



Letter of Intent
between
the European Innovation Council (EIC)
and **the first wave Knowledge and Innovation Communities (KICs)**
(Climate, Digital and Energy¹)
of the European Institute of Innovation and Technology (EIT)

“Towards an open fully-fledged systemic and structural cooperation between the EIC and the first wave EIT- KICs with the ambition to strengthen the European Innovation Area by building a more integrated and inclusive EU innovation ecosystem for the benefit of EU innovators”

FOREWORD

More than ever innovation is central to Europe’s ability to generate new jobs and inclusive and sustainable growth. We need innovative ideas to tackle the major societal challenges, such as the current COVID-19 crisis, climate change, digital transformation or food security. We must not only continue to invest, but to increase our capabilities in R&I in order to drive prosperity and create the right conditions for Europe to become a world leader in the field of innovation again.

In recent years, the EU has made significant progress to reinforce its global position in basic science, including in fields that are critical for our future economy such as Artificial Intelligence (AI), bioscience and novel materials. In particular, the European Research Council (ERC) has established itself as a beacon attracting excellent scientists from across the EU and internationally. Europe has also caught up with the US and other regions in terms of the number of startups. It has started to reshape its still fragmented and divided innovation ecosystems, notably through actions such as those led by Knowledge and Innovation Communities (KICs) of the European Institute of Innovation and Technology (EIT)² and more recently the enhanced pilot of the European Innovation Council and its Accelerator scheme. The EU Investment Plan and notably the European Fund for Strategic Investments (EFSI) has also substantially increased the availability of finance for innovative projects and SMEs, including through the launch of the Venture EU initiative and the success of its guarantee and equity schemes for innovative startups and SMEs (EFSI/H2020 InnovFin SME Guarantee and EFSI/H2020 InnovFin).

¹ Respectively EIT Climate-KIC, EIT Digital and EIT InnoEnergy.

² Currently 8 KICs are in operation, i.e. EIT Climate-KIC, EIT Digital, EIT InnoEnergy, EIT Health, EIT Raw Materials, EIT Food, EIT Manufacturing and EIT Urban Mobility.

However, while Europe was the world leader in technology at the start of the 20th century, at the beginning of the 21st century it is far from this position. Europe remains in a weak position in terms of transferring research excellence into innovation³ and for the scale up phase of innovative startups⁴ relative to the US and Asia⁵.

Over the coming decade, large parts of the economy and more globally of the society itself will be reinvented due to the emergence of technologies such as i.a. AI, quantum, robotics or blockchain. A deep-tech revolution, heavily relying on science and engineering, is running and is being accelerated by the damages caused by the humanitarian, economic and social Coronavirus crisis. For Europe to emerge stronger after the Coronavirus crisis, we need to direct our investments towards game-changing innovations that create a sustainable and human centric digital and green future.

Europe has the talent, motivation and resources to lead the world in the next generation of breakthrough technologies and game changing innovations. Now, more than ever, is the time to encourage visionary and game-changing innovators, researchers, entrepreneurs and investors; to direct resources into high-impact ideas, ventures and investments. It is also important that our industries and new businesses lead on major innovation opportunities emanating from deep-tech in the coming years. It is time to show talented young innovators, researchers and entrepreneurs that Europe is the best place for them to develop their potential and realise their dreams and ambitions.

To achieve these goals, smart public policy and relevant funding means are urgently needed to maximise the opportunities and tackle the existing barriers of fragmented innovation ecosystems, fragmented and relatively small VC market, risk aversion for disruptive science and innovation, and insufficient scaling of the innovations on the market. The vision developed by the European Commission and in particular by Mariya Gabriel, EC Commissioner for Innovation, Research, Culture, Education and Youth, through proposing a strong and potentially impactful 3rd pillar into Horizon Europe dedicated to Innovation is a significant new step in the right direction. Articulated along 3 programmes (the EIC, the EU innovation ecosystems and the EIT), the “Innovative Europe” pillar have all the ingredients and potential to create a powerful impact on EU innovation ecosystem. , subject 2 main conditions are achieved: a relevant financial dotation (at least equal to the proposal made by the Commission in May 2020) and a full and complete involvement of all concerned actors in a synergetic, efficient and structured way for the benefit of EU innovators and consequently for EU citizen and society.

