

| ROADMAP | | | |
|--|------------------------------|-----------------|-----------|
| TITLE OF THE INITIATIVE | European Defence Action Plan | | |
| LEAD DG – RESPONSIBLE UNIT | GROW I | DATE OF ROADMAP | 11 / 2015 |
| <p>This indicative roadmap is provided for information purposes only and is subject to change. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content and structure.</p> | | | |

A. Context and problem definition

- (1) What is the political context of the initiative?
- (2) How does it relate to past and possible future initiatives, and to other EU policies?
- (3) What ex-post analysis of existing policy has been carried out? What results are relevant for this initiative?

(1) The Commission in its July 2013 Communication (CCOM (2013) 542); “Towards a more competitive and efficient defence and security sector” set out a range of actions to reinforce the internal market, support competitiveness and encourage investment in innovation for Europe's defence sector. This was widely welcomed by Member States, the European Parliament and industry. The European Council of December 2013 in its Conclusions supported many of the proposed measures. President Juncker also made clear that support for the defence sector and the CSDP is a priority for his Commission. The political guidelines of the President stated: ‘The Treaty of Lisbon provides for the possibility that those Member States who wish to can pool their defence capabilities in the form of a permanent structured cooperation [...] Member States should also create more synergies in defence procurement. In times of scarce resources, we need to match ambitions with resources to avoid duplication of programmes’.

Since December 2013, the EU's security situation has deteriorated significantly. There has been an increased intensity, frequency and complexity of conflicts and crises in Europe's immediate neighbourhood. In addition, attacks in several Member States have had an impact on the internal security situation and highlighted the linkages between external and internal security. This has raised the threat perception in Member States and among the general public. Europe is confronted with rising security challenges within a changing strategic context while the crisis continues to affect its security and defence capabilities.

(2) The most relevant Commission policy in this context is the industrial and internal market strategy as expressed in the 2013 Communication and its implementation together with related trade policy initiatives, especially, including the ongoing review of European strategic export control policy. In addition, the European External Action Service (EEAS) and European Defence Agency (EDA) have also been working on the implementation of the European Council Conclusions of December 2013 and subsequent Conclusions from a number of Defence Foreign Affairs Councils (Defence FAC). The primary objectives of this work are to make the Common Security and Defence Policy (CSDP) more robust and strengthen European defence capabilities. In June 2015 the European Council asked the High Representative to prepare an EU global strategy on foreign and security policy by June 2016. Furthermore, the Netherlands has announced that it will explore the benefits of a European Defence White Paper or similar document to identify EU military capability needs during its Presidency of the EU (January – June 2016). Timing wise, the Action Plan is likely to be adopted after the Global Strategy and a possible document identifying military capability needs.

There has also been a move towards greater synergies between the work of the EEAS, EDA and the Commission in support of the CSDP, in particular with the Joint Communication on an EU Comprehensive Approach to External Conflict and Crises in December 2013 (JOIN (2013) 30) which was followed by joint initiatives on maritime security, cyber defence and most recently a Joint Communication on Capacity Building in support of Security and Development. Currently work is underway on a joint approach to hybrid threats. The Commission and EDA enjoy good cooperation with regard to exchanging information on, respectively, security research under the FP7 and H2020 programmes and defence research co-ordinated by the EDA. This streamlines the respective research agendas, yields mutual benefit from knowledge sharing and most importantly avoids duplication of funding.

(3) Since the original Communication the Commission has adopted two further reports (1. Implementation Roadmap, A New Deal for European Defence (COM 2014 387) in June 2014, and 2. A Progress Report (http://ec.europa.eu/growth/sectors/defence/files/communication-implementation-report_en.pdf) on the implementation of the Communication adopted in May 2015) which examined progress in implementing the actions and developments affecting Europe's security situation. The analysis in these reports and the work of the EEAS and EDA confirm the deterioration of Europe's security situation and the need to do more to develop a more co-ordinated and robust European approach to defence co-operation.

