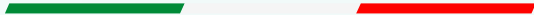


Cleantech
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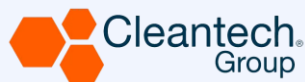


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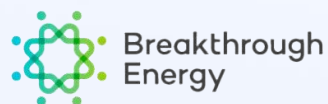
Q3 2026 Briefing

October 2026

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Authors and Methodology



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Federico is the Director of Cleantech for Italy, a new initiative launched to boost the country's cleantech industrial leadership. Before that, he worked as a deep tech venture capital investor focusing on space technologies and gained experience in R&D funding. He holds an MBA from the Collège des Ingénieurs and has a background in economics and policy.



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Methodology

The main source for this analysis is the data we periodically collect from public sources. Unless otherwise specified, cleantech funding includes equity (VC and other forms), debt, and grant financing.

Starting from this release, we have updated our sector classification using Cleantech Group's taxonomy, which includes the following cleantech verticals:

- **Agriculture & Food:** precision agriculture, indoor farming, food waste, food supply chain, crop inputs, alternative proteins, biomass, animals
- **Energy & Power:** renewables, nuclear, hydrogen, energy storage, energy networks, energy services, buildings, biomass and waste-to-energy, energy efficiency
- **Materials & Chemicals:** advanced materials, advanced manufacturing, biotechnology, building materials, CCUS, fuels and chemicals, industrial materials, process technology, specialty chemicals
- **Resources & Environmental Management:** environmental monitoring, climate risk, carbon removal, natural resources, water, remediation
- **Transportation & Logistics:** aircraft, EV charging, fleet management, micromobility, maritime, on-road vehicles and components, rail, infrastructure
- **Waste & Recycling:** waste management, wastewater, construction, fashion

Executive Summary

Pressure accelerates policy, but not yet a coherent strategy

- **The energy shock is testing whether Europe can fund relief and transformation at the same time.** Fiscal flexibility for energy security favours heat pumps, solar, storage and grids, but pressure to subsidise consumption persists, and grid connections remain the structural bottleneck. The next EU budget will decide whether the European Competitiveness Fund becomes a credible instrument for industrial scale-up or a diluted, nationally fragmented one.
- **Industrial policy is hardening as Europe recalibrates its relationship with China.** The Industrial Accelerator Act has stalled over how strictly to define “Made in Europe”. Meanwhile, Paris and Berlin are pushing for tougher trade defence tools just as Brussels secures its first concessions from Beijing on hybrid vehicles and rare earths.
- **Italy is building the markets for a flexible, low-carbon power system.** The second MACSE auction, a redesigned capacity market and the first definitive FER X round give storage and renewables multi-year revenue visibility, while the nuclear law now starts a twelve-month clock for implementing decrees. Grid access and the geographic mismatch between supply and new demand remain the constraints.
- **EU fiscal flexibility gives Italy room to accelerate electrification, but the industrial signal remains mixed.** The 2027 budget’s energy envelope will show whether the Government prioritises structural investment or bill relief. Meanwhile, *Transizione 5.0* has dropped its Made in EU requirement, supporting adoption while weakening demand for European manufacturing.

A slower quarter, but the year remains on a solid trajectory

- **Cleantech investment slowed sharply in Q3, with €23.2 million across seven deals.** That is half the Q2 total and the weakest quarter since Q2 2025. The average deal size also fell to around €3.3 million, as no large round anchored the quarter, against €6.4 million in the first half.
- **Year-to-date funding stands at €131.8 million, now behind 2025 but in line with 2023 and well above 2024.** At the half-year mark, 2026 was ahead of 2025. Q3 has reversed that, but the gap can still be closed: in recent years, the fourth quarter has consistently been the strongest, reaching €106.3 million in 2025.

