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DIGITALEUROPE's response to the consultation on the revision of the IPCEI Communication



Our contribution

The instrument of the Important Projects of Common European Interest (IPCEIs) gave a cooperation framework to Member States to invest in EU industrial priorities. The upcoming revision of the original Communication is an occasion to make the best of the lessons learned till now and guarantee the instrument fully supports the internal market and the EU Industrial Strategy soon to be updated.

For the IPCEIs to remain relevant in a fast-changing economy, the Commission must simplify their framework while ensuring eligible projects maintain a European character. Such European character should be interpreted as the ability to advance the EU's green and digital transition. All this should go hand-in-hand with support to a rightly understood technological leadership and level playing field, whereby the EU promotes collaborative leadership allowing its industrial players to reassert their position and promote open markets, European democratic values and international standards.

IPCEIs should have the ability to spur the creation of networks of interdependent and interlinked economic actors, including SMEs and start-ups, generating added value around a product, process or service. Not all industrial projects qualify as IPCEIs. Importantly, the IPCEI framework should continue to apply only to areas where there are **market failures or other important systemic failures that would justify state aid within the provisions of Article 107(3)(b) of TFEU.**

We identify two main focus areas for the Commission to improve the IPCEIs' effectiveness and ability to act readily.

Putting the EU's industrial and economic interests at the centre of the IPCEI

The revised Communication should be an opportunity to strengthen the link of the IPCEIs instrument with the EU's digital and green ambitions. For that to happen, we recommend the following:

- ▶ **Cost eligibility:** for those projects justifying the use of the IPCEI tool, eligibility should also encompass costs related to early-stage market uptake, besides those already detailed in the Annex of the Communication.

- ▶▶ **Funding synergies:** in areas where European Commission's analyses prove the existence of a market failure or other important systemic failures, in specific justified cases the IPCEIs could link up with funding available nationally and through NextGen EU. This could include funding from the Recovery and Resilience Facility to generate joint strategic investments with shared value, in combination with an IPCEI framework that covers the entire project lifecycle approach, embracing research, innovation, deployment/infrastructures as well as procurement activities at regional, national and European level. For such specific areas with market failure or other important systemic failures, where justified an all-encompassing approach to funding will facilitate the articulation of national and European initiatives that will accelerate the recovery of Europe's economy. Importantly, the Commission should ensure any such funding synergy does not lead to further complexity in terms of project application procedures, accounting or documentation requirements, nor to the distortions of competition in the Single Market.

- ▶▶ **Project eligibility:**
 - the IPCEIs should bridge the gap between R&D&I and economically viable production. The revised Communication should expand the scope of IPCEIs to smaller, learner projects, whose relevance for European interests and for addressing market failures or other systemic failures should not be underestimated.
 - the revised Communication should also bolster transparency and inclusiveness in the notification process, as suggested by the Strategic Forum for IPCEIs.¹ Industry and Member States should have a chance to express their interest in a possible IPCEI and share their views on its eligibility prior to the common notification to the Commission foreseen in paragraph 48 of the existing Communication. This would add legitimacy to the selection process, without slowing it down.

- ▶▶ **Intellectual Property Rights:**
 - the need to ensure spill-over effects and dissemination of research results should be properly balanced against the need of protecting the industrial and technological know-how of beneficiaries. Spill-overs are a relevant eligibility criterion for IPCEIs. Yet focusing excessively on them risks to ultimately undermine the ability of aid beneficiaries to develop disruptive

¹ More info [here](#)

technological solutions to address grand societal challenges of relevance to the IPCEIs, such as addressing climate change.

- The Commission should also clarify the legal framework for intellectual property with regards to antitrust and merger control rights applicable to cooperation between companies involved in an IPCEI project. This is relevant especially to IPR dissemination conditions as well as necessary and legitimate exchanges of information.
- ▶▶ **Beneficiary eligibility:** the revised Communication should maintain the existing approach whereby eligibility of beneficiaries is the result of negotiations between Member States and any interested industrial player willing to contribute to the EU's industrial capabilities and compliant with EU rules and values.
- ▶▶ **SMEs and start-ups participation:** they are an integral part of the value chain built around large industrial actors. IPCEIs should better plug into their expertise. This requires the Commission to lead efforts on shrinking the administrative burden on applicants, fast-tracking processes and, crucially, providing specific assistance to SMEs in the form of awareness-raising, training and support in proposal-writing.
- ▶▶ **Governance:**
 - The Industrial Forum should become a platform where to advance an inclusive dialogue on existing and future European industrial ecosystems and value creation networks. It should be part of high-level and permanent governance at EU level to create the necessary supporting conditions to advance key value chains in Europe.

