ECONOMICS – THEMATIC STUDY

UNLOCKING ENERGY EFFICIENCY INVESTMENTS BY SMALL FIRMS AND MID-CAPS

European Investment Bank | Group

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About the Economics Department
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 and its team of economists is headed by Debora Revoltella, director of economics.

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For further information on the EIB's activities, please consult our website, www.eib.org. You can also contact our Info Desk, info@eib.org.

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GLOSSARY OF TERMS AND ACRONYMS

EIB	European Investment Bank
EIBIS	EIB Investment Survey
Energy-intensive sectors	Food, pulp and paper, basic chemicals, refining, iron and steel, non-ferrous metals, non-metallic minerals, and power sector
European Green Deal	A set of policy initiatives by the European Commission with the overarching aim of making the European Union climate neutral by 2050
Large companies	Firms with at least 250 full-time equivalent employees
SMEs	Small and medium-sized enterprises. Firms with fewer than 250 full-time equivalent employees
Small mid-caps	Firms with 250 to 499 full-time equivalent employees
Large mid-caps	Firms with 500 to 2 999 full-time equivalent employees
Mid-caps	Firms with 250 to 2 999 full-time equivalent employees
XL firms	Firms with at least 3 000 full-time equivalent employees

KEY MESSAGES

- The European Union's goals – reducing emissions, improving competitiveness and ensuring access to clean and affordable energy – depend on energy efficiency.
- Energy consumption in the European Union has declined over the last 20 years, and economic growth has been decoupled from energy use. The energy market is transforming fast on the supply side. However, energy prices remain relatively high and volatile, adding a source of concern for European firms' competitiveness.
- European businesses spend a higher share of their turnover on energy bills compared to their US counterparts.
- European firms are actively investing in energy efficiency. Large firms invest more in energy-saving technologies, compared with small and medium-sized enterprises.
- The EU regulatory framework supports the green transition and motivates firms to invest in energy efficiency.
- Energy-intensive businesses are often driven by compliance needs in their energy efficiency decisions, whereas non-energy-intensive firms see profits and business opportunities associated with energy-saving investment.
- Still, firms face structural hurdles to investing in energy efficiency, such as a lack of financing, a shortage of skills and elevated uncertainty.
- Accelerating investment in energy efficiency is a key priority, especially for energy-intensive firms and small businesses facing high energy prices or volatile energy costs.
- Policy support helps firms invest in energy efficiency. Gaps in financing and information impede investment, which suggests that financing instruments should be coupled with advisory instruments. On the financing side, policy support is more effective when targeted to specific policy outcomes.
- The European Investment Bank Group, through the European Investment Bank (EIB) and the European Investment Fund (EIF), supports energy efficiency through financing, guarantees and advisory services. An online helpdesk, learning opportunities and the new Green Checker, developed by the InvestEU Advisory Hub, provide small businesses with the necessary tools to assess the potential of energy efficiency investment. Through the annual EIB Investment Survey (EIBIS), which includes a dedicated chapter on energy efficiency and firms' climate action, the EIB Group collects data on investment conditions and barriers and contributes to the assessment of market needs and developments.

INTRODUCTION

Energy efficiency is crucial to achieving the EU goals around competitiveness, energy security and climate. Europe is a net energy importer. It depends on available resources and is vulnerable to external shocks. The 2021-2022 period has shown the importance of having a more resilient energy supply, with better generation capacity, which Europe aims to achieve via renewable, enhanced grid and storage solutions and reliance on additional resources. The energy market transformation is advancing but will take time. Meanwhile, energy availability and costs are a source of uncertainty, and potentially a competitive disadvantage for European firms. Energy efficiency investment emerges as a priority and an essential element of the European Union's decarbonisation plans.

Energy efficiency is central to the European Green Deal, the Fit for 55 package and the Clean Industrial Deal. It is a key pillar of REPowerEU, which is targeting a 20% reduction in gas consumption in the short term. In 2025, the Action Plan for Affordable Energy has set the stage for better integrating the EU energy markets, which will lead to energy savings. While progress has been made, the European Commission's recent assessment of the updated National Energy and Climate Plans highlights that a significant gap remains in meeting the European Union's 2030 energy efficiency targets, underscoring the need for more decisive implementation and investment.

The EIB Group supports energy efficiency and works with the public sector and with large firms and small and medium-sized enterprises through financing, guarantees and advisory services. In addition, through its annual EIB Investment Survey (EIBIS), the EIB collects data from 12 000 businesses across the European Union and 900 firms in the United States, providing unique insights into investment conditions, barriers and policy needs.

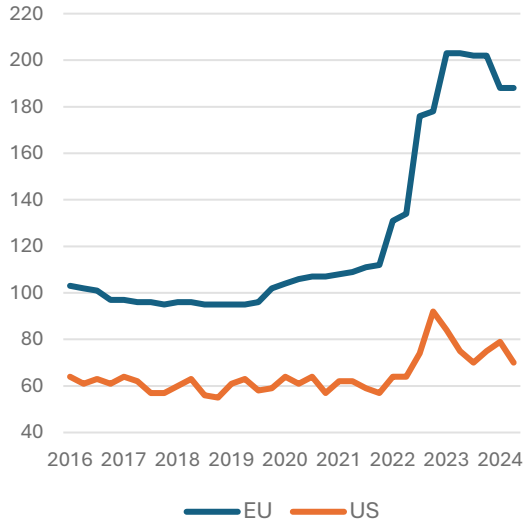
This report draws on the EIB Group's experience supporting energy efficiency in Europe and on the EIB Investment Survey evidence about drivers and constraints for energy efficiency investment by EU firms. It focuses on the challenges for small and medium firms – which are the backbone of the EU economy, and are particularly constrained in their ability to invest in energy efficiency. Dedicated policy focus and instruments like those offered by the EIB Group can make a difference.

