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Opinion of the European Economic and Social Committee on Proposal for a Regulation of the European Parliament and of the Council establishing the Strategic Technologies for Europe Platform ('STEP') and amending Directive 2003/87/EC, Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241

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(for/against/abstentions)	181/1/3

1. **Conclusions and recommendations**

1.1. The European Economic and Social Committee (EESC) welcomes the proposal for a Regulation establishing the Strategic Technologies for Europe Platform ('STEP') as a step forward in the EU's ambitions for its industrial policy and competitiveness and an optimum short-term solution to ensure the funding of European research and development projects in strategic technologies.

1.2. The EESC welcomes the fact that the proposed solution, in addition to being financially sustainable, has been designed in such a way as to ensure a level playing field in how it is applied, and regards it as essential for safeguarding competition in and ensuring the viability of the single market. In this connection, it recommends further action to address the problem of subsidy races following the relaxation of State aid rules.

1.3. The EESC fully supports the Commission's proposal to use the Structural Funds to boost productive investments in enterprises other than SMEs, and underscores the leverage effects of this at local level, including for SMEs.

1.4. As far as European industrial policy is concerned, the EESC recommends that investment in human capital should go hand in hand with investment in the research and development of manufacturing technologies, and calls on the Commission to support the achievement of the twin transition objectives through continuous efforts to foster economic growth and quality job creation. In particular, the EESC calls for new policies to upskill and retrain workers uniformly across the 27 Member States, in order to prevent brain drains and competitive imbalances.

1.5. The EESC welcomes the fact that the Commission's proposal lays down environmental conditionalities and highlights that the text has a few weaknesses, as access to support is not made contingent on the fulfilment of social conditions.

1.6. The EESC fully supports the purpose of and arrangements governing the Sovereignty Seal, which looks to be a step forward for streamlining administrative and bureaucratic procedures. This will ensure quicker, easier and more targeted access to funding, while also facilitating cumulative or combined funding across different EU instruments. The EESC recommends that the EU co-legislators continue in this vein by prioritising the creation of automatic funding instruments that are easy to implement.

1.7. The EESC recommends that the co-legislators promote, during the legislative process, the definition of a uniform interpretation of the sectors covered by the regulation, as it does not feature in the Commission proposal.

1.8. The EESC welcomes the Commission's proposal to extend by 12 months the deadlines for the administrative closure of cohesion policy programming for the 2014-2020 period. The EESC recommends, moreover, that the co-legislators provide similar flexibility for cohesion fund programming in the 2021-2027 period, given the exceptional circumstances that arose following the pandemic and energy crisis.

1.9. Finally, the EESC calls on the European Commission to establish common instruments, in particular a genuine Sovereignty Fund. This should be accompanied by a set of long-term reforms to support industry and workers.

2. **Background to the proposal**

2.1. In recent years, the European Union has had to contend with a three-fold challenge. Firstly, the EU's ambitions for environmental sustainability and technological advancement have dictated that unprecedented standards be set, which has meant that the debate in Europe has often revolved around the nature of the objectives themselves instead of how to actually achieve them. Secondly, a number of unforeseen events have shaken domestic economies, with serious spill-over effects on the productive fabric: first the pandemic and energy crisis, and then rising inflation and shortages of critical raw materials. And thirdly, our major global competitors have launched a series of plans and measures that have posed new risks to the competitiveness of Europe's industry. Examples include the US Inflation Reduction Act, Japan's green transformation plans, India's incentive scheme to boost competitiveness in green sectors, and investment plans for clean technologies put forward by the UK, Canada and numerous other countries.

