



7.11.2025

PROVISIONAL AGREEMENT RESULTING FROM INTERINSTITUTIONAL NEGOTIATIONS

Subject: Proposal for a regulation of the European Parliament and of the Council amending Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and 2024/795, as regards incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan (COM(2025)0188 – C10-0070/2025 – 2025/0103(COD))

The interinstitutional negotiations on the aforementioned proposal for a regulation have led to a compromise. In accordance with Rule 75(4) of the Rules of Procedure, the provisional agreement reproduced below is submitted to the Committee on Industry, Research and Energy for decision by way of a single vote.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153 and 2024/795, as regards incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,
Having regard to the Treaty on the Functioning of the European Union, and in particular Articles *164, 172, 173(3)*, Article 175, third paragraph, Articles *177 and 178, 182(1) and (4), 183, 188, second paragraph, 192(1)* thereof,
Having regard to the proposal from the European Commission,
After transmission of the draft legislative act to the national parliaments,
Having regard to the opinion of the European Economic and Social Committee¹,
Having regard to the opinion of the Committee of the Regions²,
Acting in accordance with the ordinary legislative procedure,
Whereas:

¹ OJ C , , p. .

² OJ C , , p. .

- (1) The unprecedented geopolitical instability and the rapid deterioration of regional and global threat levels *and security, in particular Russia's unprovoked and unjustified war of aggression against Ukraine, which has exposed the Union and its Member States to a high risk of materialisation of conventional military threats, requires an urgent and significant step up of the Union spending on research, innovation and development, industrial capacity and development of infrastructures connected with resilience, security and defence. The European Defence Technological and Industrial Base (EDTIB) faces persistent barriers in accessing finance, in particular private finance for investments, due to the risks market actors associate with them. As a consequence, leveraging public defence-related investment is vital. Therefore*, as identified in the Joint White Paper for European Defence Readiness 2030, the Union should do more to support the urgent need to increase European defence-related investments with the Union budget, *alongside the increases in national defence spending by the Member States. The leveraging of Union funding programmes to support dual-use and defence-related technologies and products does not only serve as a stepping-stone towards European Defence Readiness, but will also enhance civil-military cooperation across Member States in light of mutually beneficial spill-over effects. The actions supported by the Union programmes concerned could duly take into account the relevant activities carried out by the North Atlantic Treaty Organisation (NATO) and other partners where such activities serve the Union's security and defence interests.*
- (1a) *Investing in the development of cutting-edge dual-use and defence capabilities should be promoted as it contributes to the Union's broader societal resilience, security and competitiveness objectives. Developing the dual-use and defence industry throughout the Union, taking into account the risks associated with the increased deterioration of the Union's security context, is essential to ensure that all Member States contribute to and benefit from a robust and resilient EDTIB.*
- (2) The Strategic Technologies for Europe Platform (STEP) established by Regulation (EU) 2024/795 of the European Parliament and of the Council³ is an initiative aimed

³ Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP), and amending Directive 2003/87/EC and Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU)

at boosting Union competitiveness by mobilizing funds from 11 existing Union programmes towards critical technologies in 3 strategic sectors: digital technologies and deep tech innovation, clean and resource-efficient technologies, and biotechnologies. As such, it is a good vehicle to mobilise, in a coordinated and synergetic manner, Union resources towards defence, including key digital frontier technologies required for the development of defence products and technologies.

- (3) While support to technologies having defence implications is possible today under the 3 existing strategic sectors identified in STEP, it appears necessary to increase the potentialities of development of research, industry and innovation in the defence area by setting out a fourth strategic sector in STEP *focused* on defence technologies. This new strategic sector should ensure that the STEP incentives are used to increase Union funding in defence technologies and contribute to European competitiveness in line with STEP objectives. Defence technologies should be understood as those *necessary for the development and manufacturing of defence products, including those defence-related products* referred to in the Annex to Directive 2009/43/EC. *Consistent with the approach applied to the other three sectors set out in Article 2(1), point (a), of Regulation 2024/795, the Commission should update the guidance provided for in the STEP regulation to cover the new fourth strategic sector, including on the interpretation of defence technologies* █. As regards artificial intelligence, AI Gigafactories should become key infrastructures to expand rapidly the power of AI in defence technologies.
- (4) In addition, in order to optimise the capacity of the programmes covered by STEP to mobilize Union's resources towards defence *needs*, it is necessary to clarify that these programmes can pursue objectives and activities that are related to improving the competitiveness *and resilience* of the European Defence Technological and Industrial basis (EDTIB) as well as research and development activities in the defence field.
- (5) Horizon Europe established by Regulation (EU) 2021/695 of the European Parliament and of the Council¹ is the Union's █ funding programme for research and

