



2022/0033(NLE)

17.10.2022

DRAFT REPORT

on the proposal for a Council regulation amending Regulation (EU) 2021/2085 establishing the Joint Undertakings under Horizon Europe, as regards the Chips Joint Undertaking
(COM(2022)0047 – C9-0113/2022 – 2022/0033(NLE))

Committee on Industry, Research and Energy

Rapporteur: Eva Maydell

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.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council regulation amending Regulation (EU) 2021/2085 establishing the Joint Undertakings under Horizon Europe, as regards the Chips Joint Undertaking
(COM(2022)0047 – C9-0113/2022 – 2022/0033(NLE))**

(Consultation)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2022)0047),
 - having regard to Articles 187 and the first subparagraph of Article 188 of the Treaty on the Functioning of the European Union, pursuant to which the Council consulted Parliament (C9-0113/2022),
 - having regard to Rule 82 of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, Research and Energy (A9-0000/2022),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to alter its proposal accordingly, in accordance with Article 293(2) of the Treaty on the Functioning of the European Union;
 3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 4. Asks the Council to consult Parliament again if it intends to substantially amend the Commission proposal;
 5. Instructs its President to forward its position to the Council and the Commission.

Amendment 1

Proposal for a regulation Recital 2

Text proposed by the Commission

(2) The Key Digital Technologies Joint Undertaking addresses clearly defined topics that enable European industries at large to design, **manufacture** and use the most innovative technologies in electronic components and systems.

Amendment

(2) The Key Digital Technologies Joint Undertaking addresses clearly defined topics that enable European industries at large to **research**, design, **and innovate throughout the semiconductor supply chain** and use the most innovative technologies in electronic components and systems.

Or. en

Amendment 2

Proposal for a regulation Recital 3

Text proposed by the Commission

(3) Regulation (EU) [...] ²³ establishes a framework for increasing the Union's resilience in the field of semiconductor technologies, stimulating investment, strengthening the capabilities of the European semiconductor supply chain, and increasing cooperation among the Member States **and** the Commission. To create the conditions necessary to strengthen the Union's industrial innovation capacity, the Chips for Europe Initiative (the 'Initiative') is established. In order to ensure a consistent implementation of the Initiative, the European Semiconductor Board should provide advice to the Public Authorities Board.

Amendment

(3) Regulation (EU) [...] ²³ establishes a framework for increasing the Union's resilience, **adaptability, efficiency, security and stability of supply** in the field of semiconductor technologies, stimulating investment **and growth**, strengthening the capabilities of the European semiconductor supply chain, and increasing cooperation among the Member States, the Commission **and industry stakeholders**. To create the conditions necessary to strengthen the Union's industrial innovation capacity, the Chips for Europe Initiative (the 'Initiative') is established. In order to ensure a consistent implementation of the Initiative, the European Semiconductor Board should provide advice to the Public Authorities Board.

²³ OJ L ..., p...

²³ OJ L ..., p...

Or. en

Amendment 3

Proposal for a regulation Recital 3 a (new)

Text proposed by the Commission

Amendment

(3a) The activities of the Chips Joint Undertaking should work effectively alongside the broader objectives of the Chips Fund to support the development of a dynamic and resilient semiconductor ecosystem. The Chips Joint Undertaking should provide opportunities for the increased availability of funds to support the growth of start-ups and SMEs as well as investment across the entire value chain. Support and guidance should be provided, in particular, to SMEs on how to access public and private investment, including venture capital, with an aim of speeding up not only access, but also the application and approval process.

Or. en

Amendment 4

Proposal for a regulation Recital 3 b (new)

Text proposed by the Commission

Amendment

(3b) The Commission should provide clear and readily available guidelines on the terms and conditions for the development of, and third party access to pilot lines, as well as on the compatibility and accessibility of the Union's virtual design platforms, design libraries, and competence centres.

Or. en

Amendment 5

Proposal for a regulation Recital 3 c (new)

Text proposed by the Commission

Amendment

(3c) Given the importance of collaboration with third parties in the area of R&D&I, the European Semiconductor Board and the Commission should establish clear and readily available guidelines on access modes, software and hardware for their participation in projects that fall within the scope of this Regulation. Within the structures of the European Semiconductor Board, the EU-US Trade and Technology Council and other Union agreements and strategies with third countries, guidance should be provided to overcome existing obstacles to international cooperation in the field of research, development and innovation (R&D&I).

