



2017/0125(COD)

31.10.2017

*****I**

DRAFT REPORT

on the proposal for a regulation of the European Parliament and of the Council establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovative capacity of the EU defence industry
(COM(2017)0294 – C8-0180/2017 – 2017/0125(COD))

Committee on Industry, Research and Energy

Rapporteur: Françoise Grossetête

Rapporteurs for the opinion (*):
Ioan Mircea Pașcu, Committee on Foreign Affairs
Esteban González Pons, Committee on Budgets

(*) Associated committees – Rule 54 of the Rules of Procedure

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the **■** symbol or ~~strikeout~~. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

CONTENTS

	Page
DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION.....	5
EXPLANATORY MEMORANDUM	24

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a regulation of the European Parliament and of the Council establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovative capacity of the EU defence industry (COM(2017)0294 – C8-0180/2017 – 2017/0125(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2017)0294),
 - having regard to Article 294(2) and Article 194(2) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0180/2017),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the opinion of the European Economic and Social Committee of ...,
 - having regard to the opinion of the Committee of the Regions of ...,
 - having regard to Rule 59 of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, Research and Energy and the opinions of the Committee on Foreign Affairs, the Committee on Budgets and the Committee on the Internal Market and Consumer Protection (A8-0000/2017),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a regulation

Recital 1

Text proposed by the Commission

(1) In the European Defence Action Plan, adopted on 30 November 2016, the Commission committed to complement, leverage and consolidate collaborative

Amendment

(1) In the European Defence Action Plan, adopted on 30 November 2016, the Commission committed to complement, leverage and consolidate collaborative

efforts by Member States in developing defence capabilities to respond to security challenges, as well as to foster a competitive and innovative European defence industry. It proposed in particular to launch a European Defence Fund to support investment in joint research and the joint development of defence equipment and technologies. The Fund would support cooperation during the whole cycle of defence product and technology development.

efforts by Member States in developing defence capabilities to respond to security challenges, as well as to foster a competitive and innovative European defence industry. It proposed in particular to launch a European Defence Fund to support investment in joint research and the joint development of defence equipment and technologies ***and to promote the Member States' joint purchase and maintenance of defence equipment. This Fund would complement national budgets already used for this purpose and should act as an incentive for Member States to invest more in defence.*** The Fund would support cooperation during the whole cycle of defence product and technology development ***by enhancing synergies and budgetary efficiency.***

Or. fr

Amendment 2

Proposal for a regulation

Recital 2

Text proposed by the Commission

(2) In order to contribute to the enhancement of the competitiveness and innovation capacity of the Union's defence industry, a European Defence Industrial Development Programme (hereinafter referred to as the Programme) should be established. The Programme should aim at enhancing the competitiveness of the Union's defence industry inter alia cyber defence by supporting the cooperation between undertakings in the development phase of defence products and technologies. The development phase, which follows the research and technology phase, entails significant risks and costs that hamper the further exploitation of the results of research and adversely impact the competitiveness of the Union's defence

Amendment

(2) In order to contribute to the enhancement of the competitiveness and innovation capacity of the Union's defence industry ***and to consolidate the Union's strategic defence autonomy,*** a European Defence Industrial Development Programme (hereinafter referred to as the Programme) should be established. The Programme should aim at enhancing the competitiveness of the Union's defence industry inter alia cyber defence by supporting the cooperation between undertakings in the development phase of defence products and technologies. The development phase, which follows the research and technology phase, entails significant risks and costs that hamper the further exploitation of the results of

industry. By supporting the development phase, the Programme would contribute to a better exploitation of the results of defence research and it would help to cover the gap between research and production as well as to promote all forms of innovation. The Programme should complement activities carried out in accordance with Article 182 TFEU and it does not cover the production of defence products and technologies.

research and adversely impact the competitiveness of the Union's defence industry. By supporting the development phase, the Programme would contribute to a better exploitation of the results of defence research and it would help to cover the gap between research and production as well as to promote all forms of innovation. The Programme should complement activities carried out in accordance with Article 182 TFEU and it does not cover the production of defence products and technologies.

