



# Snapshot of the European ESG FinTech environment - Unlocking the Potential of Frankfurt

December 2024

# The European (ESG) FinTech scene continues to face significant hurdles - including risen energy prices, inflation, high interest rates in addition to ongoing geopolitical uncertainty

In addition, the overall slow recovery of the economy puts further pressure on equity financing

“The Financial sector continues to play a key role for the sustainable transformation of the economy as it has direct impact on capital allocation and consumer behavior

- ▶ We have seen growing demand for sustainable finance from both private and institutional investors
- ▶ Regulators introduced relevant policies like the EU Corporate Sustainability Reporting Directive
- ▶ “Environmental”-related products and services remain in the top spot with 77% of all analyzed companies, followed by “Social” (40%) and “Governance” (40%)
- ▶ Current figures are a mix of 2023 data as well as a preview of our 2024 findings

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## ESG FINTECHS

# 371

have been identified according to EY-P criteria

## GERMAN CLIMATE FINTECHS WITH HIGHEST DEAL ACTIVITY

In Q1 2024

## FUNDING

# €581m

which was disclosed until 12/2023

## EMPLOYEES

# ~18k

work in these FinTechs

## #1 ESG FINTECH HUB

# London

followed by Paris, Berlin, Stockholm and Copenhagen

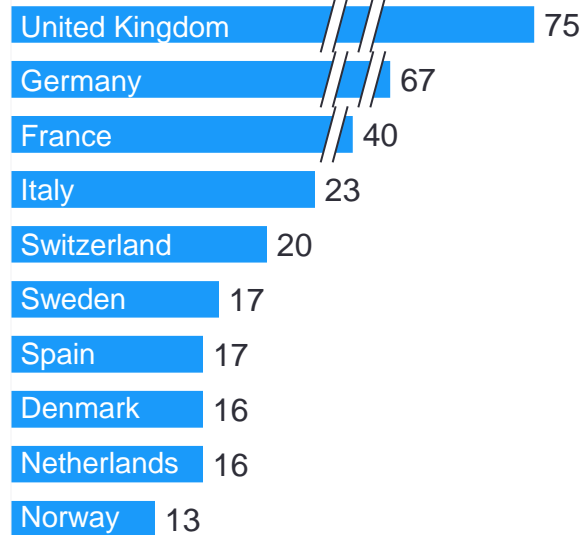
## COP29 AGREEMENT COULD PAVE THE WAY FOR VOLUNTARY CARBON MARKETS

# The largest ESG FinTech hubs remain in London, Paris and Berlin in 2024 – Nordic countries are growing stronger with respect to ESG FinTechs than the rest of Europe

In Europe the funding has declined compared to previous years in 2023

## Top 10 ESG FinTechs countries

# of companies



## ESG FinTech Hubs by cities

Top 10 by # of companies

City	ESG FinTechs
London	64
Paris	27
Berlin	26
Stockholm	14
Copenhagen	14
Milan	11
Amsterdam	11
Munich	10
Frankfurt	10
Oslo	8



