UNLEASHING LONG TERM INSTITUTIONAL CAPITAL

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Addressing the EU long term financing needs

Make the substantial savings of EU citizens—nearly €35 trillion—fund long-term financing to support EU growth is critical. Admittedly, lower interest rates should stimulate long-term financing, by pushing investors to search for yield, therefore increasing the maturity they are ready to invest in. Still, several key measures, aligned with the European effort to build a Union of Savings and Investment (SIU), are necessary to better address the EU economy significant financing needs.

First from the retail investor perspective, the "Finance Europe" label, launched on 5 June in Paris—among Estonia, France, Germany, Luxembourg, the Netherlands, Portugal and Spain —aims to help savers identify investment products that contribute directly to financing the EU economy. To be eligible, savings products or funds must meet a set of criteria: a minimum of 70% allocated to European assets, a holding period of at least five years, and a focus on long period of financing for businesses, with a substantial part invested in equity. Preferential tax incentives, at each participating Member State's discretion, may support this initiative. France is looking forward to a swift labelling process and looks forward to additional Member States joining this initiative.

Second, the development of occupational pensions and auto-enrolment mechanisms also play a key role in supporting long-term financing, in line with the recent Commission consultation on the matter. By extending the duration of household liabilities, these schemes enable greater investment in less liquid assets. Auto-enrolment offers a powerful lever to broaden participation in retirement savings, especially among segments of the population less likely to engage with financial products. In France, the "PACTE" law (2019) has made occupational pension plans simpler, clearer, and more attractive and the Government now explores how coverage can be expanded and contributions to these plans increased. At the European level, a renewed approach to supplementary pensions should not rely on a brand-new pan European product, but come from building on and scaling up effective national frameworks already in place across Member States.

Third, expanding retail access to funds investing capital on a long-term horizon is also key. Current EU-labelled funds such as ELTIF, EuVECA and EuSEF[1] have played a useful role. Recent reforms to the ELTIF Regulation have sought to improve their accessibility and flexibility. The development of evergreen and semi-liquid vehicles has addressed the main liquidity issues by providing flexibility for retail investors, while preserving the long-term investment horizon. At national level, France has taken additional steps to lower barriers to accessibility of these products: key reforms have facilitated the inclusion of funds investing in unlisted assets within major savings vehicles such as the Equity Savings Plan (PEA), the Retirement Savings Plan (PER) and life insurance contracts. In 2023, the Green Industry Act ("Loi industrie verte") reinforced this approach by introducing a mandatory minimum quantum of unlisted assets within the default investment strategies of major savings products.

Fourth, on the institutional investors' side, the review of the Solvency 2 framework aims that prudential capital requirements better reflects the actual risks taken by (re)insurers, particularly in the longer term. The revised directive will significantly change the treatment of long-term equity investments (LTEI), currently underutilised by (re)insurers. The applicable criteria are, thus, reduced and simplified. In addition, verification of the (re)insurer's ability to retain equity over five years will be possible using two different alternative methods, according to the draft delegated regulation currently being finalised. These changes constitute tangible improvements. To the benefit of the whole SIU agenda, they could be further improved by expanding the list of directly eligible funds (beyond ELTIFs, EuSEFs, EuVECAs, and AIFs without leverage), notably by including some UCITS.

Channelling €35T of EU savings into long-term investment is essential.

Fifth, on the firms' side, one possibility not to have arbitrage between equity financing against debt financing would be to equalize the accounting treatment of the two instruments. A debt bias may exist if interest expenses that a company pays to its creditors are tax-deductible up to a certain limit. The DEBRA Directive aimed to make "notional interest" tax-deductible. This type of mechanism, currently structured in heterogeneous ways across different countries, might have significant effects on corporate balance sheets, leading to an increase in equity financing. However, certain limitations should be considered, whether budgetary or related to potential gains, given the increasing restrictions on debt deductibility, as well as a focus on young companies and SMEs.

1. *European long-term investment fund, European venture capital funds and European social entrepreneurship funds.*

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Unleashing long-term investments: is our regulatory framework fit for purpose?