Or. en

Amendment 6

Proposal for a regulation Recital 3 d (new)

Text proposed by the Commission

Amendment

(3d) The success of the Initiative can only be built on a collective effort by Member States, together with the Union, to support both the significant capital costs and the wide availability of virtual design, testing and piloting resources and diffusion of knowledge, skills and competences. The new concepts and ambitions of the Chips Act and the Initiative should be supported with significant new financial provisions for R&D&I and for the design, experimentation, and testing of advanced and evolving existing technologies and products within the Union's semiconductor ecosystem.

Or. en

Amendment 7

Proposal for a regulation Recital 3 e (new)

Text proposed by the Commission

Amendment

(3e) Financial support deriving from the Initiative should be used to address market failures or suboptimal investment situations as a consequence of the high capital intensity, high-risk, and complex landscape of the semiconductor ecosystem in a proportionate manner, and actions should not duplicate or crowd out private financing or distort competition in the internal market. Actions should have a clear added value for the Union.

Or. en

Amendment 8

Proposal for a regulation Recital 3 f (new)

Text proposed by the Commission

Amendment

(3f) The activities of the Chips Fund should support the development of a dynamic and resilient semiconductor ecosystem. The Chips Fund should provide opportunities for increased availability of funds to support the growth of start-ups and SMEs as well as investment across the entire value chain. The Union should seek to improve the leverage effect of the Union's budget spending and achieve a higher multiplier effect in terms of attracting private-sector financing. In this regard clear guidance and access points should be provided in order to assist start-ups and SMEs in accessing public and private funds.

Or. en

Amendment 9

Proposal for a regulation Recital 5

Text proposed by the Commission

(5) The Initiative aims to reinforce the competitiveness and resilience of the semiconductor technological and industrial base, whilst strengthening the innovation capacity of its semiconductor ecosystem, reducing dependence on a limited number of third country companies and geographies, and strengthening its capacity to design and produce advanced components. These aims should be supported by bridging the gap between the Union's advanced **research and innovation** capabilities and their industrial exploitation. It should promote capacity building to enable design, production and systems integration in next-generation semiconductor technologies, enhance collaboration among key players across the Union, strengthening Europe's semiconductor supply and value chains, serving key industrial sectors, and creating new markets.

Amendment

(5) The Initiative aims to reinforce the competitiveness and resilience of the semiconductor technological and industrial base, whilst strengthening the innovation capacity of its semiconductor ecosystem, reducing dependence on a limited number of third country companies and geographies, and strengthening its capacity to design and produce advanced **and innovative** components. These aims should be supported by bridging the gap between the Union's advanced **R&D&I** capabilities and their industrial exploitation. It should promote capacity building to enable **R&D&I**, design, production, **packaging** and systems integration in next-generation semiconductor technologies, **the development of existing semiconductor technology**, enhance collaboration among key players across the Union, strengthening Europe's semiconductor supply and value chains, serving key industrial sectors, and creating new markets.

Or. en

Amendment 10

Proposal for a regulation Recital 5 a (new)

Text proposed by the Commission

Amendment

(5a) In order to achieve the greatest possible positive impact of Union funding and the most effective contribution to the Union's policy objectives, the Chips Joint Undertaking and the Chips Fund should seek to maximise the potential of private and/or public sector partners. Such partners should include industry, R&D&I

and technology organisations, bodies with a public service mission at local, regional, national or international level, and civil society organisations, such as foundations that support and/or carry out R&D&I, provided that desired impacts can be achieved more effectively in partnership than by the Union alone.

Or. en

Amendment 11

Proposal for a regulation Recital 5 b (new)

Text proposed by the Commission

Amendment

(5b) In order to achieve the greatest possible positive impact of Union funding and the most effective contribution to the Union's policy objectives, the Chips Joint Undertaking and the Chips Fund should together set up private and/or public sector partners, for example through memoranda of understanding, with a view to achieving specific impacts more effectively. Such partners could include industry, R&D&I and technology organisations, bodies with a public service mission at local, regional, national or international level, and civil society organisations, such as foundations that support or carry out R&D&I.

Or. en

Amendment 12

Proposal for a regulation Recital 5 c (new)

Text proposed by the Commission

Amendment

(5c) The Chips Joint Undertaking should, where relevant and appropriate under the existing Horizon Europe rules, seek to significantly strengthen international cooperation which is crucial

to ensuring access to talent, knowledge, know-how, facilities and markets worldwide, and to effectively tackle global challenges in the semiconductor supply chain.