2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241 (OJ L, 2024/795, 29.2.2024, ELI: <http://data.europa.eu/eli/reg/2024/795/oj>)

innovation, *playing a pivotal role for global scientific and technological leadership of the Union*. The European Innovation Council (EIC) Accelerator established by that Regulation provides support, in particular, for innovations with breakthrough potential and of a disruptive nature with scale-up potential that may be too risky for private investors. SMEs, *start-ups and some small mid-cap enterprises* operating within the defence sector require financing for the commercialization of innovative products. However, these companies face higher barriers to access finance compared to *entities* in other sectors. *As highlighted in the Defence Readiness 2030 White Paper, our continent is currently being affected by war, aggression and other hostile acts, and it is thus necessary to increase European defence readiness. For that purpose, a massive increase in support to high-impact defence-related innovation is needed, including providing much-needed support to SMEs, start-ups and some small mid-caps willing to scale up such high-impact defence-related innovations. However, the current architecture of Union programmes — including the European Defence Fund — does not provide the scale, flexibility, or speed required to mobilise this type of support in an effective and timely manner, and might create uncertainties for the undertakings in relation to the access to support for technologies with potential dual-use applications. Given the severity of the threat environment, extraordinary measures are justified and necessary.* Whereas the support to defence research and development is done through the European Defence Fund (EDF), which is a specific programme of Horizon Europe, it is appropriate, *on the basis of the current strategic context*, to open the EIC Accelerator for actions with potential dual-use applications, *while advancing civilian application use*. Support to scale-up under the EIC Accelerator *STEP Scale-up Scheme* should also be extended to non-bankable SMEs, including start-ups and non-bankable small mid-caps, including entities which have already received support from the Accelerator carrying out breakthrough and disruptive non-bankable innovation *in critical defence technologies while fostering, where appropriate, innovations with dual-use potential. Scale up support in the form of direct equity investment, whereby funding is provided directly to companies, is not available under existing defence-focused funding instruments, in particular the EDF and the Defence Equity Facility deployed under InvestEU.*

Opening of the EIC Accelerator STEP Scale Up calls to innovation in critical defence technologies is therefore necessary to support companies investing in the defence sector, while ensuring complementarity with other existing Union instruments. This justifies a targeted exception *within this MFF* to the principle set out in Article 7(1) of Regulation (EU) 2021/695 of the European Parliament and of the Council according to which research and innovation activities under Horizon Europe have an exclusive focus on civil applications while not undermining the objective of ensuring unnecessary duplications. *The targeted exception is without prejudice to the outcome of the upcoming negotiations in the context of the next Multiannual Financial Framework. The Commission should ensure proper oversight of the application of the targeted exception, including through the collection and reporting of appropriate data in the context of the existing monitoring and evaluation of the EIC, without creating additional administrative burdens for participants.*

- (5a) *As innovation activities that have dual-use applications may affect Union strategic assets, interests, autonomy or security or strategic interests of the Union and its Member States, it may be necessary to adapt, in the relevant work programmes under Horizon Europe, the eligibility rules so that it is possible to limit the participation to legal entities established only in Member States or to legal entities established in specified associated countries in addition to Member States, or to exclude the participation of legal entities that are established in the Union or in associated countries and that are directly or indirectly controlled by non-associated third countries or by legal entities of non-associated third countries. Therefore, Article 48(2) of Regulation (EU) 2021/695 should be amended to allow for such a possibility. This possibility to adapt the eligibility rules in the relevant work programmes is specific to new innovation activities that have dual-use applications and does not affect the rules governing the support to activities with civilian applications under Horizon Europe nor the funding of such activities.*
- (5b) *As innovation activities in critical defence technologies may significantly affect the security and defence interests of the Union and its Member States, it is necessary to set out specific eligibility rules which ensure consistency with other Union*

instruments in the defence industry sector and which take into account Russia's war of aggression against Ukraine.