Or. fr

Amendment 3

Proposal for a regulation

Recital 7

Text proposed by the Commission

(7) In view of the specificities of the sector, in practice no collaborative project between undertakings will be launched if the Member States have not first agreed to support such projects. After having defined common defence capability priorities at Union-level and also taking into account where appropriate collaborative initiatives on a regional basis, Member States identify and consolidate *military* requirements and define the technical specifications of the project. They *may* also appoint a project manager in charge of leading the work related to the development of a collaborative project.

Amendment

(7) In view of the specificities of the sector, in practice no collaborative project between undertakings will be launched if the Member States have not first agreed to support such projects. After having defined common defence capability priorities at Union-level and also taking into account where appropriate collaborative initiatives on a regional basis, Member States identify and consolidate *defence* requirements and define the technical specifications of the project. They *should* also appoint a project manager in charge of leading the work related to the development of a collaborative project.

Or. fr

Amendment 4

Proposal for a regulation

Recital 8

Text proposed by the Commission

(8) ***In case an*** action supported by the Programme ***is*** managed by a project manager appointed by Member States, the Commission should ***inform*** the project manager prior to executing the payment to the beneficiary of the eligible action so that the project manager can ensure that the time-frames are respected by the beneficiaries.

Amendment

(8) ***An*** action supported by the Programme ***should be*** managed by a project manager appointed by Member States. The Commission should ***consult*** the project manager ***about progress made on the action*** prior to executing the payment to the beneficiary of the eligible action so that the project manager can ensure that the time-frames are respected by the beneficiaries.

Or. fr

Amendment 5

Proposal for a regulation

Recital 10

Text proposed by the Commission

(10) As the objective of the Programme is to support the competitiveness of the Union defence industry by de-risking the development phase of cooperative projects, actions related to the development of a defence product or technology, namely definition of common technical specifications, design, prototyping, testing, qualification, certification as well feasibility studies and other supporting measures, should be eligible to benefit from it. This will also apply to the upgrade of existing defence products and technologies.

Amendment

(10) As the objective of the Programme is to support the competitiveness of the Union defence industry by de-risking the development phase of cooperative projects, actions related to the development of a defence product or technology, namely definition of common technical specifications, design, prototyping, testing, qualification, certification as well feasibility studies and other supporting measures, should be eligible to benefit from it. This will also apply to the upgrade of existing defence products and technologies ***developed in the Union by Member States.***

Or. fr

Amendment 6

Proposal for a regulation

Recital 13

Text proposed by the Commission

(13) As the Programme aims at enhancing the competitiveness of the Union's defence industry, only entities established in the Union and effectively controlled by Member States or their nationals should be eligible for support. Additionally, in order to ensure the protection of essential security interests of the Union and its Member States, the infrastructure, facilities, assets and resources used by the beneficiaries and subcontractors in actions funded under the Programme, shall not be located on the territory of non-Member States.

Amendment

(13) As the Programme aims at enhancing the competitiveness of the Union's defence industry ***and consolidating the Union's strategic defence autonomy***, only entities established in the Union and effectively controlled by Member States or their nationals should be eligible for support. ***In order to assess the effective control of an undertaking, it is necessary to establish where and how strategic commercial decisions are taken. This requires an analysis of the governance of the undertaking, which should be carried out on the basis of an overview of how it operates. Other aspects which are likely to influence decision-making on strategic economic issues, such as shareholder rights, financial ties and commercial cooperation between the undertaking and any shareholders in third countries, should also be examined.*** Additionally, in order to ensure the protection of essential ***defence and*** security interests of the Union and its Member States, the infrastructure, facilities, assets and resources used by the beneficiaries and subcontractors in actions funded under the Programme, shall not be located on the territory of non-Member States. ***Material, non-material and human resources should be free to use and free of restrictions vis-à-vis third countries.***