EUROPE'S HIGH ENERGY COSTS HAVE DRIVEN EFFICIENCY INVESTMENTS

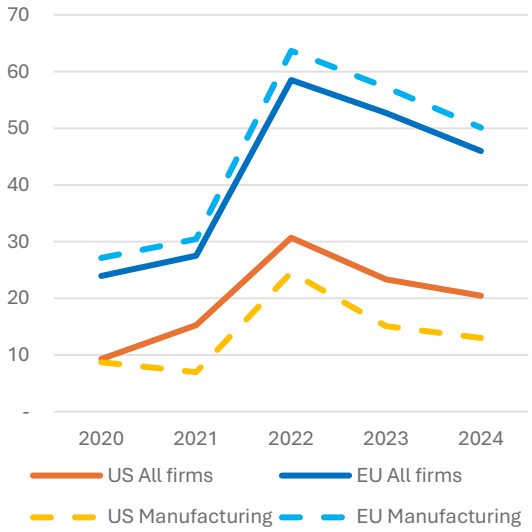
Business electricity prices in the European Union have surged since 2021, peaking in 2023 at nearly double their 2020 level and far outpacing developments in the United States. This sharp rise roughly coincided with a spike in the share of EU firms citing energy costs as a major barrier to investment, increasing to over 60% in 2022 from around 30% in 2021, before easing slightly in 2024 (**Figure 1**). Firms in the manufacturing sector reported the highest levels of concern.

Figure 1: Energy costs and price development

A. Retail electricity prices for industry (€/MWh)



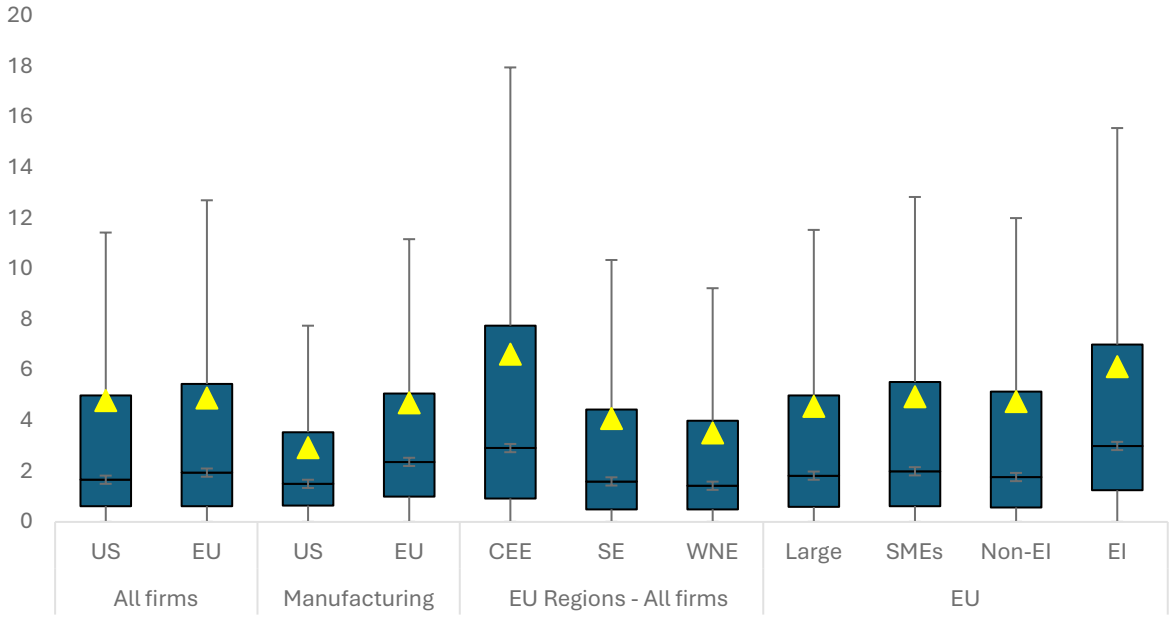
B. Share of firms citing energy cost as a major obstacle (% of firms)



Source: Panel A – DGENER, Electricity market report (2024); Panel B – EIBIS 2020-2024.
Question: Thinking about your investment activities, to what extent is energy cost a major obstacle, a minor obstacle or not an obstacle at all?

Behind these headline figures lies a deeper cost imbalance. While the energy spending of EU and US firms amounts to an average of 4% of turnover, the Figure rises for EU manufacturing firms, creating a competitive disadvantage (**Figure 2**). This structural disadvantage stems from Europe's heavier reliance on energy imports, particularly natural gas, higher taxation and the fragmented nature of its energy markets. The 2021-2023 energy crisis highlighted these vulnerabilities, triggering urgent efforts to diversify energy sources, scale up renewables and boost energy efficiency. However, despite these endeavours, energy prices in Europe remain higher than in the United States, and the gap is expected to persist over the coming decade due to the continued role of gas and its influence on peak electricity pricing (ACER, 2025).

Figure 2: Ratio of energy spending to turnover by region, size and energy intensity (in %)



Source: EIBIS 2023-2024.

Question: How much did your company spend on energy in the last financial year?

