

BioChem Europe's position on EU Innovation Fund & European Investment Bank position on bio-based chemicals and materials

The biomass-derived sector plays a pivotal role in the EU's transition to a sustainable and circular economy. However, stakeholders have raised concerns that the EU Innovation Fund (EUIF) and European Investment Bank (EIB) does not adequately support the unique needs of this sector.

Background

The Innovation Fund was established by the Emissions Trading System (ETS) Directive to support innovation in low or zero-carbon products, processes and technologies in the sectors covered by the Directive. We welcome the opportunity to provide input to the ongoing evaluation of the EU Innovation Fund (EUIF).

We acknowledge and value the EU Innovation Fund's critical role in accelerating the deployment of net-zero technologies and contributing to the EU's climate neutrality goals. We call on an increase of EU Innovation Funding for the bio-based sector, as it struggles in having public financial support.

Key Challenges for the bioeconomy sector

- **Misalignment with Taxonomy and Eligibility Criteria for EIB direct support:**

The EIB Paris Alignment Framework (cf. Table E) excludes support for biomaterials and biofuels derived from primary agricultural feedstocks. This restriction is not aligned with the EU Taxonomy, which approves such feedstocks, considering they are certified as sustainable. This systematically delays and puts the bioeconomy sector at a disadvantage from taking route and progressing its scale-up in Europe, beyond the traditional extend to build a modern, biomanufacturing driven growth industry which is raw-material resilient through EU local sourcing.

- **Misalignment with EU Innovation Fund eligibility criteria vs. bio-based chemicals and materials sector.**

While for the EU Innovation Fund, still managed by EIB, primary agricultural feedstocks are approved as soon as they meet the sustainability requirements of the Renewable Energy Directive, the EUIF GHG

emission avoidance methodology is not adapted to chemicals and materials derived from biobased feedstocks. This methodology is based on current PEF methodology, where biogenic carbon should be accounted for with a -1/+1 approach, but the current PEF methodology includes the 0/0 approach. The -1/+1 approach allows bio-based chemicals and materials products' superior carbon footprint, even in a cradle-to-gate assessment, due to recognition of the carbon uptake from the atmosphere. Without a fair comparison between bio-based and fossil-based chemicals and materials, the bioeconomy sector (excl. bioenergy) cannot compete with traditional fossil-based materials, leading to non-eligibility under EUIF criteria.¹

Sustainability criteria should be applied for the sourcing and use of biomass for biotechnology and biomanufacturing, consistent with the criteria for biomass for bioenergy uses stated in the Renewable Energy Directive, the incoming sustainability criteria for bio-based plastic feedstocks as requested in the Packaging and Packaging Waste Regulation (Cf. Art. 8. 2. (a)) and existing frameworks (e.g., EUDR).¹ To facilitate the use of all feedstocks, the sustainable sourcing criteria should adhere to the risk-based (due-diligence) approach and allow for flexibility in sourcing practices. This diversification would enable the maximization of resource efficiency by integrating locally available biomass to produce a wide range of products.

It is crucial to ensure a level playing field for the EU bioeconomy sector to attract production investments and allow a scale-up of biotech and biomanufacturing projects at industrial level.

- **Lack of Dedicated Funding Streams**

Despite the Innovation Fund's expansion, bio-based projects remain underrepresented. Only €1.2 billion has been granted to chemical projects across three calls, with minimal allocation to bio-based initiatives, and mostly within the bioenergy sector.

- **Need for High-TRL Support**

Bioeconomy innovations often stall before reaching industrial scale. There is a need for support for higher Technology Readiness Level (TRL) projects – TRL 6 and above, including pilot plants, first-of-its-kind biomanufacturing plants, based on primary agricultural feedstocks in order to compete with non-European producers who do not have the same issues as European producers.

¹ <https://www.biochem-europe.eu/policy/towards-an-accurate-accounting-for-carbon-from-biomass-in-the-product-environmental-footprint-pef/>



- **Administrative Complexity and Access Barriers**

The application process is complex, particularly for SMEs. Simplified methodologies and clearer guidance are needed to improve accessibility. Access to scale-up infrastructure, shared facilities, and open-access test facilities is crucial for startups. These facilities allow startups to conduct experiments and trials without the burden of significant capital investment, facilitating innovation and accelerating the development of new products.

- **Overlap and Fragmentation Across EU Instruments**

Better coordination is required among Horizon Europe, the Common Agricultural Policy (CAP), and the Innovation Fund to avoid duplication and ensure coherent support for bio-based innovation.

- **Limit investors and banks appetite**

Without a level-playing field and supportive environment, European bioeconomy projects are prevented from receiving EIB funding or support (and due to “trickle down” effect also from national banks and private investors), and a project are not being realized in Europe, or project being realized outside of Europe.

BioChem Europe call for action:

- **Update the Innovation Fund Scope:** Include biomass-derived products and allow retrofitting of existing industrial assets.
- **De-risk Investments:** Strengthen open-access infrastructure and provide CAPEX/OPEX support to reduce financial risks for scaling up.
- **Increase the budget Fund** to meet EU’s ambitions for decarbonization: a higher budget would improve the success rate and provide a higher funding rate, including for Capex in order to ensure financial viability of the projects.
- **Use Regulatory Sandboxes:** Enable experimentation with new bio-based technologies under flexible regulatory conditions.
- **Align eligibility requirements with the EU’s bioeconomy ambition:** avoid criteria that are restrictive to second generation of biomass; review the EIB funding rules by updating Table E. Bioeconomy from [Paris Alignment Framework](#).
- **Ensure technology neutrality:** the calls and auctions design should be technology neutral to enable different technology pathways to compete equitably based on the award criteria, without a structural advantage/disadvantage given to one type of technology



BioChem Europe is a sector group of the European Chemical Industry Council (CEFIC) that envisions a future where:

- responsibly produced chemicals derived from sustainably sourced biomass respond to society's growing appetite for circular products that have limited or even positive impacts on the environment and climate
- the related need to increase and support the efficient utilization of biomass is recognized
- boosting research and innovation is seen as critical for these developments

The biomass-derived chemicals producers, members of BioChem Europe, intend to play their part and forge partnerships to achieve the European ambition to become climate-neutral by 2050.

For more information, visit our website: <https://www.biochem-europe.eu>