While we count on the wisdom and vision of our policy makers to ensure the first condition to be met in the very next months and all along the next seven years, it is our duty to contribute actively to the second.

³ e.g. the EU is a world leader in AI research, but far behind other regions on AI commercialization.

⁴ e.g. the EU is home to only a handful (~5%) of €1 billion startups (“unicorns”).

⁵ To be noted also for example that none of the 20 global internet companies by market valuation in 2019 are from the EU (i.e.11 from the US (including the top 5), 9 from China).

Consequently, we have decided to take a new step in our cooperation and to sign this Letter of Intent (LoI).

A- CONTEXT

Whereas,

1. The EIT is a European Union body, established in 2008, having designated eight Knowledge and Innovation Communities (EIT KICs), each of them addressing a specific societal challenge. The EIT Community has presence all over Europe with over 2,000 partners, making it a pan-European networked endeavour. The EIT Community bridges the “gap” between research and market by strengthening the links between education, research and business (Knowledge Triangle Integration). The EIT KICs are set up as independent entities.
2. Since **2010**, the **first wave EIT-KICs** (public private partnerships organized as independent legal entities) have developed **trusted innovation ecosystem specialized in three thematic areas** (Climate, Digital, Energy). They have become, **each one**, thriving open partnerships composed in 2020 of more than **400+ innovative institutions** from **business** (start-ups, SMEs, corporates), **research** (RTOs), **higher education** (Universities, Business Schools), **financial sector** (BA, PE, VCs, public and private banks) and **public administration bodies**; mostly European but also international. With the initial support of the European Institute of Innovation and Technology (EIT) since 2008, these ecosystems have progressively **demonstrated their uniqueness**, through mobilizing the full knowledge triangle and delivering in terms of innovation, entrepreneurship, talent and skills reaching (1) relevance in terms of **impact** in their respective thematic areas, (2) **distinctive quality** in terms of outputs, (3) **efficiency** in terms of active management of the public private partnerships, (4) **total anchoring** in the European innovation public landscape (Commission, EIB, EIF, ...), (5) unique **proximity** to the innovators through daily interactions in the field; and (6) a **sustainability** logic to the innovation and market uptake value chains. After the establishment of the first wave KICs, and based on their success, over time further waves of KICs in other thematic areas have been setup.
3. Building on 30 years of success of the **Future and Emerging Technologies (FET)** programme and the success since 2014 of the **Horizon 2020 SME Instrument** and of the **Horizon 2020 InnovFin** financial instruments (both on equity and debt financing), the **Enhanced European Innovation Council (EIC) pilot** has been launched since 2018 at the request of the European Council. It focuses on detecting, nurturing, supporting and scaling-up breakthrough market-creating and disruptive / game changing innovation, from the idea (“**EIC Pathfinder**” scheme) down to market deployment and scale-up (“**EIC Accelerator**”

scheme): while the EIC Pathfinder is providing grants to high-risk cutting-edge R&D projects implemented by consortia exploring new territories aiming at developing **radical and innovative technologies**, the EIC Accelerator is providing single start-ups or SMEs carrying out game changing innovation which are still too risky to attract private investments with the necessary means to **scale up** through a mix of grant and finance (notably equity support) with the ultimate objective to incentivise and attract subsequently (and ideally immediately) co-investments from private (or other public) investments. Acting as a **one-stop shop** and operating on an innovator-centric basis, the EIC two main instruments (Pathfinder and Accelerator), as well as the new **Transition Activities**, will be fully interconnected under Horizon Europe, so as to provide a seamless support to innovators all along the whole chain, but also connected to the other Pillars of Horizon Europe (“**Fast track**” scheme) and, subject to a pilot phase, also to national / regional programmes for advanced research (“**Plug-in**” scheme). Whilst specific objectives may be identified and implemented via top-down calls (“challenges”), notably in regards of strategic EU value chains, a continuously open bottom-up competitive call will allow any innovation in any area or field to be proposed. Last but not least, the **EIC Business Acceleration Services** (such as coaching, mentoring, access to investors, access to international fairs, access to public and private procurers; ...) will be expanded and strengthened, so that emerging opportunities can be built upon resources offered by key innovation ecosystem actors.

