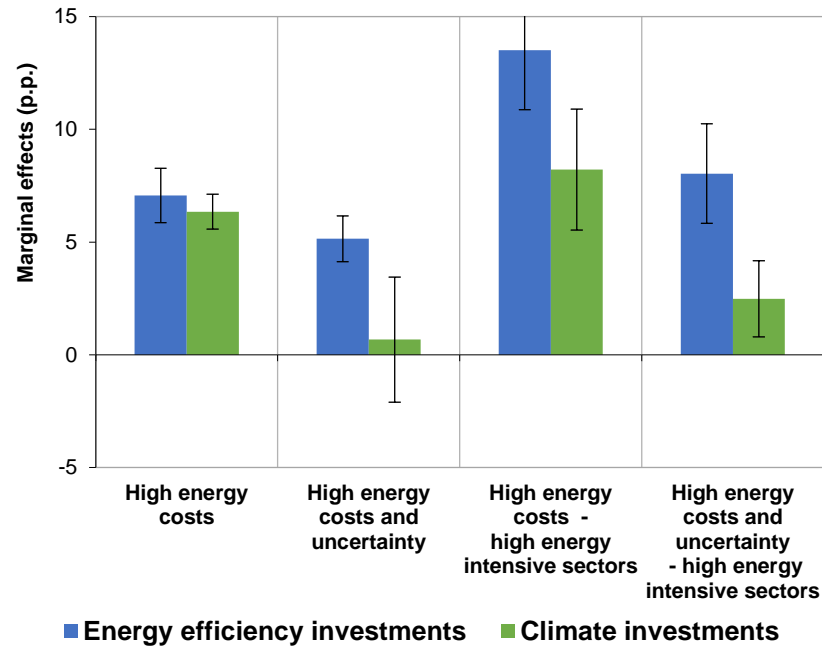
Survey based information suggest that reduced uncertainty/improved business environment can also be instrumental

1. Energy costs and EU's climate policies spur firms' transformation

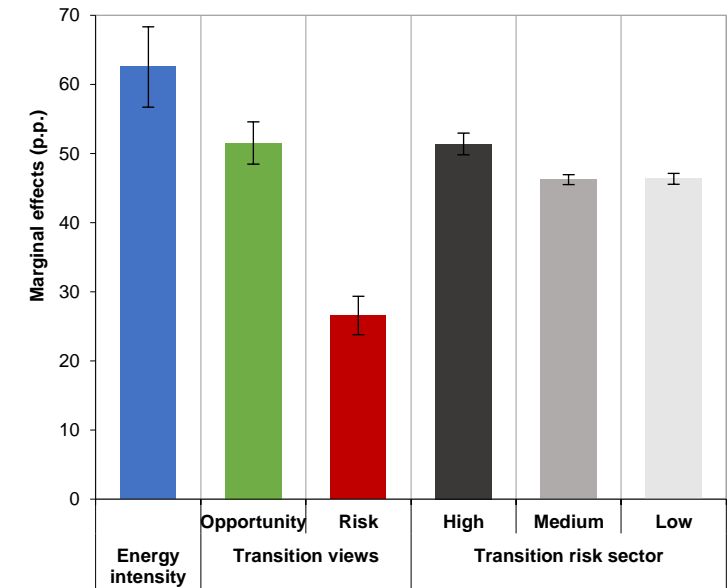
Energy efficiency investments make a strong return (% firms)