Those rules should limit the participation to legal entities established in Member States, Members of the European Free Trade Association (EFTA) which are members of the European Economic Area (EEA members) and associated to Horizon Europe or Ukraine. They should also exclude the participation of legal entities directly or indirectly controlled by countries other than Member States, EEA members associated to Horizon Europe and Ukraine or by legal entities of countries other than Member States, EEA members associated to Horizon Europe and Ukraine. By derogation, legal entities established in the Union or in an EEA member country associated to Horizon Europe and controlled by a third country other than an EEA member associated to Horizon Europe and Ukraine or by an entity of a third-country other than an EEA member associated to Horizon Europe and Ukraine should be eligible to be a beneficiary if guarantees approved in accordance with the national procedures of the Member State or the EEA member country in which the legal entities are established are made available to the Commission.

- (6) *Recognising the urgent and extraordinary need to further strengthen the Union's sovereignty and security as underlined by the Strategic Technologies for Europe Platform (STEP) Regulation (2024/795), and to ensure the rapid mobilisation and reinvestment of financial resources in critical sectors including dual-use and defence projects under the EIC accelerator under Horizon Europe, it is appropriate to derogate from Article 212(3) of the Financial Regulation. Given these circumstances and the need for a rapid availability of funds, it is particularly necessary to allow for repayments, including reimbursed advances, revenues and unused amounts net of fees and costs of EIC blended finance investment component of the EIC pilot under Horizon 2020 to be reinvested in the EIC Fund rather than be directed to the Union budget, in order to finance projects with civil applications, as well as projects in dual-use and defence that benefit from the amended scope . The timeframe set out in Article 212(3) of the Financial Regulation should also be modified to ensure meaningful implementation under exceptional circumstances,*

by inserting a derogation, to allow for that possibility.

- (7) The European Defence Fund (EDF) set out in Regulation (EU) 2021/697 of the European Parliament and of the Council⁴, is the leading programme for enhancing the competitiveness, innovation, efficiency and technological autonomy of the Union's defence industry. The EDF also aims at supporting actions that are conducive to developing disruptive technologies for defence. In order to better address the specificities of such actions, such as their small scale or their need for a quick support, it is appropriate to ***significantly shorten and*** simplify the procedures to decide on the support of these actions while in the same time framing the conditions for the decision on such a support in the work programme ***and without undermining the principle of excellence.***
- (8) It is also necessary to exploit synergies between EDF and other Union programmes. To that purpose, it should be possible for Member States, European Union institutions, bodies and agencies, third countries, international financial institutions or other third parties to provide voluntary contributions to the ***Fund***, as external assigned revenues. Voluntary transfers of resources allocated to Member States in shared management to the EDF and the combination of contributions from EDF with other Union programmes for specific actions should be possible, provided that the cumulative Union support does not exceed the total eligible costs of the action.
- (8a) On 23 June 2022, the European Council decided to grant the status of candidate country to Ukraine, which expressed a strong will to link reconstruction with reforms on its European path. On 15 December 2023, the European Council decided to open accession negotiations with Ukraine and declared that the Union and its Member States remain committed to contributing, for the long-term and together with partners, to security commitments to Ukraine which will help the latter to defend itself, resist destabilisation efforts and deter acts of aggression in the future. Strong support to Ukraine is a key priority for the Union and an appropriate response to the Union's strong political commitment to support***

⁴ Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092 (OJ L 170 12.5.2021, p. 149, ELI: <http://data.europa.eu/eli/reg/2021/697/2024-03-01>).

Ukraine for as long as necessary.

On 5 March 2023, the Commission proposed to create an Instrument (the Ukraine Support Instrument) to address the damage caused by Russia's war of aggression to the Ukrainian DTIB and to support its reconstruction, recovery and modernisation, taking into account its possible future integration into the EDTIB. The Ukrainian DTIB has significantly developed its research, development and innovation capacities since the beginning of the Russian full-scale invasion of Ukraine in order to address the needs of the Ukrainian armed forces. In this context, ensuring a closer cooperation between the European and Ukrainian DTIBs would allow access by the EDTIB to these capabilities and would thus contribute to the objective of fostering the competitiveness and innovation of the EDTIB while being consistent with the continuous support of the Union to the strengthening of the defence manufacturing capacities of Ukraine. Accordingly, in light of the common objectives and goals of the Union and Ukraine in the field of defence research and development and in light of the benefits for both sides which can be expected from a closer integration in that regard, it is appropriate to associate Ukraine to the European Defence Fund.