History shows that long term funding is essential for innovation and a prospering EU real economy. Consequently, prudential treatment in this context should avoid being excessively stringent, while at the same time, should not neglect possible risks which could negatively affect the situation of financial institutions and financial stability. With this in mind, long-term investments are unsurprisingly a focus in various regulatory areas.

Regarding the banking sector, the work of the experts of the Basel committee should continue to include regular assessments and reevaluations of the regulatory treatment of banks' exposures, including exposures in long-term funding, to ensure that the prudential legal framework is always up-to-date and appropriately reflects and balances the needs of the economy on the one hand and the related risks on the other hand.

Turning to institutional investors, in particular insurers and pension funds are often criticized for being overly cautious and refraining from directing financial flows towards venture and innovation financing. Taking more risks is supposed to allow for the scaling-up of promising enterprises and prevent them from leaving the EU to seek financing oversees. Indeed, both the Solvency II and the IORP framework adhere to the prudent person rule – and rightly so. But within the qualitative limits of this principle, mainly dedicated to ensuring a sound investment risk management, insurers and pension funds have ample possibilities. Already under the current framework, client funds must be invested in the best interest of policyholders and best long-term interest of members and beneficiaries. Making well-prepared venture investments is, therefore, not only possible, but may even be required. Maybe, some further guidance could help to make this more explicit. On the other hand, we should not use client funds to push for wider policy goals if the risk-benefit ratio does not justify the investment.

Looking closer at the insurance sector, insurers are naturally prone to make long-term investments due to their long-term business model. In 2019, a category of Long-Term Equity (LTE) investments was introduced at Level 2 into the Solvency II framework with the aim of encouraging long-term equity investments. Unfortunately, this initiative had only limited success, not least because of a lack of ambition and complex requirements. With the review of the Solvency II framework the issue was raised to Level 1 to strike a balance between a more favourable prudential treatment of equity investments held with a long-term perspective and compliance with sound and robust criteria that preserve policyholder protection and financial stability. As many of the criteria are still to be specified at Level 2, it remains to be seen whether the review will have a positive impact.

> **Long-term funding remains a key topic in various regulatory areas.**

Due to recent amendments to EU fund legislation (AIFMD II, UCITSD Review and ELTIF Review) and considering that the main purpose of these amendments has been the strengthening of the liquidity of (alternative) investment funds, including EU-labelled funds, there is no need for urgent legislative changes in this context. Instead, the industry and regulators should be able to focus on adopting the new legal framework. Nevertheless, in accordance with the timelines of existing review clauses, legislators should analyze the status quo of fund markets and existing EU-labelled and national products and explore best practices by analyzing which products are well accepted by investors and for what reasons.

Finally, the role of accounting standards of course matters in this context but should not be overestimated. The key purpose of accounting standards is to provide users of financial statements with useful information about an entity's financial position and performance. Accounting standards should neither hinder nor promote long-term investments but should be neutral with respect to investment decisions and should only provide the necessary useful information. Their objective should not be to influence investment behavior, but to neutrally reflect the underlying economic substance. It is, nonetheless, important that accounting standards continue to evolve in response to new developments to ensure they remain focused on providing useful information for decision making. A recent example of such evolution can be seen in the application guidance of IFRS 9 to ESG-linked financial instruments. In addition, the IASB is currently dealing with accounting of long-term investments in rate-regulated industries. The envisaged approach intends to align accounting outcomes better with the economic reality of cost recovery in infrastructure sectors by improving the transparency of long-term investment returns.

To conclude, long-term funding remains a key topic in various regulatory areas, with the ongoing challenge of balancing unnecessary burdens against financial stability and transparency.

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Unleashing long-term institutional capital: building on what works

Europe's growth potential hinges on its ability to mobilise long-term capital. The twin transition, ageing populations and the need to ensure Europe's competitiveness require more equity-based, patient investment. Both retail and institutional investors are looking for opportunities that provide the right long-term returns – whether for retirement or broader investment goals.

