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INVEST EUROPE'S
PUBLIC AFFAIRS UPDATE
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Foreword

Two years after the European elections and one year after the launch of the Savings & Investments Union, 26 legislative proposals (we'll count them for you) relevant to our asset class are currently under negotiation, including many of the priorities that Invest Europe identified in its ***Forward 2024-2029 strategy****. This sheer volume underscores the central role that private equity, venture capital, and infrastructure now play in Europe's competitiveness agenda.*

This momentum creates clear opportunities as co-legislators – Member States in the Council and Members of the European Parliament – scrutinise and shape the Commission's proposals. However, it also brings risks: as our industry comes under increased attention, some regulators may use these reviews to revisit longstanding concerns or advance more restrictive approaches.

This document provides an overview of developments during the first half of the year and of the key issues that remain on the table for the second half and beyond.

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Introduction

More than 25 files concerning private equity and venture capital (PE/VC) are under negotiation, reflecting an unprecedented focus on private capital, bringing both significant opportunities and increased regulatory risks. Over the past months, we have seen:

- new initiatives being set up to unlock new sources of capital – across pensions, high-net-worth individuals, banks and foreign investors – and to simplify fund authorisation and cross-border marketing rules
- a more constructive and business-oriented tax agenda focused on simplification, reducing administrative burdens and overlapping rules, improving tax certainty, and streamlining tax frameworks to better support investment, innovation and growth
- a more pragmatic approach on sustainable finance, with adjustments to SFDR and the simplification of corporate ESG reporting requirements
- a renewed emphasis on improving conditions for startups and scaleups (notably an EU Inc.) – with targeted reforms aimed at supporting growth and enhancing the investment environment
- increased regulatory attention and public capital support for strategic sectors (biotech, defence, tech & energy), creating new opportunities to crowd in private investment
- efforts to strengthen exit pathways and liquidity options, to support companies and investors across the whole lifecycle

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With most files still open, and some new debates to emerge (financial stability, negotiations on the amount of public funding to support VC), Invest Europe's sustained engagement will be essential to translate policy ambition into concrete, market-friendly outcomes.

We have pushed to improve fundraising

From the very start of its mandate, the European Commission has sought ways to facilitate capital flows into our asset class. Here is where things stand today:

Pension funds

In Negotiations

The IORP review (I), introduced in November last year, is now well underway. Amendments tabled by co-legislators confirm a shared intention to increase the capacity of occupational pensions to invest in VC/PE, but ambitions diverge significantly. The Council has taken a more cautious approach, introducing formal caps on investments (set at 20%), while the Parliament's Rapporteur has gone further, proposing mandatory allocations (including a 2% allocation to VC for pension funds above €1 billion).

Expected outcome: ↗↗

All negotiators share the idea that pensions should better support private capital. While the level of ambition could be higher, the review can push Member States to adapt their frameworks in the right direction.

Foreign investors

Implementation

The recently agreed Foreign Direct Investment (FDI) Screening Regulation (II) helpfully introduces greater harmonisation through a minimum sectoral scope, increased transparency, stronger EU coordination and a harmonised 45-day Phase I review period.

Expected outcome: ↗

The faster and simpler process particularly on Phase I and a clearer picture of the minimum scope. However, implementation is still heavily dependent on Member States.

Banks

Implementation

The application of current Capital Requirements (CRD/CRR) (III) rules is set to be delayed, and discussions are ongoing on potential adjustments to the EU banking framework aimed at enhancing competitiveness.

Expected outcome: ↔

There is no certainty the European Commission will accept changes to the CRR for PE investments but there are opportunities to make improvements to the framework.

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We have pushed to improve fundraising

Sophisticated investors

♻ In Negotiations

A significantly larger pool of high-net-worth individuals will be able to qualify as professional clients under the revised Retail Investment Strategy (IV). After several months of political deadlock, the file is now expected to move forward following a recent agreement.

