

Divulga UAB

Revista de difusió de la recerca de la
Universitat Autònoma de Barcelona

13/02/2026

EU green knowledge and local innovation: the hidden impact of environmental research



Researchers from the UAB Department of Business have participated in a study to analyze the relationship between EU investment in innovation and environmental research and the impact it has on Spanish companies. The funded projects have an impact on improving efficiency and processes, but not so much on innovation and the development of new products.

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Since its founding in 1957, the EU has focused on research and innovation, using the Framework Programmes as its primary tool. Recently, this commitment has intensified with initiatives such as the European Green Deal. Our study titled “The effects of regional environmental EU-funded research on firm innovation: a multilevel analysis” evaluated how EU investment in environmental research affects business innovation. Our main question was whether knowledge from EU-funded projects diffuses to companies located within the region.

To investigate this, we analyzed data from manufacturing firms in Spain, considering both internal factors—such as R&D investment and firm size—and external factors—such as regional characteristics. We measured environmental knowledge based on the number of

local organizations—universities, firms, and research centers—participating in FP7 projects (2008–2014). And we divided the firms' innovative performance into process and product innovation.

Our results showed a complex and heterogeneous pattern. On the one hand, there was a positive relationship with efficiency—process innovation—, where having more local partners in EU projects increases the probability that nearby firms innovate in processes. This is because green research translates into productive improvements, such as lower energy consumption and reduced waste, which promotes efficiency and savings. This impact was more substantial in SMEs (Small and Medium-sized Enterprises), which generally have fewer internal resources. Universities, research centers, and private companies were the most effective partners in diffusing this knowledge.

The effect on product innovation was distinct: regional diffused green knowledge harms the innovation of nearby firms. This could happen because if the knowledge is very accessible, local competition could increase and may reduce the motivation to launch new products. Furthermore, EU exploratory research could cause firms to divert their limited resources and managerial attention to implementing *green* processes instead of creating new commercial products. This adverse effect is mainly due to the knowledge from regional public organizations, which are less closely aligned with the commercialization phase.

Our conclusions call for the implementation of specific innovation policies. It is key to promote participation in EU environmental projects to improve business efficiency (process innovation). However, politicians must mitigate the negative impact on the creation of new products, perhaps by strengthening collaborations between public organizations and private firms, so that public knowledge is more effectively translated into new commercial products.

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