2.2. With the launch of the European Green Deal in 2019, the EU set some of the most ambitious sustainability goals in the world, which will require tremendous commitment from industry. Only in recent months have these ambitions been backed up by industrial policy measures to foster the twin transition, in the form of initiatives designed to keep Europe competitive at this crucial juncture. The Green Deal Industrial Plan, which the Commission put forward earlier this year, sets out to promote an environment that is more conducive to increasing the EU's production capacity in clean technologies, and includes a range of measures to strengthen the competitiveness of Europe's net-zero industry, secure critical raw materials and support a swift transition towards climate neutrality. Moreover, in March 2023, the Commission adopted a new Temporary Crisis and Transition Framework for State aid measures, which gives the Member States additional flexibility to devise and implement measures to support key sectors for the green transition. Further to this is Regulation (EU) 2023/435 of the European Parliament and of the Council ([1]) (REPowerEU), which allows the Member States to amend their national recovery and resilience plans in order to provide businesses with immediate support and strengthen their competitiveness without creating strategic dependencies.

2.3. In the context of the mid-term review of the EU budget, the Commission affirmed that, while these solutions provide swift and targeted support, the EU requires a more structural response if it is to meet the investment needs of its industries. During her annual State of the Union address in September 2022, President von der Leyen stressed the need to ensure that the future of industry is 'made in Europe'. In addition to announcing some of the measures outlined above, she also heralded the creation of a European Sovereignty Fund, arguing a common European industrial policy needs common EU funding.

([1]) Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1).

2.4. It is within this context, then, that the STEP proposal can be seen, as part of an unprecedented revision of the MFF designed to take account of the most pressing challenges faced by the European economy over the past three years and the need to offer a more flexible and more timely response to emergent crises. STEP will generate funding in three policy areas: (i) deep and digital technologies, (ii) clean technologies and (iii) biotechnologies. The purpose of this is to create the right conditions for a more effective, more efficient and better targeted use of EU funds, by reprogramming certain resources and adding new ones.

3. **General observations**

Strengthening competitiveness

3.1. As part of the EU's twin transition, it is essential that we strengthen the competitiveness and resilience of our industrial fabric, particularly in strategic sectors, in order to secure the survival of the productive fabric, jobs and a European social model which delivers inclusive education and training policies, well-functioning social protection systems, and safeguards public health and the environment. In this context, there are two key linchpins of Europe's industrial policy: (i) achieving a dual competitive balance, both within and outside the EU, and (ii) overcoming strategic dependencies on raw materials and technologies with a view to ensuring autonomy in strategic sectors.

Keeping up the level playing field

3.2. One of the aims of the proposed STEP regulation, which will mobilise EUR 10 billion in off-budget resources and leverages some on-budget resources, is the generation of EUR 160 billion in new investments in strategic technologies. Despite these commitments, which supplement available funding from the EU budget, the resources available to European industry are still a long way off what the United States has mobilised through various instruments, chiefly the Inflation Reduction Act. However, it should be borne in mind that the EU has very limited room for manoeuvre with these operations. Unlike other global economic powers, it faces considerably more constraints when it comes to mobilising substantial resources, on account of limited fiscal headroom and a budget that is based almost exclusively on Member State contributions. In this context, the EESC calls for action to be taken to increase transparency and ramp up discussions about industrial subsidies at an international level, in order to protect the level playing field that underpins the EU's prosperity as an international competitor.

3.3. Similarly, it is vital to secure a level playing field in Europe in order to safeguard competition within the single market, which, following the relaxation of State aid rules, is coming under considerable strain in a rat race of funding and subsidy policies. Against this background, the STEP proposal is an optimum short-term solution: not only is it financially sustainable, but it also takes account of market dynamics and will have only a limited impact on the EU budget, with the resources that were provisionally assigned to the Member States reallocated through a regional approach.

Reducing strategic dependencies

3.4. The EU economy is having to compete with global giants in a complex and finely poised geopolitical context, in which economic dependencies are essentially used as a weapon. It is imperative, therefore, that our value chains continue to be made more resilient through policies designed to encourage the extraction, processing and recycling of critical raw materials, in addition to research and development in strategic technologies, including through the use of the 'made in Europe' concept.

Access to the Structural Funds for large enterprises

3.5. One hugely innovative aspect of this proposal is the fact that it envisages opening up the EU Structural Funds to large enterprises in less developed and transition regions, as well as in more developed regions of Member States with a GDP per capita below the EU average. After all, projects awarded to large enterprises indirectly benefit surrounding areas through supply contracts, a greater economy of scale and the creation of production centres. This, in turn, delivers manifold benefits for local SMEs, many of which are unable to derive any benefit from the Structural Funds owing in part to the bureaucratic complexity of tender procedures.