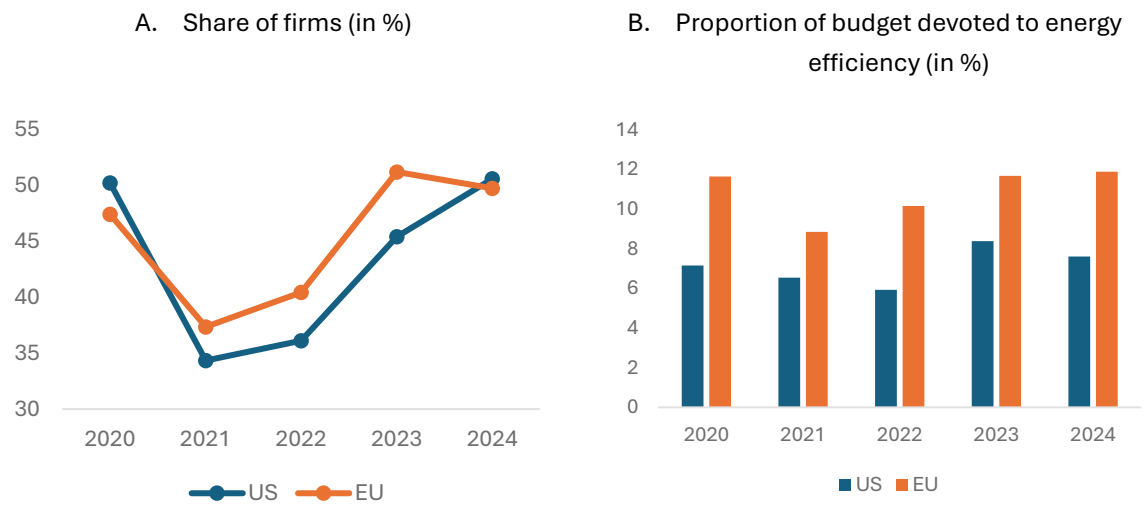
Note: The Figure highlights the median (central lines), the average (yellow triangles) and the interquartile range (blue boxes) for the ratio of energy spending to turnover. Potential outliers, defined as points outside the whiskers, have been excluded from the figure. The upper and lower edges of each box represent the 75th and 25th percentiles, respectively, while the whiskers extend to the maximum and minimum values within 1.5 times the interquartile range. This visualisation shows the spread, central tendency and variability of the energy spending to turnover ratio. CEE, SE and WNE refer to firms operating in Central and Eastern Europe, Southern Europe, and Western and Northern Europe, respectively, and EI refers to firms operating in energy-intensive sectors.

Exposure to energy price developments varies across regions, industries and, notably, firm size. Within the European Union, Central and Eastern European firms displayed the highest level and variability in the share of energy spending to turnover, whereas Southern, Western and Northern European firms reported a lower and more stable ratio. Energy-intensive firms consistently reported a higher energy spending share than non-energy-intensive firms, underscoring their energy-intensive production processes. Notably, firm size also matters, with small and medium-sized enterprises (SMEs) experiencing higher levels of volatility in energy spending compared with larger firms, suggesting a strong vulnerability to energy shocks.

The 2021-2023 energy shock was a test case that highlighted the drivers for firms investing in energy efficiency. European firms were much harder hit by rising energy prices than US firms. They were more likely than US firms to perceive energy costs as a major business challenge, which increased their likelihood of investing in energy efficiency. Figures **1B** and **3A** highlight this strong relationship: As energy cost concerns rose in the European Union to nearly 60% in 2022 during the energy crisis, from below 30% in 2021, so did the share of firms investing in energy-saving measures. In contrast, for US firms, which reported relatively stable energy cost concerns (20-30%), the proportion investing in energy efficiency increased gradually.

Since 2020, EU firms have consistently allocated a larger proportion of their budget to energy efficiency than US firms (**Figure 3B**). Nevertheless, by 2024, the share of firms investing in energy efficiency had converged across the European Union and the United States. In Europe, this trend reflects the effect of high energy prices and stricter policy frameworks in shaping corporate energy strategies.

Figure 3: Firms investing in energy efficiency across geographic regions, 2020-2024



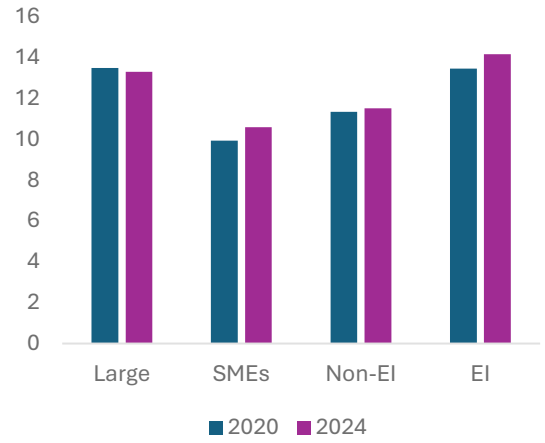
Source: EIBIS 2020-2024.
Questions: What proportion of the total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation? Thinking about your investment activities, to what extent is energy cost a major obstacle, a minor obstacle or not an obstacle at all?
Note: Panel A shows the share of firms that reported investing more than 0% of their budget in energy efficiency improvements during the last financial year.

SMALLER AND NON-ENERGY-INTENSIVE FIRMS ARE LESS RESPONSIVE

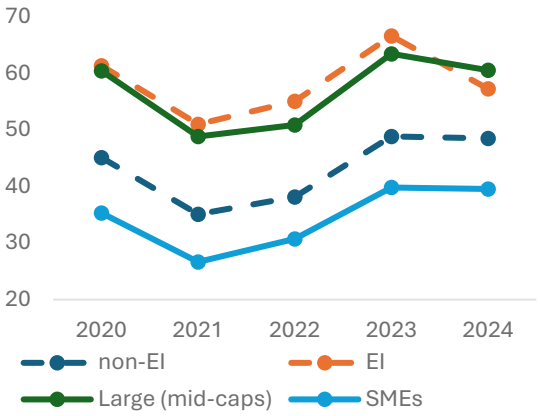
Despite a higher incidence of energy spending on turnover and stronger vulnerability to energy shocks, small and medium enterprises are less likely to invest in energy efficiency. From 2020 to 2024, large firms were more likely to invest in energy-saving technologies than small and medium firms (**Figure 4B**). Small firms experienced more volatility in energy costs and often faced financial constraints that limited their ability to invest. Energy-intensive firms also allocated a larger proportion of their budget to investing in energy efficiency (compared with non-energy-intensive firms), in line with the need for efficiency improvements resulting from their higher share of energy spending relative to turnover. The recent decline in energy efficiency investments among energy-intensive firms may reflect lower economic activity in these sectors rather than a strategic shift away from efficiency improvements.