Or. fr

Amendment 7

**Proposal for a regulation
Recital 16**

Text proposed by the Commission

(16) The promotion of innovation and technological development in the Union

Amendment

(16) The promotion of innovation and technological development in the Union

defence industry should take place in a manner coherent with the security interests of the Union. Accordingly, the action's contribution to those interests and to the defence capability priorities commonly agreed by Member States should serve as an award criterion. Within the Union, common defence capability priorities are identified notably through the Capability Development Plan. Other Union processes such as the Coordinated Annual Review on Defence (CARD) and the Permanent Structured Cooperation will support the implementation of relevant priorities through enhanced cooperation. Where appropriate regional or international cooperative initiatives, such as in the NATO context, and serving the Union security and defence interest, may also be taken into account.

defence industry should take place in a manner coherent with the security interests of the Union. Accordingly, the action's contribution to those interests and to the defence capability priorities commonly agreed by Member States should serve as an award criterion. Within the Union, common defence capability priorities are identified notably through the Capability Development Plan. ***The European Council of 19 and 20 December 2013 stressed the importance of delivering key capabilities and addressing critical shortfalls through tangible projects in areas such as remotely-piloted aircraft, air-to-air refuelling, satellite telecommunications and cyberspace. In addition, in its Communication of 30 November 2016 entitled 'European Defence Action Plan', the Commission emphasised the need to maximise civil/military synergies, including in areas such as space policy, cyber security, cyber defence and maritime security.*** Other Union processes such as the Coordinated Annual Review on Defence (CARD) and the Permanent Structured Cooperation will support the implementation of relevant priorities through enhanced cooperation. Where appropriate regional or international cooperative initiatives, such as in the NATO context, and serving the Union security and defence interest, ***and which do not prevent any Member State from participating***, may also be taken into account.

Or. fr

Amendment 8

Proposal for a regulation

Recital 17

Text proposed by the Commission

(17) In order to ensure that the funded

Amendment

(17) In order to ensure that the funded

actions are viable, the Member *States* commitment to effectively contribute to the financing of the action should be an award criterion for such actions.

actions are viable, the Member *States'* commitment to effectively contribute to the financing of the action should be an award criterion for such actions ***and should be established in writing.***

Or. fr

Amendment 9

Proposal for a regulation Recital 18

Text proposed by the Commission

(18) In order to ensure that the funded actions will contribute to the competitiveness of the European defence industry, they should be market-oriented and demand driven. Therefore, the fact that Member States have already committed to jointly produce and procure the final product or technology, possibly in a coordinated way, should be taken into account in the award criteria.

Amendment

(18) In order to ensure that the funded actions will contribute to the competitiveness ***and efficiency*** of the European defence industry, they should be market-oriented and demand driven. Therefore, the fact that Member States have already committed to jointly produce and procure the final product or technology, possibly in a coordinated way, should be taken into account in the award criteria.

Or. fr

Amendment 10

Proposal for a regulation Recital 20

Text proposed by the Commission

(20) As the Union support aims at enhancing the competitiveness of the sector and concerns only the specific development phase, the ***Commission*** should not have ownership or intellectual property rights over the products or technologies resulting from the funded actions. The applicable intellectual property rights regime will be defined

Amendment

(20) As the Union support aims at enhancing the competitiveness of the sector and concerns only the specific development phase, the ***Union*** should not have ownership or intellectual property rights over the products or technologies resulting from the funded actions. The applicable intellectual property rights regime will be defined contractually by the

contractually by the beneficiaries.

beneficiaries. ***Furthermore, the results of actions which receive funding under the Programme should not be subject to any control or restriction by a third country or a non-EU entity.***

Or. fr

Amendment 11

Proposal for a regulation

Recital 21

Text proposed by the Commission

(21) The Commission should establish a multiannual work programme in line with the objectives of the Programme. The Commission should be assisted in the establishment of the work programme by a committee of Member States (hereinafter referred to as Programme Committee). In light of the Union policy on Small and Medium Enterprises (SMEs) as key to ensuring economic growth, innovation, job creation, and social integration in the Union and the fact that the supported actions will typically require trans-national collaboration, it is of importance that the work programme will reflect and enable ***such*** cross-border participation of SMEs and that therefore ***a proportion*** of the overall budget will benefit such action.