4. During the Coronavirus crisis, both EIC and EIT KICs have demonstrated their **agility** and **reactivity**. In a matter of days, around 1,400 start-ups and innovators applied for EIC pilot funding to support the development of novel solutions to challenges caused by the Coronavirus crisis. The European Commission responded within weeks notably via the first “**ERAvsCorona**” **Action Plan** of **Commissioner Gabriel** by proposing to Member States to allocate an additional EUR 150 million budget specifically for these start-ups under this EIC Accelerator call (March 2020), as well as by reinforcing its support to loan and equity finance for scaling up and working capital solutions under Horizon 2020 InnovFin. A **pan-European Hackathon** followed by a **Matchathon** (where EIT KIC Digital Hackaton winners were also invited) both supported by the EIC took place on April and May with innovators from across Europe coming together to find solutions fast. In the same vein the EIT awarded EUR 60 million awarded to European innovators and entrepreneurs offering direct solutions to tackle the pandemic as well as the ensuing crisis.

5. Recognising the power of close collaboration based **on mutual strengths, potential and complementarities**, an **EIC- EIT-KICs pilot** (notably with the 3 KICs of the first wave) **has been launched in 2020** to serve the European innovators in a concerted way. Moreover, a joint working group has been set up between members of the EIC Advisory Board and the EIT Governing Board to ensure better interaction between the relating advisory and governing bodies.
6. **Both the EIT-KICs and the EIC are unique in the European R&I landscape in their approach towards financial support to EU innovators** as a combination of funding and equity type investments. EIT-KICs have mobilised substantial private investments in their venture portfolios. EIC supported startups and SMEs have raised over €5 billion in follow up investments (3 euro for every euro from the EU budget). Moreover, EIC is now offering with its Accelerator scheme a blended financing model which combines grants with equity type support (blending finance).
7. Prefigured by the EIC-Task Force established in June 2019, the future fully fledged EIC is expected to be implemented by the newly created **European Innovation Council Executive Agency** (EIC EA) and the recently established **EIC Fund** (June 2020). The EIC EA is also intended to manage the **EU Innovation ecosystems programme** of the 3rd Pillar as well as the **centrally-managed EU-place based innovation support** provided under the future **Structural Funds**.
8. The von der Leyen European Commission has put **Climate, Digital and Energy** at the core of the political strategy for Europe; and the **Next Generation EU Package** (the recovery answer of the EU to the effects of the Covid-19 in the EU economy), is mobilizing a “once in a lifetime” financial support measures in those areas, as well as on the support to **breakthrough technology and innovation**, to be deployed urgently in the period 2021-2023.
9. This LoI builds on relevant legal texts and documents: this fully-fledged open systemic and structural cooperation is in line with the current legal frameworks; it will also be in line with the outcome of the inter-institutional agreement on the Horizon Europe and EIT legal frameworks.

B- OUR COMMON OBJECTIVE

With this Letter of Intent we set ourselves with the common objective, to design and implement a **fully-fledged open systemic and structural cooperation between the EIC (currently EIC TF, in the near future EIC-EA and its EIC Fund⁶) and the first wave EIT-KICs**, both operationally and financially, where the **innovators** in the Climate, Energy and Digital thematic areas will be getting the complementary full range of added value services they need, from both parties, in order to make the innovators business **case happen earlier, bigger and de-risked**. Our ultimate aim is to contribute to the creation of **high-quality jobs and inclusive growth** for Europe, and to develop and rapidly scale up **innovative solutions for sustainability** in line with **European goals and values**.

C- OUR GUIDELINES

To achieve this common objective, the intentions will be driven by the following **initial guidelines**:

1. Optimally serving the **customer** (the **innovator**) in the **European Innovation Area** is the **driving force** of the design and implementation of the cooperation.
2. The **design** has to be **ambitious, unconstrained and agile**, creating a **First Of A Kind model, to be added** to the current tool box of the European Commission as key element of the vision developed by the European Commission under the leadership of Commissioner Gabriel to strengthen the European Innovation Area.
3. The **implementation** will notably be through the EIC and EU innovation ecosystems and the respective EIT-KICs, requesting therefore a **strong and integrated cooperation** to ensure **effective and efficient synergies**.
4. **Speed is of the essence**: the starting point is the **on-going EIC-EIT-KICs pilot**. Based on the lessons learnt, the collaboration design will be concluded in Spring 2021, with roll out in 2022 and **full implementation in the year 2023**.
5. The **scope of the collaboration** is expected to include, but is not limited to:
 - Maintaining and expanding the **thematic trusted ecosystems** in the domains of Climate, Digital, and Energy as active members of the EIT Community;

⁶ While the EIC Fund has already been incorporated on 22 June 2020 and has started its operations, the EIC-Executive Agency will be established in the frame of the new Multi Financial Framework as a follow-up of the EIC-Task Force.