Figure 4: EU firms investing in energy efficiency by size and energy intensity, 2020-2024

A. Proportion of budget devoted to energy efficiency (in %)



B. Share of firms (in %)

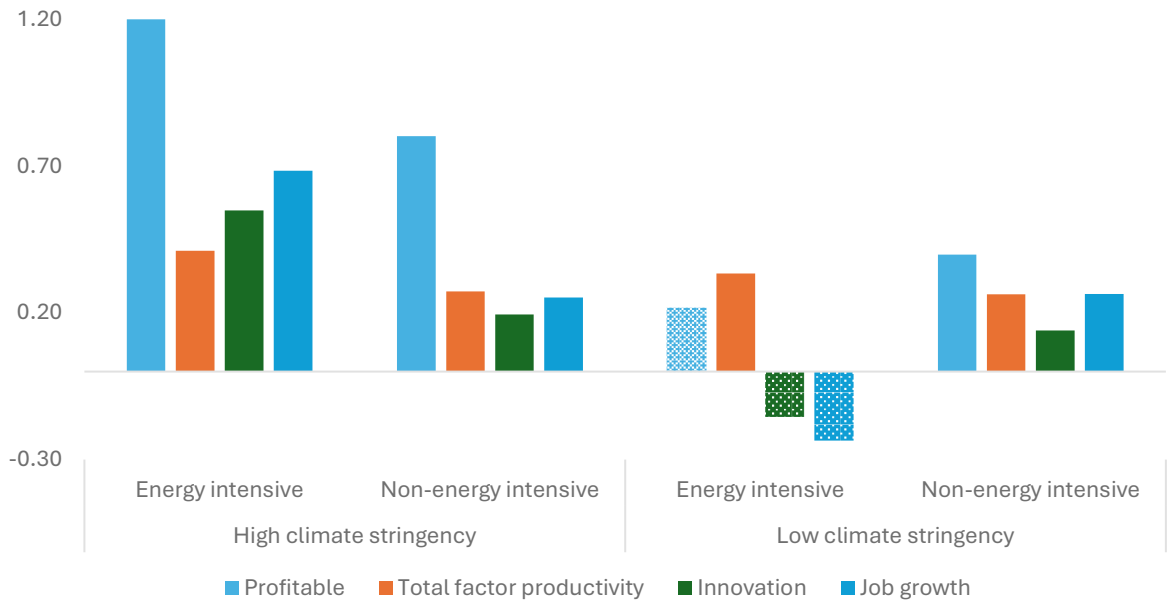


Source: EIBIS 2020-2024.

Note: EI refers to firms operating in energy-intensive sectors. Panel B illustrates the share of firms that reported investing more than 0% of their budget in energy efficiency improvements during the last financial year.

Regulatory frameworks also influence the energy efficiency decisions of firms. Stringent policies such as the EU Emissions Trading System (EU ETS) and the European Green Deal have encouraged firms to prioritise efficiency measures. As shown in **Figure 5**, improving energy efficiency helps firms reduce costs and lends a competitive edge. In the context of stringent policies, better energy efficiency performance increases profitability, total factor productivity, innovation and job creation. Regulatory pressure encourages investments in energy-saving technologies and operational improvements, benefiting both energy-intensive and non-energy-intensive firms – but through different mechanisms. For energy-intensive firms, the motivation is often compliance with regulations, whereas non-energy-intensive firms primarily benefit from cost savings. What is striking is that in environments with low climate-regulatory stringency, firms in energy-intensive industries have lower returns from energy efficiency investment.

Figure 5: Impact of energy efficiency on firms' performance, by climate policy stringency and energy intensity



Source: EIBIS 2022-2024, CCPI.

Note: The bars show the marginal effects of energy efficiency performance on firms' profitability, total factor productivity, innovation and employment. The energy efficiency performance of firms was assessed based on their ability to minimise energy spending given their output and input after using a Stochastic Frontier Analysis. The estimated meta score – ranging from 0 (least efficient) to 100 (frontier performance) – measures how close firms are to their most efficient counterparts within their sector and throughout different sectors, thereby assessing their operational efficiency (EIB, 2025). Climate policy stringency is measured using a normalised sub-indicator from the Climate Change Performance Index (CCPI). Patterned bars indicate estimates are not statistically significant at the 95% confidence level.

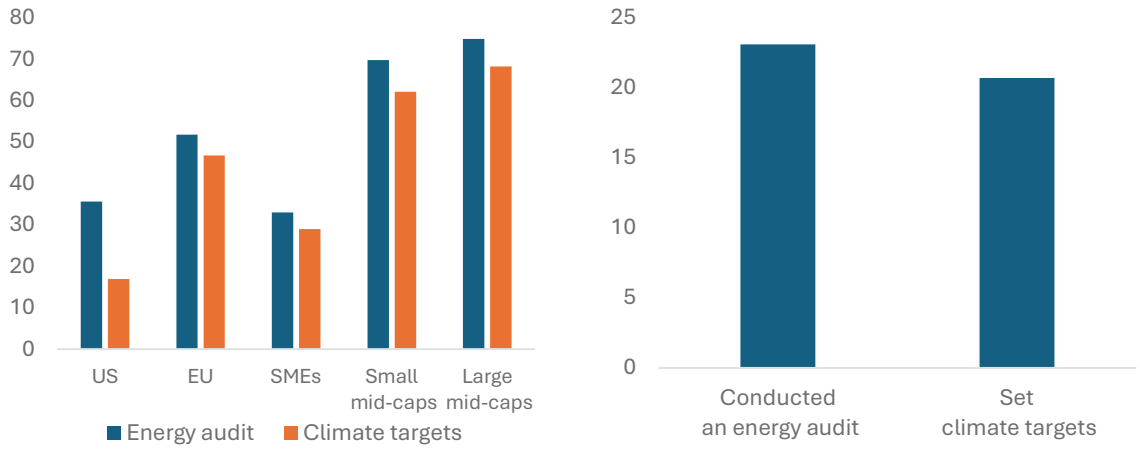
ENERGY AUDITS AND CLIMATE TARGETS SUPPORT EFFICIENCY EFFORTS

Performing energy audits and/or setting energy targets can influence firms' decisions on energy efficiency investment (Figure 6B). These two strategies, while highly correlated, are often complementary. Energy audits are crucial to overcoming information barriers because they pinpoint specific areas for improvement and inform firms' management on the cost and benefit of energy efficiency investment. Setting climate targets signals a clear commitment to reducing emissions, which is often associated with clear decarbonisation strategies. Since larger firms are much more likely to conduct audits and set targets (Figure 6A), smaller firms could benefit from support in deploying such measures.