Amendment

(21) The Commission should establish a multiannual work programme in line with the objectives of the Programme, ***in particular the objective of enhancing competitiveness***. The Commission should be assisted in the establishment of the work programme by a committee of Member States (hereinafter referred to as Programme Committee). In light of the Union policy on Small and Medium Enterprises (SMEs) as key to ensuring economic growth, innovation, job creation, and social integration in the Union and the fact that the supported actions will typically require trans-national collaboration, it is of importance that the work programme will reflect and enable ***open, non-discriminatory and transparent*** cross-border participation of SMEs and that therefore ***at least 10%*** of the overall budget will benefit such action. ***A category of projects should be specifically dedicated to SMEs.***

Or. fr

Amendment 12

Proposal for a regulation

Recital 25

Text proposed by the Commission

(25) The Commission should draw up an implementation report at the end of the Programme, examining the financial activities in terms of financial implementation results and where possible, impact. This report should also analyse the cross border participation of SMEs in projects under the Programme as well as the participation of SMEs to the global value chain.

Amendment

(25) The Commission should draw up an implementation report at the end of the Programme, examining the financial activities in terms of financial implementation results and where possible, impact. This report should also analyse the cross border participation of SMEs in projects under the Programme as well as the participation of SMEs to the global value chain. ***Finally, in connection with the research section of the European Defence Fund, it should propose solutions for reducing the Union's dependence on the products and technologies of non-EU entities, in particular those identified during implementation of this Regulation.***

Or. fr

Amendment 13

Proposal for a regulation

Article 2 – subparagraph 1 – point a

Text proposed by the Commission

(a) to foster the competitiveness and innovation capacity of the Union defence industry by supporting actions in their development phase;

Amendment

(a) to foster the competitiveness and innovation capacity of the Union defence industry ***and to consolidate the Union's strategic defence autonomy*** by supporting actions ***carried out in the Union*** in their development phase;

Or. fr

Justification

The Council used the term 'strategic autonomy' in its conclusions of 28 June 2016 on A Global Strategy for the European Union's Foreign and Security Policy. It should therefore be used from Article 2 on to underline the importance of providing the resources to achieve it.

Amendment 14

Proposal for a regulation

Article 2 – subparagraph 1 – point b

Text proposed by the Commission

b) to support and leverage the cooperation between undertakings, including small and medium-sized enterprises, in the development of technologies or products in line with defence capability priorities commonly agreed by Member States within the Union;

Amendment

b) to support and leverage the cooperation between ***Member States and between*** undertakings, including small and medium-sized enterprises, in the development of technologies or products in line with defence capability priorities commonly agreed by Member States within the Union ***in order to avoid duplication and promote interoperability and standardisation***;

Or. fr

Amendment 15

Proposal for a regulation

Article 4 – paragraph 1 – introductory part

Text proposed by the Commission

1. The Union's financial assistance may be provided through the types of financing envisaged by Regulation (EU, Euratom) No 966/2012, ***and*** in particular:

Amendment

1. The Union's financial assistance may be provided through the types of financing envisaged by Regulation (EU, Euratom) No 966/2012, in particular ***grants*** and, in ***appropriate cases, financial instruments and public procurement***.

Or. fr

Justification

This amendment makes it clear that grants will be the most common funding method for the Programme, while leaving open the possibility for any other type of funding envisaged by Regulation (EU, Euratom) No 966/2012.

Amendment 16

Proposal for a regulation

Article 4 – paragraph 1 – point a

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Text proposed by the Commission

Amendment

(a) *grants;* *deleted*

Or. fr

Amendment 17

Proposal for a regulation

Article 4 – paragraph 1 – point b

Text proposed by the Commission

Amendment

(b) *financial instruments;* *deleted*

Or. fr

Amendment 18

Proposal for a regulation

Article 4 – paragraph 1 – point c

Text proposed by the Commission

Amendment

(c) *public procurement.* *deleted*

Or. fr

Amendment 19

Proposal for a regulation

Article 4 – paragraph 3

Text proposed by the Commission

Amendment

3. The Union's financial assistance shall be implemented by the Commission as provided for *by* Regulation (EU, Euratom) No 966/2012 *directly or indirectly by entrusting budget implementation tasks to the entities listed in Article 58(1) (c) of that Regulation.*

3. The Union's financial assistance shall be implemented by the Commission as provided for *in Article 58(1)(a) of* Regulation (EU, Euratom) No 966/2012.