EU policy deep dive (1/2): the energy shock tests whether relief and transformation can be funded together

- **Europe's response to the energy crisis is spending heavily on relief, while the structural bottleneck remains the grid.** Since the war in Iran began in February, the Commission estimates that fossil-fuel imports have cost the EU an additional €100 billion, and prices have risen again since late August. The April AccelerateEU plan tried to use the crisis to accelerate electrification. National budgets, however, are under pressure to subsidise consumption. The extension of the Stability Pact's national escape clause to energy security goes some way to reconciling the two, since its guidance favours heat pumps, rooftop solar, batteries, grids and storage over fuel-tax cuts. In October, the Commission approved Italy's request to use it, worth up to 0.6% of GDP over 2026-28, while the Eurogroup refused the additional flexibility Rome and Athens were seeking. The Commission's latest proposals point in the same direction: a one-year delay to methane rules for gas exporters, a strategic dialogue on refineries and a renewed push on grids. Last year the EU installed over 80 GW of renewables, but six times that capacity is still waiting to be connected. Unless fiscal room is directed towards connections and flexibility, relief will keep competing with the transformation that would make it less necessary.
- **The next EU budget will determine whether Europe has a credible instrument to finance industrial scale-up.** Negotiations on the 2028-2034 Multiannual Financial Framework are entering their political phase. The emerging compromise points to moderate cuts to the Commission's proposal of close to €2 trillion, offset by new own resources. Frugal Member States are resisting higher national contributions, while the other countries are defending regional allocations. At the centre of the new budget is the European Competitiveness Fund. It would consolidate existing programmes for the energy transition, digitalisation, cleantech and industrial policy into a single instrument, currently discussed at around €200 billion. For cleantech, the size and design of the Fund matter more than the headline budget: a fund large enough to co-invest in first-of-a-kind plants and growth-stage companies would address the scale-up gap directly. On the opposite, a diluted fund with strong national control over allocation would risk reproducing the fragmentation the Draghi report criticised.

EU policy deep dive (2/2): industrial policy hardens as Europe recalibrates its relationship with China

- **The Industrial Accelerator Act has exposed a fundamental disagreement over what “European” means.** Tabled in March with the objective of raising manufacturing to 20% of EU GDP by 2035, the Act would introduce “Made in Europe” and low-carbon preferences in public procurement and support schemes for sectors including batteries, solar and wind. Member States agree on the objective but are divided on its scope. France is pushing for a strict EU preference, with few third countries eligible for public money. Germany advocates “made with Europe”, including trusted partners such as Norway, Switzerland and Canada. Spain has proposed a compromise between the two, while Italy has aligned with the more open camp. The Irish Presidency’s hopes of a Council deal in September have slipped to December at the earliest. In Parliament, the lead ITRE rapporteur favours an even narrower definition than the Commission’s. For cleantech manufacturers, the outcome will define the size of the protected market. Italy’s position is also internally inconsistent: Rome argues for openness in Brussels while having dropped the Made in EU requirement from *Transizione 5.0* at home.
- **Paris and Berlin are converging on a tougher China policy, just as Brussels secures its first concrete results from dialogue.** In early October, President Macron and Chancellor Merz wrote jointly to President von der Leyen calling for a new trade diversification instrument and a new trade defence measure. The tool would include the power to restrict access to the single market if needed and could only be blocked by a weighted majority of Member States. The letter did not name China, but it followed a goods trade deficit of around €360 billion in 2025, and Beijing publicly warned against protectionism. A few days later, at the second round of EU-China Trade and Investment Consultations in Beijing, the Commission secured an understanding to moderate Chinese hybrid-vehicle exports, tariff cuts on almost €4 billion of EU goods, and easier licensing for rare-earth exports. Further meetings are planned by January and March. For cleantech, the stakes are twofold: secure access to critical inputs, and protection against overcapacity in batteries and solar. This combination of a credible deterrent and ongoing negotiation is Europe’s most coherent China posture in years.