Figure 6: The role of energy audits and climate targets in energy efficiency decisions

A. Share of firms that conducted an energy audit or set climate targets in 2024 (in %)

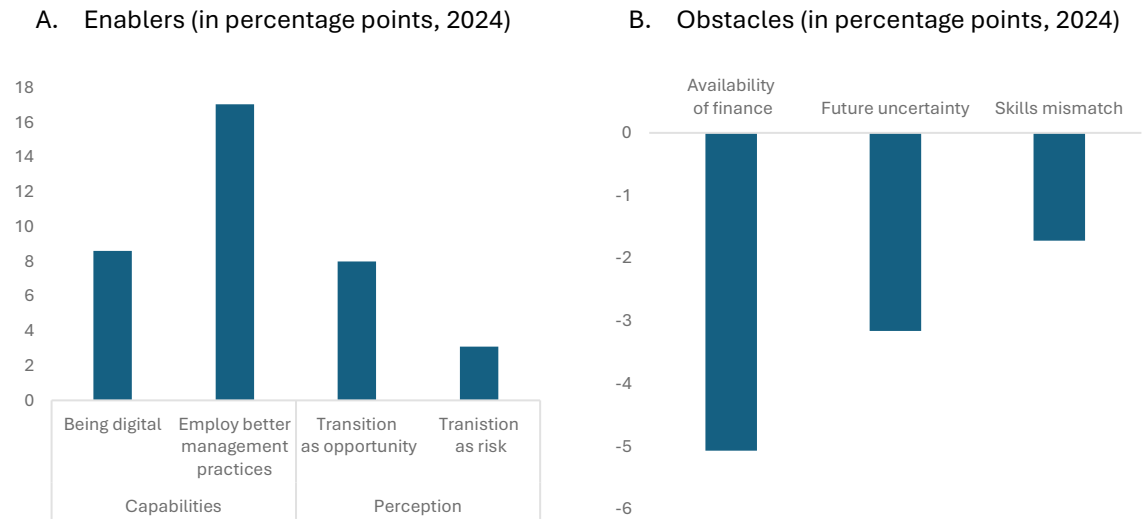
B. Estimated impact of energy audits and climate targets on the likelihood of investing in energy efficiency measures (in percentage points, 2024)



Source: EIBIS 2024.

Energy efficiency investment is also shaped by firms' capabilities and their perceptions of the climate transition. Digitalisation emerged as a powerful enabler of investment in energy efficiency, allowing firms to optimise processes, implement real-time energy management and reduce waste (**Figure 7A**). Companies that integrated digital technologies into their operations reported greater energy savings. Better management practices also enhanced resource allocation and strategic planning for energy efficiency improvements. Finally, mindset matters: Firms that perceived the climate transition as an opportunity, rather than a regulatory burden, were more likely to invest in energy efficiency. These internal capabilities and attitudes complement external drivers such as energy audits and climate targets.

Figure 7: Impact of various factors on firms' likelihood of investing in energy efficiency (2024)



Source: EIBIS 2024.
Note: The two panels show the difference in the likelihood of investing in energy efficiency between firms that reported having implemented or considered these factors and those that did not. A negative impact suggests that a factor may hinder energy efficiency efforts, and vice versa.

FINANCIAL AND SKILL BARRIERS IMPEDE PROGRESS IN ENERGY EFFICIENCY

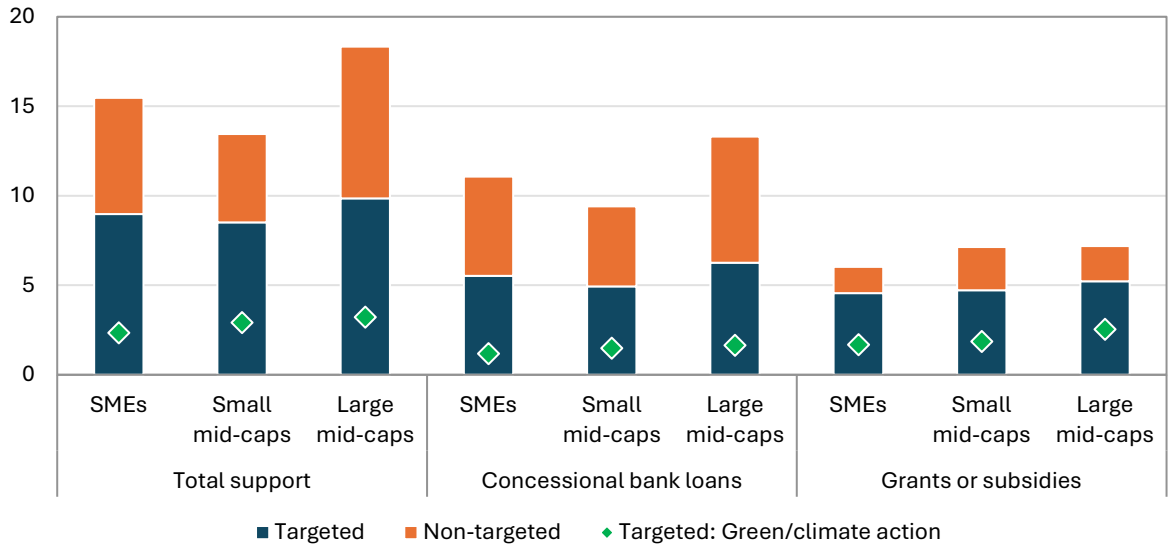
Despite recent progress, several challenges hindered the broader adoption of energy efficiency investments (EIB, 2023). Firms that reported facing obstacles, including financing constraints, skill shortages or future uncertainty, were consistently less likely to invest in energy efficiency (**Figure 7B**). Financial barriers had the strongest negative association with investment: Only about 45% of firms citing finance as an obstacle invested in energy efficiency, compared with 50% of firms without such constraints. Furthermore, skill mismatches constrained firms in planning and implementing advanced energy-saving measures, reflecting a shortage of qualified personnel in energy management and digital operations.