Expected outcome: ↗

The review represents an improvement but debates on new value for money rules can make things more difficult.

Public capital

🛠 Implementation

A Scaleup Europe Fund (V) was set up by the European Commission to increase investments in the VC ecosystem, while EU budget negotiations, crucial to the role of the EIF, are progressing.

Expected outcome: ↗

The Scaleup Europe Fund can bring additional capital to the ecosystem but cannot do so at the expense of existing VC funds.

Beyond regulation

⚙ Preparation

More broadly, as part of the Startup & Scaleup Strategy, the European Commission aims to encourage Europe's large institutional investors to allocate a greater share of their portfolio to venture capital and growth funds through the European Institutional Investors' Pact for Innovation (EIIPI) (VI): we participated in multiple conversations with the European Commission.

Expected outcome: ↗

The Pact's impact will depend on its design, on whether it becomes a two-way leverage tool: to encourage institutional investors to translate commitments into allocations, and, through those, to push co-legislators to create a more favourable investment environment. If it remains a purely voluntary pledge without meaningful follow-up, incentives or policy action, its effect is likely to be limited.

As a reminder, the framework for insurers has already been revised, please refer to Invest Europe's updated Solvency II Guide for further details.

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We have fought against attempts to restrain fundraising

Event of the European Parliament Investment Intergroup on Long-term investments
Featuring two Invest Europe members

Invest Europe voicing industry requests on FDI and FSR at Informa's Competition Law conference in Brussels

IAA

In Negotiations

The much-debated Industrial Accelerator Act (IAA) (VII), issued in March, introduces an additional review layer for certain strategic investments for transactions above €100 million involving the acquisition of 30% or more of an EU target.

We will fight to ensure the proposal does not create new regulatory complexity.

Expected outcome: ↔

The IAA could make it easier to finance and scale European industrial and clean-tech companies through faster permitting, industrial acceleration zones and stronger demand for European manufacturing, but foreign investment provisions can pose a challenge.

We have spearheaded efforts to simplify fund managers' lives

MISP

In Negotiations

The Market Integration Package (MISP) (VIII), introduced last year, is arguably the most central piece of the Savings & Investments Union. While debates on EU supervision have been particularly heated, they should not obscure the fact that the proposal contains a number of important and positive changes to AIFMD authorisation and marketing processes. Amendments tabled over the past months suggest broad support for these improvements in both the Council and the Parliament — but negotiations are only just beginning.

Expected outcome: ↗↗

Once approved, the final text should represent a significant improvement for managers marketing funds cross-border as well as for managers faced with complex authorisation processes at home.

EuVECA

Preparation

The long-anticipated review of the regulatory framework for venture and growth funds - including potential changes to the AIFMD thresholds and the EuVECA (IX) voluntary marketing label for VC - was initially expected in Q3 2026 but is now likely to be delayed. The European Commission hopes that starting the debate after MISP is concluded gives a better chance to obtain more significant changes for venture and growth funds.

Expected outcome: ↗↗

Even if the proposal is delayed, the level of ambition remains high.

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We have influenced a more positive tax agenda

Roundtable on Tax Simplification for SMEs organised by Invest Europe at the European Parliament featuring MEPs, European Commission and national administration

Virtual call
Featuring the OECD and Invest Europe's Tax Committee and Working Groups

Tax Omnibus Package

In Negotiations

In the first half of the year, the European Commission continued its shift away from standalone tax initiatives towards simplifying existing frameworks. This culminated in the publication of the Tax Omnibus package (X) at the end of June, which aims to reduce administrative burdens and address overlaps between existing EU tax directives.

DAC Recast

In Negotiations

Simultaneously, discussions on the DAC recast (XI), published alongside the Tax Omnibus package, are focusing on reforming DAC6 through streamlined hallmarks. The process is advancing quickly, with the aim of reaching Council agreement by year-end.