| |
|---|
| In addition, in the field of space, a study was commissioned to look at "the requirements for SATCOM to support EU Security Policies and infrastructures". This is due to report shortly. |
| What are the main problems which this initiative will address? |
| The European defence sector is characterised by persistent fragmentation (80% of national contracts awarded nationally) with unnecessary duplication of capabilities (EU has 19 types of armoured infantry fighting vehicle compared with one in the USA), organisations and expenditure. This problem is aggravated by shrinking national defence budgets and a major reduction in investment in defence R&D (around 20% over the last 6 years) on which the future competitiveness of our industry depends and threatens the long-term strategic autonomy of European defence. There is also a growing blurring of the dividing line between defence and security as the defence sector increasingly relies on civil technologies and products while, at a European level, there are many challenges on the way to a more comprehensive approach towards developing more joined-up policy-making for both sectors. In this context, a strong, competitive, and innovative European Defence Technological and Industrial Base (EDTIB) needs more defence cooperation, a more efficient internal market, more robust security of supply guarantees, competitive and integrated supply chains supported by efficient defence and dual-use export controls, and support to research and innovation. |
| Who will be affected by it? |
| The Action Plan will affect Member State authorities, European defence and security industries. |
| Is EU action justified on grounds of subsidiarity? Why can Member States not achieve the objectives of the proposed action sufficiently by themselves? Can the EU achieve the objectives better? |
| The costs involved in developing new defence and space capabilities are so great that it is often beyond the scope of even the biggest countries to develop on their own. Many national defence budgets are shrinking and the impact is aggravated by the persisting fragmentation of European markets which leads to unnecessary duplication of capabilities, organisations and expenditure. Co-operation and EU-wide competition remains the exception with more than 80% of investment in defence equipment being spent nationally. As a result, Europe risks losing critical expertise and autonomy in key critical areas. Furthermore, investment in defence R&D has fallen dramatically and this has serious implications for the long-term competitiveness of the sector which depends on innovation. Greater European co-operation provides the only practical way forward in a number of areas and there have been repeated calls from Member States for the help of European Institutions (particularly the Commission) to achieve this. |

B. Objectives of the initiative

| |
|--|
| What are the main policy objectives? |
| <p>The Action Plan will first deliver on the elements foreseen in the July 2013 Communication and a follow up to the Conclusions from both the European Council and the Defence FAC Council. It will also be an opportunity to go beyond and put forward new elements in support of greater European defence co-operation.</p> <p>The main objectives of the Action Plan will be to bring together core elements of our existing defence policies on the internal market, industrial policy and research and combine them, in a coherent way with new initiatives to provide synergies between security and defence especially in the field of space.</p> <p>It will also be an important piece of the broader agenda on EU defence policy where there is widespread political will for more to be done at the European level to support the CSDP and related policies, Member States have expressed willingness to make progress on the industry front. As part of the new elements to be promoted, it is also important that synergies with other Union policies (e.g. internal security, transport, space, energy, research) are further strengthened and exploited. The work should also build upon existing networks and cooperation in areas of mutual interest (such as on detection technologies, and methods to counter improvised explosive devices and other CBRNE threats). To this effect, a clear political signal is needed in favour of the development of a new capacity programme in the field of Government Satellite Communication (GOVSATCOM). Work is ongoing to define the exact scope and the ambition of the Action Plan, together with the EDA and EEAS.</p> <p>To be more specific, the overall objective of the initiative is to contribute to ensuring that the EDTIB remains integrated, competitive, innovative, and sufficiently broad to support these priorities and the development of the military capabilities that Member States may need to meet future security needs.</p> <p>In particular, the specific objectives of the Action Plan are:</p> <p>1) to deliver the Preparatory Action for Defence-related research, as a central feature of the Action Plan. This will, for the first time, provide a basis for the consideration of EU funding for defence-related research in this area which is currently not possible under the Horizon 2020 programme. This would complement not replace, national R&D programmes in this field. The aim is to improve access to technologies and innovation to make Europe's defence sector more competitive. The outcome of this Preparatory Action is expected to provide the necessary evidence to</p> |

consider an ambitious and well-funded EU research programme in support of the EU defence industrial base in the future. The Preparatory Action should test the added-value of European support in this area and to ensure it is a credible basis for the future debate on a possible follow-up research programme in the area of defence.

2) to implement a strategy for the evaluation of results under Horizon 2020 and their dual use potential, in order to benefit defence and security industrial capabilities. On this basis, the European Commission will work with the EDA and Member States to develop proposals to stimulate further dual use research, and in particular, to support greater funding for key enabling technologies which are likely to be essential for the future of both the defence and security sectors.

3) to identify priorities concerning potential future funding of defence technologies in accordance with the Treaties.

4) to further progress towards a more efficient internal market for defence, which caters for the specificities of the sector, as a key instrument for a strong and competitive EDTIB. This is to be pursued through a consistent set of inter-related actions:

- Supporting the effective implementation and application of the Defence Procurement Directive and of the Intra-EU Transfers Directive. The evaluation of the implementation and performance of the two Directives will be finalised in 2016 and the results will be reported to the European Parliament and the Council. This will provide a sound basis for future work. Specifically for the Intra-EU transfers Directive, work will continue to develop a harmonised approach to the use of general licences provided by the Directive. For the Procurement Directive, work will focus on the identification of good practices, development of guidance and dialogue with Member States to ensure and facilitate the correct application of the Directive;
- Contributing to improving security of supply which is crucial for the development of long-term planning and co-operation, as well as for the functioning of the internal market through a Roadmap for a comprehensive EU-wide Security of Supply Regime;
- Supporting defence-related SMEs, in particular by identifying ways to improve cross-border market access for SMEs and intermediate sized companies and better integration into European and global supply chains;

5) Provide greater support for national and European space capacities and capabilities, in particular in the area of Government Satellite Communications (GOVSATCOM), secured communications through satellites used by public authorities, which would reinforce synergies between space related activities and defence.