Or. en

Amendment 13

Proposal for a regulation

Recital 6

Text proposed by the Commission

(6) The Initiative should be implemented through actions that should build upon the strong knowledge base acquired by the Key Digital Technologies Joint Undertaking. The Key Digital Technologies Joint Undertaking should be tasked with providing financial support, through any instrument or procedure provided for in Horizon Europe or the Digital Europe Programme, to actions funded under the Initiative. Furthermore, the Key Digital Technologies Joint Undertaking should be renamed to Chips Joint Undertaking. Throughout the lifetime of the Chips Joint Undertaking, at least EUR 2.5 billion should be dedicated to pilot lines, design infrastructures, competence centres, and other capacity building activities.

Amendment

(6) The Initiative should be implemented through actions that should build upon the strong knowledge base acquired by the Key Digital Technologies Joint Undertaking. The Key Digital Technologies Joint Undertaking should be tasked with providing financial support, through any instrument or procedure provided for in Horizon Europe or the Digital Europe Programme, to actions funded under the Initiative. Furthermore, the Key Digital Technologies Joint Undertaking should be renamed to Chips Joint Undertaking. Throughout the lifetime of the Chips Joint Undertaking, at least EUR 2.5 billion should be dedicated ***and guaranteed*** to pilot lines, design infrastructures, competence centres, and other capacity building activities.

Or. en

Amendment 14

Proposal for a regulation

Recital 6 a (new)

Text proposed by the Commission

Amendment

(6a) The expenditure for R&D&I activities under the Chips Joint Undertaking, should remain at the same level as the expenditure already foreseen for R&D&I activities under the Key

Amendment 15

Proposal for a regulation

Recital 7

Text proposed by the Commission

(7) The activities funded by the Chips Joint Undertaking should be covered in one single work programme, which should be adopted by the Governing Board. Before each work programme is prepared, the Public Authorities Board, taking into account the advice of the European Semiconductor Board and input from other relevant stakeholders, including as appropriate, roadmaps produced by the Alliance on Processors and Semiconductor Technologies²⁶, should define the part of the work programme related to capacity building activities and **research and innovation** activities, including their corresponding expenditure estimates. For this purpose, the Public Authorities Board should include only the Commission and public authorities from Member States. Subsequently, on the basis of this definition, the Executive Director should prepare the work programme including capacity building and **research and innovation** activities and their corresponding expenditure estimates.

²⁶ The Alliance is referred to in the Communication from the Commission of 5 May 2021 on ‘Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe’s recovery’.

Amendment

(7) The activities funded by the Chips Joint Undertaking should be covered in one single work programme, which should be adopted by the Governing Board. Before each work programme is prepared, the Public Authorities Board, taking into account the advice of the European Semiconductor Board and input from other relevant **industry** stakeholders **and experts, the private members board, and** including as appropriate, roadmaps produced by the Alliance on Processors and Semiconductor Technologies²⁶, should define the part of the work programme related to capacity building activities and **R&D&I** activities, including their corresponding expenditure estimates. For this purpose, the Public Authorities Board should include only the Commission and public authorities from Member States. Subsequently, on the basis of this definition, the Executive Director should prepare the work programme including capacity building and **R&D&I** activities and their corresponding expenditure estimates.

²⁶ The Alliance is referred to in the Communication from the Commission of 5 May 2021 on ‘Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe’s recovery’.

Amendment 16

Proposal for a regulation

Article 1 – paragraph 1 – point 9

Regulation (EU) 2021/2085

Article 129 – paragraph 3

Text proposed by the Commission

3. By way of derogation from Article 28(4), the private members shall make or arrange for their constituent and affiliated entities to make a financial contribution of **at least** EUR 26 331 000 for administrative costs of the Chips Joint Undertaking. The share of the total contribution on an annual basis for administrative costs of the Chips Joint Undertaking by the private members shall be 35%.

Amendment

3. By way of derogation from Article 28(4), the private members shall make or arrange for their constituent and affiliated entities to make a financial contribution of EUR 26 331 000 for administrative costs of the Chips Joint Undertaking. The share of the total contribution on an annual basis for administrative costs of the Chips Joint Undertaking by the private members shall be 35%.

Or. en

Amendment 17

Proposal for a regulation

Article 1 – paragraph 1 – point 13

Regulation (EU) 2021/2085

Article 134a new – paragraph 1

Text proposed by the Commission

In addition to the tasks listed in Article 19, the Executive Director of the Chips Joint Undertaking shall prepare and, after having taken into account the definition of the Public Authorities Board referred to in Article 137(f), as well as the **inputs from** relevant stakeholders including as appropriate, roadmaps produced by the Alliance on Processors and Semiconductor technologies, submit for adoption to the Governing Board the work programme for the joint undertaking, to implement the Strategic Research and Innovation Agenda.