**371 ESG FinTechs**

according to EY-P criteria  
+27% vs 2022

**€581m Funding 2023**

Full year  
- 62% vs 2022

**€1,550m Funding 2022**

Full year  
+84% vs 2021

**~18k Employees**

as of December 2023

**265 new founded since 2016**

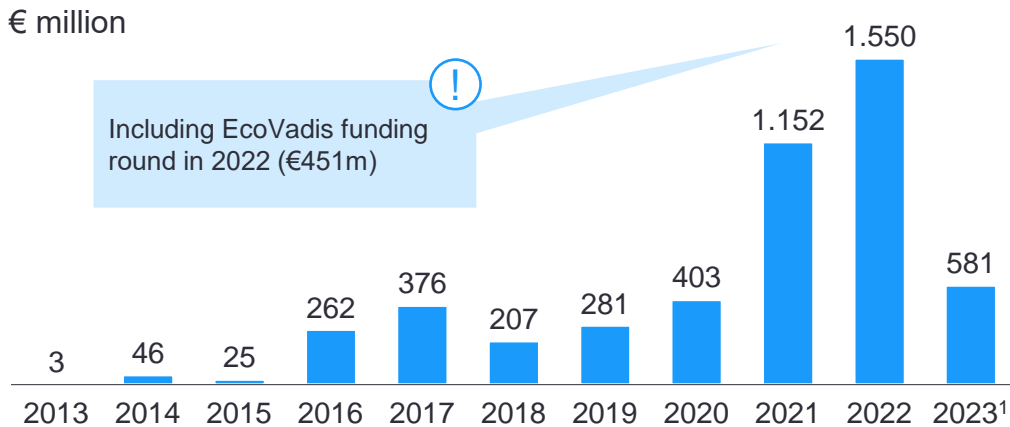
still operating as of December 2023



# Increased Deal Activity in the first quarter of 2024 for European ESG Fintechs with strong results for Germany based startups and scale-ups

2022 has been a prominent year of ESG FinTech funding, which significantly dropped in 2023

## Development of funding volumes per year 2013 – 2023<sup>1</sup>



## Key Findings

- ▶ European ESG FinTech **deal activity increased 16% in Q1 2024**
- ▶ **Germany was the most active European ESG FinTech country in Q1 2024**
- ▶ **Important Investments in 2024 (selection):**
  - **Ecoligo** raised €11m in Q1
  - **Atlas Metrics** raised €13.6m in Q3
  - **Lendorse** raised €11m from debt financing round in Q3
  - **Tomorrow** raised €5m in Q3
- ▶ Early-stage investor Tentity identified a **shortage of late-stage deals, with no Series C and D deals in the first half of 2024**
- ▶ **In 2023 equity investments in ESG FinTechs have significantly contracted because of unfavorable conditions** in the financing market, following the swift growth witnessed in 2021 and 2022, which was sparked by the introduction of the *European Green Deal* in 2020
- ▶ **The closing of year 2022 signed a historic funding peak**, surpassing the previous record set in 2021 due to the facilitated economic environment and reduced interest rates
- ▶ **The average ticket size per funding rounds decreased** from €10m in 2022 to €3m in 2023

## Comparison of new funding volume 2016 vs 2023



## Funding rounds > € 10m

**100**  
since 2016

<sup>1</sup>Due to enhanced data availability and individual developments of the individual companies, the 2023 data sets includes companies which had previously been omitted. Base data has been adjusted accordingly.

# Deep Dive: ESG FinTech Landscape in Frankfurt

Frankfurt's ESG FinTech scene covers a range of Business Models, with 50% concentration on Data and Rating

## ESG FinTech Funding by cities

Selected 5 cities since 2019 in mEUR

City	ESG FinTech Funding
London	463
Paris	75
Berlin	208
<b>Frankfurt*</b>	<b>14</b>
Munich	12

\*1,73% out of total Funding in Europe

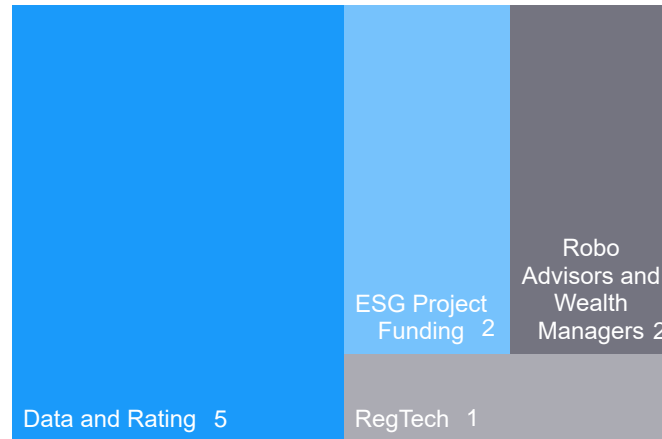


## ESG FinTech Employee Distribution in Frankfurt

Employee Range	%
1-10	30%
<b>11-50</b>	<b>50%</b>
51-100	0
101-250	10%
+500	10%

## Business Models of ESG FinTechs in Frankfurt

# of companies



## Business Model Diversity by cities

Selected 5 cities

City	# of different Business Models
London	13
Berlin	10
Paris	7
Munich	6
<b>Frankfurt</b>	<b>4</b>

