Open Letter: Policy Actions to Support Baltic Cleantech Companies' Access to Growth Financing

Date: January 2026

Dear Ministers and European Partners,

We, Cleantech for Baltics, representing Baltic cleantech startups, scaleups, and investors, are writing to propose Baltic positions and policy actions to be taken in the Baltic countries (Lithuania, Latvia, and Estonia) in light of the Clean Industrial Deal, to increase access to growth financing for Baltic cleantech companies. This supports the wider goal to build resilience - sustainable innovations, cleantech, and renewables mean independence and security through enabling the decarbonization of the traditional industry and ensuring long-term competitiveness. Hence, investing in cleantech is investing in resilience. We call for urgency and the mobilisation of investments, hand in hand with defence and security measures.

Today, growth financing for cleantech is not only an economic matter but a strategic resilience priority. Europe cannot maintain energy security, industrial sovereignty, or defence readiness without the domestic capacity to deploy and manufacture clean technologies at scale. As highlighted by Cleantech for Europe, the investment gap in net-zero industries directly undermines Europe's geopolitical resilience, as dependence on imported clean technologies exposes supply chains, military logistics, and critical infrastructure to external pressure. Mobilising long-term capital for cleantech through public de-risking and large institutional investors is therefore essential to Europe's security architecture.

Our call builds on a clear premise: if the EU is serious about scaling domestic cleantech manufacturing to compete globally, all European regions must be mobilised. For small and open economies like the Baltics, this means unlocking private capital and ensuring equitable access to EU support instruments. Europe's largest pools of patient capital: pension funds, insurance companies, and infrastructure

investors, remain largely absent from cleantech scale-up financing. Their mandates and risk profiles require stable, de-risked investment vehicles. As emphasised by Cleantech for Europe's Investment Plan for Competitiveness, strategic public guarantees, first-loss tranches, and long-term offtake mechanisms are essential to crowd in these institutional investors. The Baltic countries should work with the EIB and national/regional banks to create investment-grade cleantech infrastructure pipelines, enabling pension and infrastructure funds to allocate capital to manufacturing, clean energy assets, and industrial decarbonisation technologies.

The unique challenges faced by hardware-intensive cleantech projects, high capital intensity, long development cycles, uncertain revenue profiles, and technological risk, require specific public de-risking mechanisms. Traditional financing tools, which are optimised for digital or service-based sectors, fail to meet these needs. Moreover, there is a systemic imbalance in access to EU-level innovation and growth funding for the Baltic region. This not only limits the ability of Baltic firms to grow, but also hinders Europe's broader ambition to build an integrated and resilient clean industrial base.

We strongly support Cleantech for Europe's position that the Clean Industrial Deal will only succeed if it aligns with two decisive market signals: a strong demand surge and strategic public de-risking efforts, while adding a third that is essential for small and peripheral Member States such as Estonia, Latvia, and Lithuania, also highlighted by the EIB´s study on the Scale-up gap.

1. **Strong demand for cleantech** — Europe's cleantech sector suffers from a fragmented internal market and inconsistent demand signals. Despite strong innovation capacity, there is a shortage of long-term offtake commitments and lead markets that give investors confidence. Without stable demand, through public procurement, industrial standards, or corporate offtake, Baltic firms cannot scale from prototypes to commercial products. Demand-side certainty is the first condition for investment.

2. **Strategic public de-risking** — The capital requirements of scaling hardware-intensive cleantech far exceed the comfort zone of private equity or traditional lenders. The EU has €38 trillion in private savings, but these remain largely inaccessible for cleantech because of high perceived risks and low liquidity. Strategic public de-risking, through guarantees, blended finance, and risk-sharing mechanisms, is essential to unlock this capital. For the Baltics, where venture markets and institutional investor bases are limited, such public co-investment is the only viable bridge to scale.

3. **Maintaining domestic cleantech manufacturing** — Small economies are particularly vulnerable to capital flight and the relocation of production. Without targeted support for industrial scale-up, cleantech firms that originate in the Baltics risk moving their production abroad, eroding both industrial capacity and trade balances. A strategic focus on retaining high-value cleantech manufacturing domestically will ensure that innovation translates into economic resilience and a positive current account for Estonia, Latvia, and Lithuania.

Our proposals are grounded in expert interviews, survey data, and investment trends across the Baltic cleantech ecosystem, complemented by Cleantech for Europe's *Investment Plan for Competitiveness*. The overarching goal is to transform fragmented, short-term funding streams into a coherent growth financing framework that can mobilise private investment at scale.

1. **Leverage State Aid more boldly to crowd in private growth finance**

Across the Baltics, State Aid is underutilised as a strategic financing tool. Governments often rely on conservative interpretations of EU rules, prioritising compliance over impact. This limits their ability to support companies transitioning from R&D to commercial scale - precisely where the investment gap is widest.

a. Smarter use of group exemptions.
   Member States should design transparent selection criteria allowing targeted State Aid for companies that have successfully graduated from national innovation programmes and secured commercial contracts with international partners. This would enable additional growth-stage support for firms with proven market readiness.
b. Support both CAPEX and OPEX for advanced solutions.
   For the most innovative cleantech companies, both upfront capital expenditure and initial operating costs can be barriers. The EU should explicitly allow State Aid to cover these costs where technologies deliver clear decarbonisation and competitiveness benefits.
c. Modernise the EU State Aid Framework.
   At the EU level, the State Aid regime should evolve to support public loans, guarantees, and upfront production aid, not only grants. These mechanisms directly reduce investment risk and catalyse private co-financing. The current rules, overly focused on R&D and early innovation, fail to address the scale-up financing bottleneck.

d. Mobilise the EIB and national institutions.
   The EIB's mandate to support the green industrial transition must translate into direct lending windows and guarantee mechanisms accessible to SMEs and scaleups in smaller markets. Lithuania's model—using state-backed guarantees to access EIB loans—should be replicated in Estonia and Latvia.

