



**MINUTES OF THE THIRD MEETING OF THE MEMBER STATES' GROUP
ON KEY ENABLING TECHNOLOGIES
4 February 2014, Brussels**

1. MORNING SESSION – meeting with Commission services

The meeting was chaired by Pedro ORTUN, Director of Service Industries, DG ENTR.

1. 1. Welcome introduction

Pedro Ortun, Director of Service Industries at DG ENTR, welcomed the participants and explained that the discussion at the European Council planned for February 2014 with a special focus on industrial competitiveness was moved to March. The European Council will then discuss on industrial competitiveness together with energy and climate issues which is a decision with positive aspects as it gives the possibility for a more coordinated and consistent approach to the EU competitiveness debate. In this framework, the contribution of KETs as a pillar of EU's industrial strategy could be highlighted as KETs are the technological bricks for developing low carbon product solutions and deliver energy and resource efficiency.

1. 2. State of play for the implementation of the European Strategy for KETs

Michel Catinat, Head of Unit 'Key Enabling Technologies and Digital Economy' at DG ENTR, presented the status of implementation of the EU instruments and policies in support of KETs deployment. The ambitious objective of EU industrial policy is to increase the importance of industry in the economy of the EU from currently 15, 2% to 20% of GDP by 2020 and to this end, KETs are essential pillars in achieving this target.

He first focused on the adoption of the H2020 WP including several calls for KETs pilot lines. He underpinned the new elements in H2020, notably the *specific set of selection criteria for KETs pilot lines* (e.g. commitment to first manufacturing, co-operation along the value chain).

As regards the financing for KETs, he highlighted further the importance of priorities to be identified in the smart specialisation strategies. Furthermore, Mr Catinat pinpointed that as result of the signature of the Memorandum of Understanding with the EIB in February 2012, the EIB lending to KETs projects in 2013 was increased by 60%. Mr Catinat informed the participants also on the actions in support of SME's pan-European access to technology platforms and in support of KETs skills.

1.3. Presentation of the Communication 'For a European Industrial Renaissance'

Eliana Garcés Tolon, deputy Head of Unit 'Industrial Policy Competitiveness for growth' at DG ENTR, presented the Communication 'for a European Industrial Renaissance' which was adopted in January. Ms Garcés Tolon highlighted that the *Industrial Policy Communication* adopted in October 2012 remains valid and that this updated Communication was prepared in view of the thematic European Council on Industry initially scheduled for February 2014.

Ms Garcés Tolon underlined that industry is a key driver for recovery and identified that manufacturing is both the major source of technological progress and the sector where innovations and new technologies are primarily implemented and turned into productivity growth, as well as the major source of the EU's trade balance.

The key elements of the Communication - to be discussed at the European Council in March – focus on the political support needed for Industry at the highest level, the Commission key priorities for industrial policy and on mobilizing actors across the economy to deliver industrial change. This Communication highlights that 'growth and competitiveness' are top priorities for the Commission and the Member States at this time when Europe is emerging from the longest-ever recession. The priorities of the Commission response to the challenges hampering growth may be summarised in the need to mainstream industrial competitiveness, to use of financial resources at EU disposal, provide a business friendly environment, ease access to production inputs, maximise Europe's internal market's potential whilst boosting access to external markets.

1.4. The State Aid Modernisation and its impact on increasing the KETs competitiveness

Carlos Tenreiro, Deputy Head of Unit 'Research and Development, innovation and risk capital' at DG COMP, presented the basic state aid instruments which are currently under revision, notably the GBER, the RDI and the IPCEI. The revision of these instruments is in line with the Communication on State Aid Modernisation (SAM) adopted in 2012 which has three separate but complementary objectives: foster growth in a strengthened, dynamic and competitive internal market, focus enforcement on cases with the biggest impact on the internal market, streamlined rules and faster decisions.

Mr Tenreiro first informed the participants on the recent adoption of the new *Guidelines on Risk Finance* which are of major concern to SMEs since they set out the conditions under which Member States can grant aid to facilitate access to finance by European SMEs and companies with a medium capitalization (the so-called "midcaps"). Certain SMEs and midcaps, in particular innovative and growth-oriented SMEs in their early development stages, have difficulties to get funding, independently of the quality of their business potential. State aid can help address this funding gap, not by replacing existing funding channels but by attracting fresh money into new ventures through well-designed financial instruments and fiscal measures. He, then, presented the *General block exemption Regulation* (GBER) which simplifies aid granting procedures for Member States by authorising *without prior notification* a range of measures fulfilling horizontal common interest objectives. He underlined that the revised GBER *significantly extends the exempted aid by providing higher notification thresholds and aid intensities* in many areas, and by *including a number of new categories of aid*. Thus the revised draft (under public consultation) further simplifies the assessment and results in reducing the administrative burden for Member States. He concluded that the enlargement of the scope of the GBER and simplification are balanced by increased transparency of aid measures and by strengthened ex-post controls.