Italian policy roundup (1/2): Italy scales up procurement for a flexible, low-carbon power system

- **Storage procurement is scaling up, and the capacity market is being redesigned around it.** The second MACSE auction, scheduled for November 24, will procure 16 GWh of storage for delivery in 2029, up from 10 GWh in the first round. In September, ARERA set the maximum premium at €27,000/MWh-year. That is higher than the €22,000 it proposed in consultation, reflecting rising battery and EPC costs, but well below the €37,000 cap of the first auction. An August ministerial decree has also reshaped the capacity market for 2028 delivery. The auction will now follow MACSE, and battery de-rating will be assessed through four zonal curves. In addition, 1.8 GW of new adequacy requirement has been added in the North, which analysts link to data-centre demand.
- **FER X moves from scheme to auction, with the first competitive round expected in December.** The definitive FER X decree entered into force on August 7, confirming auction volumes of 10 GW of solar and 16.5 GW of wind under 20-year two-way contracts for difference. One third of solar capacity must go through a dedicated procedure applying NZIA resilience and sustainability criteria. This makes FER X Italy's first large-scale test of non-price criteria in renewable auctions. The prequalified volumes suggest healthy interest, but wind remains well below the capacity available.
- **Nuclear power is back in Italian law after almost four decades.** On September 23, the Senate gave final approval to the delegation law on sustainable nuclear energy. The law enters into force on October 15, giving the Government twelve months to adopt the implementing decrees. These will cover siting, integrated permitting under the Ministry of Environment and Energy Security, an independent safety authority, waste and decommissioning, and a national nuclear programme, with consultation of the municipalities concerned. The text is technology-neutral and extends to heat and hydrogen production as well as electricity. However, the Government's strategy centres on small modular reactors, with advanced modular reactors to follow. The opposition has criticised the law as a blank delegation and questioned the independence of the future regulator.

Italian policy roundup (2/2): fiscal room for energy creates an opening, but the industrial signal remains mixed

- **The 2027 budget will be the first to use EU fiscal flexibility for energy security, though its priorities remain open.** Following the Commission's positive assessment of Italy's request to activate the national escape clause, the Government has set out around €14.4 billion for energy over 2027-28. The money is intended for households, students, businesses, public administrations and infrastructure. Options under discussion include a new energy release for industry, a revamped scheme for replacing fossil boilers with heat pumps, solar on public buildings and stronger building-renovation incentives. The budget bill is due in Parliament by October 20. It will also be the last before the next general election, which increases pressure to prioritise visible bill relief. EU guidance explicitly favours clean-energy investment over fuel-tax cuts, and the Government's separate request for additional flexibility to tackle prices was not granted. How the envelope is split between relief and structural measures will be the clearest indicator yet of whether Italy treats the energy crisis as a reason to accelerate electrification.
- **Transizione 5.0 is now operational but has dropped its "Made in EU" requirement.** Confirmation filings for the new enhanced-depreciation scheme opened in July, supporting investment in digital equipment, renewable self-generation and storage. Over the summer, the Government removed the requirement for eligible equipment to be manufactured in the EU, with retroactive effect from 1 January 2026. This widens the pool of eligible hardware and should support uptake after the weak performance of the previous scheme. It also weakens the demand signal for European cleantech manufacturers, and places Rome at odds with the direction of the Industrial Accelerator Act. As a result, Italy is supporting adoption at home while arguing in Brussels for a broader definition of "European", leaving its industrial strategy for clean technologies without a clear manufacturing anchor.

Our latest report investigates industrial policy priorities to turn Italian cleantech innovation into industrial leadership