- (9) The Digital Europe Programme (DEP) established by Regulation (EU) 2021/694 of the European Parliament and of the Council⁵ aims to support and accelerate the digital transformation of the European economy, industry and society and to improve the competitiveness of Europe in the global digital economy. In this context, the programme should also aim at supporting, in particular, projects, services and competences with potential dual-use application under all its specific objectives. ***This would contribute to strengthening the Union's societal resilience in the face of ongoing hybrid attacks and foreign interference. Recognising the strategic importance of cross-border cooperation and the facilitation of technology transfers between Member States in dual-use projects in the digital sector, the Commission should duly take into account the trans-European dimension when awarding dual-use projects. It is therefore appropriate to make this award criterion mandatory for***

⁵ Regulation (EU) 2021/694 of the European Parliament and of the Council of 29 April 2021 establishing the Digital Europe Programme and repealing Decision (EU) 2015/2240 (OJ L 166 11.5.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/694/2023-09-21>)

dual-use projects.

- (10) To enhance technological sovereignty and competitiveness, the Union needs the computing, cloud and data infrastructures that AI leadership requires. As part of the AI Continent strategy, the AI factories and Gigafactories are essential for the Union to be able to compete on the global level and ensure its strategic autonomy and competitiveness in science, **■** research *with dual-use potential* and in critical industrial sectors, including the defence industry. Such next-generation models require extensive connected computing infrastructure for breakthroughs in specific domains including defence. It is therefore appropriate to add, in the Specific Objective 1 – High Performance Computing of DEP, a supplementary operational objective dedicated to the deployment and operation of AI Factories and new generation of *AI* Gigafactories specialised in developing, training, and running the most complex, very large, AI models and applications, including hardware and software necessary for such deployment.
- (11) *The intensifying exposure to cyber and hybrid threats in the Union justifies adding an explicit focus on resilience against cyber and hybrid threats under Specific Objective 3.* In the specific Objective 5 of DEP – Deployment and Best Use of Digital Capacity and interoperability, it is also necessary to add, in the operational objective defined to support the public sector and areas of public interest, a reference to defence in order to clarify that the financial contribution of the Union under such an Objective can be extended to that sector.
- (12) *It may also be* necessary to adapt, in the work programme of DEP, *the eligibility rules in specific and duly justified cases* so that it is possible to provide that legal entities established in associated countries and legal entities that are established in the Union but are controlled from third countries are not eligible to participate in all or some actions focused on technologies with dual-use potential under any specific objective. *Provision should therefore be made to allow for such a possibility.* In such cases, calls for proposals and calls for tenders should be restricted to legal entities established or deemed to be established in Member States and controlled by Member States or by nationals of Member States.

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- (14) The Connecting Europe Facility (CEF) set out in Regulation (EU) 2021/1153 of the European Parliament and of the Council ⁶, aims to accelerate investment in the field of trans-European networks, enabling synergies between the transport, energy and digital sectors. In order to support the connected computing infrastructure required by defence products and technologies and beyond these areas, the objectives of the CEF digital sector within that Regulation should be extended to the deployment and provision of digital capacities such as cloud, AI, *AI factories* and AI Gigafactories.
- (15) ⁶ The Joint White Paper for European Defence Readiness 2030 recognised military mobility as an essential enabler for European security and defence and stressed the Union added-value in supporting dual-use infrastructure for mobility. *In the context of the Defence Readiness Roadmap 2030, the Commission and the High Representative recognised the importance of identifying military mobility hot spot projects and of removing key gaps and bottlenecks along the four priority military mobility corridors. Military mobility is also one of the objectives of the CEF programme. The Trans-European Transport Network (TEN-T) policy serves as a key strategic instrument in building the Union’s cross-border transport infrastructure. Although originally intended for civilian purposes it also holds a remarkable potential for civilian-defence dual-use. Moreover, the Niinistö report specifically refers to the need to intensify further work on priority dual-use transport corridors for military movements and the extension of fuel-supply chains for the armed forces along those corridors. Given the importance of strengthening the dual-use transport infrastructure ⁶ in light of the deteriorating security context of the Union it is appropriate to clarify that specific activities within actions under [specific objective 3(2), point (a)(ii) of the CEF Regulation], may include, where relevant, measures to safeguard the dual-use transport infrastructure with regard to military counter-mobility or to provide fuel infrastructure for civilian-defence dual-use.*