6) Identify and propose other actions which would further develop and support the Union's objectives in the area of defence. These actions should take into account existing synergies and areas of civil-military cooperation with other Union policies such as dual-use export controls.

Do the objectives imply developing EU policy in new areas?

Yes, especially in the field of space, defence-related research and dual-use technologies.

C. Options

(1) What are the policy options (including exemptions/adapted regimes e.g. for SMEs) being considered?

(2) What legislative or 'soft law' instruments could be considered?

(3) How do the options respect the proportionality principle?

The policy options largely build on the implementation programme that has already been developed for the 2013 defence Communication. The key objective is to bring this programme together with new elements (especially for dual-use industries) to provide a substantive basis for a discussion with Member States on strengthening the Commission's contribution to improving European defence and security co-operation.

The aim is to set out this approach in the form of a Communication. This could be accompanied by a concrete initiative for GOVSATCOM depending on the outcome of discussions with Member States on the way forward in this area.

This Action Plan will fully respect the proportionality principle. There will be close collaboration with the EDA and the EEAS and regular consultation with Member States and stakeholders to ensure that measures to be included in the Action Plan are proportionate.

D. Initial assessment of impacts

What are the benefits and costs of each of the policy options?

A significant part of the Action Plan will reflect existing policies and legislation (i.e. the Defence Directives are already in place). These measures are designed to improve the efficiency of the single market by creating business opportunities for all of Europe's defence-related companies across the EU regardless of their size and

| |
|---|
| <p>location and provide greater value for money for MSs. The Transfer Directive is also designed to reduce the administrative burden on companies and national administrations by introducing a common approach to licensing of transfers of defence-related products within the EU.</p> <p>The new element would be a concrete proposal for an initiative in the area of GOVSATCOM. This could, in the long-term, have significant costs depending to what extent Member States wish to pursue a European option for developing new capacities in this area. The aim of the Action Plan is to launch the debate in this area rather than to identify a single way forward and so potential costs are impossible to estimate at this stage.</p> |
| <p>Could any or all of the options have significant impacts on (i) simplification, (ii) administrative burden and (iii) on relations with other countries, (iv) implementation arrangements? And (v) could any be difficult to transpose for certain Member States?</p> |
| <p>This is difficult to estimate currently as the full scope of the Action Plan has yet to be decided but these issues do not apply to existing policies that will make up part of the Action Plan as they have already been agreed. A proposal on GOVSATCOM should reduce the administrative burden on Member States if a common programme is agreed to secure new capabilities.</p> |
| <p>(1) Will an IA be carried out for this initiative and/or possible follow-up initiatives? (2) When will the IA work start? (3) When will you set up the IA Steering Group and how often will it meet? (4) What DGs will be invited?</p> |
| <p>Not at this stage. If necessary, impact assessments will be undertaken at a later stage on individual initiatives foreseen under the Communication. In particular, this is likely to be the case for a GOVSATCOM initiative.</p> <p>An Impact Assessment Steering Group will be created with relevant services of the Commission, EEAS and EDA. It is expected to start work in November 2015.</p> |
| <p>(1) Is any option likely to have impacts on the EU budget above € 5m? (2) If so, will this IA serve also as an ex-ante evaluation, as required by the Financial Regulation? If not, provide information about the timing of the ex-ante evaluation.</p> |
| <p>The main proposal that will have a budgetary impact above €5 million will be the Preparatory Action. Following a proposal by the Commission, the budget for this will be decided as part of the budgetary procedure for the 2017 budget starting in March next year.</p> <p>The initial budgetary requirements for the GOVSATCOM proposal will be assessed following the completion of the SATCOM study which will also be the basis for the possible impact assessment.</p> <p>The extent to which ex-ante evaluations will be required remains to be seen.</p> |

E. Evidence base, planning of further work and consultation

| |
|--|
| <p>(1) What information and data are already available? Will existing IA and evaluation work be used? (2) What further information needs to be gathered, how will this be done (e.g. internally or by an external contractor), and by when? (3) What is the timing for the procurement process & the contract for any external contracts that you are planning (e.g. for analytical studies, information gathering, etc.)? (4) Is any particular communication or information activity foreseen? If so, what, and by when?</p> |
| <p>The Action Plan and the different actions included therein will be based on already available information and data (see for example the impact assessments of the two Directives and the Staff Working Document accompanying the 2013 Communication) as well as on-going evaluation work (evaluation of the two Directives with the view to implementation reports to European Parliament and Council). There will likely be an Impact Assessment for the envisaged GOVSATCOM initiative.</p> <p>In addition, the different actions of the Action Plan will be designed and implemented on the basis of comprehensive and continuous consultations with Member States and stakeholders using established and ad hoc forums and tools. There has been a meeting with Member States on 26th October to discuss the main elements of the Action Plan on defence issues.</p> |

Which stakeholders & experts have been or will be consulted, how, and at what stage?

DG GROW has an ongoing stakeholder dialogue with Members States, industry and other relevant stakeholders on these issues.