2. Use strategic financing tools under State Aid, IPCEIs, ETS, CfDs, and PPAs

A second structural weakness in Baltic cleantech finance is the limited use of coordinated European funding instruments. Complex administrative procedures, limited national co-financing, and a lack of capacity have excluded many Baltic firms from large-scale industrial programmes. As a result, promising technologies stagnate at the pilot stage.

a. Improve Baltic participation in IPCEIs.
   While Estonia currently participates in three IPCEIs, Latvia and Lithuania remain underrepresented. Governments should proactively identify and mentor potential participants, providing administrative support and pre-committed co-financing. A coordinated Baltic pipeline would ensure more balanced regional participation.
b. Earmark at least 25% of ETS revenues for cleantech growth.
   The Baltics collectively receive hundreds of millions of euros annually from ETS auctions. Yet these funds often flow into general budgets rather than strategic investment vehicles. We propose allocating at least 25% of ETS revenues to dedicated cleantech growth financing, channelled through grants, subordinated debt, and guarantees. This would provide a predictable, recurring funding base for scale-up projects.
c. Expand blended finance mechanisms.
   Baltic governments should collaborate with the EU and EIB to establish a Baltic Cleantech Blended Finance Facility, pooling ETS revenues, EIB funding, and institutional investor capital. Such a facility could deliver first-loss guarantees and blended debt-equity instruments that attract private financing.
d. Strategic investment in clean energy infrastructure.
   High energy costs and grid instability directly undermine cleantech competitiveness. Governments must prioritise grid upgrades, interconnections, and long-duration storage to stabilise energy supply and reduce price volatility. The January 2024 electricity crisis, when

Estonian power prices spiked to €1000/MWh for 14 hours, highlights the risk of inaction.

e. Scale the use of CfDs and PPAs.
   Contracts for Difference (CfDs) and Power Purchase Agreements (PPAs) are proven to provide long-term price visibility. Establishing state-backed CfDs for industrial decarbonisation and renewable energy production would make large-scale investments bankable and attract institutional investors.

3. Build lead markets for cleantech through procurement and standards

The final and often overlooked challenge is insufficient domestic demand for advanced clean technologies. Without predictable home markets, investors and manufacturers are hesitant to scale production within the Baltics. Public and private procurement must therefore act as both a market creation and a de-risking mechanism.

a. Public procurement as a demand accelerator.
   Public procurement represents up to 15–20% of GDP in Baltic countries, yet sustainability and innovation criteria remain inconsistently applied. Governments should mandate that at least 35% of procurement value integrates lifecycle carbon and circularity requirements by 2030, rising to 50% by 2035. Lithuania provides a relevant regional example: for several years now, all public procurement in Lithuania must be green, and Estonia's pilots in road construction procurement provide a template that can be scaled regionally.
b. Private procurement and minimum content requirements.
   To stimulate local cleantech demand, introduce minimum recycled content and EU-origin criteria for construction materials, vehicles, and industrial inputs. This will create predictable offtake for regional innovators while aligning with the EU's Net-Zero Industry Act.
c. Align with EU competitiveness instruments.
   Baltic cleantech firms are underrepresented in the EU Innovation Fund and the forthcoming EU Competitiveness Fund. Earmarking regional envelopes and simplifying administrative access would ensure that smaller economies benefit equally from EU-level support.

4. Revisit EU trade policy to protect strategic innovation categories

Europe's cleantech growth financing and overall competitiveness cannot be strengthened without urgently revisiting the underlying principles of EU trade policy. Today, the Baltics and Europe as a whole face mounting pressure from heavily subsidised foreign clean technology industries, particularly in batteries, EVs, and solar, creating structural price asymmetries that domestic innovators cannot withstand. Analyses from the Jacques Delors Institute and Bruegel show a widening gap between Europe's innovation capacity and its ability to scale manufacturing, with Chinese cost advantages and the U.S. trade policies pulling industrial investment away from Europe. As highlighted by Institut Montaigne, Europe must adopt a strategic approach to trade that ensures reciprocity, prevents excessive dependency on single suppliers, and protects key value chains essential for economic resilience and security.

Current debates around "Buy European" policies illustrate the political challenges, yet the think tank Transport & Environment rightly notes that without aligning trade policy with industrial goals, even the strongest innovation frameworks will fail to translate into competitive European manufacturing. To preserve and attract investments into strategic innovation categories, including batteries, EV supply chains, green hydrogen, and power-grid technologies. The EU must embed industrial security into trade decisions. The Baltics should actively advocate for this shift, ensuring that EU trade policy reinforces, rather than undermines, our clean industrial base.

The Clean Industrial Deal is Europe's opportunity to transform its climate ambition into global competitiveness. For the Baltics, it is a chance to turn innovation strength into a resilient industrial scale. But this will not happen without decisive supporting policy decisions. By using State Aid and pension and investment funds more strategically, deploying ETS revenues for blended finance, and creating strong domestic lead markets, the Baltic countries can make cleantech a pillar of regional prosperity and Europe's industrial sovereignty and resilience.

Sincerely,
Cleantech for Baltics