Amendment

In addition to the tasks listed in Article 19, the Executive Director of the Chips Joint Undertaking shall prepare and, after having taken into account the definition of the Public Authorities Board referred to in Article 137(f), as well as the relevant **input from** stakeholders **and experts** including as appropriate, roadmaps produced by the Alliance on Processors and Semiconductor technologies, submit for adoption to the Governing Board the work programme for the joint undertaking, to implement the Strategic Research and Innovation Agenda.

Or. en

Amendment 18

Proposal for a regulation

Article 1 – paragraph 1 – point 15 – point a

Regulation (EU) 2021/2085

Article 137 – paragraph 1 – point f

Text proposed by the Commission

(f) before each work programme is prepared, define the part of the work programme related to capacity building activities and **research and innovation** activities, including the corresponding expenditure estimates, taking into account the advice of the European Semiconductor Board and input from other **relevant** stakeholders, including as appropriate, roadmaps produced by the Alliance on Processors and Semiconductor Technologies;

Amendment

(f) before each work programme is prepared, define the part of the work programme related to capacity building activities and **R&D&I** activities, including the corresponding expenditure estimates, taking into account the advice of the **private members board and the** European Semiconductor Board and **relevant** input from other **industry** stakeholders **and experts**, including as appropriate, roadmaps produced by the Alliance on Processors and Semiconductor Technologies;

Or. en

EXPLANATORY STATEMENT

Synergies between the Chips Act and the Chips Joint Undertakings:

The Rapporteur welcomes the Commission's proposal for a Chips Act and Chips Joint Undertaking. Concrete steps to improve the security and stability of Europe's semiconductor ecosystem are vital to ensure a successful digital and green transition.

The supply of semiconductors and critical raw materials have become pivotal issues in our geopolitical landscape, and in ensuring the stability and security of our economy and society. The Rapporteur welcomes a regulation that brings government, the R&D&I community, industry, and international partners closer together to tackle the challenges we face.

The global semiconductor supply chain is unique, as are the challenges it faces. This regulation should therefore, ensure a fast moving, adaptable, and legally certain landscape that respects the principles of the single market and competition policy in order to secure future investment, innovation, and increased production in this sector.

The Rapporteur believes the EU's strategy is best served by applying the following principles:

1. That innovation must be the driving force of the Union's semiconductor ecosystem;
2. That enhanced and effective supply chain monitoring will help to minimise disruptions to production and supply;
3. That enhanced international cooperation will help create robust European digital sovereignty and a strong global market;
4. In addition, that Union support and structures should seek to create an agile and market led industry policy that places close cooperation between industry, Member States and the Commission at its core.

Aims of the Joint Undertakings:

It is the opinion of the Rapporteur that for the EU to be able to meet ambitious political and production goals in the semiconductor industry, significant financing by the European Union and Member States is required. This is especially true in a global market of significant investment by global partners and competitors.

The Chips Joint Undertaking must have the ambition to work towards the same goals as Horizon Europe, addressing global challenges and Europe's industrial competitiveness. Pushing forward innovation is at the heart of long-term EU strategic autonomy; and innovation is at the heart of European industry.

The proposed Chips Act Joint Undertaking notably aims to reduce risks and uncertainties for industry that are related to investing in R&D&I activities and new technologies, by sharing risks and providing investment predictably. Goals of the Chips Act Joint Undertakings include, inter alia:

- supporting large-scale capacity building through investment into cross-border research;
- enabling the development of cutting-edge and next generation semiconductor technologies;
- an emphasis on start-ups and scale-ups; and
- to increase production capacity across the Union.

Available funds:

The Rapporteur acknowledges that there have been significant budgetary pressures in the context of the post-Covid recovery and Russia's war in Ukraine. These are fiscally challenging times.

Nonetheless, the Union has set ambitious aims, requiring funds to be used strategically to deliver the greatest positive impact across all Member States in Europe's semiconductor ecosystem and European R&D&I excellence. This is critical to achieving goals such as: increasing EU production and strategic autonomy; cementing the EU as a hub of innovation and a skilled workforce; and delivering jobs and growth. European innovation is central to these objectives.

The Chips for Europe initiative and the Chips Joint Undertaking must ensure that the R&D&I community strengthens our industry and services, and SMEs, start-ups and scale-ups across Europe.

The intention of the Chips for Europe Initiative is to reinforce technologies and innovation capabilities, ensuring EU leadership in this field in the mid to long term - by aiming to:

- reinforce Europe's leadership in research;
- enable access across Europe to chips design tools, and pilot lines for prototyping and testing innovative chips technologies;
- establish a certification procedure for energy-efficient and trusted chips to guarantee their quality and security for critical applications;
- foster education skills and talent in microelectronics;
- support a network of competence centres across Europe for promoting innovative design and use of semiconductor system.

