

DERISKING EUROPE

HOW PUBLIC MONEY IS BEING USED TO
PROTECT PRIVATE PROFIT

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The European Environmental Bureau (EEB) is the largest network of environmental citizens' organisations in Europe. It unites 190 civil society organisations from 42 countries, working for a better future where people and nature thrive together.

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Authors:

Katy Wiese, Policy Manager for Economic Transition and Gender Equality, European Environmental Bureau.

Contact: katy.wiese@eeb.org

European Environmental Bureau
Rue des Deux Églises 14-16, B-1000 Brussels
Tel: +32 2 289 10 90
E-mail: eeb@eeb.org

EC register for interest representatives: Identification number 06798511314-27
International non-profit association - Association internationale sans but lucratif (AISBL)
BCE identification number: 0415.814.848
RPM Tribunal de l'entreprise francophone de Bruxelles
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INTRODUCTION

As the European Union pushes ahead with its industrial ambitions, a new financial approach has quietly become central to its strategy: derisking. It sounds technical, and it is, but it is also deeply political. Derisking is also not limited to industrial policy. In times of austerity, tight fiscal rules, limited public funds, higher interest rates, and political resistance to raising taxes, policymakers have turned to derisking instruments in other policy areas, such as social, climate, and infrastructure, to close investment gaps.

Derisking has become a central part of Europe's response to multiple crises, including industrial decline, the climate crisis, and social pressures. Increasingly, these challenges are framed as problems of finance and investment rather than problems of public provision and ultimately political will. With public budgets self-constrained, governments are relying more on private finance and using derisking tools to direct private capital toward public goals, often at the cost of democratic control and public ownership.

Derisking is not just a financial tool. It marks a profound shift in how Europe conceives public investment, industrial policy, and the role of the state. Instead of expanding public capacity, it often shifts risks from private investors to the public while giving private actors greater influence over which projects move forward.

Derisking is closely linked to deregulation. By reducing regulatory barriers, speeding up permitting, and simplifying state aid rules, the EU creates an "investment-friendly" environment designed to attract private capital. In practice, this means public institutions take on more financial risk while loosening oversight and conditions for private investors. Together, derisking and deregulation shift Europe's economic model away from direct public provision and control toward one focused on supporting, subsidising, and absorbing risk for private finance.

This brief aims to outline some risks behind this approach and present alternatives.

WHAT IS DERISKING?

Derisking refers to a political approach and policies in which public institutions take on part of the risk of private investments to make them more attractive to market actors. Tools include loan guarantees, blended finance, insurance schemes, or public-private partnerships. The principle is simple: if private investors consider a project too risky or unprofitable, the public sector steps in to make it viable.

In practice, derisking has often been implemented without meaningful conditionalities or accountability mechanisms to hold private finance in check. This lack of safeguards not only limits public leverage over investment decisions but also amplifies many of the problematic aspects discussed below.

Derisking became prominent during the era of fiscal austerity. Governments needed to maintain investment levels without increasing public debt, and international organisations such as the World Bank, the UN, and the G20 promoted derisking initiatives such as “Infrastructure as an Asset Class” and “Maximizing Finance for Development”. Public-Private Partnerships (PPPs) and Private Finance Initiatives (PFIs) are among the main tools for derisking and are widely used around the world. In a PPP or PFI, a government works with a private company that finances, builds, and often operates public infrastructure or services in exchange for long-term payments or revenues.

In the European Union, derisking was first institutionalised at scale through the European Fund for Strategic Investments (EFSI), launched under the Juncker Plan in 2015, and later continued via InvestEU. While the EU and the European Investment Bank (EIB) had previously used guarantees and blended finance for certain projects, these were mostly ad hoc and limited in scope. EFSI marked the first large-scale, EU-level programme explicitly designed to “crowd in” private investment for strategic industrial, innovation, and climate projects, backed by €16 billion in EU budget guarantees alongside EIB resources. InvestEU builds on this model, consolidating various EU-level financial instruments to continue leveraging private capital for public priorities.

On the surface, derisking appears to be a pragmatic response to Europe’s urgent investment needs. **But beneath lies a stark political shift: public policy and industrial priorities become dependent on market perceptions of profitability rather than on the public interest or long-term strategic needs.** This reflects what the New Economics Foundation calls the “private finance myth”. This is the widespread assumption that private finance should automatically become the default option to deliver public infrastructure projects. Under this myth, governments are encouraged to restrict direct public investment, using public funds mainly to make projects attractive to private investors, while assuming that private provision is essentially cheaper or better.