EU frameworks such as CRR/CRD and Solvency II already allow investments in infrastructure and venture capital. And large institutional investors, e.g. insurers, pension funds, are already active in these areas. The key challenge lies in connecting available capital with investment needs. How can regulation – at EU and national level – better enable these investments in practice?

First and foremost, risk-based and stable financial regulation provides the clarity and confidence investors need to commit large sums over extended periods. Institutions like pensions funds and insurers prioritize predictability. Any politically driven regulatory shifts can introduce uncertainty and distort market signals. By focusing on principles-based, risk-sensitive frameworks, regulators create a level playing field that fosters efficient capital allocation, enhances market resilience and avoids unintended consequences that could undermine the stability long-term investors rely on. At the same time, we should encourage savers to invest more and allow them to allocate a greater share of their savings to capital-market-based assets. This shift will have to be mainly driven at national level given each country's unique social, labor and tax frameworks. In Germany, we have introduced a social partner model for occupational pensions that will help to channel private investment into productive assets – without relying on costly guarantees that limit returns. In addition, we plan to reform our private pension product by introducing a new savings vehicle without mandatory guarantees. The reform will reduce complexity and administrative burden, streamline subsidies and improve accessibility.

Collectively, such reforms seek to harness untapped domestic savings, broaden participation in funded pension arrangements, and reinforce long-term investment pathways. At the European level, the Commission can support such initiatives by providing recommendations and sharing best practices.

Moreover, we should ensure that the legislative framework for EU-labelled long-term investment funds and their distribution is fit for purpose. The recent ELTIF reform was a step forward, showing that focused changes can make a real difference. Greater flexibility and improved alignment with investor needs have enhanced the attractiveness. From 2023 to 2024, the assets under management in ELTIF grew by around 38 % and fund launches increased substantially.

The overall European legislative framework for investment funds has already streamlined the EU-wide distribution of funds and has also created an efficient and well-functioning system of supervisory cooperation between the national competent authorities. We should carefully assess how to improve this framework to provide investors with better products and improve risk management while being mindful of unintended consequences.

Equally important is strengthening equity finance in Europe – especially for growing, innovative companies. This is also the objective of the Franco-German initiative Financing Innovative Ventures in Europe (FIVE), launched by Ministers Klingbeil and Lombard in July 2025. A Task Force led by Jörg Kukies and Christian Noyer, will present proposals by the end of 2025 to improve scale-up financing – including potential adjustments to EU law.

The involvement of public institutions (e.g. KfW, CDC, EIB) can also facilitate long-term investment projects, e.g. large-scale infrastructure and development projects. By stepping in as investors or guarantors offering favourable financing terms, public institutions can help to attract private investment. However, the objective must be that private capital is not displaced. More precisely, total private investment should be higher than without such a government intervention (additionality or crowding-in). Public financial support must be granted under market-based conditions and should always be linked to private co-investments, wherever possible, und must not distort the market. By doing so, public actors can effectively mobilize private capital, which leads to increased investment in necessary structural change and contributes to economic growth.

Long-term capital needs long-term rules – coherent, enabling and forward-looking.

Unlocking institutional capital is not a technical fix. It is a strategic imperative. Adjustments to prudential, accounting and fund frameworks must be part of a coherent European agenda to support scale-ups, infrastructure and the transition.

In short: the challenge is not a lack of frameworks – but ensuring they are coherent, proportionate, and work in practice. Pragmatic improvements, based on evidence and experience, will help unlock more capital for Europe's future.

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Public long-term investors: catalysts for long-term productive investments

Long-term productive investment projects involve infrastructure – including social infrastructure (housing, training, health) – and innovation, both types of projects being crucial for the competitivity of European companies. Their long-term nature and high initial risks can deter private sector involvement, making the role of National Promotional Banks and Institutions (NPBIs) indispensable.