**DATA AND RATING**  
for ALL SELECTED 5 CITIES favorite Business Model

## Most common Target Segment by cities

Selected 5 cities

City	%	Target Segment
Munich	71%	B2B
<b>Frankfurt</b>	<b>70%</b>	<b>B2B</b>
Paris	66%	B2B
London	63%	B2B
Berlin	47%	B2B

## Target Segments of ESG FinTechs in Frankfurt



Majority of ESG FinTechs in **FRANKFURT** and **MUNICH** concentrate purely on **B2B** market

In comparison in

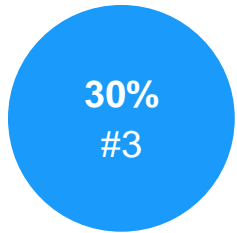
**PARIS 42%**  
**MUNICH 40%**  
**BERLIN 36%**  
**LONDON 32%**

have 11-50 employees in their ESG FinTech

# ESG FinTech Startups in Frankfurt

Sector overview and exemplary ESG FinTechs

## Data and Rating



Exemplary ESG FinTech

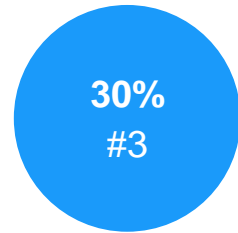


- ▶ Platform providing comprehensive ESG data to help users navigate the ESG landscape

Other examples



## ESG Project Funding



Exemplary ESG FinTech

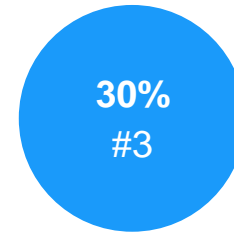


- ▶ A specialized platform for energy efficiency projects. For finance sustainable and future-oriented projects around the globe

Other examples



## ESG Financing and Investment Solutions



Exemplary ESG FinTech



- ▶ Clean energy project financing focusing on local energy systems to achieve ESG goals for real estate owners and tenants

Other examples



## Carbon offsetting



Exemplary ESG FinTech



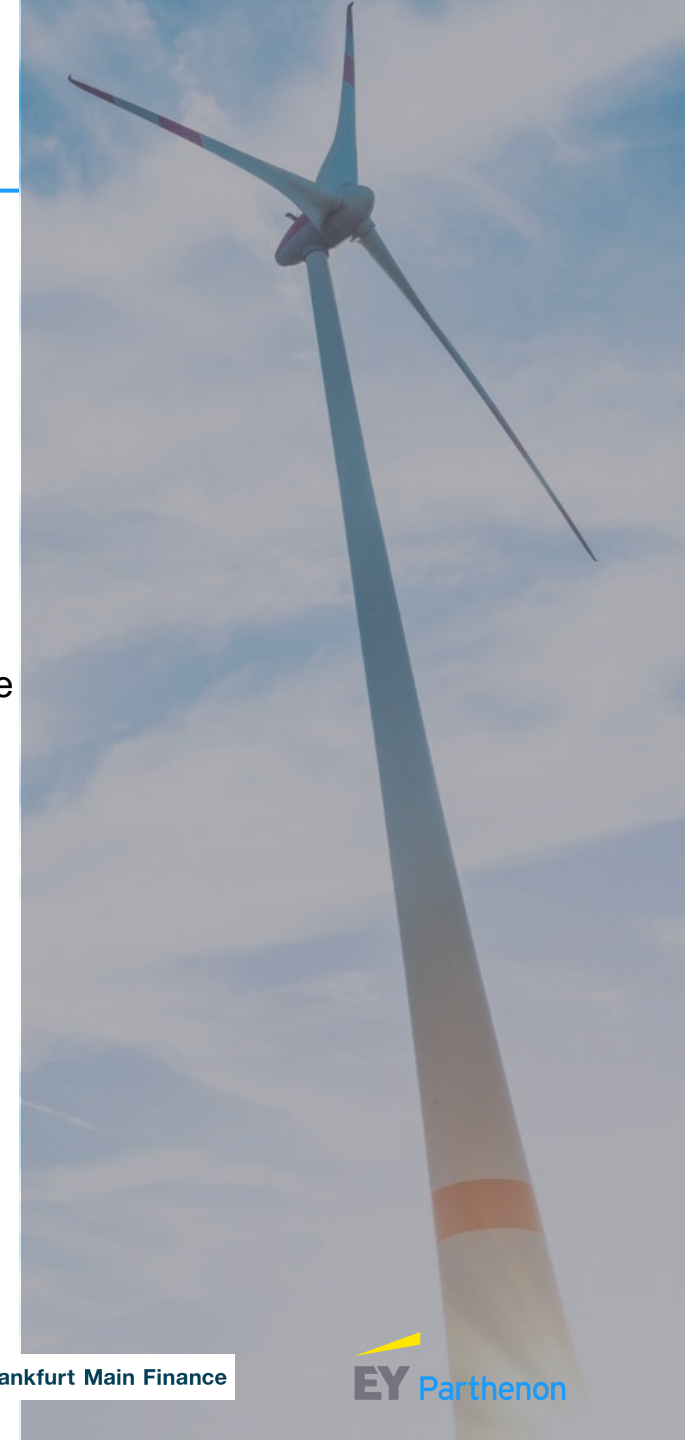
- ▶ Advancing climate protection by channeling private capital into high-quality, nature-based climate projects within a data-driven, scientifically sound, and regulated framework

