

## Smart and selective use of the IPCEI instrument

- Joint non-paper by the Czech Republic, Denmark, Finland, Ireland, Latvia, Lithuania, Poland, the Netherlands, Slovakia, Spain and Sweden

The main focus of the EU industrial policy should be to create good framework conditions and facilitate adaptation to structural change, including solving societal challenges such as climate change and digitalisation. An additional targeted approach, by focusing on a few strategic industrial value chains in a smart and selective manner, can form an effective complement to the horizontal policies in solving these big challenges. However, far from every sector and technology should be regarded as strategic or critical to the EU.

The identification hereof must be based on a thorough assessment to ensure the proportional level of action. We advocate coherent strategies to optimise and improve industrial strategic value chains. Such strategies should include an analysis of the needs for optimisation, identify potential bottlenecks and look into all possible policy options, for example through industrial alliances, that could strengthen these strategic value chains.

An IPCEI is one of several important tools allowing Member States to better support the Union's common goals of a green and digital transition of the economy and open strategic autonomy. In special cases, where the market is unable to deliver the key breakthrough technologies and critical infrastructure needed to address big societal challenges (e.g. the green or digital transition) it may be necessary to give targeted state aid to enable critical investments for instance in technologies for the uptake of hydrogen in the EU. The EU needs to harness the opportunities and potential spill-over effects provided by these collaborative projects.

Still, aid from the public sector must be used restrictively and proportionately not to distort innovative forces and initiatives from the business sector and research community and always with the intention of further crowding in private investment. It is therefore imperative that IPCEIs, by their nature very large and to a large extent funded by state aid, are not overused at the risk of disproportionately harming competition in the Single Market or undermining already effective markets. There is a risk that a proliferation of IPCEIs will lead to a less dynamic and less competitive economy in the EU. Also, not all Member States have the same financial or human resources to participate in an IPCEI, especially in light of the COVID-19 pandemic. This brings along the risk of further widening the economic disparities between Member States, creating unequal access to IPCEI initiatives as well as increasing national debt levels.

In order to prevent distorting and harming competition in the Single Market and creating an un-level playing field, it is necessary that the control of state aid in the new IPCEI communication is not weakened. Rather the contrary, the communication needs to be more focused and steer Member States towards smart and selective projects where an IPCEI effectively addresses a market failure. Hence, new IPCEI projects should only be initiated when adequate alternative steps have been taken to overcome structural obstacles, when an assessment shows that there is a clear market failure and that the positive effects outweighs the risk of market distortion in the Single Market. The instrument should not be used for general economic stimulus following an economic crisis.

An overinterpretation of its possible reach e.g. interpretation of innovation and first market deployment by Member States and the Commission, will entail a risk of the Commission decision, and thus the legality of the IPCEI itself, not being supported by the larger community of Member States. This in turn entails the risk of IPCEIs not being a sustainable solution for the industrial strategic value chains of Europe

Clarification is needed in order for the legal requirements to be clear to participants and non-participants alike, and synergies with suitable dedicated EU funds could be explored to ensure a level playing field within the EU. Furthermore, transparency should be guaranteed by an obligation to inform all Member States in due time of the intention to launch an IPCEI in order to ensure an inclusive and open process, in which all interested Member States can participate.

To conclude: when choosing to use an IPCEI it is imperative to 1) also take into account other more proportionate instruments; 2) make a thorough analysis of the market failure it aims to restore; 3) and to make sure parties have a reasonable chance to participate.