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European Industrial Policy Monitor

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Industrial policy has returned to the centre of Europe's economic and political agenda.
EU and national programmes, regulations, investments and trade measures are reshaping production systems and the scope of public action in the economy.
Promoted by the LUISS Centre on European Policy and Analysis (LEAP) and its Observatory on Policy, Industry, Europe (PIE), the European Industrial Policy Monitor tracks these developments each month, focusing on major policy decisions, funding instruments and strategic initiatives at both EU and national levels. It also bridges policy practice and industrial strategy with academic research and expert analysis in order to support an informed debate on the transformation of Europe's industrial landscape.

This issue is curated by Greta Micol Narsini, Michele La Bella, and Giovanni Clementi under the supervision of LEAP and PIE at Luiss University of Rome.

European Industrial Policy in May 2026

EU – SUPPORT PACKAGE FOR LITHUANIA'S NATIONAL DEVELOPMENT BANK

On 4 May 2026, the European Commission approved a support package for Lithuania's national development bank ILTE, including €813 million in capital injections as well as tax and dividend-payment exemptions. The measure expands ILTE's financing capacity and strengthens its role in supporting long-term investment across the Lithuanian economy. It mobilises more than €800 million and aims to enhance competitiveness, investment and economic development. The decision reinforces the role of national development banks as vehicles for mobilising strategic investment within the EU state-aid framework.

Read more about European national development banks in the Headline Analysis

ilte

EU – IF25 HEAT AUCTION AWARDS €400 MILLION

On 22 May 2026, the European Commission selected 65 projects under the first Innovation Fund Heat Auction, the EU's first auction dedicated to the decarbonisation of industrial heat production. The projects, located across ten European countries, will receive around €400 million in ETS-funded grants to deploy technologies including heat pumps, solar thermal systems and electrified heating solutions. Together, they are expected to avoid more than 6.6 million tonnes of CO_2 emissions over ten years by replacing natural gas-based heat production. The auction serves as a pilot for the future Industrial Decarbonisation Bank, a flagship initiative of the Clean Industrial Deal aimed at scaling up investment in industrial decarbonisation.

EC, Directorate-General for Climate Action

EU – POLAND RECEIVES FIRST SAFE DISBURSEMENT

On 29 May 2026, the European Commission made the first disbursement under the Security Action for Europe (SAFE) instrument, providing Poland with €6.6 billion in pre-financing, equivalent to 15% of its total €43.7 billion allocation. SAFE is the EU's new common-borrowing defence instrument, designed to finance defence procurement, military modernisation and industrial capacity expansion. Earlier in the month, Poland, which is also the largest recipient of SAFE funding, became the first Member State to formalise participation in SAFE through a national loan agreement.

EC, Directorate-General for Defence Industry and Space

European Industrial Policy in May 2026

FRANCE – NATIONAL PLAN ON RARE EARTHS

On 5 May 2026, the French government unveiled its National Critical Metals Resilience Plan, aimed at strengthening the security of supply of rare earths and other critical raw materials. The strategy combines tax incentives, regulatory simplification and state-backed guarantees to support investment and secure long-term purchasing agreements across the value chain. It also requires companies to improve supply-chain mapping and traceability while reinforcing international partnerships with critical mineral producers, including Brazil, Malaysia and South Africa. The plan seeks to enhance France's industrial resilience in strategic sectors while acknowledging the continued need for international sourcing.

French Institute for International and Strategic Affairs (IRIS)

GERMANY – €5 BILLION INDUSTRIAL DECARBONISATION SCHEME CLEARED

On 7 May 2026, the European Commission approved a €5 billion German state-aid scheme to support the decarbonisation of energy-intensive industries. The measure uses two-way Carbon Contracts for Difference (CCfDs), which compensate companies for the additional costs of low-carbon production while requiring repayments if cleaner technologies become more profitable than expected. The scheme supports technologies including electrification, hydrogen and carbon capture, and is expected to accelerate industrial decarbonisation across sectors such as steel, chemicals, cement and glass.

EC, Directorate-General for Communication

GERMANY – €288 MILLION FOR SEMICONDUCTOR SUPPLY-CHAIN FACILITIES

On 20 May 2026, the European Commission approved €288 million in German state aid for two first-of-a-kind semiconductor supply-chain facilities. The measures support Carl Zeiss in the production of equipment and components used in semiconductor manufacturing and Zadient Materials Europe in the production of advanced materials required for chip fabrication. The initiative mobilises €288 million and aims to strengthen Europe's semiconductor ecosystem, supply security and technological autonomy by reducing dependencies in critical upstream segments of the semiconductor value chain.