Mr Tenreiro then presented the *Community Framework for state aid for research and development and innovation* ("R&D&I Framework") which sets out the conditions Member States should respect when granting aid to industry for R&D&I related activities. The R&D&I Framework (under public consultation) will only apply to large amounts of state aid that need to be notified as most cases will be hence covered by the GBER. Mr Tenreiro highlighted a *significant novelty* in the GBER and the R&D&I Framework with regard to centrally managed Union funding (e.g. H2020, COSME) which is not counted for cumulation purposes in the case of state aid.

He concluded his presentation with the very recent and new draft Communication on Important Projects of Common European Interest (IPCEI) under public consultation. IPCEIs represent an important contribution to economic growth, jobs and competitiveness for EU industry and contribute to achieve the Union's flagship initiatives and key areas for economic growth such as KETs. The IPCEI instrument is

relevant for all policies and applies to all sectors of economic activity. This horizontal Communication sets out clear eligibility and compatibility criteria for IPCEI and the possibility of a 100% coverage of the funding gap in relation to eligible costs. Eligible costs in case of aid to a project of first industrial deployment that follows an R&D&I activity include capital and operating expenditures. The adoption of all three instruments (GBER, R&D&I, IPCEI) is foreseen for late April and their entry into force by the 1st of July 2014¹.

1.5. Synergies between European Structural and Investment Funds and H2020 and combining EU funding sources for ambitious industrial projects

Heidi Moens, policy officer Key Enabling Technologies at DG ENTR explained the regulatory novelty to combine two EU funding sources, Horizon 2020 and ESIF, within the same project, subject to the absence of double financing for the same cost item. She then focused on the principles of combined funding and on the different steps to elaborate combined funding proposals.

Ms Moens updated the participants on the *Guide on Synergies* between ESIF, Horizon2020 and other innovation-related EU funds currently under elaboration. In addition, stakeholders will also be provided with a *Guide on EU funding opportunities for R&I for end beneficiaries* and *Guidance on synergies among financial instruments* (under elaboration).

1.6. Questions and Answers and exchange of views

The questions by the participants focused first on smart specialisation and highlighted the importance of KETs deployment activities to be supported by the regions. The Commission confirmed that 2/3 of the regions registered in the smart specialisation platform have identified KETs as a priority and that cluster-specific actions are being promoted. Moreover, combining Horizon 2020 funds and ESIF will allow combined public support, and this could be specifically interesting for ambitious industrial projects.

Several MS highlighted the need of political support to achieve the industrial policy target of 20% and asked the Commission to pursue this dynamic to the European Council next month.

The Italian representatives informed the participants of the Second European Ministerial Conference of Friends of Industry held in Rome on 30/1/2014 to support Europe's industrial Renaissance and the signature of a Joint Communication. The Italian Presidency (second semester 2014) has defined Industrial Policy as a priority.

There were questions on State aid for research infrastructures with economic activities. In response, it was clarified that research infrastructures carrying out 'non-economic' activities are not subject to State aid rules and that public funding falls under State aid rules only insofar as it covers costs linked to the economic activities. It was highlighted that according to the on-going revision of the R&D&I Framework, economic activities up to (currently) 15% of the research infrastructure's budget are considered purely ancillary and thus the funding of the research infrastructure falls outside state aid rules. The Commission made clear to a question regarding the combination of state aid with EU funding, that Union funding centrally managed by the Commission (e.g. H2020, COSME) does not constitute State aid and is thus not taken into account for cumulation purposes.

¹ Post-meeting note : GBER and R&D&I Framework were adopted on 21 May 2014 ; IPCEI was adopted on 12 June 2014

2. AFTERNOON SESSION – joint meeting with SHERPA GROUP OF KETs HLG

M. Ortun summarised the key points of the morning session for the representatives of the Sherpa group of the KETs HLG that joined the meeting and emphasised the expressed request for a strong political support for KETs from the forthcoming European Council.

2.1. Presentation of the Report on 'KETs for a Competitive Europe'

Gabriel Crean, Sherpa of the President of the KETs High Level Group, welcomed the members of the Member States group and highlighted the significance of the European Council in March for the KETs-based manufacturing in Europe. He then presented the *outline of the synthesis document* prepared by the KETs High Level Group to European stakeholders in view of the European Council on Industrial Competitiveness.

Mr Crean first underlined Europe's *need to invest in KETs-based manufacturing* to build and sustain economic growth and jobs. He explained that the European manufacturing and KETs-related industries face several challenges, provoked by Europe's high unemployment (over 26.5 million unemployed persons in 2013), the US 're-shoring initiative' launched by President Obama with the aim of bringing back to the US key manufacturing industry and jobs, and by the continuous Asian rise in R&D and manufacturing. Mr Crean then focused on the *need to address the European bottlenecks* which prevent Europe's industrial competitiveness in KETs. He presented the specific bottlenecks regarding KETs development, manufacturing, investment and economic and strategic independence, which remain to be addressed at EU and national level, in order to achieve Europe's full economic potential in a global industrial field.