Perceptions of risk and uncertainty often override the incentive of cost savings. Firms reporting future uncertainty as an obstacle were significantly less likely to invest in energy efficiency, despite high energy costs offering a strong economic incentive. This highlights the energy efficiency paradox: While high energy prices increase the potential returns from efficiency measures, they can also exacerbate perceptions of risk – especially if firms are unsure about future energy markets, regulatory direction or technological viability. These findings suggest that addressing the investment gap is not only a matter of reducing direct financial costs, but also of reducing uncertainty (or compensating for the effect of uncertainty on investment decisions) and improving the confidence of firms through clearer policies, long-term support schemes and advisory services that de-risk the decision-making process. Removing these perceived obstacles could unlock cost-effective investments and accelerate progress towards energy transition goals.

TARGETED SUPPORT CAN SPUR INVESTMENT IN ENERGY EFFICIENCY

EIBIS 2024 provides a snapshot of policy support – including grants/subsidies and finance on favourable conditions – and whether the support targets certain objectives. Overall, some 15.6% of European firms received policy support in 2024, with 11.2% receiving grants and subsidies, 6.6% obtaining finance on favourable conditions and around 2.2% receiving both. The allocation of policy support varies by firm size (Figure 8). SMEs and small mid-caps were less likely to receive policy support compared to other firms.[1]

Figure 8: **Policy support by firm sizes, EU sample** (share of firms)



Source: EIB staff calculation based on EIBIS 2024.

Note: Small and medium-sized enterprises (SMEs) are firms with fewer than 250 full-time equivalent employees. Small mid-caps have 250 to 499 full-time equivalent employees, while large mid-caps have 500 to 2 999 full-time equivalent employees. Extra-large firms, which have 3 000 or more full-time equivalent employees, are not included here due to the small sample size. Firms receiving targeted policy support are those that answered "yes" to the question "Were any of the grants, subsidies or bank finance you received on favourable terms targeted at a specific area of investment, such as innovation, digitalisation, sustainability, energy efficiency or mid-caps?". Firms undertaking targeted green/climate action are those that answered "yes" to the question "In which, if any, of the following areas was it targeted? B. green economy (decarbonisation, sustainability, energy efficiency)."

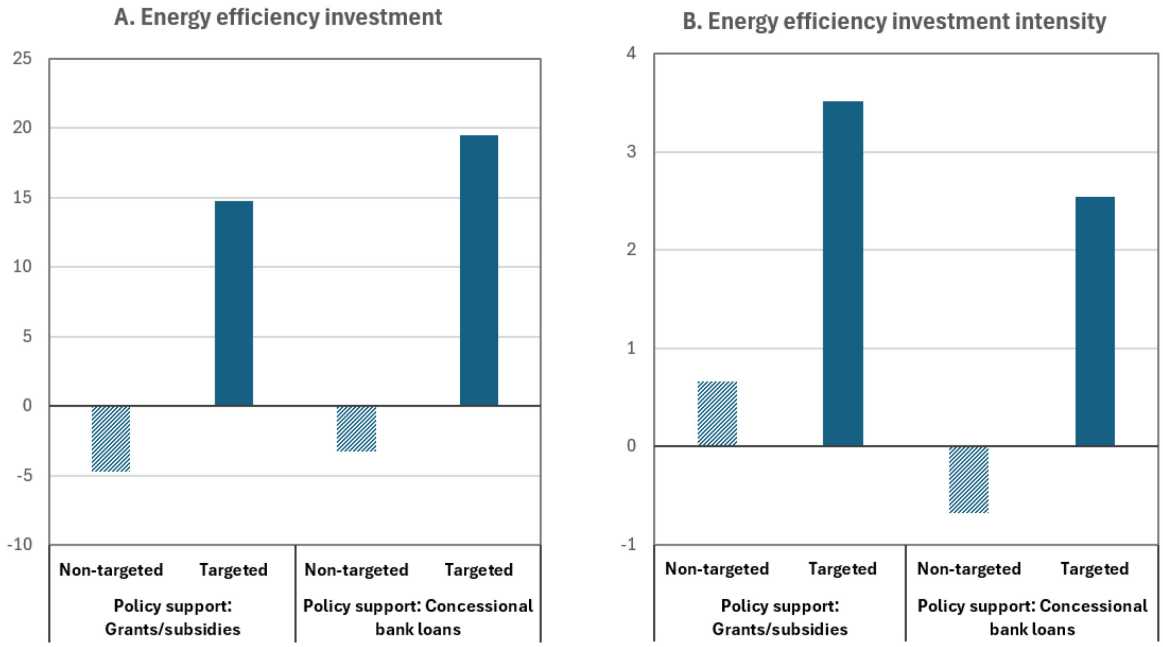
The focus of policy support on specific investment areas varies across firm sizes and types of policy support. Firms receiving policy support were asked if the support targeted specific investment areas such as innovation/digitalisation, green economy, SMEs/mid-caps or crisis-related support. In general, firms receiving grants/subsidies have a higher proportion of targeted interventions compared with those receiving finance on favourable conditions, and this pattern is consistent across firm sizes (Figure 8).

[1] In the EIB's previous report on mid-caps (EIB-EPO (2024)), XL firms received more policy support – finance on favourable terms and grants/subsidies – compared to small and large mid-caps.

The share of firms reporting policy support targeting the green economy and climate actions was around 30%, ranging from 26% among SMEs to 33-34% among mid-caps.

Targeted policy support is more effective in spurring energy efficiency investment.[2] Our analysis shows that firms receiving grants or finance on favourable conditions targeting green investment or climate action are significantly more likely to invest more in energy efficiency than firms without grants and without finance on favourable conditions (Figure 9). The effect for untargeted grants and finance on favourable conditions is not significant. Specifically, targeted policy support increases the share of investment devoted to energy efficiency by 15 to 19 percentage points and boosts energy efficiency investment intensity relative to firms' total assets by 2.5 to 3.5 percentage points, while non-targeted intervention has no significant effect compared to similar firms that do not receive policy support.

Figure 9: Impact of targeted vs. non-targeted policy support on energy efficiency investment, EU sample (in percentage points relative to the group of firms that receive neither grants nor concessional loans)



Source: EIB staff calculation based on EIBIS-ORBIS 2024.