Other files

Halted

Several longstanding initiatives have effectively been put on hold or withdrawn, including the Unshell Directive (XII) and DEBRA (XIII), due to the Commission's focus on the broader Tax Simplification agenda.

Expected outcome: ↗

For PE/VC, the agenda is moving in the right direction, as a simpler DAC6 framework and a more coherent Tax Omnibus could reduce unnecessary reporting on fund structures, limit duplicative obligations for cross-border managers and investors, and ease practical tax frictions around fundraising, acquisitions, reorganisations and exits.

To contribute proactively to the debate and help shape the simplification agenda, Invest Europe published the White Paper on Taxation: Investors' Perspective on Getting it Right in February, setting out practical recommendations for creating a more coherent, efficient and investment-friendly tax framework.

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We have helped build a more pragmatic sustainable finance framework

SFDR 2.0

♻ In Negotiations

Member States reached agreement on a general approach for the Sustainable Finance Disclosure Regulation (SFDR) 2.0 (XIV), introducing greater proportionality, providing additional flexibility in sustainability-related disclosures, and strengthening practical usability. One noteworthy outcome is the inclusion of an opt-out for AIFs offered exclusively to professional investors. Negotiations in the European Parliament are still ongoing.

Expected outcome: ↗

While the Council agreement is a significant step forward, further work is needed to ensure that the proposed product categories are suitable for private market funds, and the revised framework reflects the diversity of market participants.

Sustainability Omnibus

🛠 Implementation

Earlier in the year, the adoption of the Sustainability Omnibus I (XV) simplified and narrowed the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) requirements. The Commission is now implementing those changes via the European Sustainability Reporting Standards (ESRS), the mandatory EU ESG disclosure standards, and the related sustainability reporting standard for voluntary use (Voluntary Standard).

Expected outcome: ↗

The amended scope and reporting standards will substantially decrease reporting pressure on many portfolio companies, as well as investors and fund managers.

Invest Europe voicing industry requests on sustainability reporting at EFRAG's Symposium at the EAA conference

Impact Investor Global Summit 2026
Featuring Invest Europe and two ESG Committee members

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We have improved the conditions for portfolio companies

The European innovation agenda has become central in policy discussions and a strategic priority for companies and investors alike. In fact, in 2026, the EU Startup & Scaleup Strategy continues to progress through a series of initiatives that are directly shaping the investment landscape and scaling conditions for private capital-backed businesses.

EU-Inc.

♻ In Negotiations

A new ambitious proposal, EU-Inc. (XVI), was published in March to create a new EU-wide limited liability form particularly aimed at startups and scaleups VC funds invest in. It introduces a new, fast-track formation path, with no minimum share capital, a harmonised employee stock option regime, simplified branch and data filings, and streamlined winding-up tools.

Expected outcome: ↗

A promising tool for cross-border investments in startups and scaleups, but its value will depend on whether Member States and the Parliament maintain the same and initial level of ambition.

GBER

⚙ Preparation

In parallel, the Commission is in the midst of an overhaul of the EU's General Block Exemption Regulation (GBER) (XVII), the key state aid rule that lets Member States grant certain aids without prior approval. This is an area of direct relevance for the VC ecosystem, as most companies supported by VCs benefit from state aid support, which can be turned off if not eligible under GBER. Progress was made on the definition of Undertakings in Difficulty (UIDs) through additional exclusions (i.e., startups) from the definition.

Expected outcome: ↗

Useful progress on state aid has been already achieved through targeted exclusions, including for startups. However, it is unclear whether the Commission will amend key remaining barriers that still do not fully reflect the way private capital fuels growth and innovation trajectories.

We have improved the conditions for portfolio companies

The SME definition

Preparation

Similarly, in March, the Commission adopted a recommendation on the definition of innovative enterprises, innovative startups and innovative scaleups. The recommendation recognises that companies backed by PE/VC remain autonomous.

This solves the biggest structural issue that has been holding companies back in the SME definition (XVIII), which is undergoing a revision at this very moment.