The Rapporteur believes it is important to stress that new ideas need new money. Financial prudence must also be matched by strategic prudence. Appropriate levels of funding are essential for the Chips Joint Undertaking to contribute to the success achievement of the Chips Act and Chips for Europe Initiative.

The Rapporteur is therefore, concerned about the ongoing discussions regarding possible reductions in the upcoming budgetary cycle, the lack of planning for the transition to the next MFF, continuing uncertainty around the use of de-commitments, and the lack of clarity for those within the R&D&I community regarding the exact amount of funding available under this scheme.

However, the EU budget contribution represents a total of up to EUR 3.3 billion, including EUR 1.65 billion via the Horizon Europe programme and EUR 1.65 billion via the Digital Europe Programme. Out of this amount, EUR 2.875 billion will be implemented through the Chips Joint Undertaking. Only EUR 250 million is new funds.

At a time when science, research and innovation can help the EU achieve its broader security and economic goals, future annual budgets and the Multiannual Financial Framework (MFF) should ensure there are no real-term cuts and reductions in this area. This will help to ensure that appropriate levels of funding for all parts of Horizon Europe and Digital Europe Programme are maintained, and that the EU's policy objectives can be transformed into

achievements.

Impact Assessment:

The Rapporteur, therefore, finds it regrettable that an impact assessment was not conducted. A detailed breakdown in the form of an impact assessment would have been advantageous in setting the policy and budgetary priorities.

Given the urgency of the situation, no impact assessment was carried out and no online public consultation was foreseen. While the Rapporteur supports the urgency of action to keep pace with international competitors and partners, informed decision-making leads to quality policy making. It is of utmost importance that the Commission provides the rationale and methodology used to define the budget.

The Rapporteur urges the Commission to deliver a replacement for an impact assessment in the form of a specific Chips Joint Undertaking Working Document, as soon as possible. Furthermore, the Rapporteur urges the Commission to provide a detailed projection of funding available until the end of this MFF.

Budgetary & programme continuity:

The Chips Joint Undertaking must create a European industrial legacy within the EU's R&D&I ecosystem. The Chips Act and Chips Joint Undertaking must seek to provide financial continuity, consistency, and clarity in the context of the annual budgetary cycles. It is also essential to provide a timeframe longer than the current MFF for projects covered under the Chips Joint Undertaking.

Work Programme:

Furthermore, the Rapporteur stresses the importance that a detailed programme and guidance is provided as soon as possible regarding the functioning of the Virtual Design Platform, Design Libraries, Competence Centres, and Pilot Lines open for research, testing, experimentation, and validation of new device concepts. In particular, detailed guidance should be provided to support SMEs, start-ups, and scale-ups in accessing financing. Such programmes and guidance should help to bring together companies and organisations of all sizes to help strengthen an interconnected EU semiconductor ecosystem.

Building an R&D&I ecosystem:

The Chips Joint Undertaking shall seek to embrace the whole chips value chain from research and design, manufacturing, assembly, packaging and testing down to the embedded application. The Chips Joint Undertaking must help to accelerate this goal.

While the Pilot Lines may seek to address different technologies, operating them under a single structure should seek to maximise the synergies between them and maximise the potential benefits. The Chips Joint Undertaking should seek to close the gap between R&D&I and deploying chips production and application in Europe.

The Chips for Europe Initiative and Chips Joint Undertaking should seek to benefit and

positively impact the entire Union and strengthen collaboration and cohesion in the R&D&I community. Therefore, reducing existing disparities and gaps in investment that may exist in different Member States. This in turn can help the EU become a leading global force for semiconductor R&D&I.

Evaluation:

The Rapporteur asks for an ‘Exceptional Chips Joint Undertaking Work Programme Evaluation Report’, to be delivered to the Parliament and the Council within 18 months of the Chip Joint Undertaking coming into force. The report shall assess the efficacy of the Chips Joint Undertakings, evaluating:

- whether the amount of funding made available is sufficient to achieve the objectives laid out within the Chips Joint Undertaking and Chips Fund.
- whether the Chips Joint Undertaking has enhanced and facilitated greater synergies and cross border cooperation between the R&D&I community;
- how accessible the Chips Joint Undertaking is to SMEs;
- the impact of the Chips Joint Undertaking upon existing and newly initiative projects; and
- the geographical distribution of projects under the Chips Joint Undertaking.

As a consequence of the evaluation, the Chips Joint Undertaking shall ensure that the governance is adjusted in order to maximise the potential of the funds in R&D&I and capacity building activities.