EC, Directorate-General for Communication

European Industrial Policy in May 2026

SPAIN – COMMISSION CLEARS €9 BILLION CAPACITY MECHANISM

On 29 May 2026, the European Commission approved Spain's €9 billion capacity mechanism under EU state-aid rules. The scheme creates a long-term framework to remunerate dispatchable generation, energy storage and demand-response capacity needed to ensure security of electricity supply as renewable generation expands. It mobilises €9 billion (€900 million per year) and is expected to strengthen system adequacy while supporting decarbonisation and investment certainty in the power sector.

EC, Directorate-General for Communication

ITALY – DPCM AUTOMOTIVE UNLOCKED

On 23 May 2026, Italy's Ministry of Enterprises and Made in Italy (MIMIT) announced the implementation of the new DPCM Automotive, allocating €1.343 billion through 2030 to support the automotive sector. More than 70% of the funding is dedicated to productive investment, research, development and innovation projects across the automotive supply chain, while the remainder supports sustainable mobility, commercial-vehicle fleet renewal and charging infrastructure. The measure aims to strengthen the competitiveness of Italy's automotive industry and support its transition towards low-emission technologies.

Ministero delle Imprese e del Made in Italy

ITALY – €285 MILLION FOR GREEN STEEL PLANT IN PIOMBINO

On 28 May 2026, Invitalia, under the framework of Italy's industrial policy for the steel sector promoted by the Ministry of Enterprises and Made in Italy (MIMIT), approved €285 million in support for Metinvest Adria, a joint venture between Metinvest and Danieli. The funding will support the construction of electric arc furnaces and related production infrastructure at the company's planned green steel plant in Piombino. Part of a broader €3.2 billion investment, the project aims to establish a low-emission steelmaking facility, advance industrial decarbonisation and support the reindustrialisation of one of Italy's key steelmaking hubs.

Ministero delle Imprese e del Made in Italy

ITALY – €448 MILLION INVESTIMENTI SOSTENIBILI 4.0 CALL

On 20 May 2026, Italy's Ministry of Enterprises and Made in Italy launched a new round of the Investimenti Sostenibili 4.0 programme. The scheme supports innovative and sustainable investments by SMEs in Southern Italy, with a focus on technologies driving digital and industrial transformation, including advanced manufacturing, additive manufacturing, artificial intelligence, IoT, cloud computing, cybersecurity, blockchain, big data and analytics. Backed by €448 million, the programme aims to accelerate technological upgrading, digitalisation and the green transition of the region's industrial base.

Ministero delle Imprese e del Made in Italy

Headline Analysis
National Development Banks and the New Architecture of EU Industrial Policy

On 4 June 2026, the European Commission approved a support package for Lithuania's national development bank, ILTE, authorising €813 million in capital injections together with temporary corporate tax and dividend-payment exemptions. The measure will strengthen ILTE's capacity to finance strategic investments by expanding its lending through both its own capital and market funding. While formally adopted under EU State aid rules, the decision reflects a broader transformation in European industrial policy: the growing role of National Promotional Banks and Institutions (NPBIs) as key vehicles for implementing both national industrial strategies and the EU's broader competitiveness agenda.

Over the past decade, NPBIs have evolved into an increasingly coordinated European investment network, largely through the European Long-Term Investors Association (ELTI), which brings together national promotional banks, long-term financial institutions and the European Investment Bank (EIB). Together, ELTI members manage approximately €2.9 trillion in assets, making the network one of Europe's largest public investment ecosystems.

The role of NPBIs has expanded significantly since the launch of the European Fund for Strategic Investments (the "Juncker Plan") in 2015, which formally recognised them as key partners in mobilising investment. Their importance has since grown through InvestEU, the Recovery and Resilience Facility (RRF), REPowerEU and, more recently, the EU's competitiveness, economic security and industrial policy agenda.

The rationale is straightforward. Private markets often underprovide long-term financing for projects characterised by high uncertainty and significant positive externalities, including strategic infrastructure, clean technologies, advanced manufacturing and innovative SMEs. NPBIs therefore provide "patient capital" through loans, guarantees, equity investments and risk-sharing instruments designed to crowd in private investment.