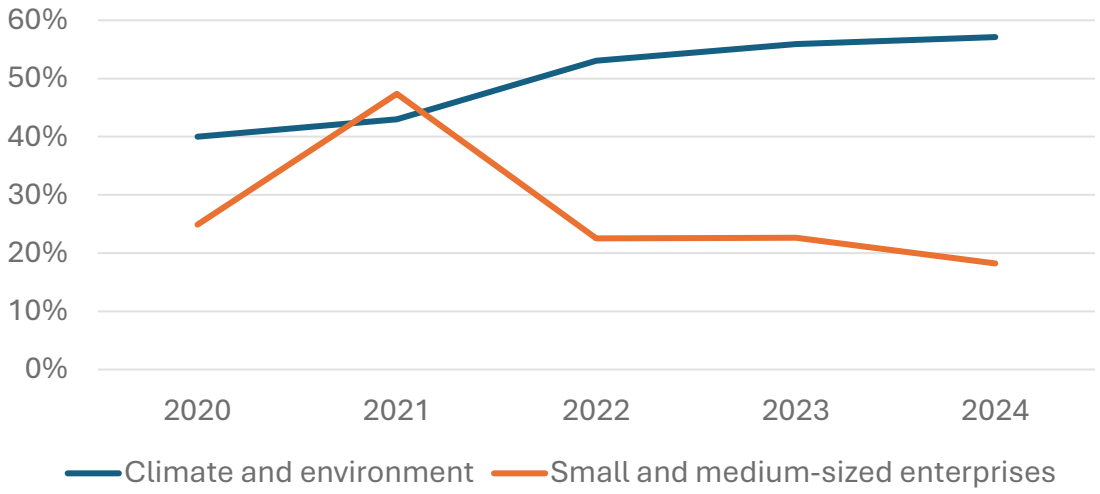
Note: Energy efficiency investment in Panel A is measured as a share of total investment, while energy efficiency investment intensity in Panel B is measured as the ratio of energy efficiency investment to the lagged value of total assets. The targeted sample consists of firms receiving policy support through grants, subsidies or bank loans on favourable terms, specifically aimed at green economy areas like decarbonisation, sustainability and energy efficiency. The non-targeted sample comprises firms receiving policy support without a specific focus on the green economy. A matched sample was constructed for the treated (for both targeted and non-targeted policy support recipients) and control groups (non-recipients) with three nearest neighbours using propensity score matching. Panels A and B show the estimated impact of receiving non-targeted and targeted grants and bank loans on favourable terms vs. non-recipient firms on energy efficiency investment and investment intensity, respectively. Patterned bars indicate that the coefficient is not significant at the 90% confidence interval.

[2] Targeted support is also more effective for innovation activities, as shown in EIB (2025).

THE EIB GROUP'S ROLE IN SUPPORTING CLIMATE INVESTMENTS BY SMALL FIRMS AND MID-CAPS

The EIB Group actively supports energy efficiency investment, by the public and private sectors and by large and small firms. By supporting small businesses in their decarbonisation efforts, the EIB Group can help make them more resilient and competitive while pursuing EU climate objectives. The Group set ambitious targets for climate action under the Climate Bank Roadmap in November 2020, to support the European Green Deal and make Europe carbon-neutral by 2050. These ambitions are directly reflected in the Group's lending portfolio, with more than 50% of its lending since 2022 devoted to projects involving climate action and environmental sustainability (**Figure 10**).

Figure 10: EIB Group lending to small firms and for climate and environment (% of total financing)



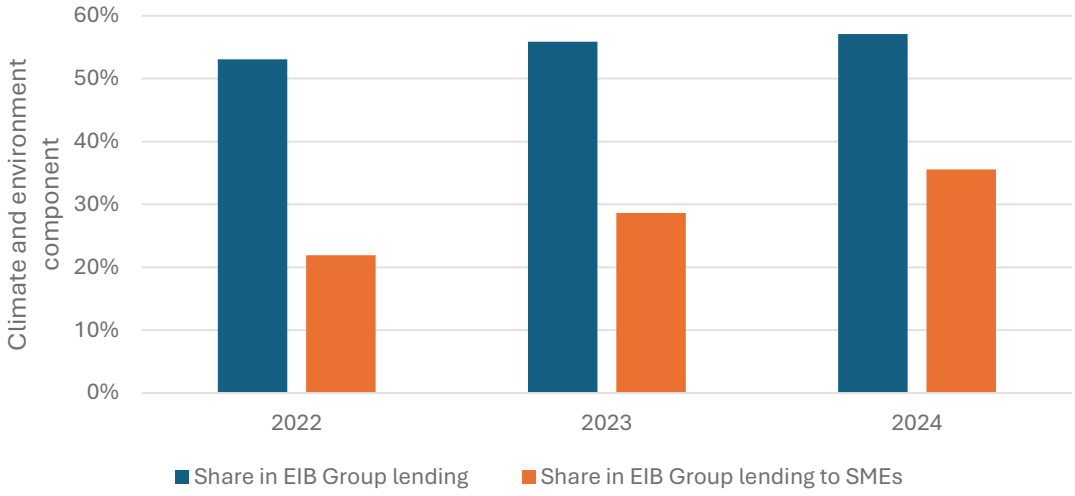
Source: EIB Group portfolio.

The EIB Group has an array of tools for further increasing climate lending to small businesses, particularly for energy efficiency. The Group actively finances climate-related projects through various products, with specific mandates intended to strengthen energy efficiency operations. Advisory services are pivotal in implementing EIB funding for energy efficiency investments. They provide market access, product development support and advice on project preparation and implementation, and they develop new financial instruments and investment platforms. Technical assistance for energy efficiency in the European Union is primarily provided through the joint EIB-European Commission initiative ELENA (European Local ENergy Assistance). To support EU energy efficiency targets and national ambitions, the EIF launched climate and environment products, including guarantees and equity, in cooperation with the European Commission (InvestEU) and EU members. Additionally, climate and infrastructure funds, transferred from the EIB to the EIF as of 2021, specifically target renewable energy and energy efficiency equity investments.