Energy costs boost green investment, uncertainty hinders it



Expectations and exposure drive business green transformation



Source: EIB staff calculations based on EIBIS 2019-23

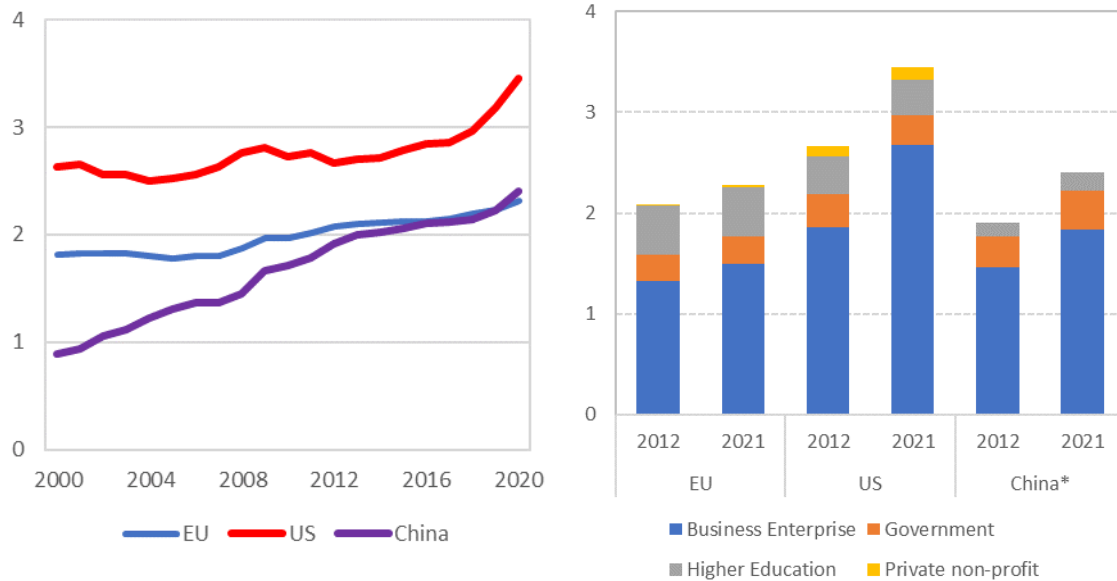
Environmental Investment according to EC estimates (2023, annual figures, EUR bn):

Current levels (936) - needs for the green transition (1556) - gaps (620, 17%)

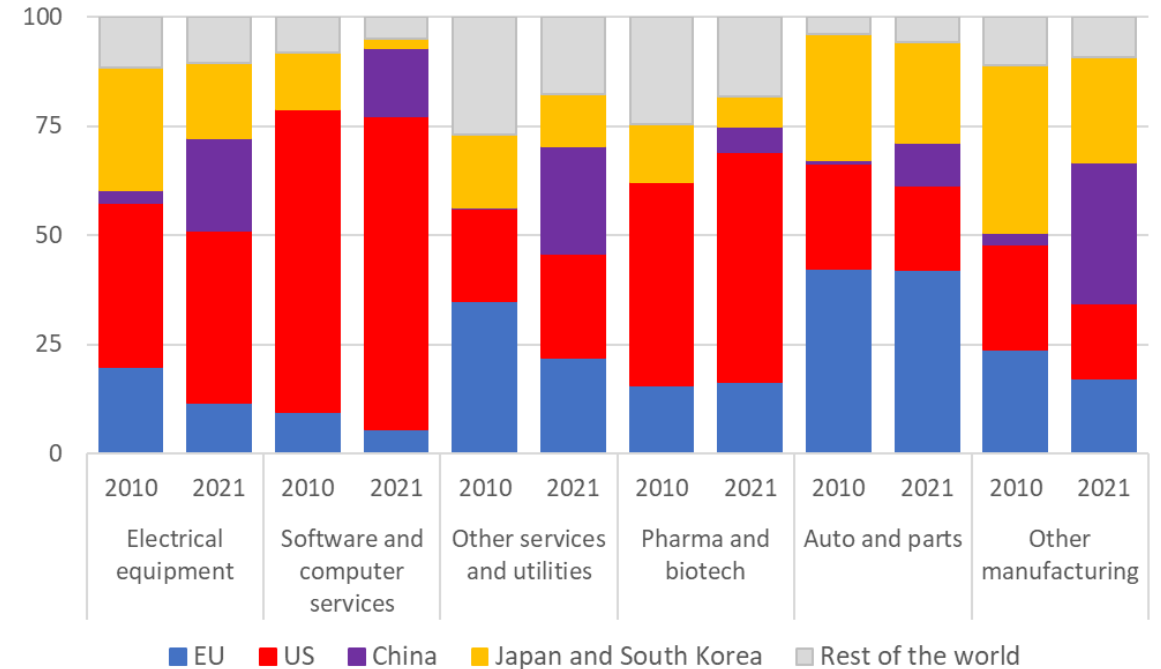
2022: EU GDP 16 tn, EU total investment 3.6 tn. 23% = 14 (corp.) + 6 (Households) + 3 (gvt)