Allocation of new resources

3.6. The EESC welcomes the proposal to allocate new resources to strengthen and finance programmes that are already contributing to the twin transition, creating additional scope for investment for businesses and supporting research and innovation in Europe's productive fabric. In particular, it is encouraging that the European Defence Fund and the Innovation Fund will be among the programmes to receive additional resources. The EESC calls on the Commission to assess the possibility of ramping up support for these programmes in the next programming period.

Closure of Cohesion Fund programmes (2014-2020 and 2021-2027)

3.7. The EESC supports the Commission's proposal to extend by 12 months the deadline for the administrative closure of cohesion policy programmes for the 2014-2020 period due for expiry in December 2023, and to extend the deadline for the submission of closure documents by 12 months. The Commission itself notes that these measures, introduced only at the end of the programming period, require sufficient time and administrative resources to be implemented in full.

3.8. Furthermore, the EESC recommends that the co-legislators afford the same flexibility to the programming of the 2021-2027 cohesion funds, which were delayed by two years, proceeding on the basis that the final accounting period for the eligibility and reporting of expenditure would be extended by two years.

Vocational training policies

3.9. The EESC recommends that, as part of the EU's industrial policy endeavours, investments in research into the development of manufacturing technologies should be backed up by investments in human capital. Over the past few months, investment in vocational training and skills has started to feature in a few legislative proposals that address the competitiveness of the EU, including the Net-Zero Industry Act ([2]), the Critical Raw Materials Act and the proposed STEP regulation. These proposals combine objectives in the area of environmental sustainability and technological and digital advancement, with measures designed to create a workforce with the requisite quality and staffing to tackle the production models of the future.

3.10. The EESC recommends continuing the development of such measures, including in the context of the European Year of Skills, through EU upskilling and reskilling policies to tackle brain drains and competitive imbalances.

3.11. Moreover, EU initiatives, investments and policies in this area should envisage measures for low-income communities, low-skilled workers and marginalised groups.

Social and environmental conditionalities

3.12. The EESC fully supports the environmental conditionalities in the Commission's proposal and concurs that the 'do no significant harm' principle should be applied, adapted and extended where necessary. As for social aspects, however, there appear to be a few areas of weakness in the proposal, as access to support is not made contingent on the fulfilment of social conditions. This approach is employed in the US Inflation Reduction Act. The EESC is encouraged by the proposed STEP provisions aimed at promoting apprenticeships and improving access to jobs for young people and vulnerable groups.

Sovereignty Seal

3.13. On the face of it, the Sovereignty Seal appears to address the need to simplify administrative and bureaucratic procedures. This instrument should build on the Seal of Excellence. If implemented properly, it could provide impetus for research and development in strategic technologies and investment in upgrading and reskilling workers in critical sectors. The EESC calls on the managing authorities of the funds, both nationally and locally, to ensure that the Sovereignty Seal is swiftly incorporated within the funding mechanisms, and urges the Commission to promote proper implementation in order to ensure that the Sovereignty Seal is used extensively and uniformly throughout Europe.

([2]) Proposal for a regulation establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem (COM(2023) 161 final).

3.14. The EESC also recommends the creation of automatic financing instruments that are easy to implement: primarily tax incentives in the form of tax credits. Such instruments, in addition to being simple initiatives that can be implemented straight away, would allow businesses to immediately proceed with the planned investments, accelerating the twin transitions, and to keep up with the EU's ambitious targets.

List of strategic technologies

3.15. The text does not clearly the define key sectors this proposal for a regulation is aimed at. The Commission provides only a list of examples of technologies that could be classified as strategic. In this regard, the EESC recommends a definition that can be interpreted in a uniform way. Furthermore, given their prominence within EU sustainable mobility legislation of late, the EESC recommends that bio-fuels and renewable fuels be included in the list of clean technologies conducive to achieving climate neutrality.