⁶ Regulation (EU) 2021/1153 of the European Parliament and of the Council of 7 July 2021 establishing the Connecting Europe Facility and repealing Regulations (EU) No 1316/2013 and (EU) No 283/2014 (OJ L 249 14.7.2021, p. 38, ELI: <http://data.europa.eu/eli/reg/2021/1153/2024-07-18>)

(15d) *The mid-term review of the European Regional Development Fund (ERDF) and the Cohesion Fund both established by Regulation (EU) 2021/1058 of the European Parliament and of the Council⁷ introduced the possibility to invest in defence or dual-use infrastructure to foster military mobility benefiting from a pre-financing of 20% of the amounts programmed and the possibility to apply a Union financing increased by 10 percentage points above the co-financing rate applicable, not exceeding 100%. In cases where Member States transfer resources allocated to them in shared management to CEF they should benefit from the same conditions on pre-financing and co-financing rates for dual-use transport infrastructure projects as introduced in the ERDF and Cohesion Fund. In such a case, these amounts should be reserved to projects developing the Military Mobility corridors as identified by the Member States in Military Requirements for Military Mobility within and beyond the Union as well as digital connectivity and capacities, including logistics hubs and cross-border sections of these corridors. The Financial Regulation provides for a possibility to introduce conditions for participation in specific award procedures which affect security and public order. Accordingly, in relation to actions located on one or more of the EU Priority Military Mobility Corridors, it should be possible to set such specific conditions, including conditions relating to the country of origin of the equipment, goods, supplies or service.*

(16) Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153 and (EU) 2024/795 should therefore be amended accordingly.

(17) Given the urgent need to enable crucial investments in defence in the context of pressing geopolitical challenges, this Regulation should enter into force on the day following that of its publication in the Official Journal of the European Union.

(18) Since the objective of this Regulation, namely to strengthen research and development activities in *dual-use* and defence, improve the competitiveness of the Union's defence industry and therefore contribute to the Union's defence *readiness*

⁷ *Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund (OJ L 231 30.6.2021, p. 60, ELI: <http://data.europa.eu/eli/reg/2021/1058/2024-12-24>)*

by refocusing investments of these critical priorities, cannot be sufficiently achieved by the Member States, but can rather be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 TEU. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary to achieve those objectives,

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EU) 2021/694 [Digital Europe Programme] is amended as follows:

- (1) in Article 3 (1), second subparagraph, the following point is added:
‘(c) **to support *and accelerate* dual-use projects, services, competences and applications, *strengthening societal resilience*;**’
- (2) in Article 4 (1) the following point is added:
‘(d) deploy and operate AI Factories and new generation AI Gigafactories specialised in developing, training, and running the most complex, very large, AI models and applications, including hardware and software necessary for such deployment;’
- (2c) ***in Article 6(1), point (e) is replaced by the following:***
‘(e) improve resilience against cyber and hybrid threats against critical digital infrastructure, cyberattacks, contribute towards increasing risk-awareness and knowledge of cybersecurity processes, support public and private organisations in achieving basic levels of cybersecurity, for example by deploying end-to-end encryption of data and software updates;’
- (2d) ***in Article 6(1), point (f) is replaced by the following:***
‘(f) enhance cooperation between the civil and defence spheres with regard to dual-use projects, services, competences and applications in cybersecurity, including the development of cybersecurity technologies tailored to defence-related infrastructures, in accordance with a Regulation establishing the European Cybersecurity Industrial, Technology and Research Competence Centre and the Network of National Coordination Centres (the

‘Cybersecurity Competence Centre Regulation’;

