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European Commission approves up to €8.1 billion in state subsidies for microelectronics and communication technologies as part of new Important Project of Common European Interest

On June 8, The European Commission approved state aid funding for 68 European initiatives concerning novel research and innovation and first industrial deployment of microelectronics and communications technologies across the value chain as part of a new Important Project of Common European Interest on Microelectronics and Communication Technologies (IPCEI ME/CT) program[1].

The IPCEI ME/CT involves 56 companies of various sizes from across the entire semiconductor value chain, located in fourteen EU Member States (Austria, Czechia, Finland, France, Germany, Greece, Ireland, Italy, Malta, the Netherlands, Poland, Romania, Slovakia and Spain). National governments from these countries will provide a total of €8.1 billion in public funding, which is expected to be complemented by an additional €13.7 billion in private investments. The supported projects aim at enabling the green and digital transition by creating innovative microelectronics and communications solutions and by developing energy-efficient and resource-saving electronics systems and manufacturing methods.

[1] https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3087

Building on the first IPCEI on research and innovation in the domain of microelectronics from 2018, and the recently approved European Chips Act, the goal of the IPCEI ME/CT is to reinforce the European semiconductor ecosystem by enabling Member States to subsidize initiatives that aim to develop technologies that go beyond what the market currently offers, while complying with the EU's state aid rules. The first cutting-edge products developed through the IPCEI are projected to be introduced to the market as early as 2025, with the overall completion of the program planned by 2032. The initiative would creating 8,700 direct jobs throughout its duration with expected spill-over effects on the entire European economy.

European Commission presents new strategy to minimize economic risks arising from geopolitical and technological developments

On June 20, the European Commission presented the Economic Security Strategy, a common framework to minimize economic risks arising from geopolitical and technological developments, while targeting maximum levels of openness[2]. The strategy envisions to develop a comprehensive approach to commonly identify, assess and manage economic risks affecting the EU[3].

The strategy calls on the Commission and Member States, and where appropriate with input of the private sector, to deepen their analysis of critical supply chains, thoroughly and frequently assessing the risks relating to their resilience, physical and cyber security, technology security and leakage, and weaponization of economic dependencies.

To mitigate identified risks, the strategy prioritizes three strands of further action for the EU and Member States. First, promoting EU competitiveness and growth by strengthening the Single Market and fostering the EU's research, technological and industrial base. Second, protecting against economic security risks through existing investment screening tools including the EU's Anti-Coercion Instrument or the Foreign Direct Investment Screening Regulation, as well as newly envisioned actions such as better and more coordinated action on export controls and measures on outbound investment screening of key enabling technologies, including semiconductors. Third, by partnering with like-minded partners and other countries the EU shares common concerns and interests with.

The EU Heads of State and Government will discuss the strategy during the upcoming European Council summit on June 29-30. As a next step, the European Commission will together with the Member States develop a list of critical technologies and a common framework to assess risks affecting the EU's economic security. In addition, existing legislation and instruments addressing economic security will be reviewed in the coming period.

European Commission proposes Strategic Technologies for Europe Platform to facilitate manufacturing of strategic technologies in the EU

On June 20, the European Commission proposed a revision of the EU's multi-year budget for 2021-2027 to better address complex challenges that have arisen since its adoption[4]. Critically, the Commission plans to create a new Strategic Technologies for Europe Platform (STEP) to

[2] https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3358
[3] https://circabc.europa.eu/rest/download/a75f3fb8-74e3-4f05-a433-fdbf406d5de6
[4] https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3345

further support the uptake and scaling up of development and manufacturing of strategic technologies in the EU, thereby strengthening European sovereignty[5].

STEP plans to reinforce and leverage existing funds such as InvestEU, Horizon Europe, Digital Europe, and the Recovery and Resilience Facility to quickly deploy financial support to crucial technologies, including microelectronics. In addition, the Commission intends to inject an extra €10 billion in the new budget, aiming to reach up to €160 billion in total investments in these field over the coming years.

