

**BDSV statement on the draft of the European Commission (EUKOM) on the European Defence Industry Programme (EDIP) presented on 05.03.2024****A. Reason for the statement:**

Request from EUKOM on 5 March 2024 to submit comments on the submitted draft EDIP from an industry and association perspective within eight weeks of all EU-relevant translations being available.

**B. Approach and basic assumptions of the statement:**

24 February 2022 marks an epochal turning point in European history after the end of the Cold War. This requires a real 'turning point' in European security and defence policy. In the context of the geopolitical and geo-economic realities of the 21st century, such a turning point must inevitably be conceived in European terms. Although projects such as the European Defence Fund (EDF) introduced in 2021 or the recently adopted initiatives EDIRPA (European Defence Industry Reinforcement through common Procurement Act) or ASAP (Act in Support of Ammunition production) are to be welcomed as important steps towards more European integration, fragmented European defence markets and uncoordinated procurement projects reduce the competitiveness and sustainability of the European security and defence industry. On the way to a real European turnaround, these measures can therefore only represent the beginning of a sustainable rethink.

The joint communication published on 5 March 2024 entitled 'A new European Defence Industrial Strategy: Achieving EU readiness through a responsive and resilient European Defence Industry' (EDIS) illustrates for the first time a holistic strategic framework for a comprehensive European turnaround in security and defence industrial policy. The European Commission's (EUKOM) proposal for a 'European Defence Industry Programme' (EDIP) published on the same day underpins this strategic vision with a concrete proposal for a regulation.

The BDSV understands this draft EDIP submitted by the EUKOM as a legislative act to the previously published EDIS. The content of the following statement relates primarily to the submitted EDIP draft, but must also be read in the context of the EDIS publication.

The instruments and regulations presented in the legislative text are to be managed primarily by a newly established Defence Industrial Readiness Board (DIRB) (Chapter 5, Art. 57). This board is made up of representatives of the Commission, the European Defence Agency (EDA) and specially nominated representatives of all member states and associated countries.

The BDSV considers the DIRB to be the main supervisory and steering body of the EDIP. The objectives of the EDIP are to be achieved, among other things, by setting up various funds and grant instruments, which are intended to leverage, minimise risk and accelerate investments. EUKOM has defined three pillars on which the EDIP is based. These include different instruments and approaches with which the defined objectives are to be achieved. These three pillars are defined in the draft as follows:

- a) Strengthening the competitiveness and responsiveness of the European Defence Technological and Industrial Base (EDTIB).
- b) Improving the EDTIB's ability to ensure the timely availability and delivery of defence equipment.
- c) Contributing to the recovery, reconstruction and modernisation of the Ukrainian defence technological and industrial base (Ukrainian DTIB).

The content of the following statement is based on the structure outlined in the draft and, following some general comments, is broken down into three parts. Only those components that were assessed positively or critically by the association have been commented on.

## C. Comments in detail

1. BDSV considers the total budget of EUR 1.5 billion estimated for EDIP (legislative financial statement, Art. 3.2.2.), which is to be available from 2025-27, to be symbolic in its amount and insufficient for sustainable incentivisation. In order to be able to fulfil the resulting own claim, which was formulated in both EDIS and EDIP, the EUKOM should examine an increase from the BDSV's point of view. In order to ensure predictability for the industry and to support the Ukrainian DTIB swiftly, the financing of the Ukraine instrument should be secured as quickly as possible.
2. The continuation and application of the ASAP and EDIRPA logic to all three central pillars of the regulation announced in the draft presented is to be welcomed from the BDSV's point of view.

### C.I Strengthening the EDTIB's competitiveness and responsiveness

1. Structure for the European Armaments Programme (SEAP) (Art. 22 ff.). The BDSV sees SEAPs as project-based purchasing companies and a central pillar of the first pillar of the EDIP, which should improve cooperation in procurement through standardised procedures and enable the joint management of military equipment throughout its life cycle. From the BDSV's point of view, the creation of this legal framework under Member State authority and thus an additional European procurement option is to be welcomed.
2. Fund to accelerate the transformation of defence supply chains (FAST) (Art. 19). A fund aimed at SMEs and start-ups, which is intended to accelerate private and public investment

for the expansion of supply chain capacities, is to be welcomed from the BDSV's point of view. However, the structural and financial framework conditions appear too vague in the current draft and must be formulated and presented much more clearly in order to enable a final BDSV position.