- (3) in Article 8 (1), point (a) is replaced by the following:
‘(a) support the public sector and areas of public interest, such as health and care, education, judiciary, customs, **civil protection**, defence, transport, mobility, energy, environment, cultural and creative sectors, including relevant businesses established within the Union, to effectively deploy and access state-of-the-art digital technologies, such as HPC, quantum, AI and cybersecurity;’
- (4) in Article 12, paragraph 5 is replaced by the following:
‘5. The work programme may also provide that legal entities established in associated countries and legal entities that are established in the Union but are controlled from third countries are not eligible to participate in all or some actions under Specific Objective 3 ■ and in actions focused on technologies with dual-use potential under any specific objective **for duly justified security reasons**. In such cases, calls for proposals and calls for tenders shall be restricted to legal entities established or deemed to be established in Member States and controlled by Member States or by nationals of Member States. Such restrictions may be applied to access to the capacities deployed under such calls. **The restrictions shall be proportionate and applied only where strictly necessary.**’
- (4a) in Article 20, paragraph 1, the following point (d) is added:***
‘(d) For calls for proposals intended to support dual-use technologies, services, competences or applications, the trans-European dimension of the project;’
- (4c) in Annex I, Specific Objective 5, point I, point 4 is replaced by the following:***
‘Deploy decentralised solutions and infrastructures required for large-scale digital applications such as connected automated driving, unmanned aerial, ground, surface and underwater vehicles, smart mobility concepts, smart cities, smart rural areas or outermost regions, in support of transport, energy and environmental policies and in coordination with the actions for digitalising the transport and energy sectors under Connecting Europe Facility;’

Article 2

Regulation (EU) 2021/695 [Horizon Europe] is amended as follows:

- (1) in Article 46, the following paragraph 4a is inserted:
 - ‘4a. By derogation from Article 212(3) of the Financial Regulation, repayments including reimbursed advances, revenues and unused amounts net of fees and costs of EIC blended finance of the EIC pilot under Horizon 2020 shall be considered to be internal assigned revenues in accordance with Article 21(3), point (f) and Article 21(4) and (5) of the Financial Regulation and the time restriction of two years set out in the second subparagraph of Article 212(3) of the Financial Regulation shall apply as from [date of entry into force of this Regulation].’

- (2) *in* Article 48(1), *the* second subparagraph is amended as follows:
 - (a) in point (a), the following sentence is added:

‘As an exception to Article 7(1), such support may include potential dual-use applications, ***while advancing civilian application use;***’
 - (b) in point (b) the following sentence is added:

‘As an exception to Article 7(1), such support may include potential dual-use applications, ***while advancing civilian application use;***’
 - (c) in point (c), the following sentence is added:

‘As an exception to Article 7(1), such support may include potential dual-use applications, ***while advancing civilian application use;***’
 - (d) in point (d), the following sentence is added:

‘As an exception to Article 7(1), such support may include innovation in critical ***defence*** technologies ***referred to in Article 2(1)(a)(iv) of the STEP Regulation, while fostering, where appropriate, innovations with dual-use potential;***’

- (2a) *In Article 48, the following paragraph 1a is added:*

‘1a. The application of the exceptions to Article 7(1) provided for in this article shall be included in the monitoring of the programme under Article 50.’

(3) *In Article 48, paragraph 2 is replaced by the following:*

‘2. The beneficiary of the Accelerator shall be a legal entity qualifying as a start-up, an SME or in exceptional cases as a small mid-cap intending to scale up, established in a Member State or associated country.

For support under paragraph 1(d) of this Article that has defence applications, the participation shall be limited to legal entities established in Member States, EEA members associated to Horizon Europe, or Ukraine, and the participation of legal entities directly or indirectly controlled by countries other than Member States, EEA members associated to Horizon Europe and Ukraine or by legal entities of countries other than Member States, EEA members associated to Horizon Europe and Ukraine shall be excluded.

By way of derogation from subparagraph 2, a legal entity established in the Union or in an EEA member country associated to Horizon Europe and controlled by a third country other than an EEA member associated to Horizon Europe and Ukraine or by an entity of a third-country other than an EEA member associated to Horizon Europe and Ukraine shall be eligible to be a beneficiary under paragraph 1 of this Article if guarantees approved in accordance with the national procedures of the Member State or the EEA member country associated to Horizon Europe in which the legal entity is established, such as adequate measures pursuant to screenings, as set out in Article 2, point (3), of Regulation (EU) 2019/452, are made available to the Commission.

