

## POSITION PAPER

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# Orgalim Position on Strategic Value Chains and Important Projects of Common European Interest

## 1. INTRODUCTION

Orgalim has followed with great interest the work developed by the Strategic Forum on Important Projects of Common European Interest (IPCEIs) launched by the European Commission in Spring 2018.

As the Strategic Forum is moving towards the finalisation of its Report, with a clear link being developed to the Report of the High-Level Industry Roundtable (HLIR) where Orgalim is represented by its President, we would like to provide our comments to the horizontal chapter. We have also provided separately our input to some of the chapters devoted to the six Key Strategic Value Chains selected by the Forum.

## 2. STRATEGIC VALUE CHAINS

As a champion for many years of an EU Industrial Policy that builds on Europe's strengths to unlock future growth and provides solutions to societal challenges, Orgalim supports the initiative and the debate on "Strategic Value Chains" (SVCs). Many sectors of our industries are at the core of strategic value chains which will play an important role in addressing the three Strategic Imperatives defined in our "[Industry Vision for a renewed Europe](#)".

Industrial Policy is becoming a central focus point of the EU's economic policy. There is a growing understanding that technology solutions, combining the physical and digital worlds, are key to providing solutions to the most pressing societal challenges we face, notably regarding sustainability and demographics. There is also a clearer recognition that Europe must carve out its future position in a more competitive, and less fair and rules-based international environment, with emerging economies moving rapidly up the value chain and growing geopolitical threats such as reliable access to raw materials or protection of critical infrastructures.

This calls for a more strategic approach towards unlocking the potential of Europe's future-oriented industry areas and deploying all available private and public instruments to drive their development and their deployment. The EU has at its disposal a large range of instruments, such as R&D & Innovation programmes and tools, public procurement, private investment incentives or various funding tools. Over time, progress

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has been made to better coordinate the use of the different instruments more strategically to achieve specific objectives, for example through the concept of smart specialisation in the EU's regional policy.

### 3. FUTURE APPROACH to IPCEIs

One instrument at the EU's disposal to support SVCs, where the Member States are instrumental, are the Important Projects of Common European Interest (IPCEIs), for the execution of which the granting of state aid might under certain conditions be considered as compatible with the Internal Market as stated in Art 107 TFUE, particularly 3(b). As recalled in the Commission Communication 2014/C 188/02 of 20 June 2014, an IPCEI is a project that, in the absence of less distorting instruments to address a market failure, has to comply with a number of cumulative and specific criteria to be eligible to receive state aid. This includes notably contributing to EU objectives, involving several Member States, having positive spill-over effects beyond the companies or the sector concerned, and having a large research and innovation dimension or be of great importance for the environmental, energy or transport of the EU or contribute significantly to the Internal Market. Any state aid granted to an IPCEI must be notified to the Commission.

Beyond the requirements set out under the EU treaties, we believe that a number of strategic considerations should guide the EU's future approach to IPCEIs:

- In the context of the current EU discussions on how to speed up the deployment of innovation, scaling up of projects and pooling of resources in order to increase Europe's future global competitiveness, IPCEIs are an instrument already available and ready to implement. We do encourage all EU Member States and industries to study the IPCEI framework as an instrument to deploy SVCs under the conditions outlined above, and to participate in the discussion triggered by the EU Strategic Forum on IPCEIs.
- The IPCEI instrument is, and should remain, an exception, to be used only when other available instruments are not suitable for supporting SVCs (including e.g. "regular" regulation/legislation, Horizon 2020/Horizon Europe, InvestEU etc). The fundamental commitment of the EU and its Member States to healthy and open competition on the EU internal market must remain in place.
- IPCEIs must not be considered as a tool for artificially shielding sectors from market developments, notably the trends of digitalisation, decarbonisation and as far as the energy sector is concerned increasing decentralisation. IPCEIs need to drive investment into innovative areas.
- The use of the IPCEI instrument should never constitute a justification for scaling back other EU funding instruments that are designed to support innovation and competitiveness in EU industry. They must be complementary.
- Where the IPCEI instrument is used it should contribute to the emergence of networks of interdependent and interlinked economic actors creating *future* added value around a product, a process or a service. The benefits of using the IPCEI instrument must be available to companies of all sizes.

- In order to ensure legitimacy in the use of IPCEIs, it is critical that a transparent process with effective governance is in place to develop a shared agenda between Member States, the Commission and industry.
- It is also important to explain how any use of the IPCEI instrument will catalyse wider benefits for industry beyond supporting the SVC in question. IPCEIs must not lead to a situation of Member States “picking winners”.
- For a successful future use of the tool, more analysis of processes, procedures, timelines, transparency and proper stakeholder involvement will be essential.

Set against these strategic considerations, we note the following points related to the concept of SVCs and the current status of discussions in the Strategic Forum on IPCEIs:

- Speed of deployment is important. The next EU Commission needs to decide quickly in what areas and on which SVCs it proposes action, as part of a coherent, inclusive and balanced industrial strategy.
- For any future SVC, the process should take into account ongoing industrial collaboration to a much higher extent than is currently the case to fully capitalise on the potentials of industrial collaboration and PPP model investments.
- Maturity of SVCs: some proposed SVCs require further detailed work of the interested stakeholders: the European Commission should take the lead to continue the good work started with the Strategic Forum.
- All experience with setting up the first IPCEI on microelectronics should be considered, particularly the need to move fast, to involve the Commission as coordinator and facilitator from the start (requiring Member States and companies involved to work within a single agenda and timeline), or to ensure a strong commitment by all stakeholders.
- IPCEIs should not be “exclusive”. The EU and the Member States involved must maintain an openness for other companies, sectors or actors to get on board.

#### 4. CONCLUSION

In short, IPCEIs should be seen as a tool to be used only in exceptional circumstances and as a complement to other available instruments, in close and transparent cooperation with the industry, and only with a clear justification that distortion of competition is justified and that the IPCEI will unlock broader future benefits for industry as a whole, beyond the benefits for the SVC concerned.