Justification

This amendment clarifies and specifies the Commission's role in implementing the Union's financial assistance.

Amendment 20

Proposal for a regulation
Article 4 – paragraph 4

Text proposed by the Commission

4. *In case* a project manager is appointed by Member States, the Commission shall execute the payment to the eligible beneficiaries *after informing* the project manager.

Amendment

4. *Member States shall appoint* a project manager. *The Commission shall consult* the project manager on the progress achieved in connection with the action before executing the payment to the eligible beneficiaries.

Or. fr

Amendment 21

Proposal for a regulation
Article 6 – paragraph 1 – introductory part

Text proposed by the Commission

1. The Programme shall provide support for actions by beneficiaries in the development phase covering both new and the upgrade of existing products and technologies, in relation to:

Amendment

1. The Programme shall provide support for actions by beneficiaries in the development phase covering both new and the upgrade of existing products and technologies *developed in the Union by Member States*, in relation to:

Or. fr

Justification

As regards improving existing products or technologies, it will be necessary to ensure that the projects were originally developed by Member States, not by a third country.

Amendment 22

Proposal for a regulation

Article 6 – paragraph 2

Text proposed by the Commission

2. The action shall be undertaken in a cooperation of at least three undertakings which are established in at least two different Member States. **The** undertakings which are beneficiaries shall not effectively be controlled, directly or indirectly, by the same entity or shall not control each other.

Amendment

2. The action shall be undertaken in a cooperation of at least three undertakings which are established in at least two different Member States. **At least two** undertakings which are beneficiaries shall not effectively be controlled, directly or indirectly, by the same entity or shall not control each other.

Or. fr

Justification

In order to encourage cooperation without penalising undertakings already established in at least two Member States, this amendment calls for at least two of the beneficiary undertakings not to control each other.

Amendment 23

Proposal for a regulation

Article 7 – paragraph 1

Text proposed by the Commission

1. Beneficiaries shall be undertakings established in the Union, **in which** Member States and/or nationals of Member States **own more than 50 % of the undertaking and effectively control it** within the meaning of Article 6(3), whether directly or indirectly through one or more intermediate undertakings. In addition, all infrastructure, facilities, assets and resources used by the participants, including subcontractors and other third parties, in actions funded under the Programme shall **not** be located on the territory of **non-Member States** during the entire duration of the action.

Amendment

1. Beneficiaries **and their subcontractors** shall be undertakings established in the Union **which are effectively controlled by** Member States and/or nationals of Member States within the meaning of Article 6(3), whether directly or indirectly through one or more intermediate undertakings. In addition, all infrastructure, facilities, assets and resources used by the participants, including subcontractors and other third parties, in actions funded under the Programme shall be located on the territory of **the Union** during the entire duration of the action. **The use of such infrastructure, facilities, assets and resources shall not be subject to any control or restriction by a**

third country or a non-EU entity.

Or. fr

Amendment 24

Proposal for a regulation Article 7 – paragraph 1 a (new)

Text proposed by the Commission

Amendment

1a. In the event of a change in the effective control of the undertaking within the meaning of Article 6(3), the undertaking shall inform the Commission and the Member State in which it is located, which shall jointly decide the necessary protection measures which may be applied, without prejudice to existing national measures.

Or. fr

Justification

This amendment seeks to require beneficiary undertakings which undergo a change in effective control to inform the national and European public authorities. This should be done in compliance with the relevant existing national measures.

Amendment 25

Proposal for a regulation Article 10 – subparagraph 1 – introductory part

Text proposed by the Commission

Amendment

Actions proposed for funding under the Programme shall be evaluated on the basis of the following cumulative criteria:

Actions proposed for funding under the Programme shall be evaluated ***with regard to the objectives laid down in Article 2 and*** on the basis of the following cumulative criteria:

Or. fr

Amendment 26

Proposal for a regulation Article 10 – subparagraph 1 – point a

Text proposed by the Commission

a) excellence;

Amendment

a) excellence ***and industrial performance***;

Or. fr

Amendment 27

Proposal for a regulation Article 11 – paragraph 1

Text proposed by the Commission

1. The financial assistance of the Union provided under the Programme may not exceed 20 % of the total cost of the action where it relates to prototyping. In all the other cases, the assistance may cover up to the total cost of the action.