Indeed, public long-term investors, with their unique characteristics, are pivotal in financing long-term productive investments. Firstly, NPBIs have a financial capacity and generally benefit from a lower cost of capital, allowing them to fund large-scale projects that private entities might find unfeasible. Secondly, these institutions are driven by public policy objectives, prioritizing societal benefits over immediate financial returns. Their risk-taking capacity enables them to absorb risks, making long-term projects more attractive to private investors. Moreover, NPBIs can provide patient capital, which is essential for projects that may not yield immediate returns but offer substantial long-term benefits. Their financial expertise further enhances their ability to select and manage these projects effectively.

A diversified ecosystem with different types of institutions assuming complementary roles is vital for the success of long-term investments. NPBIs can work alongside commercial banks, insurance companies, and pension funds, each bringing their unique strengths to the table. For example, for more than 200 years, the Caisse des Dépôts (CDC) has been instrumental in funding long-term projects in France, such as mobility infrastructure, energy efficiency projects in the housing sector or green energy.

But for public long-term investors to be able to play their role and to invest alongside private financial institutions, it is crucial to promote a regulatory framework that is adapted to the specificities of long-term investments. The current prudential and accounting frameworks often pose challenges to long-term investments: Basel III and Solvency II frameworks, while designed to ensure financial stability, impose capital charges and risk assessments that are misaligned with the long-term nature of certain assets. To address these issues, Mario Draghi has proposed reducing capital charges for long-term assets, suggesting lowering risk weights for productive investments such as infrastructure and social housing, as they have a lower default risk. Mario Draghi also proposes adjusting prudential requirements for securitized assets to better reflect their risk profiles.

> **Public investors, with their unique characteristics, are pivotal in financing long-term investments.**

A regulatory framework that encourages private investors to invest alongside public financial institutions is vital for supporting equity financing and long-term investments, ultimately driving economic growth. But European programs based on the open architecture, such as InvestEU and the European Competitiveness Fund under the next multi-annual financial framework (MFF), are also instrumental in facilitating long-term productive investments. These programs are designed to mobilize substantial investments by leveraging the unique capabilities of NPBIs and International Financial Institutions (IFIs). By relying on these institutions to implement and co-finance projects, the programs can effectively bridge the gap between public policy objectives and private sector involvement.

InvestEU provides an EU budget guarantee to implementing partners, IFIs and NPBIs to enable them to take on more risk and invest in projects that align with EU policy priorities, such as sustainable infrastructure, research and innovation, social investment, and support for small and medium-sized enterprises. By sharing the risk, InvestEU makes it more attractive for private investors to co-invest alongside NPBIs in long-term projects, thereby mobilizing significant additional investments.

Similarly, the European Competitiveness Fund, proposed under the next MFF, is designed to bolster Europe's strategic autonomy and competitiveness. This fund will focus on key sectors such as digital technologies, health, and green transition, where long-term investments are crucial for maintaining Europe's competitive edge. By leveraging the expertise and resources of NPBIs and IFIs, the fund can effectively channel investments into these strategic sectors. The open architecture approach allows for a flexible and responsive investment strategy, enabling the fund to quickly adapt to changing market conditions and investment needs.

By working with a network of implementing partners, it can pool resources and expertise, creating synergies that enhance the overall impact of investments. Furthermore, the involvement of NPBIs in these programs helps to ensure that investments are aligned with broader public policy objectives and that long-term investments contribute to sustainable and inclusive growth.

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Fix the rules, finance the future

Over two decades, Europe's ambition for the green and digital 'twin transition', requiring significant financing, has been undermined by subdued capital formation and a persistent interest-rate gap versus the United States steering funds into dollar assets. Although keeping policy rates below U.S. benchmarks could narrow capital costs, cheaper money alone will not overcome the regulatory and structural barriers that deter institutional investors.

Public development banks, Germany's KfW, France's CDC and the EIB, can step in where private finance falters. Free from strict capital rules, they deploy first-loss guarantees, equity stakes and long-dated co-financing to crowd-in private partners. But banks, insurers and pension schemes face rules treating long-term, illiquid infrastructure, crucial for the twin transition, like speculative corporate lending.

