

***Short Report on the first ETAP Forum
'Financing eco-innovation'
Poznan, 21-22 November 2006***

The Eco-Innovation Forum was successfully launched with this first edition gathering 165 people in Poznan (Poland) in November 2006. Through debates and informal exchange, a new community was created around the implementation of the EU Environmental Technologies Action Plan, with a particular focus on the mobilisation of financing necessary for eco-innovation to develop and meet their market potential.

A large consensus is now emerging among European governments and citizens on the need to address the environmental challenges of our time – climate change, resources scarcity, loss of biodiversity – and on the role of technologies and innovation in facing these challenges in a way which is both beneficial to the environment and source of economic prosperity.

The eco-innovations we need require important investments to flourish and at the same time present opportunities for investors and promises of large markets in the long-term – if the policy objectives are well designed and the financing instruments well adapted to the needs of eco-innovation. This was the subject of passionate debates and intense brainstorming during the Poznan Forum. The following summarises the main conclusions of discussions, along a few lines which may be meaningful for both policy makers and the business and investment community.

Conclusions related to framework conditions for funding eco-innovation:

Large, sustained investments in eco-innovation require good framework conditions:

- **Good policy framework with clear, long-term and stable targets:** public authorities' main role in eco-innovation should be to fix long-term objectives and align coherently public policies on these objectives; stable messages on eco-innovation should lead private actors to progressively align their own decisions on these objectives.
- **Good understanding of eco-industry, technology foresight, mapping of innovation:** there is still a gap of knowledge on the actors and dynamics of eco-innovation, the identification and assessment of emerging technologies and mapping of the transition between current industrial systems and future, more sustainable ones.
- **Good conditions for innovation in general:** eco-innovation is part of the general innovation and would benefit from a more favourable framework for innovation in general: simplified IPR protection, means for technology demonstration and verification, clustering of innovation actors.

Conclusions related to funding instruments:

Large amount of funding are available for investments but need to be channelled towards eco-innovation. Better targeting funding instruments requires to:

- **Focus more on the 'how' than on the 'how much':** how is the risk shared between parties and how can we better alleviate the risk of innovative projects? What financial engineering is required for the first movers in eco-innovation?
- **Shift attention from single projects to innovation systems:** eco-innovation is not only about new processes and products or services but also about new ways of fulfilling societal needs; the work on systems, for example integrating technology developers and end users, is a key aspect of eco-innovation and requires new approaches for funding.
- **Better co-ordinate existing instruments and actors:** it is still difficult for innovative companies to find the appropriate information and partners on financing; financial institutions may also lack the appropriate expertise to correctly assess the level of risk of eco-innovative projects – working on skills and access to reliable information may be key to unlock the potential of eco-innovation.

Conclusions related to international aspects of eco-innovation:

If eco-innovation is to become mainstream, it should be through a new approach of international competition and development questions:

- **The EU is well placed in international trade** of environmental goods and services, and there is still an important potential to be released – money is less important than setting the right policy framework and raising awareness on export opportunities; making Kyoto/CDM work is a key element in this context
- **In developing countries, one cannot separate environment protection and poverty alleviation** – the Millenium development goals should be on the eco-innovation agenda; this relates in particular to access to drinkable water, to basic sanitation, to energy (potential of renewable sources of energy in rural areas)
- **Adapting technologies is as crucial an objective as pure technological innovation:** many low technology, small scale initiatives may have a sustainable impact; financial instruments should always go along with advice on project management.

Conclusions related to new paths or targets to be explored:

A few ideas were launched on how to trigger or to pursue the mobilisation of funding instruments in favour of eco-innovation:

- All Member States should aim at setting an efficient, large scale **green funding scheme** within two years – examples include the Green Funds in the Netherlands and the new Green savings account (CODEVI vert) in France;
- **increase the leverage** of public funding for eco-innovation, for example by turning subsidies into loan guarantees or tax rebates – the Green Funds in the Netherlands are based on tax rebates, ensuring a leverage of 40€ per € of public funding
- **identify and benchmark promising practices** at the European and global level – the exchange of information and experience on financial instruments is far from being normal practice within the EU
- **Set ambitious long-term technological challenges:** for example, why not set the target to eliminate all motors using fossil fuel in passenger cars within 20 years?
- Organise a large-scale debate in Europe on **technology foresight on eco-innovation:** what innovations do we need for a more sustainable future?

Some projects and events to pursue the debate:

The following (non-exhaustive) list of events or networks may help participants in the Forum, and other stakeholders interested in eco-innovation and financial issues, to pursue the reflection and/or co-ordinate their action in coming years:

- Two additional **Eco-Innovation Fora** are planned for 2007: Markets for Sustainable Construction in June 2007, Towards an EU scheme for Environmental Technology Verification (working title) in November 2007. In early 2008, a Forum dedicated to international issues is to be organised by Austria and Sweden together with the Commission.
- Two new **networks** are now working on eco-innovation financing:
 - the **European Platform on Financial Support to Eco-Innovation**, gathering financial institutions, governmental bodies and non-governmental organisations in raising awareness on green financial instruments and practices; contact: European Partners for the Environment, Mr Raymond Van Ermen, raymond.vanermen@epe.be
 - the **European clusters and regions for eco-innovation and eco-investments network** (ECREIN) launched by 6 European regions and

working out, at regional level, the conditions and partnerships needed for funding eco-innovation; contact: Conseil Régional Rhône-Alpes, Mrs. Brigitte Ducourtil, bducourtil@rhonealpes.fr

- Events are organised during the years 2007 and 2008 by the two networks above and other organisations interested in eco-innovation or sustainable investments: see in particular Cleantech Forum (contact: CEO@cleantech.com), TBLI Conferences (contact: conference@tbli.org) and events announced for example in the New Energy Finance newsletter (contact: weekinreview@newenergyfinance.com)