

# Bloomberg Tech Daily

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Hi, this is Tom in London. Europe's deep tech companies are struggling, and potential saviors are hard to find.

Tech failures

“It’s a disaster,” says [Daria Saharova](#), a partner at VC firm World Fund.

That’s her assessment of the [nosediving fortunes](#) of German electric aircraft maker Lilium, until recently one of Europe’s top tech bets. At the end of October, the Nasdaq-listed startup was forced to file for insolvency after the German government denied it a guarantee on a €50 million loan. Saharova, [speaking to me on Bloomberg TV](#), says Lilium's plight is symptomatic of a bigger problem.

“It very clearly shows we, as Europe, fail to support innovative deep tech companies through the growth phase. There is no such thing as a growth market in Europe, especially in Germany,” the Munich-based VC operator says. World Fund invested in battery startup CustomCells, which supplies Lilium.

You can almost hear Mario Draghi [whispering](#), “*I told you so*” from the sidelines.

Europe does have its Green Deal, aimed at countering the [Inflation Reduction Act](#), or IRA, the US government’s effort to invest in clean energy industries, and, at least in part, attracting growth funding.

But according to Natalia Luna, senior thematic investment analyst at Columbia Threadneedle, it doesn’t go far enough. “The simplicity and clarity of the IRA will likely remain the key factor in investment decision-making in a US versus EU scenario and result in a smaller scale of support in the EU,” she wrote in a [report published](#) last year. And that seems to be being born out. Investors funneled \$45 billion into European tech startups in 2023, versus \$120 billion in the US, according to the [State of European Tech Report 2023](#).

To drive her point home, Saharova argues Europe may have just deprived itself of a Musk-sized opportunity.

“Lilium could be easily comparable to Tesla,” she argues — except Tesla Inc. received a \$465 million US government credit line, while Lilium was denied a comparably meager loan guarantee.

Lift the hood of a Lilium jet and you’ll find a lithium-ion battery, similar to the packs produced by another deep tech continental startup, Sweden’s Northvolt AB. The Stockholm-headquartered firm is also struggling to survive.

Once pitched as a homebred European alternative to China’s dominant CATL, the Volkswagen AG- and Goldman Sachs Group Inc.-backed battery maker has been hemorrhaging cash, while missing [production targets](#) and seeing contracts from its own investors canceled. Northvolt is rushing to raise new capital to stem the bleed.

But when I asked [Jim Rowan](#), the chief executive officer of one of Northvolt’s earliest backers, Volvo Car AB, if a fresh liquidity injection was on the table, he replied with an emphatic “no.”

“We’re rooting for the Northvolt guys that they can get the funding that’s required,” he told me, but it won’t be his company that provides it. Volvo is “triple-sourced on our batteries,” Rowan said, so it isn’t vulnerable if Northvolt ultimately runs out of juice.

[Agate Freimane](#), general partner at Norrsken VC, another investor in Northvolt, also demurred when I asked if they would participate in another capital raise. And she admitted the negative Northvolt headlines were a risk. They could, she said, “scare off the next bold, daring entrepreneurs” needed to innovate and help hit those net zero climate targets.

Freimane is concerned, but she sees a fundamental investment case that continues to hold up: “I’m still extremely optimistic about Europe’s ability to compete globally because at the end of the day when it comes to impact, sustainability, and all green topics, we are best placed to win in the long term.”

But as the fortunes of Lilium and Northvolt show, that thesis is now being put to the test. The question is, are their challenges idiosyncratic, or symptomatic of a broader mismatch between Europe’s tech ambitions and its ability to deliver the funding and government support to turn them into reality.—[Tom Mackenzie](#)