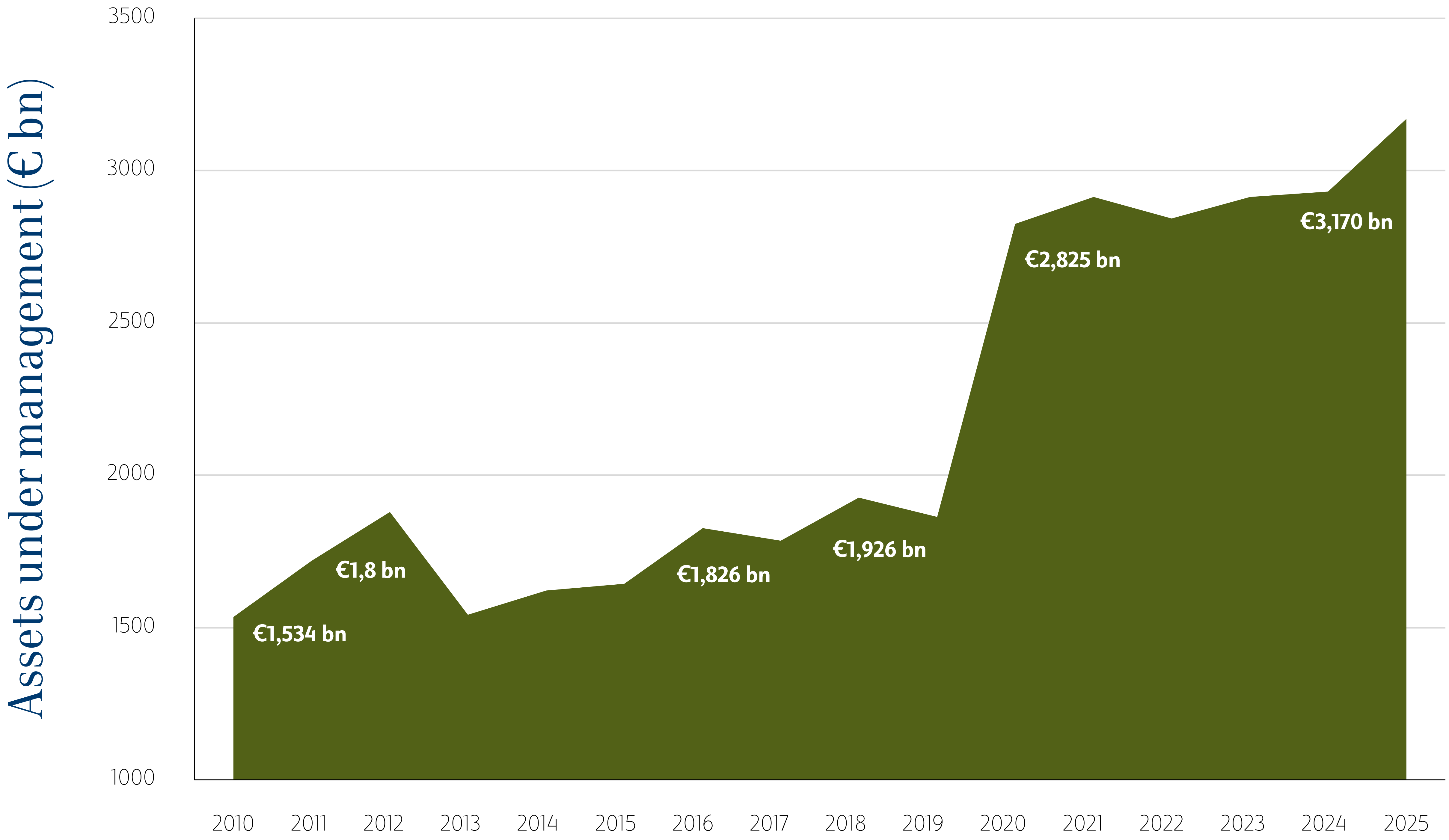
Increasingly, however, ELTI members are doing more than correcting market failures. Acting through InvestEU and other EU financial instruments, they have become central implementation partners for European industrial policy, financing strategic sectors such as semiconductors, batteries, hydrogen, digital infrastructure and defence. Rather than relying solely on the EU budget or the EIB, the Commission increasingly uses national promotional banks as decentralised financial intermediaries capable of mobilising private capital while implementing investment at the national level.

Despite growing coordination, the network remains highly asymmetric. Germany's KfW, Italy's Cassa Depositi e Prestiti (CDP) and France's Caisse des Dépôts et Consignations (CDC) account for nearly two-thirds of total assets within the European promotional banking system.