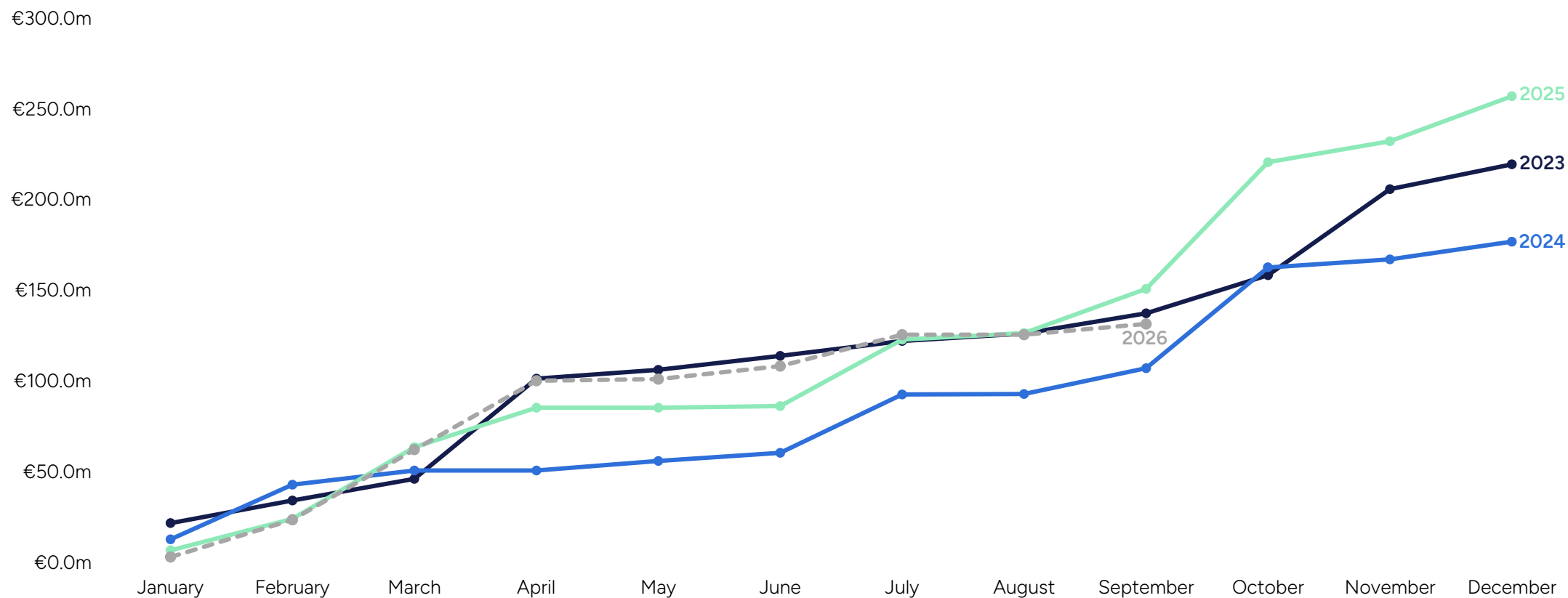
- **Italy's cleantech financing breaks at the first industrial plant.** Since 2019, around €1.4 billion has been invested in more than 250 Italian cleantech companies, yet the country still trails its peers: €0.2 billion in 2025, against €2.0 billion in Germany. The gap is sharpest at the first-of-a-kind stage, which is too capital-intensive for venture capital and not yet bankable for project finance. Italian companies at this threshold need an estimated €450-500 million, and without it their technologies risk being scaled elsewhere.
- **The Industrial Accelerator Act opens a window to compete for Europe's emerging value chains.** European-content preferences will push Member States to compete to host supply chains in technologies where market positions are still contestable, such as long-duration storage and advanced materials. The IAA's demand signal is weak, so national action is needed, and Italy already has a precedent in its 2025 solar auction with resilience criteria.
- **The report proposes a twelve-month agenda built on existing instruments, with no new institutions or fiscal resources.** On public finance, Invitalia's *Contratti di Sviluppo* extended to first plants, a SACE guarantee on technology risk, and CDP's *Fondo Rotativo Imprese* working alongside it. On demand, a European preference in MACSE storage auctions, a technology priority grid for private incentives, and a public counter-guarantee on offtake contracts. On permitting, pilot Net-Zero Acceleration Valleys and a fast-track lane with grid-connection priority for strategic projects.