The proposed increase to the budget is complemented by other actions, including a STEP Portal[6] (featuring a Sovereignty Portal) to be active as of September 2023, as the one-stop shop to aid project promoters and companies seeking funds for critical technologies more easily find relevant information about EU funding opportunities from a wide range of existing programs. Critically, a new Sovereignty Seal would serve as a quality label envisioned to help projects attract more public and private support by certifying their contributing to STEP objectives. To help with the implementation of STEP, a new Industrial Advisory Group consisting of industry representatives is envisioned to provide assistance to the European Commission.

The Commission intends to finalize the multi-year budget before the end of the year. Before that, the European Parliament and all 27 Member States in the Council of the EU must approve the proposed amendments to the budget.

European Chips Act: European Parliament provisionally plans final vote on July 11

Following the inter-institutional agreement reached between negotiators on the European Chips Act last April, and the endorsement of the deal by the European Parliament's Industry, Research and Energy Committee (ITRE) on May 23, the European Parliament tentatively plans to hold a final plenary vote on the compromise text on July 11[7].

If adopted by the Parliament's plenary, the Member States Ministers represented in the Council of the EU will vote on the text – but no date has been confirmed yet. In case of approval by the co-legislator, the European Chips Act would enter into force soon after.

EU lawmakers make progress in negotiations on revision F-Gas regulation

Representatives from the European Commission, Council of the EU and the European Parliaments continue to negotiate on the revision of the F-Gas regulation. The lawmakers from these institutions held the second round of inter-institutional negotiations on June 13 to agree on a common position on critical articles of the legislation[8]. During the meeting, the negotiators exchanged views on major political issues and discussed how to proceed with more technical provisions in the regulation.

The revision of the F-Gas regulation would introduce new rules on the use, recovery and breakdown of F-Gases as well as limitations on the placing on the market of hydrofluorocarbons critical to semiconductor manufacturing. Representatives from the EU institutions tentatively plan

[5] https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3364
[6] https://commission.europa.eu/strategy-and-policy/eu-budget/strategic-technologies-europe-platform/sovereignty-portal_en
[7] https://www.europarl.europa.eu/sedcms/documents/PRIORITY_INFO/1062/SYN_POJ_July_STR_EN.pdf
[8] https://twitter.com/sweden2023eu/status/1668287087366352899

to hold the next round of negotiations on the text of the regulation on July 19[9]. An agreement on a common position would subsequently enable the Council of the EU and the European Parliament to adopt the text.

Two additional committees join drafting European Parliament's position on Critical Raw Materials Act

The European Parliament has designated two of its subgroups as 'Associated Committees' in the legislative process of the Critical Raw Materials Act. The Committee on International Trade (INTA)[10] and the Committee on Development (DEVE)[11] join the lead Committee on Industry, Research and Energy (ITRE) and the previously associated Committee on Environment, Public Health and Food Safety (ENVI) in the drafting of the Parliament's position on the proposal to bolster European raw material value chains.

INTA rapporteur, MEP Anna-Michelle Asimakopoulou, has prepared a draft opinion on the proposed legislation, including amendments proposed by members of the Parliament's international trade, mainly revolving around Strategic Projects and Strategic Partnerships with third countries. In parallel, members of the DEVE committee predominantly tabled amendments to provisions on the EU's proposed Strategic Partnerships.

In July, members from the INTA, DEVE and ENVI committees are scheduled to vote on their respective draft opinions and amendments. A vote on the final report by the ITRE committee, which is the lead committee on the file, is tentatively planned for September 7. An approved text would subsequently be sent to the European Parliament's plenary for a vote to confirm the institution's position for negotiations with the co-legislators in the Council of the EU.

New German National Security Strategy lays out priorities for strategic supply chains

On 14 June, the German Federal Government presented its new National Security Strategy. Emphasizing the need for an integrated approach to security across all policy fields, the principles of robustness, resilience and sustainability serve as the three core dimensions of Germany's future integrated security policy[12].

Reinforcing strategic supply chains constitutes a critical part of the new strategy. Acknowledging the importance of rules-based access to markets, raw materials, technologies and financial and human capital, the German government aims to reduce one-sided dependencies in these supply chains by diversifying trade relationships and investment screening. In addition, economic resilience would be based on a high level of technological innovation, enabled by more support for research and innovation and investment in education and further training.