Amendment

1. The financial assistance of the Union provided under the Programme may not exceed 20% of the total ***eligible*** cost of the action where it relates to prototyping, ***within the meaning of Article 126 of Regulation (EU, Euratom) No 966/2012***. In all the other cases, the assistance may cover up to the total ***eligible*** cost of the action.

Or. fr

Justification

This amendment seeks to make clear that the costs taken into account to calculate the share funded by the Union are the eligible costs under Article 126 of the Financial Regulation (No 966/2012).

Amendment 28

Proposal for a regulation Article 12 – subparagraph 1

Text proposed by the Commission

The ***Commission*** shall not own the products or technologies resulting from the

Amendment

1. The ***Union*** shall not own the products or technologies resulting from the

action nor shall it have any IPR claim pertaining to the action.

action nor shall it have any IPR claim, **including licence rights**, pertaining to the action.

Or. fr

Amendment 29

Proposal for a regulation Article 12 – paragraph 1 a (new)

Text proposed by the Commission

Amendment

1a. The results of actions which receive funding under the Programme shall not be subject to any control or restriction by a third country or a non-EU entity.

Or. fr

Justification

This amendment seeks to protect the results of actions funded by the Programme. Those results must remain under the control of EU entities.

Amendment 30

Proposal for a regulation Article 13 – paragraph 2

Text proposed by the Commission

Amendment

2. The work programme shall set out in detail the categories of projects to be funded under the Programme;

2. The work programme shall set out in detail the categories of projects to be funded under the Programme ***and provide for a category of projects specifically dedicated to SMEs.***

Or. fr

Justification

This amendment seeks to add an additional category of projects which will be dedicated to SMEs.

Amendment 31

Proposal for a regulation Article 13 – paragraph 3

Text proposed by the Commission

3. The work programme shall ensure that ***a credible proportion*** of the overall budget will benefit actions enabling the cross-border participation of SMEs.

Amendment

3. The work programme shall ensure that ***at least 10%*** of the overall budget will benefit actions enabling the cross-border participation of SMEs.

Or. fr

Justification

This amendment seeks to clarify the Commission text by setting a minimum share of the overall Programme budget which must go on actions enabling cross-border participation of SMEs.

Amendment 32

Proposal for a regulation Article 14 – paragraph 1

Text proposed by the Commission

1. In the implementation of the Programme, Union funding shall be granted ***following competitive calls issued*** in accordance with Regulation (EU, Euratom) No 966/2012 and Commission Delegated Regulation (EU) No 1268/12⁸.

Amendment

1. In the implementation of the Programme, Union funding shall be granted in accordance with Regulation (EU, Euratom) No 966/2012 and Commission Delegated Regulation (EU) No 1268/12⁸.

⁸ Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

⁸ Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

Or. fr

Justification

This amendment provides legal clarification of the Commission proposal. The regulations referred to in this article allow competitive tendering while providing for possible exemptions. Competitive tendering is therefore the principle but is not mandatory in all cases.

Amendment 33

Proposal for a regulation

Article 17 – paragraph 2 a (new)

Text proposed by the Commission

Amendment

2a. The report referred to in paragraph 2 shall propose solutions for reducing the Union's dependence on the products and technologies of non-EU entities, in particular those identified during implementation of this Regulation.

Or. fr

Justification

This amendment seeks to obtain from the Commission information enabling the EU to move towards real strategic autonomy, in particular by drawing lessons from this Regulation.

Amendment 34

Proposal for a regulation

Article 19 – subparagraph 1

Text proposed by the Commission

Amendment

This Regulation shall enter into force on the ***twentieth*** day following that of its publication in the Official Journal of the European Union.

This Regulation shall enter into force on the ***third*** day following that of its publication in the Official Journal of the European Union.

Or. fr

Justification

The aim of this amendment is to enable the Regulation to be applied as soon as possible so that the Programme can be rolled out under the best possible conditions.