The guarantees shall provide assurances that the support for the legal entity would not contravene the security and defence interests of the Union and its Member States as established in the framework of the common foreign and security policy pursuant to Title V of the TEU, including respect for the principle of good neighbourly relations.

For support under paragraph 1(a), (b) or (c) of this Article that has dual-use applications, the work programme may provide that the participation can be

limited to legal entities established only in Member States or to legal entities established in specified associated countries in addition to Member States. Any limitation of the participation of legal entities established in associated countries which are EEA members shall be in accordance with the terms and conditions of the Agreement on the European Economic Area. For duly justified and exceptional reasons, in order to guarantee the protection of the strategic interests of the Union and its Member States, the work programme may also exclude the participation of legal entities established in the Union or in associated countries directly or indirectly controlled by non-associated third countries or by legal entities of non-associated third countries from individual calls for proposals, or make their participation subject to conditions set out in the work programme.

The proposal may be submitted either by the beneficiary or, subject to the prior agreement by the beneficiary, by one or more natural persons or legal entities intending to establish or support that beneficiary. In the latter case, the funding agreement shall be signed only with the beneficiary.'

Article 3

Regulation (EU) 2021/697 [European Defence Fund] is amended as follows:

(-1a) Article 5 is replaced by the following:

'The Fund shall be open to the participation of the following third countries (associated countries):

- (a) Members of the European Free Trade Association, which are members of the EEA, in accordance with the conditions laid down in the Agreement on the European Economic Area;*
- (b) Ukraine, in accordance with the general principles and general terms and conditions for the participation of Ukraine in Union programmes established in the EU-Ukraine Association Agreement.'*

(1) Article 6 is replaced by the following:

'Article 6

Support for disruptive technologies for defence

1. The **Fund** shall support actions that are conducive to developing disruptive technologies for defence in the areas of intervention defined in the work programmes referred to in Article 24.
2. The work programmes shall lay down the most appropriate forms of funding, selection and award criteria and procedures, and implementation for disruptive technologies for defence.’

(2) the following Article is inserted:

‘Article 8a

Cumulative funding and transfers of resources

1. An action that has received a contribution from another Union programme may also receive a contribution under the **Fund**, provided that the contributions do not cover the same costs. The rules of the relevant Union programme shall apply to the corresponding contribution to the action. The support from the different Union programmes may be calculated on a pro-rata basis in accordance with the documents setting out the conditions for support.
 2. Resources allocated to Member States under shared management may, at the request of the Member State concerned, be transferred to the **Fund** subject to the conditions set out in the relevant provisions of Regulation (EU) 2021/1060 **■**. The Commission shall implement those resources directly in accordance with point (a) of the first subparagraph of Article 62(1) of the Financial Regulation or indirectly in accordance with point (c) of that subparagraph. Such resources shall be **implemented** for the benefit of the Member State concerned **and in accordance with the rules of the Fund**.
- 2a.** Resources transferred in accordance to paragraph 2 of this Article may, by derogation from Article 13(2) of this Regulation, be used for the purpose of contributing to the funding of eligible actions **referred to in points (e), (f), (g), and (h) of Article 10(3)** of this Regulation up to 100 % of the eligible costs.

3. Where the Commission has not entered into a legal commitment under direct or indirect management for resources transferred in accordance with paragraph 2 and at the latest by 30 September 2027, the corresponding uncommitted resources may be transferred back to one or more respective source programmes, at the request of the Member State concerned, in accordance with the conditions set out in the relevant provisions of Regulation (EU) 2021/1060.
4. Member States, European Union institutions, bodies and agencies, third countries, international organisations, international financial institutions or other third parties, may provide additional financial contributions to the **Fund**. Such financial contributions shall constitute external assigned revenue within the meaning of Article 21(2), points (a), (d), or (e) or Article 21(5) of the Financial Regulation.’