Under Basel III, banks must hold heavy capital against extended loans; IORP II demands pensions keep liquid buffers for foreseeable outflows, capping illiquid allocations; IFRS standards exposes banks and insurers to volatile profit-and-loss swings; and Solvency II applies risk charges that penalise low-yield, long-dated debt, pushing insurers into highly liquid sovereign or corporate bonds. Together, these regulatory frameworks siphon institutional finance away from sustained productive investments.

Beyond these constraints, most insurers operate under a liability-driven investment approach. Investments must match liabilities in duration, inflation sensitivity and currency, limiting asset flexibility. Reinsurers, facing unpredictable claim cashflows and catastrophic events, must also maintain high liquidity. As a result, their investment strategy focusses on high-quality and liquid credit assets, whereas the high-yielding and illiquid investments are driven by long-duration and predictable liabilities. Thus, their sub-investment-grade and illiquid credit appetite often takes place on the liability side of their balance sheet through 'unfunded' credit insurance.

Obstacles multiply when assets are securitised in tranches. Solvency II's spread-risk rules assume all securitisation positions are traded, not held to maturity, and impose capital charges so high that some AAA-rated tranches charges exceed those for long-term equity. Thus, insurers avoid traditional securitisation —backed by infrastructure, corporates, SMEs or residential mortgages— and favour covered bonds, which support bank funding but leave risk on bank balance sheets.

EU banks have adapted by expanding synthetic securitisation under the Significant Risk Transfer (SRT) framework. The Commission boosted SRT in 2021 by relabelling part of the market as Simple, Transparent and Standardised (STS), lowering capital cost for banks. Yet insurers were unintentionally excluded as guarantors for 'unfunded' ST, limiting their ability to support bank lending.

Securitisation package: Where capital fears to tread, policy must lead.

To address these gaps, the Commission's Securitisation Package proposes targeted amendments to the Capital Requirements Regulation (CRR), the Securitisation Regulation (SECR), the Liquidity Coverage Ratio (LCR) and Solvency II Delegated Acts. These strike a positive balance between prudential conservatism and market growth, but success depends on precise drafting, level playing fields and consistency, for example:

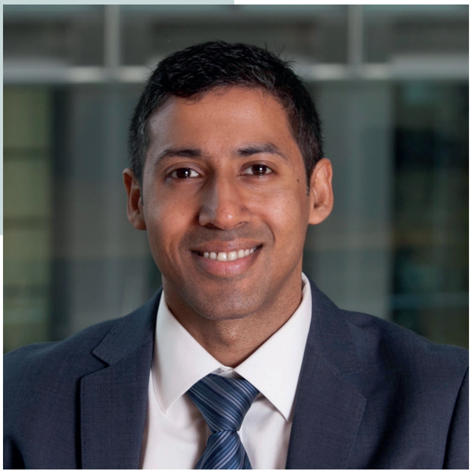
On precise drafting, SECR requires that only undertakings with at least €20 billion in assets may underwrite STS SRT. This ignores cases where the insurer is a subsidiary of a much larger reinsurance group. With its €7 bn, Great Lakes Insurance SE's eligibility fails, while its parent, Munich Re, exceeds €280 bn. Besides, while 'total assets' is an appropriate metric for bank size, it is more volatile for non-life reinsurers subject to large claims, and thus gross written premium (GWP) would be a steadier 'size' metric.

On level playing fields, a liquidity issue arises in the LCR if the new 'Resilient position' concept uses parameters other than standardised approach ones. Without clear, harmonised criteria, resilience becomes subjective, akin to defining beauty in the eye of the beholder.

On consistency, risk weights for non-senior tranches should never fall below those for senior ones – a condition not always met in the proposed CRR. Also, to foster market resilience, risk weight floors should incentivise Resilient over Non-resilient positions, warranting scalar adjustments.

Market stability matters. Abrupt regulatory changes without grandfathering jeopardise existing deals. Lawmakers should limit new rules to future issuances to preserve legal certainty for today's existing structures, tomorrow's legacy ones.