While private finance certainly has a role, this framing is misleading. Large pools of private capital do not automatically make private financing more efficient or socially beneficial. Effective infrastructure investment requires both mobilising and steering private finance and increasing public funding, guided by careful, case-by-case assessments of economic, social, environmental, and strategic costs and benefits. Otherwise, derisking risks becomes dependent on market perceptions of profitability rather than on public interest or long-term strategic needs.

WHY IS DERISKING RELEVANT FOR THE EU?

Derisking has become a central instrument for delivering Europe's industrial and climate ambitions. As the EU positions itself around industrial competitiveness, strategic autonomy, and defence, derisking offers a way to finance these objectives without expanding public budgets or relaxing fiscal constraints. However, as mentioned above, it reflects the idea that private finance should automatically be the default option for infrastructure and strategic investments.

The 2025–2027 Multiannual Financial Framework (MFF) proposal illustrates this shift. The new [European Competitiveness Fund](#) combines parts of Horizon Europe, InvestEU, and the LIFE Programme. Its design relies [heavily on private investment](#), with public guarantees and other financial tools, while direct government funding is limited. The fund prioritises industrial and defence sectors, reflecting the EU's focus on strategic autonomy.

This approach matters because it changes how the EU shapes industrial policy. Instead of directly funding essential technologies, clean energy, or social-industrial projects, public money is increasingly channelled into sectors that private investors consider profitable—or “bankable.” Social and environmental conditions are often weak or absent. In practice, this means market profitability, rather than social or ecological impact, determines which projects get support.

Derisking also contributes to the EU promising ambitious investment figures without expanding its budget. For example, the [European Investment Bank \(EIB\)](#) plans to invest €70 billion in European technology from 2025 to 2027, hoping to attract €250 billion from private investors through loans, equity, and guarantees. While this creates impressive headlines, it shifts decision-making power from democratically accountable institutions to private investors.

The approach also affects other strategic sectors. EU policymakers are increasingly packaging investments in semiconductors, critical raw materials, and defence with derisking tools, linking industrial, climate, and security priorities while deflecting questions of public accountability and social goals.

WHY IS RELYING SOLELY ON DERISKING PROBLEMATIC?

Derisking, especially without strong conditionalities, has wide-reaching social, environmental, and democratic consequences.

First, it socialises risks and privatises profit. Taxpayers bear the potential losses, while private investors retain the profits. [A report by the Court of Auditors](#) stated that EFSI demonstrated that many supposedly high-risk projects would have gone ahead even without EU guarantees. Similarly, InvestEU and the Competitiveness Fund often support projects that are already commercially viable, leaving transformative high-risk innovations underfunded.

Second, it limits democratic oversight. Key decisions are often concentrated in the hands of financial institutions such as the European Investment Bank (EIB) or large asset managers, operating with limited transparency. Civil society, local communities, and even member state governments and the European Parliament have restricted influence over which projects are financed, weakening accountability for environmental and social outcomes. [For example, although the European Parliament co-decides the EU's annual budget](#) alongside the Council, its role is limited to approving or rejecting the budget as a whole, weakening accountability for social and environmental outcomes. Meanwhile, the Council usually adopts risk-mitigating instruments through the EU budget via regulations, often without meaningful input from Parliament, further limiting democratic control over how public funds are spent.

Third, it can widen regional and sectoral inequalities. Derisking tools are designed to attract private investors seeking low-risk, predictable returns. As a result, wealthier regions and large corporations are more likely to benefit. [For example, 82% of all signed EFSI financing projects](#), under the Juncker Plan, went to the 15 Member States that constituted the EU before enlargement (the “EU-15”). At the same time, smaller municipalities, SME’s, cooperatives, and community-led initiatives struggle to participate. This can reinforce regional and sectoral inequalities, weaken cohesion, and undermine balanced development.

Last but not least, evidence across EU contexts shows that PPPs and PFIs often fall short. A report by [PSIRU \(Public Services International Research Unit\)](#) found that taxpayers still bear much of the costs, which can be higher than public provision due to private borrowing costs, profit margins, and overcompensation for so-called “risk transfer.” PPPs can also foster corruption, secrecy, and distorted policy priorities, prioritizing commercially viable projects over social or environmental needs. For example, monopoly concessions in water PPPs in France resulted in prices that were 16.6% higher than municipally provided services, demonstrating the risk to consumers. While some completed PPPs maintained good service levels, the overall evidence shows that PPPs shift costs, risk, and control to the public, undermine accountability, and rarely maximize public value.

