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## Contribution of the Federation of Austrian Industries (IV) to the public consultation on the Review of the Communication on important projects of common European interest (IPCEI)

### Importance of the IPCEI instrument for Austrian industry and experience to date

Austria is participating in the IPCEI Microelectronics I and Batteries. A first round of expressions of interest has been made at national level for three new IPCEI on Hydrogen, Microelectronics II and Low CO2 Emissions Industry, with the former two potentially to be covered by the Austrian national recovery plan (final commitment by the federal government to Austria's participation in the three "new" IPCEI pending). From the point of view of the Federation of Austrian Industries (IV) it is key to enable Austria's participation in the European consortiums on these three IPCEI as soon as possible.

IPCEI offer industry in particular the opportunity for large, ambitious and powerful cooperation projects – from R&D to first application (with higher TRLs) and infrastructure development – on future-oriented and strategically important topics. The instrument thus strengthens intra-European cooperation and helps maintain and achieve European technological leadership and thus also supports sovereignty in strategically important areas vis-à-vis competition from the USA and Asia. By participating in IPCEI, industry can contribute significantly to a successful "green" and "digital" transformation. IPCEI are therefore also an essential instrument for recovery and for strengthening Austrian and European crisis resilience. Austria should therefore push IPCEI in fields with the potential to strengthen Austrian industrial companies as technology frontrunners in powerful trans-European consortia. In addition, the inclusion of EU funding sources should be sought in the strategic further development of the instrument.

While so far there has been constructive cooperation between all stakeholders, especially at the national level, experience with the preparatory process (submission and coordination) – not least due to the novelty of the instrument – has shown that there is still a considerable need to accelerate, simplify and optimise processes. Better predictability for participating companies is essential and should therefore continue to be strived for (see also below under "Need for reform").

### In detail on the draft revision of the IPCEI Communication:

#### **Art. 5 and 22d: Involvement of SMEs**

The improved involvement of SMEs is welcomed in terms of the competitiveness of the entire European innovation ecosystem. However, given the high requirements, complexity, duration and especially the high investment needs of companies in R&D&I and FID, SME involvement in IPCEI projects is often challenging. It is important that this does not delay and slow down the achievement of project objectives and spill-over effects (especially also for the industrial partners). The minimum financial effort (investment) for IPCEI should accordingly not be lowered too much on the basis of possible entry barriers for SMEs. With regard to the participation of SMEs, it should also be considered that especially financially strong companies (industrial frontrunners or "Leitbetriebe"), with a high degree of internationalisation and RTI orientation, are central hubs in the RTI ecosystem. In addition to strong interconnections with SMEs (800-1000 SMEs are associated with each of the approximately 270 leading companies in Austria), they are also characterised by consistent cooperation with science.

We would certainly be critical of the potential creation of (quantitative) mandatory criteria regarding the integration of SMEs.

### **Art. 17: A lower limit of at least 4 participating member states**

Setting the criterion of a minimum number of member states too high could lead to the exclusion of useful and strategically relevant projects. A minimum number of two participating member states would be a more sensible requirement. On a variety of topics, experience has shown that working with at least four member states (e.g. due to geographical distance, such as on energy and mobility topics) can be cumbersome. There is concern that this may create “artificial” or constructed consortia. While there is an exemption for fewer than four participating member states, but this exception is limited to narrowly defined cases only. The justification for fewer than four member states (“when justified by the nature of the project”) as set out in footnote 17 of the Communication should therefore not only refer to TEN-T (Trans-European Transport Networks) projects.

### **Art. 18: Consultation of all member states at the start of new IPCEI**

Ensuring that all member states are informed in principle and at a sufficiently early stage, thus giving the opportunity to participate is useful and offers the potential to reduce possible unilateral action by individual member states, desynchronisation or delays in the process. However, this should not slow down the whole process. For example, the processes of national expressions of interest in IPCEI Hydrogen and their handling were very different in terms of time and content. This could be avoided with a rigorous implementation (or expansion) of Art.18. It remains open who should be responsible for registration and information (politics, administration and/or industry).

It is important to revise the entire (application) process in order to be able to efficiently manage the high complexity due to multinational and multi-partner coordination. In particular, the time span between the expression of interest and the funding agreement should be significantly reduced.

### **Art. 21: In accordance with the “European Green Deal”**

Art. 21 states: “In line with the European Green Deal, the project must respect the principle of avoiding significant adverse effects and ensure that environmentally harmful subsidies are phased out”. It should be clarified what the European Commission considers to be “environmentally harmful subsidies”.

**Article 24:** In order to emphasize the transformation activities of energy intensive industries, Art. 24 should be complemented as follows: “24. Projects comprising of first industrial deployment must allow for the development of a new product or service with high research and innovation content and/or the deployment of **a production process fundamentally innovative and/or with a substantial environmental impact**. Regular upgrades without an innovative dimension of existing facilities and the development of newer versions of existing products do not qualify as first industrial deployment.”

### **Article 25: adapted definitions such as “first industrial deployment” (FID)**

The definition of FID is important, but it remains unclear to what extent the “first-in-kind” term can be used to scale up to competitive mass production, or whether this means that support is no longer available at this decisive step. If it is not allowed to use the planned investments and measures for direct commercial exploitation (“mass production”, “commercial activities”), a major incentive to implement these projects is lost, especially with regard to the European Green Deal and the related transformation activities of energy intensive industries. IPCEI projects can contribute significantly to cost degression and large-scale scaling. It should be provided that such installations may produce for the relevant markets and receive funding for the production volumes related to innovative aspects and as long as these pertain.

