

EIB Investment Report 2020/2021: European Union is leading the way in green technology investment



Source: Authors' calculations based on PCT data from PATSTAT (Worldwide PATent STATistical Database) and ECOOM (the Centre for Research and Development Monitoring) in Belgium

[Read the full chapter: Innovating for climate change: The green and digital twin transition](#)

Investing in the climate transition

In 2019, EU investment in climate change mitigation increased gradually. In the EU-27, this investment grew 2.7% from a year earlier to EUR 175 billion. EU investment in climate change mitigation is well behind that of China, but ahead of the United States – although the contexts are very different. China invested 2.7% of gross domestic product (GDP) in climate change projects, ahead of 1.3% in the European Union and 0.8% in the United States. However, the European Union has already gone much further in reducing emissions per unit of GDP. It has already picked much of the low-hanging fruit, and its efforts will increasingly have to focus on harder-to-reduce emissions.

However, according to the European Commission, the gap between the European

Union's climate objectives and actual climate investment is growing. Investments in the continent's energy system would need to rise from an average of 1.3% of GDP per year over the last decade to 2.8% of GDP over the next decade if the European Union is to meet its goal of cutting greenhouse gas emissions by 55% by 2030. Adding investments in transport brings the total over the next decade up to 3.7% of GDP per year. EU investment in climate change mitigation is thus still insufficient.

Read the full chapters:

[Chapter: Tackling climate change: Investment trends and policy challenges](#)

[Chapter: Climate change risk: Firms' perceptions and responses](#)

[Chapter: Leveraging the financial system to green the European economy](#)

Investing in the digital transformation

The adoption of digital technologies by EU firms is growing, but the gap with the United States has not yet been closed. By 2020, 37% of EU firms had not adopted any new digital technologies, compared to 27% in the United States. Encouragingly, the proportion of digital firms in the European Union grew by nearly 5 percentage points over the 2019 level, albeit the United States saw a comparable increase. The gap with the United States is particularly wide in the construction and service sectors, and in the adoption of technologies associated with the internet of things.

[Read the full chapter: Intangible investment, innovation and digitalisation](#)

How has COVID-19 changed the economic landscape?

EU firms may have to reduce investment by at least 25% because of the pandemic. To repair balance sheets, firms will have to cut investment. The EIB Investment Report estimates that the crisis might lead to cumulative firms' net revenues declining by as much as 13% of EU GDP. To absorb such loss, firms will have to cut investment and increase external finance, which is mostly available only in the form of debt. A trade-off between leverage and investment might thus emerge. Our latest EU-wide survey of firms shows that 45% of businesses expect to cut investment in the coming year, while only 6% expect to increase it.

Moreover, uncertainty about the future grew to become a major deterrent to investment. Uncertainty indicators spiked at the beginning of the pandemic. Although the European Union's determined economic policy response succeeded in calming short-term fears, a high degree of uncertainty about the future course of the pandemic and the resulting economic crisis remains. 81% of EU firms cite uncertainty as the most serious barrier to investment.

Read the full chapters:

[Chapter: The macroeconomic environment](#)

[Chapter: Gross fixed capital formation](#)

[Chapter: Financing corporate investment](#)

Background information

About the Report

The EIB annual report on Investment and Investment Finance is a product of the EIB Economics Department, providing a comprehensive overview of developments and drivers of investment and its financing in the European Union. It combines an analysis and understanding of key market trends and developments with a more in-depth thematic focus, which this year is devoted to European progress towards a smart and green future in a post-COVID-19 world. The report draws extensively on the results of the annual EIB Investment Survey (EIBIS) and the EIB Municipality Survey.

It complements internal EIB analysis with contributions from leading experts in the field.

About the Economics Department of the EIB

The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of its positioning, strategy and policy. The Department, a team of 40 economists, is headed by Debora Revoltella, EIB Chief Economist. Find out more about the EIB's research [here](#).