Looking ahead: future of film financing

European film has always faced challenges in production and distribution. These challenges relate to the uncertainty of the audiovisual product, the competition advantage of markets that benefit from historical opportunities and scale; and the structure of the European film market itself, which comprises of 27 markets, with different sizes, policy support measures, languages and cultural preferences. This diversity has created a rich and unique ecosystem with high volumes of European titles, yet it also creates a fragmented market characterised by structural obstacles. On top of that, current disruptions, brought about by new consumption patterns, new players operating in the market and the introduction of artificial intelligence, are fundamentally reshaping audiovisual industries at rapid pace, putting significant pressure on the financing of film. These market disruptions and challenges are leading to reduced financial and creative risk-taking. Creative risk-taking is essential for producing culturally valuable and successful works, while financial risk-taking is necessary to enable such creativity.

How to secure creative and financial risk-taking?

Film financing is a high-risk activity. Production costs are substantial, while recoupment prospects often remain uncertain. As a result, European films are most often financed through complex combinations of smaller investments. A large share of these financing structures relies on public support, including film fund subsidies and economic and tax incentives. The need to combine multiple financing sources, together with structural market fragmentation, makes European film financing fragile. A series of current trends will increase this fragility, and, in turn, affect the future of film financing.

• **Rising production costs**: Filmmaking depends heavily on skilled talent and freelance labour; inflation has pushed wages and salaries up significantly. Indirect costs—such as studios, energy, transport and insurance—are also rising sharply.

• **Pressure on traditional financiers**: Changing consumption patterns and new market dynamics are weakening traditional financing sources. For broadcasters, investment in domestic film has become less pivotal as they face the challenges of platformisation. Distributors are struggling in a fragmented market and often must spread limited investments over more titles, reflecting increasingly uncertain theatrical revenues. Producers in the film value chain are pushed to consolidate within larger conglomerates, which adds some financial security but hampers their creative and strategic independence.

• **Changing strategies of streamers**: Streamers' investment in European film remains limited. Deals between streamers and producers often reflect an asymmetry between budget cost and recoupment. Faced with increased competition, market saturation and higher subscriber churn, streamers are shifting from growth to profitability. This is leading to reduced commissioning, broadening of genres invested in (including reality TV, sports, and games) and lower creative risk-taking. Investment obligations and prominence requirements under Article 13 AVMSD seem to mostly benefit scripted series. According to EAO data, 78% of the viewing time on SVOD services goes to scripted series.[1]

How to strengthen circulation and consumption of European films?

Any discussion on the future of film financing must also consider distribution and theatrical exhibition, which remain key for recouping investment. The exhibition ecosystem is both important and highly interconnected and requires a focus on all types of exhibitors, from multiplexes to arthouses or cultural venues. Exhibition faces key obstacles, in turn affecting financing of European film:

• Films have less time to demonstrate value and achieve success. Distributors are facing uncertainty and financial fragility and have limited resources to invest in large marketing campaigns, thus reinforcing the reduced visibility.

• Competition from VOD services has increased pressure on the theatrical window, with films moving more rapidly to transactional or subscription-based platforms.

• Exhibitors highlight rising operational costs—e.g. rent, personnel and energy—as well as the need for substantial investments in infrastructure, including projection systems, seating, accessibility and energy-efficiency.

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AI as a gamechanger for audiovisual industries

Artificial intelligence is rapidly emerging as a structural gamechanger across all sectors, including the European audiovisual industry, with significant implications for how films are developed, produced and financed. While its potential to reduce costs, enhance efficiency and open new creative possibilities is widely acknowledged, its uptake is currently met with considerable resistance within the film sector, largely driven by concerns over job displacement, lack of transparency in AI systems, and risks to originality and authorship. Rather than imposing premature restrictions on its use, there is a need for a balanced approach that supports experimentation and identifies areas where AI can strengthen European filmmakers' competitiveness, while closely monitoring its impact on employment across the value chain and always adopting a human centric approach and maintaining human oversight. Crucially, the integrity of creative work should remain central: the use of copyrighted material in AI training and production processes should be subject to clear rules on consent, transparency and fair remuneration.

Policy recommendations

Current trends are likely to reshape the future of film financing. Video-sharing platforms increasingly compete with traditional media for users' attention, and with streamers; markets will further consolidate; broadcasters will be forced to make more drastic choices to cut the costs of domestic content investments; existing power asymmetries between large global streamers and tech platforms are likely to remain at best, thus putting pressure on recoupment and financing of film and creating the right working conditions for European filmmakers. Key considerations for policy action include:

• **On the level of AVMSD:** Taking into account country of origin and subsidiarity, and the variety of markets, it is advisable to explore:

(i) Harmonising investment obligations across Europe to avoid court cases to ensure a predictable and transparent framework for all stakeholders, including streamers (e.g. definitions of turnover, investment, rights, etc.).

(ii) Introducing minimum criteria for rights retention for particular investments of streamers.

(iii) Ensuring that the 30% quota for promoting European works reflects a variety of genres, including European documentary and feature film; and a variety of EU markets, including smaller states.

(iv) Exploring the legal feasibility of extending investment obligations to all actors captured by the AVMSD, including video sharing platforms to contribute to investment in European works.

• **On the level of AgoraEU**: The MEDIA programme has played a crucial role in distribution and exhibition of European works. It also had an importance cascade effect and triggered EU film funds' expansion of support to distribution, promotion and audience development. However, faced with growing financial pressure and cutbacks, funds currently prioritise production support, putting significant pressure on these important activities.

(i) While AgoraEU is expected to cover a broad range of support, it is essential that support for distribution, promotion and audience development remains central in the programme, and film is given priority consideration, given its cultural importance and audience potential, and its increased financial fragility.

(ii) Support measures should not be overly fragmented. Funding should encourage scale, collaboration and impact, while taking into account the diverse needs of film industry players and Member States.

(iii) Grants should reflect increasing costs of activities. In the years to come, more money is required to keep doing the same things. It is crucial that support for existing activities does not increase industry professionals' fragility.

• **On the level of copyright legislation**: Strengthening copyright protection and enforcement at EU level will be essential to ensure that innovation in film financing and production does not come at the expense of creators' rights and Europe's cultural diversity. This includes the protection of copyrighted material used for training AI-models; and fair and transparent remuneration of authors when using copyrighted material.

[1] Grece, C. & Tran, J-A (2025). SVOD usage in the European Union – 2024 data. Strassbourg: EAO. Available at: https://rm.coe.int/svod-usage-in-the-eu-2024-data-july-2025-c-grece-j-a-tran-/1680b69b5f

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