Expected outcome: ↗ ↗

Potentially significant for portfolio companies, if the revision confirms that PE/VC-backed companies can remain autonomous – which appears to be the direction of travel.

European Commission, Directorate-General for Research and Innovation (DG RTD)
Featuring Invest Europe's CEO Eric de Montgolfier and European Commissioner for Startups, Research and Innovation Ekaterina Zaharieva

Invest Europe hosting a virtual meeting with Member of the European Parliament Pascal Canfin – working on EU-Inc. – and five Invest Europe Startup and Scaleup WG members

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We have boosted specific sectors core to Europe's competitiveness

European Commission, Directorate-General for Health & Food Safety (DG SANTE)
Featuring European Commissioner for Health and Animal Welfare Olivér Várhelyi and three Invest Europe Biotech and Life Sciences TF members, including current Chair Sander Slootweg

Biotech

In Negotiations

At the end of last year, the Commission tabled its proposal for the European Biotech Act I (XIX), which has the potential to simplify regulatory frameworks for biotech and healthcare, accelerate the market uptake of innovative products and processes, and boost the EU's biomanufacturing capacity. Initial institutional positions are now beginning to emerge, recognising the role access to finance has to play in the biotech debate.

Expected outcome: ↗↗

Very positive direction for biotech and healthcare investors, with stronger recognition of PE/VC funds, extended EU investment support, inclusion of Small Mid-Caps, a clearer focus on biotech IPOs and a dedicated capital markets working group. If preserved, these changes could materially improve Europe's ability to finance, scale and list biotech companies.

Defence simplification

In Negotiations

The past year has marked a clear shift toward de-risking and scaling defence investment in Europe, combining targeted regulatory simplification with new public capital. The agreement on the Defence Omnibus (XX) in June reduces execution friction - streamlining procurement, accelerating permitting and easing EDF access - while remaining operational rather than transformative, with Member States retaining control.

Defence investments

Implementation

More materially for investors, the EU has stepped up as a capital provider: the EIB/EIF Defence Equity Facility (DEF) (XXI) is being expanded to anchor VC/PE funds and crowd in private investment across defence and dual-use value chains, and the European Innovation Council (EIC) has opened to defence, signalling broader EU backing for high-growth companies.

Expected outcome: ↗↗

The package should make it easier for PE/VC-backed defence and dual-use companies to access funding, participate in EU programmes, navigate permitting and procurement processes, and ultimately scale faster across Europe.

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In February, the European Life Sciences Coalition was launched, in association with Invest Europe, to mobilise public and private investment into Europe's life sciences VC ecosystem, bringing together leading European life sciences venture capital firms, research institutions, and other stakeholders across the value chain.

We have boosted specific sectors core to Europe’s competitiveness

Tech sovereignty

In Negotiations

From an infrastructure perspective, the Tech Sovereignty Package (XXII) published on 3 June marks a notable shift in the EU’s approach to competitiveness, recognising that achieving technological leadership in areas such as AI, cloud, semiconductors and digital infrastructure will require significantly greater volumes of equity and risk capital.

Clean energy and grids

Implementation / In Negotiations

Together with the Clean Energy Investment Strategy (XXIII) and the Grids Package (XXIV), the European agenda reflects a growing recognition that Europe’s digital and energy transitions are increasingly interdependent: greater computing capacity and AI deployment require substantial investment in energy generation, grids and storage. The packages open new opportunities for our asset class through support for large-scale strategic projects and new mechanisms to crowd in investment.

Expected outcome: ↗

The proposals create new opportunities for PE/VC and infrastructure investors by placing equity financing at the centre of Europe’s competitiveness agenda, but their success will depend on ensuring that sovereignty-driven ownership and control provisions remain compatible with attracting capital at the scale required.

