

Croatia, Zagreb, June 14, 2020

Sign: D-20/103

European Commission

Subject: **Rule 651/2014**
– *discussion about draft of amendment of rule*

Dear Madams and Sirs,

I am writing you related to confusion in your rules for granting of research and development.

Related to my previous comments I am kindly asking you for solving of confusion in your rules.

I asked European Commission for opinion related to problem that I will describe (relation between categories of research and TRL), but I did not receive answer.

Unfortunately, confusion in calls in Croatia is result of confusion in rules of European Commission.

In different documents of European Commission, relation between categories of research and TRL (Technologies Readiness Level) different presented. It causes confusion in conducting of calls in whole Europe.

The most of money for supporting of research and development, in whole Europe spent wrong.

Rule 651/2014 described relation between categories of research and level of development of project, recital (47), page 9.

Yo did not clear define relation between categories of research and TRL, so, confusion is included in your second drat of amendment of rules.

Rule 651/2014, recital 47, page 9:

- (47) As regards project aid for research and development, the aided part of the research project should completely fall within the categories of fundamental research, industrial research or experimental development. When a project encompasses different tasks, each task should be qualified as falling under one of those categories or as not falling under any of those categories. That qualification need not necessarily be **chronological**, moving sequentially over time **from fundamental research to activities closer to the market**. Accordingly, a **task which is carried out at a late project stage may be qualified as industrial research**. Similarly, **an activity carried out at an earlier stage may constitute experimental development**. The aided part of the project may also include **feasibility studies preparatory to research activities**.

What is described in recital (47), page 9, of Rule 651/2014

	description (Rule 651/2014, recital 47, page 9)	category of research	the aid of intensity (%)	duration of R&D process
	chronological, from fundamental research to the market	market	not supported	longterm process up to 10 years
	task which is carried out at a late project stage may be qualified as industrial research	industrial research	50	
	an activity carried out at an earlier stage may constitute experimental development, feasibility studies preparatory to research activities	experimental development	25	
	chronological, from fundamental research to the market	fundamental research	100	

Relation between categories of research and TRL (from General Annex)

TRL	location	description	patents / added value	risk	ESIF calls Rule 651/2014	SME instrument
TRL 9	market	production / final product			only first production	
TRL 8	industry	relevant environment, testing, real conditions / R&D	patents granted, higher added value	lower risk	industrial research	Phase 2 (70%) up to 2,5 M €
TRL 7						
TRL 6						
TRL 5	laboratories	small equipment, experiments / R&D	patent application filed, lower added value	higher risk	experimental development	Phase 1 (70%) up to 50.000 €
TRL 4						
TRL 3*						
TRL 2						
TRL 1	scientific institutions	science, not for market / idea			fundamental research	

*Note: TRL 3 - testing of concept, preparing of feasibility study (support 50%)

European Commission is in process of preparing of amendment of Rule 651/2014.

What is content of draft of attached amendment?

https://ec.europa.eu/competition/consultations/2019_gber/index_en.html

https://ec.europa.eu/competition/consultations/2019_gber/gber_en.pdf

COMMISSION REGULATION (EU) .../...

of XXX

amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty DRAFT

In draft of amendment of Rule 651/2014 (page 2) you wrote:

(6) The Horizon Framework Programme defines which research and innovation actions are eligible for funding. In situations where such actions may also be eligible for State aid for research and development, it is necessary to clarify to what extent actions eligible under the Horizon Framework Programme correspond to the categories of fundamental research, industrial research or experimental development as defined by this Regulation. For that purpose, the definitions regarding Technological Readiness Level ("TRL") should be taken into account. TRL 1 corresponds to fundamental research, **TRLs 2, 3 and 4 to industrial research**, and **TRLs 5, 6 and 8 to experimental development**. On that basis, research and innovation actions under the Horizon Framework Programme should correspond to TRLs 1 to 4 and the category 'innovation actions', except for market replication, under the Horizon Framework Programme should correspond to TRLs 5 to 8.

It means:

TRL	category of research by Rule 651/2014, recital (47)*	category of research by draft of amendment** (wrong)
TRL 9	market	market
TRL 8	industrial research	experimental development
TRL 7		
TRL 6		
TRL 5		
TRL 4	experimental development	industrial research
TRL 3*		
TRL 2		
TRL 1	fundamental research	fundamental research

* Correct, by Rule 651/2014, by TRL scale from General Annex

** Wrong spending of European money, wrong conducted in th most of earlier calls (draft is in opposite with main rule)

Yellow coloured text in draft is in opposite with main rule (Rule 651/2014, recital (47), page 9, and with TRL from General Annex (So, why is missing TRL 7?).

It is important to note that European Commission earlier, in different documents, different used relation between categories of research and TRL. It caused confusion in granting of project of research and development.

I am sending you a few document form that is visible different practise in different documents, and different use of explanation or relation between categories of research and TRL in different calls.

Your second draft contains confused and contradictory information, too.

https://ec.europa.eu/competition/consultations/2020_gber/index_en.html

https://ec.europa.eu/competition/consultations/2020_gber/consultation_document_en.pdf

Content of draft:

(8) The Horizon 2020 and Horizon Europe Framework programmes define which research and innovation actions are eligible for funding. In this regard, the Commission notes that research and innovation action, as defined under the Horizon Framework Programme, will normally correspond to fundamental research and industrial research activities, as defined in this Regulation. Moreover, innovation action supported under the Horizon Framework Programme will normally correspond to the definition of experimental development activities under this Regulation. The simplifications as provided for in this Regulation in the area of research and development should, however, not be used to finance activities that are not eligible under State aid rules for EN 3 EN research and development, that is to say, activities going beyond the scope of experimental development activities. To this effect, the definitions regarding Technological Readiness Level (“TRL”) may also be taken into account by the Member States. The Commission points out that State aid for research and development activities **at TRL 9 level is considered to go beyond the scope of the definition of experimental development** and would consequently be excluded from the scope of this Regulation.

But, related to content of Rule 651/2014, recital 47, **TRL 5-8 is industrial research**, but not experimental development.

Rule 651/2014, recital 47, page 9:

(47) As regards project aid for research and development, the aided part of the research project should completely fall within the categories of fundamental research, industrial research or experimental development. When a project encompasses different tasks, each task should be qualified as falling under one of those categories or as not falling under any of those categories. That qualification need not necessarily be **chronological**, moving sequentially over time **from fundamental research to activities closer to the market**. Accordingly, a **task which is carried out at a late project stage may be qualified as industrial research**. Similarly, **an activity carried out at an earlier stage may constitute experimental development**. The aided part of the project may also include **feasibility studies preparatory to research activities**.

In line with my comment it is necessary to change and other places from draft in which is **wrong signed experimental development instead of industrial research**.

- Article 25a, point 2 (...beyond experimental development activities.)
- Article 25c, point 2 (...beyond experimental development activities.)
- Article 25d, point 2 (...beyond experimental development activities.)

I hope that your amendments will be in line with main rule (Rule 651/2014) and TRL scale form General Annex.

Based at Rule 651/2014 (recital 47 at page 9, Article 2 and Article 25) and based at TRL from General Annex it is:

TRL 9	production, market
TRL 5-8	industrial research (in industry or relevant environment)
TRL 2-4*	experimental development (laboratory development in laboratories)
TRL 1	fundamental research (in scientific institutions)
*Note: TRL 3	testing of concept and preparation of feasibility study (before R&D)

I will be at your response for additional information, and I can personally discuss with you about this.

Thank you in advance.

I am looking forward for your back information. It is very important for us and our project.

Best regards

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