Another prime example is the collapse of the construction and services giant Carillion in the UK, whose failure left many important public projects, such as schools and hospitals, incomplete, forcing taxpayers to cover the costs. This example shows the danger of outsourcing essential services without strong oversight or accountability.

A 2018 report by the European Court of Auditors (ECA) confirms systemic issues with EU PPPs. They examined 12 EU co-financed projects in France, Greece, Ireland, and Spain, including road transport and information and communication technologies (ICT) projects. It found widespread issues: procurement often reduced competition and delayed projects by 5–6.5 years; seven out of nine completed projects had cost overruns, requiring nearly €1.5 billion in additional public funds. Many relied on overoptimistic demand forecasts, leading to underused infrastructure. In Greece, motorway costs rose up to 69% while project scopes were cut by 55%. Many PPPs were undertaken without comparing alternatives, risking poor value for money.

ALTERNATIVE APPROACHES

The brief has outlined that relying solely on the private sector to accelerate the green transition, decarbonise our industries, and finance infrastructure investments is a dangerous bet. The focus on competitiveness and maximising profits tends to prioritize short-term, low-risk projects that attract private capital, often at the expense of urgently needed transformative investments. The private sector certainly has a role to play, as public funds cannot fill the entire investment gap. However, only a third of socio-ecological investments needed have a business case. Furthermore, any public support must be tied to strong social, environmental, and economic conditionalities, such as guarantees of workers' participation, limits on executive pay and dividends, and binding emissions-reduction targets. Furthermore, non-compliance must carry real legal consequences, such as fines or licence revocation, to ensure that conditionalities are meaningful and impactful. In addition, governments at all levels need sufficient administrative capacity and resources to design, manage, and implement these projects effectively.

Importantly, public-led tools already exist to finance the transformation without relying on derisking and should be used. Markets alone cannot deliver the scale or direction of investment required for a just green transition, but strategic, state-led investment, credit allocation, and targeted industrial policy can. The following presents a few examples:

- **Reforming fiscal rules.** The Stability and Growth Pact currently constrains public spending, creating reliance on private finance. Green, industrial, and social investment should be recognised as essential expenditure, excluded from debt and deficit calculations, and evaluated for long-term societal returns.
- **Creating EU-level funds financed through progressive own resources.** Instruments such as a wealth tax, windfall levies, or a financial transactions tax could generate stable, predictable financing. This would ensure investment decisions reflect public priorities rather than private investor preferences.

- **Strengthening public investment banks and restoring direct public financing capacity.** Public institutions should be empowered to fund projects directly without offering private-sector profit guarantees. EU-level bonds, similar to the “Coronabonds” issued during the COVID-19 pandemic, could provide long-term, low-cost capital for renewable infrastructure, industrial decarbonisation, social care, and circular production.
- **Embedding democratic governance.** Civil society organisations, trade unions, municipalities, and local communities should meaningfully participate in setting priorities, monitoring implementation, and evaluating outcomes. This strengthens transparency and accountability, and ensures industrial policy serves people, territories, and ecosystems rather than financial markets.
- **Make use of alternative financial tools such as public-common partnerships (PCP).** Unlike PPPs, PCPs are designed to support projects based on common ownership and democratic governance rather than private profit. Instead of derisking investments for private companies, PCPs focus on reducing risks for public, cooperative, or community-led initiatives.
- **Better coordination of macroeconomic policy between central banks and governments to keep interest rates low.** Lower borrowing costs would make investments in infrastructure, clean energy, and the green transition cheaper for both governments and businesses. This would reduce costs for taxpayers and consumers while lowering the risk that important projects are delayed, cancelled, or passed on through higher bills.
- **Using targeted central bank refinancing programmes.** Central banks could offer cheaper financing specifically for green infrastructure, renewable energy, public transport, or housing. This would make socially beneficial investments more affordable and reduce the cost of the green transition. For example, the ECB could be reformed to boost public investment by applying lower interest rates to public debt financing green and social projects, and by purchasing bonds from the EIB and other public banks to expand investment capacity.
- **Strengthening public development banks.** Institutions such as the European Investment Bank, KfW, and Bpifrance should be empowered to take a more active role in directing investment toward public priorities. Rather than simply reducing risks for private investors, they should support projects that deliver social, environmental, and regional benefits.

In the long term, the EU must shift away from a narrow, competitiveness-driven, short-term policy agenda and adopt an ambitious green industrial vision grounded in economic stability, resilience and sufficiency. This means investing not only in technologies and factories, but also in the environment, workers, skills, and social and care infrastructure—the foundations of a resilient, equitable, and low-carbon economy.



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