2. Digitalising and innovating

R&D expenditure (% of GDP)



Geographical breakdown of R&D expenditure by sector (%)

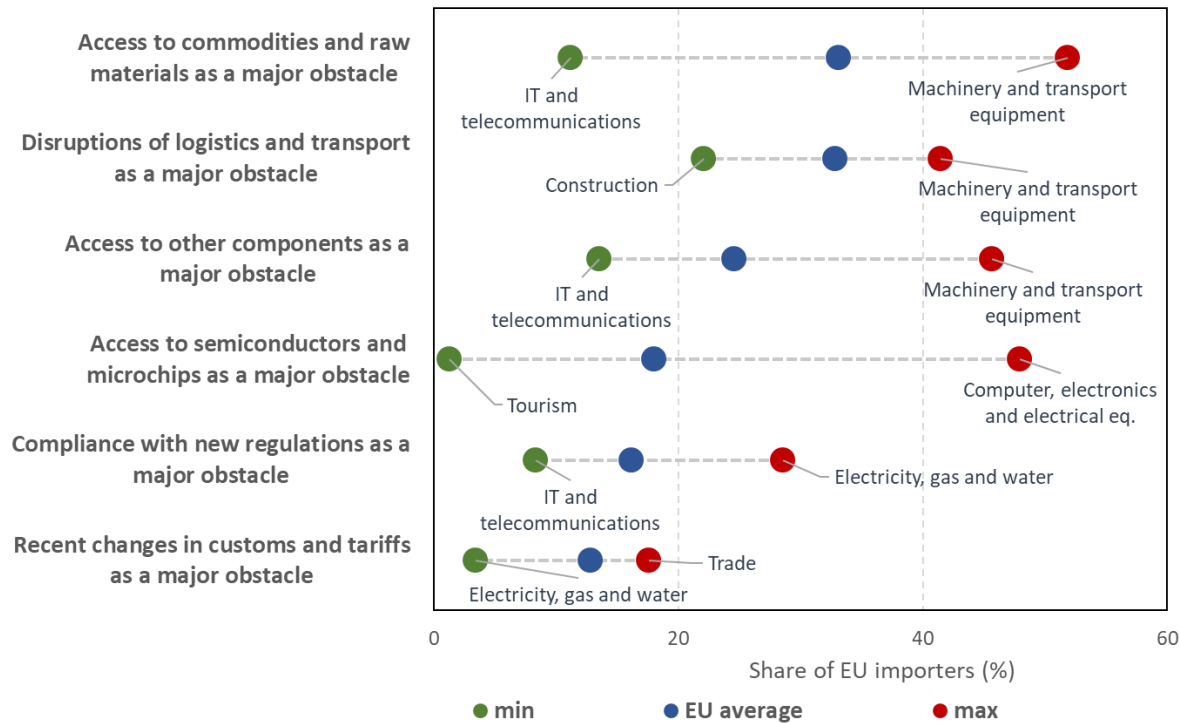


Source: Eurostat and the Organisation for Economic Co-operation and Development (OECD).
 Note: For China, 2021 is an estimate based on 2020 data, and no data on the private non-profit sector are available.