The EIB Group has made progress in promoting climate-related investments among small firms. Through active engagement with financial partners, and by developing new climate-oriented products and providing advisory support – including the EIB Group Green Checker, which also features a version tailored

to the EIF's Sustainability Guarantee product under InvestEU – the EIB Group has increased climate lending to small businesses over the last three years (**Figure 11**).

Figure 11: EIB Group lending towards climate and environment (in %)



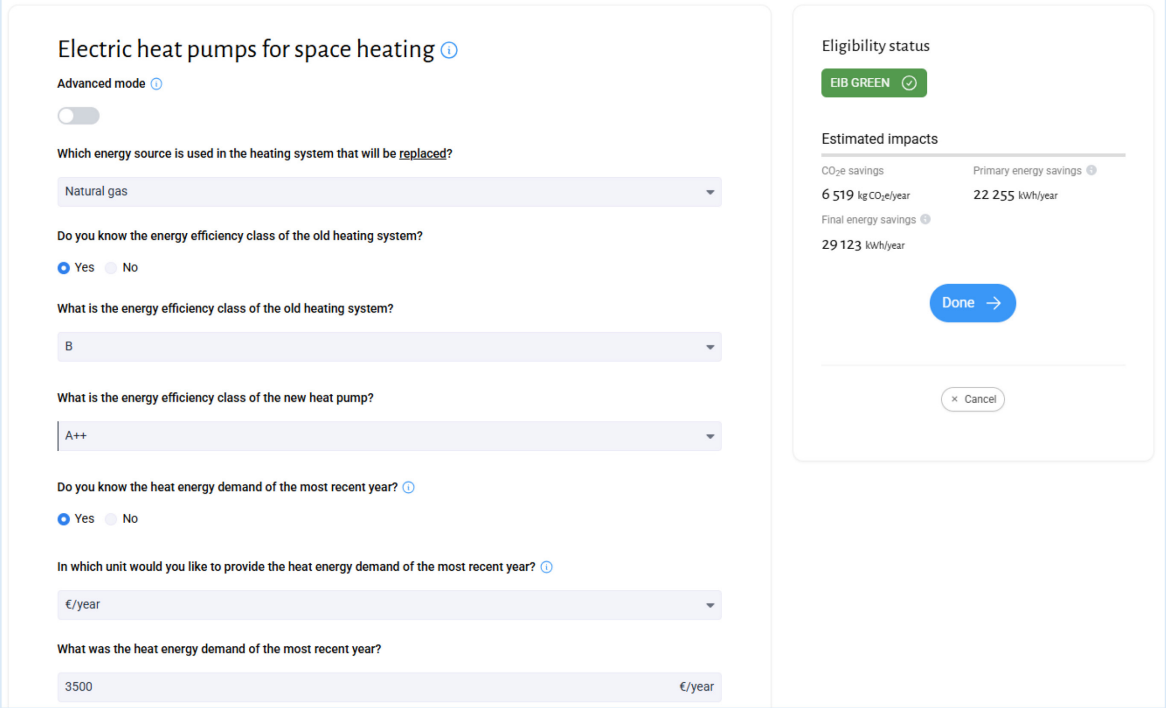
Source: EIB Group portfolio.
Notes: Lending to SMEs consists of the EIF portfolio and the multiple-beneficiary intermediated loans and guarantee operations of the EIB portfolio.

The EIB Group Green Checker is an important advisory initiative aimed at scaling up climate delivery through lending to small firms. This innovative online tool is part of a more holistic support package for financial intermediaries and their small business clients, the Green Gateway programme, developed with funding from the Commission's InvestEU Advisory Hub. The programme also offers an online helpdesk, webinars and e-learning modules. The Group Green Checker enables financial intermediaries and project developers to quickly and efficiently assess the environmental impact and green eligibility of their investment projects or enterprise activities (see the example in Box 1), in some cases also helping the company avoid the need for an energy audit. By ensuring that projects and companies meet the stringent environmental and climate action standards, this online tool also facilitates access to the EIB Group's intermediated green financing products (including loans and guarantees). The tool streamlines the assessment process, saving time and resources, and helps redirect investment towards more sustainable, carbon-neutral projects. It helps small firms contribute to climate action and sustainability goals and fosters a greener economy.

The EIB Group's commitment to enhancing climate-relevant investments by small firms and mid-caps is embodied in the new Energy Efficiency in SMEs initiative. The initiative is delivered through multiple streams, covering the entire range of EIB Group financing for small firms and mid-caps, including targeted intermediated finance, a sustainability guarantee, and investment platforms and funds. This holistic approach enables the EIB Group to offer a one-stop-shop for energy efficiency support for firms. The goal is to scale up existing products with a proven track record (like the EIB's multiple-beneficiary intermediated loans and the EIF's sustainability guarantee) through additional funding, to expand the Green Gateway advisory programme and simplify financing criteria across the EIB Group. The Energy Efficiency in SMEs initiative also introduces new pilot projects in collaboration with the European Commission and other stakeholders to develop innovative solutions and crowd in alternative investors to energy efficiency financing.

Box 1: Example of how the EIB Group Green Checker can be used to determine the expected energy savings or CO_2 reduction from specific investments by small firms.

Installing or upgrading heat pumps can help lower energy costs, energy consumption and a building's carbon footprint. Heat pumps, which work by transferring heat from one location to another with a closed refrigerant loop, a compressor and a heat exchanger, can also be used to generate hot water and cooling. This screengrab from the EIB Group Green Checker shows how the tool estimates the impact of installing electric heat pumps.



Going forward, supporting climate initiatives by small businesses can significantly improve innovation and competitiveness within the European Union. By adopting sustainable practices and investing in green technologies, small firms can reduce their dependency on unsustainable energy sources, thereby enhancing their energy security and resilience. This shift cuts operational costs and aligns with the EU strategic goal of reducing reliance on imported fossil fuels. Furthermore, small firms that lead in climate innovation can gain a competitive edge by accessing new markets and meeting the growing demand for sustainable products and services. The EIB Group remains committed to bridging the financing gaps that small firms often face when engaging with climate investment, thereby enabling these businesses to thrive in a competitive global market.

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