Article 4

Regulation (EU) 2021/1153 [Connecting Europe Facility] is amended as follows:

(-1) In Article 3, paragraph 1 is replaced by the following:

‘1. The general objectives of the CEF are to build, develop, modernise and complete and make resilient the trans-European networks in the transport, energy and digital sectors and to facilitate cross-border cooperation in the field of renewable energy, taking into account the long-term decarbonisation commitments and the goals of increasing European competitiveness; smart, sustainable and inclusive growth; territorial, social and economic cohesion; and the access to and integration of the internal market, with an emphasis on facilitating the synergies among the transport, energy and digital sectors.’

(1) In Article 3(2), point (c) is replaced by the following:

█
‘(c) in the digital sector: to contribute to the development of projects of common interest relating to the deployment of and access to safe and secure very high capacity networks, including 5G systems, to the set-up and deployment of digital capacities such as cloud, AI, *AI factories* and AI Gigafactories, to the

increased resilience and capacity of digital backbone networks on Union territories by linking them to neighbouring territories, as well as to the digitalisation of transport and energy networks;’

(2) in Article 8(4), the following point (f) is added:

‘(f) projects of common interest contributing to the set-up and deployment or significant upgrade of digital capacities, including cloud, AI, **AI factories** and AI Gigafactories shall be prioritized according to the extent they significantly contribute to improve the performance, resilience and security of transport, energy and digital infrastructures that are critical for the **proper functioning** of the internal market;’

(2a) In Article 9, paragraph 2, point (c) is replaced by the following:

‘(c) under the specific objective referred to in Article 3(2), point (a)(ii), and in accordance with Article 12, actions or specific activities within an action, supporting parts, new or existing, of the TEN-T suitable for military transport, in order to adapt the TEN-T to dual-use infrastructure requirements;

Specific activities within an action [pursuant to the first subparagraph of this point] may include, where relevant, measures to safeguard the infrastructure for civilian-defence dual-use with regard to military counter-mobility or to provide fuel infrastructure for civilian-defence dual-use transport activities.’

(2b) in Article 9, paragraph 4, point (d) is replaced by the following:

‘(d) actions supporting the protection, deployment of new or the significant upgrading of existing backbone networks or their repair, including submarine cables, within and between Member States and between the Union and third countries, such as the actions listed in Part V, point 3, of the Annex, as well as other actions supporting the deployment of backbone networks referred to in that point;’

(3) in Article 9(4), the following point (f) is added:

‘(f) actions supporting the set-up and deployment of digital capacities in cloud, AI, *AI factories* and AI Gigafactories;’

(4) in Article 15 (2), the following point (ba) is added:

‘(ba) Subject to the transfer of the necessary resources to the CEF in the context of the mid-term review of programmes supported by the European Regional Development Fund and Cohesion Fund [add legal reference to Regulation adopted pursuant to COM(2025)123, 2025/0084 (COD)], pursuant to Article 4(13), for works relating to the specific objectives referred to in Article 3(2), point (a)(ii), the following conditions apply:

- (i) co-financing rates may be increased **■** *by 10 percentage points above the co-financing rate referred to in point (b)*;
- (ii) actions are entitled to a pre-financing payment representing at least **■** *20%* of the amount allocated in the grant agreement;
- (iii) actions shall be located on one or more of the four EU Priority Military Mobility Corridors identified by Member States in Annex II to the Military Requirements for Military Mobility within and beyond the Union, as **■** *approved* by the Council on [18 March 2025 and with reference ST 6728/25 ADD1], *including logistic hubs and cross-border sections of these corridors*, and shall comply with the infrastructure requirements as set out in Commission Implementing Regulation (EU) 2021/1328. *For actions under this point, specific conditions for the participation in the award procedure may be set in accordance with Article 136 of the Financial Regulation;*’

■

Article 6

Regulation (EU) 2024/795, [Strategic Technologies for Europe Platform (STEP)] is amended as follows:

- (1) In Article 2(1), point (a) **■**, the following point is added:
'(iv) defence technologies;'
- (2) *In Article 2(2), point (b) is replaced by the following:*
'(b) they contribute to reducing or preventing strategic dependencies and vulnerabilities of the Union.'
- (3) *In Article 2(7), the following is added before the last sentence:*
'By [two months after the entry into force of this Regulation], the Commission shall update that guidance to cover the sector set out in Article 2(1)(a)(iv);'

Article 7

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

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at Brussels,

For the European Parliament
The President

For the Council
The President