Mr Crean explained that the way forward *requires joined forces between political leaders and private stakeholders* for the reindustrialisation of Europe and to this end, the HLG on KETs invites the European Council to provide political impetus for the implementation of a favourable European KETs innovation landscape. Mr Crean concluded his presentation by requesting the support of the KETs Member States Group to acknowledge the instrumental role of KETs in the EU industrial policy and to provide political support to the Commission in the rapid implementation of the European strategy for KETs.

2.2. Open discussion

A first set of questions focused on the US 're-shoring' policy and its implications for manufacturing and were responded by Mr Crean who explained the initiative launched by President Obama. Then the need for an EU 're-shoring' policy was discussed among participants.

A second part of questions was on the issue of funding and the practical difficulties encountered in submitting proposals for combined funding. The participants presented their own examples and shared the need for further clarification on this subject. Mr Ortun came up with the proposal for an Information Day to be organised in March, in order to elaborate more on the guidance for synergies.

The participants discussed on the message to be conveyed to the European Council in March. They all agreed that KETs is the appropriate tool to achieve all three targets set by the European Council simultaneously - notably the reindustrialisation of Europe and climate and energy targets.

2.3. KETs Ecosystems: the mutual support and cross-fertilisation between large enterprises and SMEs in Europe

Michael Berz, policy officer of Key Enabling Technologies, presented the first results of the analysis in the field of KETs Ecosystems - the mutual support and cross-fertilisation between large enterprises and SMEs in Europe. The objective of the quantitative and qualitative analysis is to gather figures and data about the local evidence of cross-fertilisation in KETs ecosystems. Preliminary conclusions (based on case studies)

show the strong interconnections between large companies and SMEs in KETs ecosystems and evidence of a leverage effect. Further analyses are on-going.

2.4. Concluding remarks

Mr Crean emphasized once again the importance of the forthcoming European Summit on Industrial Competitiveness which is a unique opportunity for supporting the KETs industrial policy. He called the Members of the MS group to convey this message to their Member States and to ask for their support to the report on 'KETs for a competitive Europe'.

Mr Ortun informed that the Competitiveness Council will take place on the 20/2/2014 and the EU Summit on the 21/3/2014.

Mr Ortun confirmed that the Commission will organise an Information Day in March on KETs on Smart Specialisation strategies and the synergies between H2020 and ESIF.

Mr Catinat informed the participants that the next MS group meeting will take place in July - the date to be confirmed. The MS Group on KETs will be kept informed on the state of play of the draft Framework for State Aid for R&D&I, the GBER and the IPCEI which are currently under public consultation. Mr Catinat requested the Members of the Group to submit to the Commission proposals for presentations on national/regional KETs-related initiatives for the forthcoming meeting.

3rd meeting of the Member States' Group on Key Enabling Technologies (KETs)

Tuesday, 4 February 2014 – Brussels

Albert Borschette Conference Centre (CCAB-2B)

Rue Froissart 36, 1040 Brussels, Belgium

Agenda

Morning session – Meeting with Commission services (CCAB – Meeting room 2B)

9:30-10:00 **Registration and welcome coffee**

10:00-10:10 **Welcome introduction** by Pedro ORTUN, Director Service Industries, DG ENTR

10:10-10:35 **State of play of the implementation of the European Strategy for KETs**, by Michel CATINAT, Head of Unit 'Key Enabling Technologies and Digital Economy', DG ENTR

10:35-12:45 **Update on KETs in the revised EU policies**

- Commission Communication '**For a European Industrial Renaissance**', by Lennart GRUNDBERG, Policy Officer, DG ENTR;
- '**The State Aid Modernization and its impact on increasing the KETs competitiveness**'; the revision of the R&D&I framework and the GBER, Important Projects of Common European Interest (IPCEI); presentation by Carlos TENREIRO, Deputy Head of Unit, DG COMP;
- **Synergies between European Structural and Investment Funds and Horizon 2020 and combining EU funding sources for ambitious industrial projects**, by Heidi MOENS, Policy Officer KETs, DG ENTR;

Questions and answers and exchange of views

12:45-14:00 **JOINT LUNCH** Member States Group on KETs and representatives of the Sherpa working groups of the KETs High Level Group (**CCAB – second floor**)

Afternoon session – Joint meeting with representatives of the Sherpa working groups of the KETs High Level Group (CCAB – Meeting room 2B)

- 14:00-14:10 Introduction by Pedro ORTUN, Director Service Industries, DG ENTR
- 14:10-14:20 Introduction by Gabriel CREAN, Sherpa of the President of the KETs High Level Group
- 14:20-16:00 Presentation of the **Report on 'KETs for a Competitive Europe'**, by Gabriel CREAN and representatives of the Sherpa working groups
- Open Discussion
- 16:00-16:30 **KETs Ecosystems: the mutual support and cross-fertilization between large enterprises and SMEs in Europe**; Presentation by Michael BERZ, Policy Officer KETs, DG ENTR
- 16:30-16:45 Concluding remarks