🔗 Link to publications: <https://cleantechforitaly.com/publications>



With €23.2 million invested across seven deals, Q3 marked a significant slowdown in an otherwise strong year

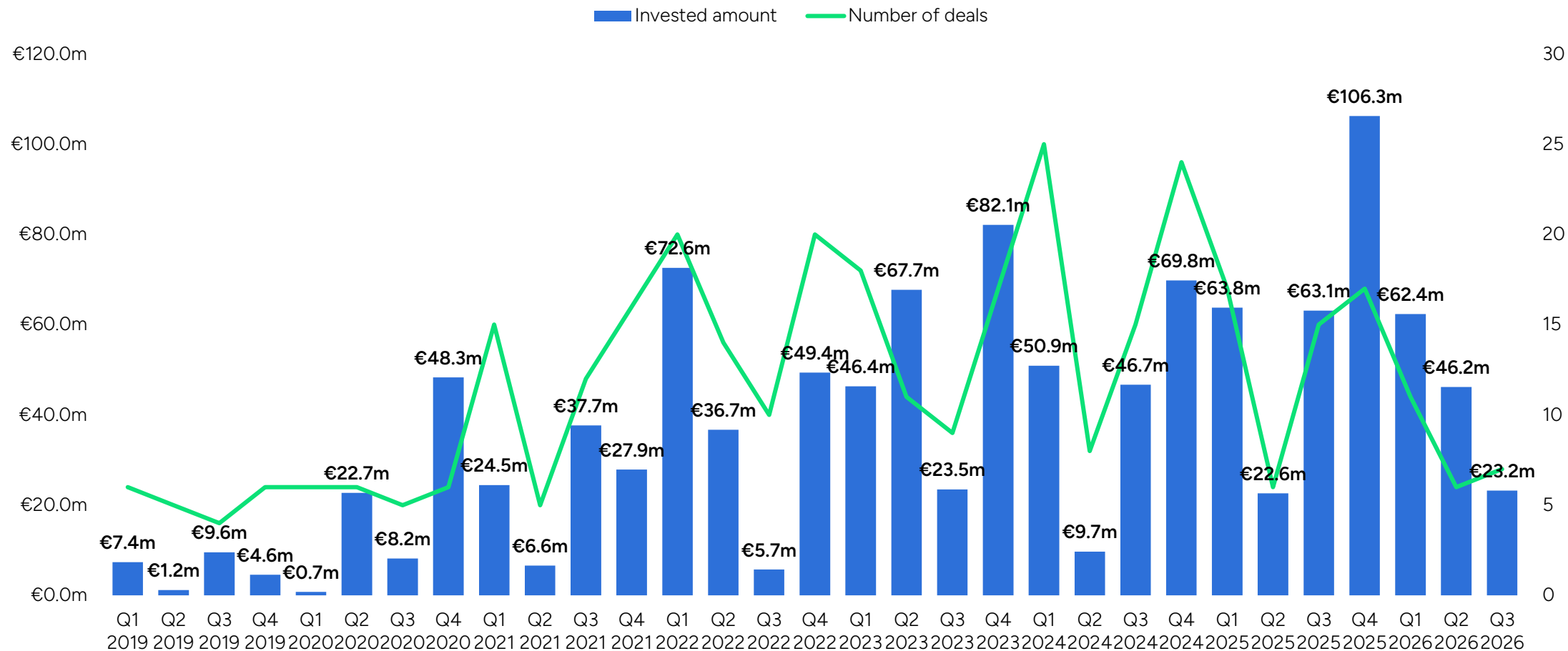
Monthly evolution of cleantech VC funding, 2019-2026



Sources: Cleantech for Italy, MITO Technology

Q3 2026 fits a recurring pattern of at least one weak quarter each year, regardless of overall annual performance

Cleantech VC investments by deal size and deal count, 2019-2026



Sources: Cleantech for Italy, MITO Technology

Cleantech for Italy

Forging the path to cleantech leadership in Italy

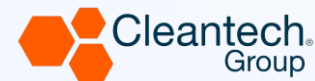
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