- Integrating and streamlining the **business acceleration tools** currently operated by the EIC and the KICs (e.g. Business Acceleration Services Global Offer; ...) for the benefits of customers/applicants and/or beneficiaries of both EIC and EIT-KICs;
 - In the broader context of cooperation between EIT and EIC, developing synergies between the EIC and the full knowledge triangle integration activities of the EIT KICs, including in particular the **EIT KICs' innovation projects, education actions** and **regional aspects**, notably, the **EIT Regional Innovation Scheme**, in order to aim for a pan-European impact;
 - Combining and expanding the **venture financing** through funding, blended financing, and private investments. This includes the ambition to build on existing and future possible collaboration with, **for example**, specialized private investors and their networks, promotional institutions, EIF, EIB, corporate investors, regional funds, etc;
 - Reinforcing efforts and developing concrete actions to achieve **gender diversity and equality** and to **share and widen excellence in the whole EU territory**;
 - Collaborating with the European Commission at the **policy level**, notably to further develop and shape the **European Innovation Area** initiated by **Commissioner Gabriel** as well as any other forthcoming initiatives in order to strengthen Europe's innovation and industrial power in the strategic domains of Climate, Digital, and Energy, and contributing to **Europe's Resilience**.
6. The activities resulting from the cooperation are expected to be mainly **financially supported**, as far as public funding is concerned, from actors in the **Innovative Europe Pillar** in Horizon Europe, being the EIC, the EIT and its KICs and the EU innovation ecosystems programme. This **could be complemented** by other instruments in Horizon Europe, the Next Generation EU package (given its innovation focus and urgent delivery needs), and other growth instruments in the next MFF, as well as by any other public and private sources.
 7. The cooperation is by its own nature inclusive with respect to further waves of EIT-KICs. Once the current cooperation is operational, the EIC is ready to **open up** the collaboration to **any EIT-KICs** (starting, for example, with EIT Health and EIT Raw Materials from the second wave), under the assumption that they are successfully advancing under the EIT scheme and their **topical areas are at the core of the EU political strategy**.
 8. The positioning of this LoI in the different constituencies will be **done jointly, by the top executives of the parties**.
 9. The success of the cooperation will be evaluated based on a limited number (up to 5) of **objective business and impact KPIs**. Parties will set-up a regular monitoring and evaluation scheme.

10. While the above-mentioned agreed evaluation scheme will allow orderly disengagement from the cooperation in case of sustained underperformance on the abovementioned KPIs, in case of success the parties intend to establish other steps in their cooperation with the aim to strengthen a more integrated and flourishing European Innovation Area. These additional steps may take the form of an amended LoI or any other relevant form.

On Thursday the 24th of September 2020, in the frame of the European Research and Innovation Days,

In presence and under the leadership and high patronage of
Commissioner Mariya GABRIEL,
EC Commissioner for Innovation, Research, Culture, Education and Youth;

In presence of **Mr Mark FERGUSON,**
Chair of the European Innovation Council Advisory Board and
Ms Gioia GHEZZI,
Chair of the European Institute of Innovation and Technology Governing Board;

In presence of **Mr Jean-Eric PAQUET,**
Director General of DG Research and Innovation and
Themis CHRISTOPHIDOU,
Director General of DG Education, Youth, Sport and Culture;

In presence of **Mr Martin KERN,**
Director of the European Institute of Innovation and Technology.

Jean-David MALO



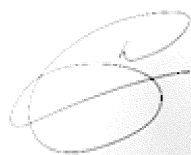
EIC – Task Force Director

Kirsten DUNLOP



EIT Climate-KIC CEO

Willem JONKER



EIT Digital CEO

Diego PAVIA



EIT InnoEnergy CEO