European Sovereignty Fund

3.16. The EESC agrees on the need to allocate new financial resources to strategic sectors and the additional flexibility the proposal should provide to existing funding instruments. Although this certainly represents a step forward in European industrial policy, the instrument must be sufficiently useful and effective if it is to deliver a systematic European response to the investment needs of our industries. Over the next few years, particularly when it comes to negotiations on the 2028-2034 MFF, consideration will need to be given to setting up a fully-fledged European Sovereignty Fund, together with a number of long-term, future-oriented reforms to support industry in the context of broader efforts to ensure stability and parity between the Member States.

4. **Specific comments**

4.1. The EESC welcomes the Commission's suggestion for a proposal to enable higher rates of aid via a bonus for projects falling within the scope of STEP in assisted regions, and hopes that, as set out in the text of the proposed STEP regulation, the Commission will consult the Member States on this proposal.

4.2. The proposal for a STEP regulation aims to support, as appropriate, companies that are indispensable for value chains, including by promoting multi-country projects, improving access to all Member States in order to strengthen the single market and tackle disparities in the availability of State aid. In particular, the proposal encourages Member States to support strategic projects by also contributing through national resources, reaffirming compliance with State aid rules. To avoid doubts as to interpretation and errors in application, the EESC recommends clarifying how the provision of multiple sources of funding for the strategic projects identified in the regulation can operate in a mutually reinforcing manner, so as to permit the cumulation of multiple support measures, without prejudice to the applicable State aid rules or the Union's international obligations.

4.3. The EESC welcomes the proposal to strengthen the European Innovation Council Accelerator and calls on the Commission to monitor the situation to ensure that large projects serve not to undermine the level playing field in the internal market but to create a strong and well-integrated innovation ecosystem across Europe. In this respect, the EESC recommends avoiding formulations that increase the risk of broad interpretations of the STEP regulation, and ensuring that only the additional resources ('fresh money') that will be added to the EIC budget can be used for equity-only investments for projects in line with the objectives of STEP. The new resources made available through the accelerator must also serve to ensure a better geographical balance between the projects awarded funding. The EESC therefore calls on the Commission to devise strategies and instruments to provide more support to Member States that need to strengthen their innovation and private equity ecosystems. In addition, the proposal to proceed with the reprogramming of resources from Pillar II of Horizon Europe will need to be carefully assessed in terms of its extent and impact, avoiding the risk of weakening this Pillar, which is crucial in the overall architecture of the Horizon Europe programme. Finally, it is important to reinforce the idea that the EIC should finance, albeit in close connection with the objectives and technologies supported by the STEP regulation, all types of innovation, exactly as provided for in the Horizon Europe Regulation, and not just disruptive innovation.

4.4. With regard to the social aspects of industrial policy, the EESC welcomes the possibility of the European Regional Development Fund being used to finance training, lifelong learning, reskilling and education activities, which have, until now, been covered by the European Social Fund Plus.

4.5. The EESC stresses the need to examine and carefully assess the proposed changes to the Horizon Europe programme and EU cohesion funds. More specifically, this should mean ensuring that the provisions governing the various funds are consistent with one another, particularly when it comes to combined operations. Perfect alignment is essential, both in terms of the individual applicants to the programmes and the assets and/or projects eligible for funding.

4.6. The EESC is extremely encouraged that projects that have obtained the Sovereignty Seal may be able to better avail themselves of EU funding, notably obtaining easier access to cumulative or combined funding under different EU instruments. To this end, it is also encouraging to note that the managing authorities will be able to grant support directly, from the European Regional Development Fund or European Social Fund Plus, to operations which have been awarded the Sovereignty Seal, as this will make the selection process easier.

4.7. The EESC calls on the Commission to clarify the governance aspects of the Strategic Technologies for Europe Platform, which will need to be properly defined in order to ensure that the platform runs effectively.

Brussels, 20 September 2023.

The President
of the European Economic and Social Committee
Oliver RÖPKE