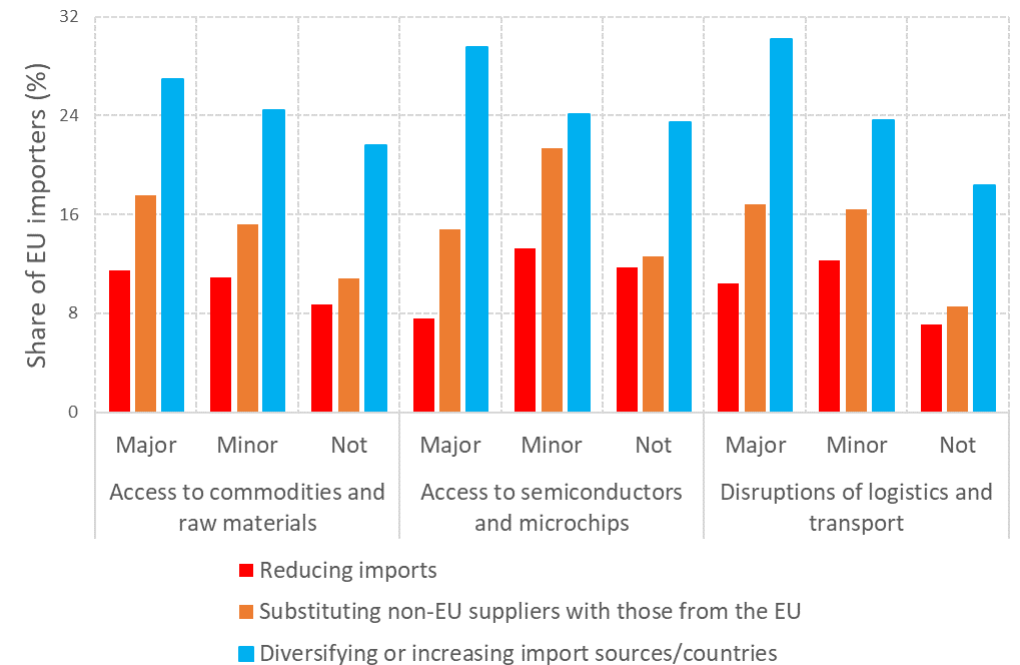
Source: EIB staff calculations based on the EU Industrial R&D Investment Scoreboard 2022.
 Note: See IR 2023/2024 for the sector composition

3. Derisking

Supply chain disruptions seen as a major obstacle differently across sectors



Supply chains disruptions as an obstacle and firms reaction



Source: EIB calculations based on EIBIS (2023).

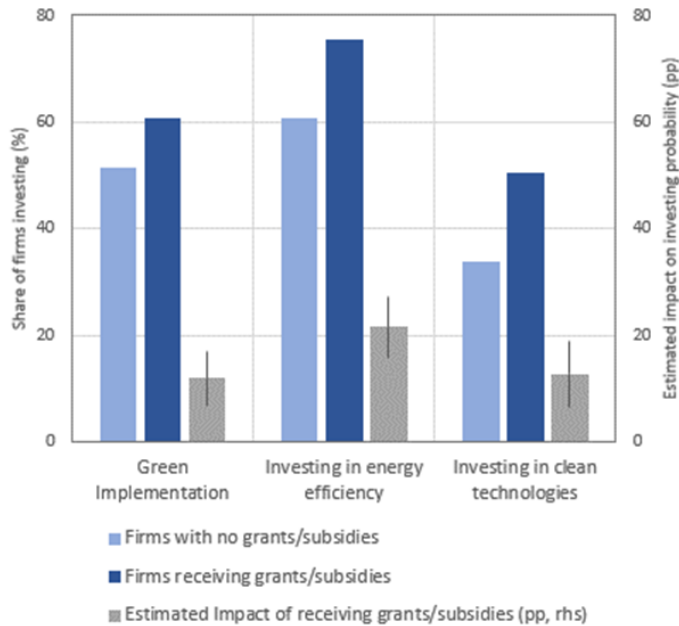
Note: 12-sectors decomposition. See EIB IR (2022) and six types of disruption considered.