At the European level, the German government calls for greater investment in digital technologies, setting technological norms and standards, as well as reinforce design and production capacities for highly innovative technologies.

[9] https://twitter.com/GenicotD/status/1666040023509094404
[10] https://www.europarl.europa.eu/doceo/document/INTA-PA-749058_EN.pdf
[11] https://www.europarl.europa.eu/doceo/document/DEVE-PA-749087_EN.pdf
[12] https://www.nationalesicherheitsstrategie.de/National-Security-Strategy-EN.pdf

Following the presentation of the strategy, the German Federal Government will assess which key technologies would require additional national and European capabilities to achieve technological and digital sovereignty.

European Commission adopts negotiating directive for Critical Minerals Agreement with United States

The European Commission announced on June 14 that it is proceeding with negotiations for a Critical Minerals Agreement with the United States[13]. The aim of the agreement is to reinforce EU-US supply chains in critical raw materials, facilitating EU and US production capacities in strategic industrial sectors.

The Critical Minerals Agreement is expected to facilitate transatlantic trade as a deal would also enable the EU to receive a status equivalent to a US free trade agreement partner under the Inflation Reduction Act, allowing EU firms to compete on a level playing field with the US and third countries. The agreement would also foster co-operation on environmental and technical standards and the promotion of labor rights in the critical raw materials sector.

As the next step, Member States represented in the Council need to give authorization to the Commission to commence the negotiations the US to finalize the details of the agreement.

EU and Argentina intensify cooperation on raw materials for green and digital transition

On June 13, European Commission President Ursula von der Leyen and Argentinian President Alberto Fernández signed a Memorandum of Understanding to establish a partnership on sustainable raw material value chains.

The agreement between the EU and Argentina enables the development of a secure and sustainable supply of critical raw materials needed for the green and digital transition, with the aim to create local added value and sustainable, inclusive and mutually beneficial economic growth. The parties intend to collaborate around five key areas: sustainable value chains, research and innovation, environmental, social and governance standards, hard and soft infrastructures, and education and training.

Within the coming six months, the EU and Argentina will develop an operational roadmap to turn the Memorandum of Understanding into concrete co-operative actions.

Germany and Poland to support multi-billion euro national investment into semiconductor facilities

Building on the EU's push to bolster semiconductor capacities, two Central European governments have agreed to offer subsidies to advance the construction of new semiconductor facilities. The German authorities will offer approximately €10 billion in public support for Intel's new fab in Magdeburg, whereas Poland will support the company's expansion in Wrocław with an undisclosed amount of funding.

Announced on June 19, the investment in Germany is worth more than €30 billion in total and marks the largest foreign investment in the country. A new facility in Magdeburg will be constructed to enable the manufacturing of leading-edge wafers, employing approximately

[13] https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3214

3,000 high-tech engineers at the site. The German Vice-Chancellor and Federal Minister for Economics and Climate Protection, Robert Habeck, welcomed the expansion and lauded the decision as a chance to create a thriving cutting-edge chip ecosystem in Germany and Europe, thereby contributing to European resilience[14].

Critically, a new €4.6 billion chip assembly and testing facility in Wrocław, Poland will work in close co-operation with the site in Germany. The Polish government confirmed on June 16 it will provide subsidies in unspecified form nor volumes. According to Poland's Minister of Economic Development and Technology Waldemar Buda, the project constitutes the largest foreign high-tech investment in the country's history, and will create around 2,000 jobs[15].

Under the EU's competition rules, the European Commission has yet to give its approval for state aid support for both projects.

For feedback, get in touch with the SEMI Europe Advocacy Team at euadvocacy@semi.org and access more advocacy publications.

[14] https://www.bmwk.de/Redaktion/DE/Pressemitteilungen/2023/06/20230619-habeck-investitionsentscheidung-intel.html

[15] https://www.gov.pl/web/rozwoj-technologia/intel-zainwestuje-w-polsce-to-najwieksza-w-historii-inwestycja-zagraniczna-w-polsce