

## Questions & Answers

### **Why does the EU need to invest in critical technologies?**

Open, rules-based trade have shaped and benefitted the EU since its inception. At the same time, growing geopolitical tensions and greater geostrategic and geoeconomic competition, as well as shocks such as the COVID pandemic and Russia's war of aggression against Ukraine, have highlighted the risks inherent in certain economic dependencies. Such risks – unless properly managed – can challenge the functioning of our societies, our economies, our strategic interests and our ability to act.

In recent years the EU industry is being challenged by high inflation, labour shortages, supply chain disruptions, rising interest rates, and spikes in energy prices putting at risk EU security. In addition, global competition is growing, especially in technologies that are the essential for the ongoing economic transformation, such as artificial intelligence, 5G, semiconductors, green technologies, and biotechnologies.

The EU is not alone in this process: countries all over the world have started addressing challenges to their economic security. Some advanced economies have already adopted dedicated strategies and are now implementing them. Developing economies are also taking action, diversifying their economic ties to reduce harmful dependencies and increasing local production. While the EU has put forward several initiatives to support its industry, more structural answer to the investment needs for scaling up of development and manufacturing of strategic technologies in the EU was needed. It is why the European Commission has proposed in June 2023 the Strategic Technologies for Europe Platform.

### **What is the Strategic Technologies for Europe Platform?**

The Strategic Technologies for Europe Platform (STEP) is an initiative designed to enhance the EU's industrial competitiveness and reinforce European sovereignty by focusing on the development and manufacturing of critical technologies. STEP aims to bolster investments within three strategic sectors: digital and deep tech, bio tech, and clean tech, with an estimated investment potential of up to €50 billion across the EU.

### **How will the Strategic Technologies for Europe Platform work?**

STEP leverages and synergizes resources from various existing EU funding programmes such as [Digital Europe programme](#), [European Defence Fund](#), [EU4Health programme](#), [Horizon Europe](#), [Innovation Fund](#), [InvestEU](#), [Recovery and Resilience Facility](#), and [cohesion policy funds](#) thereby avoiding the need for new funding instruments.

The implementation of STEP will be coordinated by the STEP Task Force located within the Commission and benefit from the STEP Portal consolidating information about funding opportunities that are currently spread across multiple platforms and websites. This will facilitate project promoters' access to and application for open calls, regardless of the funding source or management mode. The STEP Portal will not only streamline the search process for project promoters and companies but also increases the visibility of STEP investments and projects awarded the Sovereignty Seal to potential investors. An initial version of the STEP Portal will be launched in Q2 2024 and gradually developed over the coming months introducing new features.

### **What is the scope of STEP?**

STEP supports investments in three key technology fields: digital and deep tech innovation, clean and resource-efficient technologies, and biotechnologies. These sectors are identified as pivotal for reducing strategic dependencies and are chosen based on their strategic relevance highlighted in key EU policy and analysis. STEP intends to strengthen these sectors' value chains, encourage investments in critical raw materials, and address labour and skill shortages. A guidance note on the regulation's scope will be published by the Commission in the second quarter of 2024.

### **Who can benefit from STEP?**

Through STEP, a broad spectrum of companies, from startups and SMEs to mid-caps and large corporations, will find support. The Commission will design dedicated calls for proposals aligned with STEP objectives, including the requirement to fulfil at least one of - two conditions for considering a technology as critical: innovativeness and/or contribution to reduce strategic dependencies. STEP does not create new eligibility rules. Eligibility conditions for each project will be determined by the specific rules of each funding programme (i.e. in the work programmes and calls for proposals' eligibility, selection, and award criteria).

### **What is the Sovereignty Seal and how it will work?**

The Sovereignty Seal is a recognition given to projects that align with STEP objectives and meet the minimum quality criteria set by calls for proposals under Horizon Europe, the Digital Europe Programme, the European Defence Fund, the EU4Health Programme, or the Innovation Fund. This Seal is awarded irrespective of whether the projects receive direct funding from these programs.

The Seal is a quality label and a facilitator for accessing EU funds, making it easier for projects to receive combined or cumulative funding from various EU budgetary instruments. For example, projects awarded the Sovereignty Seal can receive support from cohesion policy funds by Member States without undergoing additional selection processes. The Seal also applies to strategic projects under the Net Zero Industry Act and the Critical Raw Materials Act, streamlining their funding process.

Finally, the projects awarded the Seal will be showcased on the STEP Portal to enhance their visibility and attract more investments. Projects holding the Seal are eligible for support throughout their duration, provided they remain within the EU and commence within five years from receiving the Seal, ensuring a focus on timely and regionally committed development.

## **What is the relationship between STEP and EU industrial policy, notably the Net-Zero Industry Act (NZIA), the Critical Raw Materials Act (CRMA)?**

STEP is one of the instruments announced under the Green Deal Industrial Plan, which is the EU's roadmap to secure the long-term competitiveness of Europe's industry and support the fast transition to climate neutrality.

STEP is complementary to NZIA and the CRMA: while NZIA and CRMA aim at simplifying the regulatory framework, STEP is a financing tool.

- Net-zero technologies and critical raw materials are broadly aligned with the scope of STEP, which refers to 'clean and resource efficient technologies' (covering net-zero, but also other Green Deal technologies linked to biodiversity for instance) and their value chains (including critical raw materials).
- Strategic projects recognised in accordance with NZIA and CRM will be deemed to contribute to STEP objectives. These projects will be able to receive support via STEP, including cumulative funding through various Union programmes under certain conditions, and, if awarded the seal, will be displayed in the Sovereignty Portal.

## **Are there any financial incentives for MS to use STEP?**

Cohesion Policy is the key instrument to mobilize funding towards STEP objectives. Managing authorities are incentivised to set-up dedicated STEP priorities in their Programmes, and to identify good quality projects for funding, when relevant (including holders of the Sovereignty Seal). To enhance investments in STEP priorities, cohesion policy funds offer a one-off 30% pre-financing for programme amendments submitted by 31 March 2025, alongside the option for Member States to access an increased EU co-financing rate of up to 100%. These measures aim to provide immediate liquidity and reduce the financial burden on Member States, facilitating faster investment in projects that align with STEP objectives.

Additionally, the STEP regulation expands the capacity for Member States to allocate funds from their recovery and resilience allocations to the Member State compartment of InvestEU, increasing the limit from 4% to 10%. This adjustment allows Member States to leverage InvestEU's structures and expertise to support promising companies within the STEP sectors efficiently. Importantly, transferring resources to InvestEU for the use of existing financial products does not constitute State aid that would require further Commission approval, simplifying the process for Member States to invest in sovereignty objectives.