By removing impediments on both supply (banks) and demand (investors and credit underwriters) - accounting for liquidity, credit quality and liability matching – Europe can rebuild a deep, sustainable market for long-term capital. A properly adjusted Securitisation Package can then underwrite the robust financing its green and digital future demands.



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Unlocking Europe's long-term investment potential

The Draghi Report identified a long-term financing and investment gap of EUR750-800 billion a year by 2030 to address such challenges as climate change, rapid technological shifts and new geopolitical dynamics. Normally, most of this would come from governments, but in light of sovereign public finance constraints, the private sector will have to play a larger-than-usual part.

Europe's 5,000 or so banks, many of which are rated by Fitch, have traditionally had an outsized role in the provision of longer-term financing from their aggregate EUR27 trillion loan book, including project and infrastructure financing. However, changes in prudential regulation that aim to improve financial stability – especially the EU Capital Requirements Regulation – seem likely to increase costs on longer-term financing to unrated counterparties or for unrated project or infrastructure transactions.

European credit intermediation relies on the region's banks – unlike in the US, where capital markets play a big role. This highlights the importance of the ambitious Savings and Investments Union (SIU). The SIU, which launched in March, aims to make banks' credit provision more efficient, mobilise the EU's EUR10 trillion bank savings more efficiently into public and private markets, and unlock the EUR10 trillion insurance and EUR2.8 trillion pension fund sectors.

The initial signs are encouraging. The first SIU legislative proposal issued in June seeks to revive the European securitisation market, by reducing potential frictions and obstacles. A more risk-sensitive risk-weight floor for banks aligns capital requirements for the lowest risk tranches of simple securitisations towards covered bonds, with a greater proportion of similar bonds qualifying for banks' liquidity asset buffers. Streamlining banks' significant risk-transfer approval process should unlock greater "capital velocity" potential; by freeing up regulatory capital, more loans and investments can be issued from the same capital base.

Reforming due-diligence and disclosure requirements may improve investor participation, based on European Commission survey responses, and facilitate the transfer of more credit risk from banks to insurers, pension funds and investors generally. Proposals to better align conservative Solvency II charges to international regimes look set to increase EU life insurers' securitisation investments, which comprise around 0.3% of investment assets, against 17% for US life insurers.

The growth of private markets invites questions on risk assessment, valuation and transparency.

The securitisation review joins existing EU reforms incentivising insurers to participate in long-term financing. The EU qualifying infrastructure framework recognises the historically low default rates in infrastructure finance, an asset class that offers the credit quality and predictability of cashflows that insurers require, allied to a more favourable capital treatment.

The UK has permitted its insurers to invest in assets with highly predictable (rather than fixed) cash flows within preferential matching adjustment portfolios. This can help reduce solvency requirements when matching long-term assets with long-term liabilities. Similar adjustments in EU rules may boost insurers' participation in infrastructure assets.

Private pension systems are a major pool of long-term capital, but assets under management in the big four EU economies only average just over 10% of GDP. European workers are half as likely to contribute to an occupational pension scheme as US workers. Boosting automatic pension enrolment to emulate the Dutch and Nordic approaches, combined with reforms to the IORPI II Directive, could eventually create an EU version of the estimated USD44 trillion 401k pension pool, catalysing long-term investment and financing.

These regulatory shifts are contributing to a structural capital rotation, where longer-duration assets migrate from banks to non-banks. The growth of private markets invites questions on risk assessment, valuation and transparency. This is where rating agencies like Fitch Ratings can help.

Credit ratings help democratise access to risk assessment and can be used as a commonly understood way to benchmark credit between private and public markets, aiding price discovery and valuation. Investors without in-house credit capability can use third-party ratings and reports to help evaluate the risk associated with less transparent longer-term and often complex investments. In securitisation, Fitch's ratings can be used to help determine tranche-level risk weights and investor suitability.