Source: EIB calculations based on EIBIS (2023).

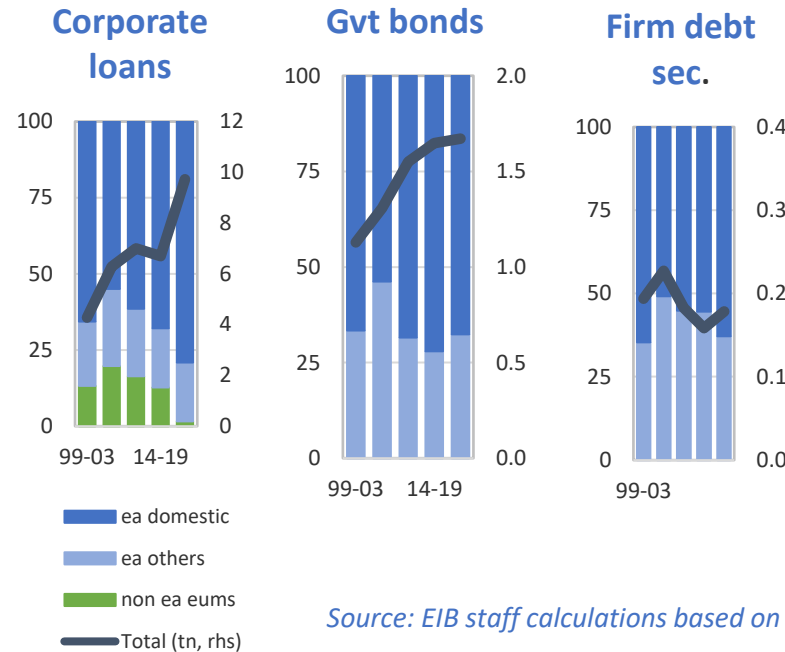
Note: Importing firms only – Intensity of the reaction by nature (reducing imports, substituting or diversifying) conditioned on the perception of the obstacle.

4. Concluding remarks: *Public support cannot be all but can help Stronger integration/Capital Market Union/business environment is first best*

Grants and subsidies significantly support green investments

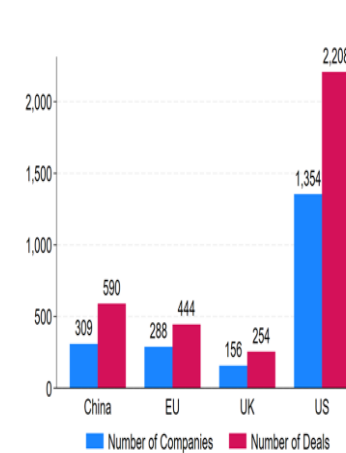


Assets held by euro area banks
(% lhs, total euro trn rhs)



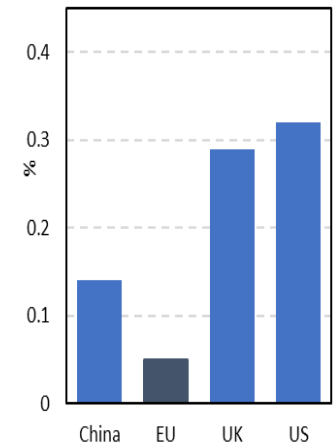
Source: EIB staff calculations based on ECB

EU has significantly fewer scale-ups



Source: EIB staff calculations based on Pitch Book

And Less capital invested in scale-ups (% GDP)



Cross border financial integration still below pre-GFC (deepness of financial markets)

Need for more Innovation/Scale up Finance

Source: EIB calculations based on EIBIS (2023).
Note: Probit estimation that controls for firm characteristics, sectors, countries and years, weighted by firms' value-added. The black lines represent confidence intervals at the 95th percentile.

Main messages (recall)

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THANK YOU



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