In the transport and mobility sector (rail, bus), there is a great need for roll-out funding. Especially in this sector, technical innovations are often available, but are not used due to the high costs of implementation. It would be desirable to give greater consideration to roll-outs (by OPEX, CAPEX funding).

### **Art. 26: Projects in the fields of environment, energy, health, etc. - significance for EU strategies**

In particular the inclusion of digital strategies, health and the aspect of climate protection offers the opportunity to support, accelerate and secure the development of Europe as a location for innovation, so not to fall behind other highly developed regions. The focus in terms of project significance must certainly be on strengthening European technological capacities in Europe.

By introducing the wording "... to the extent that they are not covered by points 23 and 24 ...", it is necessary to replace "...not limited to those specific sectors ..." with "not limited to those specific areas". In order for Art. 26 not to focus exclusively on specific economic sectors.

The European Commission should outline that all policies and measures that meet common European objectives, including those that will be developed in the future, would qualify as IPCEI. It should therefore be made clear that the policy areas listed in the Communication are not exhaustive.

### **Art. 34: Maximum aid intensity**

The relationship between the funding gap and eligible costs, which results in the concrete aid intensity, remains open and can thus not be sufficiently taken into account in investment planning and application. Similarly, the calculation of the funding gap is not sufficiently detailed and should be made more precise. It is not clear from the proposal how technical, regulatory and financial risks can be taken into account effectively when determining the funding gap.

Art. 34 bases the calculation of the funding gap on the lifetime of the investment. This could lead to projects under Art. 25 and Art. 26 not being eligible for funding at all or only barely, because the lifetimes of industrial plants span several decades and the funding period will be much shorter. Investors will therefore have to develop business models that lead to positive economic performance in the longer term, but require funding in the first few years. Therefore, it would make sense to focus on project duration, as is already the case in Art. 33.

### **Art. 37: Anchoring a claw back mechanism**

In light of long project durations and the need for companies (especially SMEs) to plan ahead in the long term, we are critical of this measure since it could prevent the participation of key partners and thus counteract the positive intention of the IPCEI instrument. A claw-back mechanism could also lead to undesired effects and thus less profitable products could be developed, which in turn minimises subsequent market success.

If a claw-back mechanism is applied, the framework conditions (e.g. scope, up to what point are claw-backs not permissible) must be clear and comprehensible from the outset in order to ensure planning and security. The development of alternative models for a balanced distribution of profits might also be considered.

### **Art. 39: Avoidance of distortion of international trade**

It is very difficult for companies to prove which aid a global competitor has received. The limitation of the time period under review for aid received by a competitor outside the EU to three years might not be sufficient to prevent distortions of competition in international trade in individual cases. Such distortions often only occur in a later period, which can easily exceed three years. In such cases, the period under consideration should be extended accordingly.

### **Art. 47: Assessing the risk of market foreclosure and dominance.**

The wording is very vague, the handling of IPs (Intellectual Property Rights) is not sufficiently addressed.

### **Art. 49: Exclusion of relocation of production capacities within the EEA**

Excluding the relocation of production capacities within the EEA area as a participation criterion is, questionable. Flexibility in production and in the supply chain are often key factors in remaining competitive in a volatile environment.

In addition, exemptions should be considered for companies that provide relevant services (e.g. railway undertakings, providers / companies in the mobility sector) based on varying locations.

#### **Art. 50/51: Adaptation of the transparency rules**

Aiming for increased transparency is understandable in principle. However, due to the innovative and strategic content for the participating companies, there are critical details to be considered. IPCEI partners are often also competitors. Hence the legislative framework of antitrust law must be observed. Trade secrets and confidential information must certainly be excluded from such publications. This must be systematically and rigorously checked beforehand.

## Important topics missing or not included in the draft communication

### **Simplification of processes**

There is a lack of central structures (platforms) to initiate projects more quickly and efficiently. In addition, there is a need for improved communication of the entire topic identification and initiation process of new IPCEI, including a transparent process and role description for different actors (e.g. research institutions) as well as the definition of milestones and a timetable. In addition, it is important to simplify and accelerate the application, review and approval of projects in order to meet the goal of implementing new ideas and products close to the market and to make IPCEI a real success factor for Europe. Cross-national synchronisation of the respective national (exploratory) processes should also be improved.

### **Project types**

It is important that the promotion of “First Industrial Deployment” (FID) does not take a back seat and is a clear asset of the instrument to enable faster implementation in the market.

### **Other instruments**

Linking European programmes definitely makes sense. In doing so it is important to ensure that the defining characteristics for funding are well coordinated and that greater attention is paid to synchronisation and compatibility. The funding lines between Horizon Europe and other R&D, pilot and demonstration projects and IPCEI are not always clear. A likely combination of funding instruments is the one of IPCEI and the ETS Innovation Fund. In this respect, it should be clarified that the part of the “relevant costs”, which is not funded by the ETS Innovation Fund, can be co-funded by an IPCEI and how this would work.

### **Spill-over effects**

We are critical of the focus of spill-over criteria only on countries not participating in IPCEI. The intention of spill-over effects requires a more detailed description due to their importance.

### **Definitions**

Necessary improvements are identified in the terms spill-over effects, market gap, funding gap; for example, it is not entirely clear how a funding gap is calculated in the context of the IPCEI instrument.

### **Additional funding**

The possibilities for additional funding through other instruments (union funds or international funds) should be more explicitly anchored. (e.g. in Art. 20 or Art. 34).

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