## C.II Improving the EDTIB's ability to ensure the timely availability and delivery of defence equipment

1. **Security of supply - precautionary measures** (Articles 34 to 39). The BDSV expressly welcomes the fundamental thematisation of European security of supply in the context of the current geopolitical situation. We perceive the precautionary measures described in Articles 34 to 36 as necessary and positive impulses for more entrepreneurial security and predictability. However, Articles 38 (acceleration of the approval procedure for the timely availability and delivery of essential defence equipment) and 39 (simplification of mutual certification) should be elaborated in greater depth and with more binding force in order to be able to consistently exploit maximum synergy effects.
2. **Mapping of supply chains in the defence sector** (Art. 40). Mapping the EDTIB with the aim of identifying 'essential' (para. 2) and 'crisis-relevant' (para. 3) defence equipment by the DIRB and EUKOM should be viewed critically from the BDSV's perspective. In the long term, it is essential that information requests are made exclusively on a voluntary basis and directly to the companies concerned, as described in Article 40(5). The aim here is to minimise the bureaucratic burden on industry while at the same time ensuring a methodology (especially the validity of the database) that is suitable for generating reliable, management-relevant findings. The mapping methodology must be transparent and ideally open to public scrutiny. The added value here therefore depends heavily on the specific design in detail, in which industry should be involved from the outset. The structural constitution of the German security and defence industry (SVI), which, in contrast to many of its European competitors, is almost exclusively private sector-based, must be taken into account here.
3. **Monitoring** (Art. 41). The BDSV only considers fundamental monitoring of 'crisis-relevant' producers of the EDTIB by the EUKOM to be acceptable if information requests are made on an exclusively voluntary basis and directly to the companies concerned, as described in Article 40 (4) and (5). Here too, a low-bureaucracy implementation of information flows is crucial, and the industry should be involved from the outset in the concrete organisation of this.
4. **Information gathering** (Art. 46 & 49). The enforceable provision of information to the EUKOM in the event of a declared crisis, part of the emergency instruments for supply crises (Art. 44 & 45), is highly problematic from the BDSV's point of view. This is particularly important for the German SVI as, unlike many of its European competitors, it is predominantly a private sector organisation. From the BDSV's perspective, this nature of

the German SVI requires special consideration and must therefore be taken into account in the development of the emergency instruments.

5. **Priority rated orders** (Art. 47 & 50). From the BDSV's point of view, efforts to introduce a European-controlled prioritisation system, which forcibly overrides existing market mechanisms, must be viewed extremely critically.
6. **Security-related supply crisis - instruments** (Art. 51, 53 & 54). The instruments described in Articles 51 (Intra-EU transfers of defence-related products), 53 (Certifications in the event of a security of supply crisis) and 54 (Acceleration of national authorisation procedures), which can be activated in the event of a security of supply crisis, are to be viewed positively from the BDSV's perspective. However, we believe that general reforms to reduce bureaucracy and increase efficiency in these areas, which go beyond the entry into force of a security-relevant supply crisis, are necessary.

### **C.III Contribution to the recovery, reconstruction and modernisation of the technological and industrial base of Ukraine's defence (Ukrainian DTIB)**

1. **Support instrument for Ukraine** (Art. 21 & 22). The BDSV is clearly in favour of additional European support for Ukraine and the Ukrainian DTIB. This raises legal, financing and competition issues. These need to be addressed in full. The structures outlined in Articles 20 and 21 for the actual support instrument for Ukraine are clearly too vaguely defined for a comprehensive BDSV positioning. In its current formulation, the support instrument for Ukraine is therefore not yet sufficient from the BDSV's point of view.
2. **Partial opening to non-EU entities** (Art. 21. Abs. 5). The special regulations for legal entities established in the Union described in this paragraph should be critically scrutinised from the BDSV's point of view.

#### **7. BDSV recommendation:**

The BDSV recommends an in-depth discussion of the above-mentioned comments and questions, but also of the entire draft regulation at expert level. The BDSV is fully available for further consultation processes at any time.

In principle, we welcome all measures to strengthen the European defence industry. The overarching objectives of the programme, such as the deeper networking of European defence ecosystems or the simplified and standardised possibility of cooperative procurement, are to be supported from an industry perspective. This concerns the core priorities and European cooperation. We also expressly consider joint investment and procurement within the EU, as well as the move towards 'Buy European', to be positive and expedient. From an industry perspective, the following premises should therefore be at the forefront of all measures: increasing the competitiveness, innovative capacity, efficiency

and technological autonomy of the European security and defence industry. All measures should be geared towards the needs of the member states, the armed forces and industry.

The central issue of sensible and appropriate guidelines for public and private financing of the European defence industry (access to finance) is incomprehensibly not formulated so clearly that it would also be suitable as a regulatory requirement for players in the private financial market (banks, funds). We continue to regard the funding of EUR 1.5 billion announced by EUKOM as insufficient and unsustainable. The same applies to the new measures and instruments announced by the EIB. These fall far short of the requirements and necessities for removing barriers to investment in the SVI.

The EDIP and other industrial policy measures must primarily address issues such as increasing efficiency, strategic coherence, sustainable capacity increases, the development of effective cooperation patterns, demand harmonisation and access to finance. Joint procurement initiatives for products resulting from EDF projects could also represent valuable and sustainable additions. This must also take place in the context of existing challenges and burdens, such as raw material security, CSDDD or the CRSD. For effective implementation, all measures require the willingness of the member states to invest more, better and jointly in defence and security and thus in structures, equipment, technologies and personnel. This willingness must be continuously and consistently promoted at the political level.

Berlin, 05 June 2024