Reducing administrative burdens and speeding-up project selection while ensuring openness and transparency:

The revision of the Communication should be an opportunity to make the IPCEI framework better equipped to deal with the fast-moving technology environment we are in. We urge attention to the following:

- ▶▶ **Procedures for the selection process:**
 - it is key to simplify, adjust and significantly accelerate them without compromising the quality of the compatibility analyses carried out by DG Competition. The IPCEI must be a more industry-friendly tool. In line with the simplified rules for Horizon 2020, we must aim at a time-to-grant target period of eight to twelve months maximum. The Commission should green

- ▶▶ **Funding commitments:** reliable funding commitments are absolutely essential for legal certainty and preventing any possible counter-incentive. We recommend assessing very carefully the validity of any potential clawback provision before implementing it. The aspects below must be duly considered:
 - Funding reclaims must only be based on proven eligibility violations of clear and pre-determined funding rules. Their justification should be continuously evaluated during and at the end of the project implementation.
 - Financial returns from early qualification samples and low-volume (non-competitive) manufacturing must not impact on the level of required funding as long as included in the funding gap calculation (whose methodology needs simplification, harmonisation and transparency as said above).
 - Repayment obligations should not include financial returns from an IPCEI due to faster market uptake of the product/ technology expected at the time of funding gap calculation. A faster time-to-market of the product/technology at issue should be seen as a strong signal of the intention of beneficiaries to meet intended project goals, maintaining or establishing technological leadership and securing highly-qualified employment in Europe.
- ▶▶ **Grant disbursement:** it should be timely, predictable and in line with execution schedules, once an IPCEI is approved. Funding certainty will help beneficiaries in project implementation.
- ▶▶ **Agility and adaptability in implementation:** flexibility should be an underlying element in the deployment of IPCEIs. Shifting economic and technological conditions make an adaption of monitoring mechanisms, KPIs and multi-year roadmaps fundamental. Agile procedures must be in place to react readily to new market realities and allow the IPCEIs to deliver on time.
- ▶▶ **Accounting modalities:**
 - Aid should be provided on an expenditure basis (instead of cost basis) for capital expenditure (property, plants, buildings). For operating and other expense (personnel costs, third-party services, materials and supplies), the current reference to the cost basis should instead continue to apply.
 - Accounting periods should be proportionate to the size and complexity of the IPCEIs. We recommend a minimum accounting period of at least 45 days, on par with that of other EU funding schemes. Experience in IPCEIs so far points to an excessively short accounting period in some Member States.
 - For the conversion of costs arising in foreign currency, there should be the possibility to use the exchange rate of the day the costs are booked in the

accounting system. This would lower the administrative burden and error susceptibility while increasing transparency and comparability.

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About DIGITALEUROPE

DIGITALEUROPE represents the digital technology industry in Europe. Our members include some of the world's largest IT, telecoms and consumer electronics companies and national associations from every part of Europe. DIGITALEUROPE wants European businesses and citizens to benefit fully from digital technologies and for Europe to grow, attract and sustain the world's best digital technology companies. DIGITALEUROPE ensures industry participation in the development and implementation of EU policies.

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Denmark: DI Digital, IT BRANCHEN, Dansk Erhverv

Estonia: ITL

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France: AFNUM, SECIMAVI, Syntec Numérique, Tech in France

Germany: BITKOM, ZVEI

Greece: SEPE

Hungary: IVSZ

Ireland: Technology Ireland

Italy: Anitec-Assinform

Lithuania: INFOBALT

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Netherlands: NLdigital, FIAR

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Poland: KIGEIT, PIIT, ZIPSEE

Portugal: AGEFE

Romania: ANIS

Slovakia: ITAS

Slovenia: ICT Association of Slovenia at CCIS

Spain: AMETIC

Sweden: Teknikföretagen, IT&Telekomföretagen

Switzerland: SWICO

Turkey: Digital Turkey Platform, ECID

United Kingdom: techUK