# Recap, Outlook and Observed Market Trends

ESG FinTechs will also experience new opportunities and challenges in 2025

- ▶ Germany led the ESG FinTech landscape with four funding rounds in Q1 2024, highlighting its pivotal role in sustainable financial technology initiatives.
- ▶ There is a shortage of late-stage deals, with no Series C and D deals in the first half of 2024<sup>1</sup>.
- ▶ The European Commission's Corporate Sustainability Due Diligence Directive (CS3D), implemented in July 2024, mandated financial institutions to reassess their operations and global value chains, emphasizing comprehensive risk management.
- ▶ European business schools intensified the incorporation of sustainability into their curricula, driven by the continent's leadership in climate policies and renewable energy, preparing graduates to tackle ESG challenges effectively.
- ▶ The adoption of blockchain technology gained momentum, with FinTech firms exploring its potential for transparent and efficient ESG reporting and compliance.
- ▶ Financial institutions continued to grapple with the collection and analysis of reliable ESG data, presenting opportunities for FinTechs offering innovative data solutions.
- ▶ Outlook for 2025: The ESG FinTech sector is poised for growth, with expectations of heightened regulatory scrutiny, technological innovation and leverage of AI solutions, and increased integration of ESG considerations into financial services across Europe.

1. Forbes: [2024 Forbes CMO Summit Europe](#)



# Recommendations to help Frankfurt's ESG FinTech ecosystem unfolding its full potential amidst positive examples and generally favorable framework conditions

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- ▶ **On a macro level, a change of perspectives in the following three dimensions is needed to help European ESG FinTechs / Solutions Providers to unleash their full potential:**
  - **Change in framework conditions** – too much regulation hinders international scalability
  - **Allocation of capital** – channeling of funds into business models with measurable impact
  - **Integration of standards** – harmonization of rules and scope
- ▶ **Leverage Proximity to Key Institutions:** Capitalize on Frankfurt's closeness to entities like the International Sustainability Standards Board (ISSB) and the Green and Sustainable Finance Cluster Germany to foster collaboration and innovation in ESG standards.
- ▶ **Engage with ESG-Focused Accelerators and Innovation Hubs:** Participate in programs, which support sustainable finance initiatives and provide valuable resources for ESG FinTech startups like Techquartier.
- ▶ **Address Funding Gaps:** Organize investor roundtables, exemplified by events like the Impact Festival, to bridge funding gaps for ESG FinTechs and facilitate connections between startups and potential investors, particularly in later stages.
- ▶ **Facilitate Access to Financial Services Clients:** Connect ESG FinTechs with local financial services clients seeking innovative solutions to meet evolving regulatory requirements, fostering mutually beneficial partnerships.
- ▶ **International Awareness:** Cohesive international promotion of Frankfurt as an ESG hub – aligned and streamlined marketing by all stakeholders.
- ▶ **Leverage Momentum:** Supported by the recent COP29 conference in Baku, it has been emphasized that financial institutions must prioritize their ESG efforts. The significance of the financial services industry in confidently driving global climate action has been highlighted. These factors contribute to the high demand for ESG FinTechs capable of addressing these challenges.



# Key contacts



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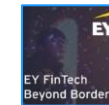
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