EXPLANATORY MEMORANDUM

The European Defence Fund proposed by the Commission on 7 June 2017 contains two windows covering the entire cycle of defence industrial development. A first window is intended to fund collaborative research in innovative defence technologies. A second window is for the cooperative acquisition of defence capabilities. It includes the European Defence Industrial Development Programme, which seeks to meet the challenges facing the European defence industry. The Member States' overall defence budget is falling, unlike that of other global powers, such as China and Russia; and the US defence budget is twice that of the EU. At the same time, the lack of cooperation at European level is reflected in a duplication of weapons systems and equipment and hence considerable budgetary inefficiency. One indication that cooperation is not yet sufficiently advanced is the absence of common specifications among Member States. This leads to delays and additional costs in the development of flagship projects. Moreover, a dependence on third countries for products and technologies undermines the EU's strategic autonomy.

Our defence industry is not, at present, given sufficient incentives to compete globally, despite a genuine wealth of technology. It needs 'more Europe' to provide more reliable, more independent and less costly technology.

Paradoxically, Europeans' security needs in an unstable international environment are, in many respects, increasing. And the EU's singular approach to defence and global security is a guarantee of stability. Cooperation therefore provides essential added value in responding to EU citizens' need for security and consolidating the EU's position.

Your rapporteur warmly welcomes, therefore, the Commission's proposal to establish a European Defence Industrial Development Programme, and considers it essential to implement it successfully from January 2019 in order to secure the prospects for the European defence industry in the period after 2020. To that end, the Council and Parliament should examine this proposal promptly.

Strategic autonomy as an objective

This Programme should be a means of strengthening EU independence in the area of defence. That strategic autonomy is essential to ensuring that the EU is free to take action worldwide. It can only be enhanced by better cooperation between Member States and undertakings, which must be based on the Member States' common capability priorities. This will guarantee project viability.

The objective of EU defence autonomy should therefore be included from Article 2 of the Regulation. Developing the industrial and technological base of European defence is key to this autonomy. To that end, the Commission wanted only undertakings which are effectively controlled by EU entities to be funded by this Programme for actions carried out in the EU. Their subcontractors should also meet this criterion. In order to make this essential requirement more pragmatic, the criterion of a 50% European stake, which is too rigid and poorly suited to undertakings in this sector, has been deleted from Article 7. A further proposal is to identify products and technologies coming from third countries in order for the EU to reduce its dependence on them.

Greater competitiveness in the industry and innovation

The competitiveness of the defence industry, which is the legal basis of this proposal for a regulation, will be judged by its capacity to innovate and adapt to technological developments. Excellence and industrial performance are therefore essential criteria for this strategic sector. The industry's European regulatory environment must move further towards interoperability and improved standardisation. These are also the objectives of this Programme which should be included in Article 2 of the Regulation.

Business consolidation at European level is a positive factor so the Programme should not penalise undertakings which have been taking this approach for a long time. What is needed is genuine European cooperation, and the requirement for common specifications is crucial for an action to be supported by the Programme.

A competitive defence industry will have significant spinoffs in both economic and human terms, and the Programme will serve to offset the constraints associated with cooperation.

An important role for SMEs

SMEs already play a vital role in defence and security in Europe. Big companies work with them on all their projects and they provide huge benefits for the European Union as a whole. But it is important to promote cross-border cooperation, particularly for SMEs which lack the incentive to cooperate. For example, all Member States with undertakings likely to contribute to technological excellence in defence and security will have the opportunity to benefit from this Programme through the creation of new cooperation projects, without excessive constraints being added to what are already very complex industrial programmes.

Your rapporteur proposes, therefore, making an extra effort for SMEs by giving them a dedicated category of projects and ensuring that at least 10% of the overall Programme budget is allocated to actions promoting cross-border participation of SMEs (Article 13).

Appropriate funding

The EUR 500 million budget is appropriate for this programme, but your rapporteur considers that any redeployment from EU programmes such as EGNOS, Galileo, Copernicus, ITER and the Connecting Europe Facility must not affect the implementation of those programmes. Every Member State must make an effort and the margin of the current financial framework will also have to be used.