In this context, the Commission's approval of additional capital for ILTE represents more than a national State aid decision. It illustrates the emergence of a new architecture of European industrial policy in which National Promotional Banks increasingly function as decentralised investment arms of the EU's industrial strategy. As the Union moves towards a more investment-led approach to competitiveness, these institutions are becoming as important as traditional budgetary instruments in shaping Europe's industrial future.

Numbers
The Rise of Europe's Long-Term Investors

Growth in ELTI Assets Under Management, 2010 - 2025



The graph illustrates the evolution of assets under management (AUM) held by members of the European Long-Term Investors Association (ELTI) between 2010 and 2025. Over the period, total AUM more than doubled, rising from €1.53 trillion to a record €3.17 trillion. The most pronounced expansion occurred between 2019 and 2020, when total assets increased from €1.86 trillion to €2.82 trillion, marking a structural shift in the scale of Europe's long-term investment institutions. Since then, AUM has remained consistently above €2.8 trillion, reaching a new historical peak in 2025.

ELTI brings together Europe's leading National Promotional Banks and Institutions (NPBIs), including national development banks and public investment institutions with a long-term public mandate. By financing infrastructure, innovation, industrial transformation, climate investments and strategic sectors, these institutions have become increasingly important actors in the implementation of European industrial policy. Their growing balance sheets reflect the expanding role of public financial institutions in mobilising long-term investment, leveraging private capital and supporting the EU's broader competitiveness and strategic autonomy agenda.

The dataset was constructed through a longitudinal analysis of the annual reports and official financial statements of the 33 ELTI member institutions. Reported assets under management were harmonised into euros (€) using historical exchange rates where necessary and aggregated into a consistent time series covering the period 2010–2025. Institutions were mapped according to their formal ELTI membership status (Full Members, Associate Members, and Permanent Observers) to ensure comparability across countries and over time.

Source: PIE elaboration of data from ELTI member institutions' annual reports and selected policy documentation (2010–2025).

Recommended Reading

THE EU'S 2028–2034 MULTIANNUAL FINANCIAL FRAMEWORK AND THE FUTURE OF JOINT BORROWING

ROSPER, Project to Research Opportunities to Strengthen Prosperity and Economic Resilience in the EU

by Lukas Spielberger and David Howarth (2025)

The policy brief examines how the European Commission's proposal for the 2028–2034 Multiannual Financial Framework (MFF) reflects the institutional legacy of NextGenerationEU (NGEU) and what it suggests about the future of EU joint borrowing. The authors argue that while NGEU marked a significant turning point in the Union's fiscal architecture and borrowing capacity, it did not place the EU on an irreversible path towards fiscal union. Rather, the reforms introduced since 2021 – notably the expansion of budgetary headroom under the Own Resources Decision and the adoption of a diversified debt-management strategy – have established the Commission as a more sovereign-style borrower, capable of issuing debt on a larger scale and providing long-term concessional loans. Building on these reforms, the proposed MFF introduces two new borrowing instruments: a standing Crisis Mechanism, designed to provide up to €400 billion in loans during major emergencies, and Catalyst Europe, a €150 billion facility intended to finance strategic investments through concessional lending. While both instruments suggest that Commission borrowing has become an enduring feature of the EU's fiscal framework, they also reveal the political limits of further integration. Unlike NGEU, the proposal does not envisage new debt-financed grants, instead relying on loans and a revised Own Resources framework that seeks to better align borrowing capacity with available fiscal space while proposing new revenue sources to contribute to servicing NGEU debt. Overall, the paper concludes that the institutional innovations introduced since NGEU have strengthened the EU's borrowing capacity, but amount to only a partial transformation that falls well short of establishing a genuine fiscal union.

WHY IT MATTERS

The paper offers a systematic assessment of how the proposed 2028–2034 MFF translates the experience of NextGenerationEU into the EU's evolving fiscal architecture. It shows that joint borrowing is gradually becoming a more established feature of European economic governance, with important implications for financing strategic investments, responding to future crises, and supporting long-term policy priorities. At the same time, it highlights the political constraints that continue to shape this evolution. Although the Commission has consolidated its borrowing capacity and institutional framework, it deliberately avoids proposing another round of debt-financed grants, favouring concessional loans instead, while the prospects for new EU own resources remain uncertain. For policymakers, the analysis provides valuable insight into the future direction of EU fiscal governance, the expanding role of Commission borrowing in supporting strategic objectives, and the institutional trade-offs that will shape future debates on common debt, investment financing, and the long-term evolution of European economic integration.