We track historical performance and stress-test scenarios to aid transparency to complex transactions. As a leading rating agency, Fitch plays a foundational role in assessing credit risk across markets, reducing information asymmetries and helping investors and risk managers to optimise capital allocation.

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Changing the monetary, economic and regulatory paradigm in Europe to stimulate productive investment

Investment is the lifeblood of competitiveness and productivity. After the global financial crisis, net investment in the United States and Europe fell significantly, but the decline was particularly pronounced in Europe

Despite high levels of private savings and the existence of large insurance and banking sectors and the involvement of domestic and EU public financial institutions in long-term project financing (CDC, KfW, EIB…), the EU continues to struggle to channel sufficient long-term capital towards these priorities.

One of the structural reasons lies in the relative absence or underdevelopment of pension funds and sovereign wealth funds across most EU countries, especially compared to the United States, Canada, or the Nordic countries. This lack of large, stable, domestic long-term investors undermines the EU's capacity to support equity financing and scale up investment in strategic sectors.

At the same time, long-term investment remains constrained by other factors:

- Macroeconomic uncertainty, including economic and geopolitical fragmentation and zero short term interest rates in real terms.
- Regulatory and prudential frameworks, which do not always reflect the specific risk profiles and time horizons of long-term assets.
- Tax and accounting rules, which often favour debt over equity.
- And a fragmented European capital market, still lacking deep integration despite multiple action plans under the Capital Markets Union and the Banking Union.

Lasting negative real interest rates and demand-stimulating policies (high public deficits geared to redistribution policies) pursued in Europe over the past fifteen years contributed to reducing productivity in Europe, increased the already excessive indebtedness of certain EU countries, encouraged the development of liquid savings (in the absence of remuneration for long-term savings), the transfer of European savings to the United States and the postponement of structural reforms.

A change of monetary paradigm is critical. it is necessary to refrain from fixing administratively ("or directing" the market) long-term interest rates and to accept to let the market remunerate medium – and long-term savings – according to supply and demand – the only way to remunerate long-term savings, without which there can be no productive investment or productivity gains.

Moreover, the economic paradigm towards supply-side policies aimed at stimulating productivity (rather than demand needs to change radically in Europe particularly in the EU's over-indebted countries (Italy, France, Spain...) must be encouraged and implemented in all parts of Europe.

Every effort must also be made to ensure that venture capital, private equity and equity financing develop in EU countries and that companies, whatever their size and location in the Union, find the sources of financing they need in Europe. All regulatory, accounting and tax measures taken in Europe should be geared towards this objective. The European legal and regulatory system must agree not to discourage risk capital players, and even to encourage them.

In addition, the EU needs to design and implement a genuine industrial industry to boost its industry and to accelerate the single market while re-establishing a community preference. EU competition policy should be revamped to help companies scale up and better compete in global markets.

At the regional or local level, project preparation and technical capacity are often lacking. Many municipalities or regional authorities do not have the administrative or financial expertise to structure bankable projects, conduct impact assessments, or navigate complex public-private partnerships. The result is a limited and uneven pipeline of investable opportunities, which further discourages institutional investors from allocating capital at scale.

SMEs are particularly exposed to macroeconomic risks arising from the uncertainties of the current trade discussions. Not only can we see the majority of them stop any investment decisions, but in the long term, as they have often already spent most of their savings to cope with their rising costs to maintain their prices, many of them in Europe will sacrifice their margins and have no choice but to stop or sell their activities to a non-European buyer. Furthermore, they will invest some of the income received in US treasuries, thus accelerating the outflow of European savings due to the differential in remuneration between currencies.

Lastly, we need develop European projects financed by European companies. The multiplication of Important Projects of Common European Interest (IPCEIs) and collaborative projects between Member States is undeniably a way forward, given that they align their objectives, they identify qualifying and profitable projects and that they find adequate funding. This would facilitate and foster the emergence of competitive European companies, champions and SMEs, as they would benefit from economies of scale in the single market.

By addressing these core areas, Europe can create a more dynamic and resilient economic environment, capable of sustaining long-term growth and innovation.