European Commission, Directorate-General for Communications Networks, Content and Technology (DG CONNECT)

Featuring Invest Europe with the Head of Cabinet of the Executive Vice-President of the European Commission for Technological Sovereignty, Security, and Democracy Antti Timonen

We have supported ideas for better, faster exits

Finally, the Commission has intensified efforts to develop alternative exit pathways and strengthen existing ones, while continuing to implement the EU Listing Act, which is now entering into effect.

Secondary trading

Preparation

In March, the Commission launched a targeted consultation on PE exits (XXV), to explore how to make it easier for PE/VC investors to sell their stakes in unlisted companies, through the establishment of a pan-European secondary trading platform for private shares. If implemented following current market practices and needs, the platform could increase liquidity for the asset class, although the use-case remains narrow.

Expected outcome: ↗

A pan-European secondary platform could make some private share transactions easier, but it will not replace the main exit routes for PE/VC.

M&A

Preparation

At the same time, the publication of draft EU Merger Guidelines (XXVI) in April signals an update in the Commission's approach to assessing competition impacts. For private capital, this has tangible implications for deal execution, including exits, buy-and-build strategies and minority investments, especially as M&A remains a key exit route.

Expected outcome: ↗

While no revolution but an evolution, the Commission is recognising that investment, innovation and future competitive potential are central to how modern markets work, illustrated most clearly by the Innovation Shield, which acknowledges that acquisitions of innovative companies can be a legitimate and beneficial part of the innovation ecosystem, helping to scale, commercialise and finance innovation.

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Going beyond legislation

Webinars and events

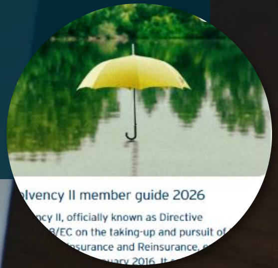
During the first half of the year, we organised a series of webinars on a range of issues including fund management regulation, AI and valuations; remained a leading voice on sustainability and other industry issues by hosting Invest Europe's inaugural Impact and Professional Standards Gatherings in London; and managing the Secretariat of the International Private Equity and Venture Capital Valuation Guidelines (IPEV) Board.

CHECK OUT OUR WEBINARS AND EVENTS

Guidance

Finally, we continued to support members in navigating new regulatory developments, including by providing guidance on the regulatory treatment of leverage for NAV facilities.

CHECK OUT OUR GUIDES



Continued agenda setting

We continued to put PE/VC at the centre of the policy debate through a letter to EU Heads of State, signed by more than 100 PE/VC and infrastructure managers, and by co-leading the largest European Parliament Intergroup - "Attracting Investment to Ensure a Competitive and Sustainable European Union" – securing a broad audience inside the European policy ecosystem on our key issues.

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Looking forward

The current context

Never has the regulatory agenda been so dense – or so focused on our asset class.

Nearly none of the files mentioned above have yet been finalised, and all require close attention to ensure that the Commission's laudable ambitions are effectively translated into concrete outcomes.

Maintaining momentum will be essential if we are to fully capture the benefits of the work carried out by our Committees and Working Groups since the start of the mandate.

Emerging priorities

Looking ahead, several priorities are set to gain prominence.

EU budget negotiations will be critical, particularly given their importance for the VC ecosystem and the potential pressure on the European Investment Fund budget lines.

At the same time, financial stability considerations are expected to move higher up the agenda, with policymakers increasingly focusing on developments in private credit and PE, as highlighted in recent ECB reports.

Tax will remain a key area of focus, with further progress on the recast of the Directive on Administrative Cooperation (especially DAC6), work on the Tax Omnibus, and the implementation phase of recent transparency measures all shaping the agenda.

PE/VC's opportunity

While EU legislative negotiations are inherently complex, we have a genuine opportunity to secure tangible improvements for managers across the Union, strengthening fundraising prospects, simplifying investment channels, and facilitating exits.

If you would like to support these efforts or discuss our work further, please do not hesitate to reach out: we are only a few clicks away.

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