



OPINION

European Economic and Social Committee

A New European Innovation Agenda

Communication from the Commission to the European Parliament, the Council, the European
Economic and Social Committee and the Committee of the Regions –
A New European Innovation Agenda
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1. **Conclusions and recommendations**

- 1.1 The European Economic and Social Committee (EESC) welcomes the Commission's European Innovation Agenda and particularly its twofold objective of fostering Europe's competitiveness, on the one hand, and of promoting European citizens' welfare, on the other.
- 1.2 The EESC also welcomes the Commission's focus on closing the so-called "scale-up" and deep tech gaps which the EU currently has in comparison with third states where growth-stage tech businesses are more common. The EESC suggests that the Commission put more emphasis on the role played by businesses, SMEs and startups in particular and the innovation networks that they lead in delivering the green and digital transition.
- 1.3 The EESC appreciates the initiative's architecture which is focused around five flagship initiatives. Tools for verifying and monitoring results will also need to be provided for.
- 1.4 The EESC welcomes the proposal to set up an Innovation-Friendly Regulations Advisory Group within public services and proposes that an EESC representative be a full member of the group.
- 1.5 The EESC points out the importance of funding experimentation and testing infrastructures in order to help startups and to close the gap between labs and commercial applications. In this regard, the introduction of the new concept of "testing and experimentation infrastructures" in the draft revised General Block Exemption Regulation (GBER) on state aid is welcome.
- 1.6 The EESC also welcomes the initiative linked to public procurement. In this context, the EESC suggests providing for the participation of at least one startup in innovation procurement procedures.
- 1.7 The EESC underlines the importance of a sound intellectual property (IP) regime applicable to startups' inventions in order to promote continuous research development.
- 1.8 The EESC urges the Commission to encourage the interregional dimension of investments, with the joint participation of less and more innovative regions.
- 1.9 The EESC points out that public support should also benefit higher education and innovation labs. In this regard, suggests that the Commission use a number of pilot research centres and universities to pursue innovative goals.
- 1.10 The EESC also welcomes the Commission's support for Member States in taking forward cross-border projects of common European interest. It therefore proposes that both research work and the professional development of researchers be funded and that research results, which are publicly supported, be open to further development by innovators, possibly through the Innospace platform.
- 1.11 The EESC welcomes the issuance of a guidance document in order to assist interested authorities in opting for the most appropriate EU policy programme, and stresses the importance of applying these programmes in a horizontal way.

- 1.12 The EESC welcomes the idea of studying more favourable tax treatment of stock options and a fiscal regime for talented individuals moving across borders. It invites the Commission to coordinate the national initiatives aimed at nurturing talents.
- 1.13 The EESC welcomes the Commission's intention of developing more robust, comparable databases and a common data taxonomy that could inform policies at all levels, as well as of disseminating best practices in a structured way through the European Innovation Council Forum.
- 1.14 The EESC also welcomes the Commission's plans to share best practices and to issue guidelines for governments on how to use them, in order to overcome regulatory fragmentation across Member States.

2. Background

- 2.1 The New European Innovation Agenda aims to position Europe at the forefront of the new wave of deep tech innovation and startups by:
- improving access to finance for European startups and scale-ups;
 - improving the conditions to allow innovators to experiment with new ideas through regulatory sandboxes;
 - helping create "regional innovation valleys", including in regions lagging behind;
 - attracting and retaining talent in Europe;
 - improving the policy framework through clearer terminology, indicators and data sets, as well as policy support for Member States.
- 2.2 The New European Innovation Agenda sets out 25 dedicated actions under five flagships:
- Funding scale-ups will mobilise institutional and other private investors to invest.
 - Enabling innovation through experimentation spaces and public procurement will facilitate innovation.
 - Accelerating and strengthening innovation in European ecosystems across the EU addressing the problem of the gap between countries and regions, will support the creation and interconnection of regional innovation valleys and help Member States direct at least EUR 10 billion towards regional-level innovation linked to EU priorities.
 - Fostering, attracting and retaining deep tech talents will ensure the development and flow of essential deep tech talents within the EU.
 - Improving policy-making tools will be the key for development and use of robust, comparable data sets and shared definitions (startups, scale-ups) that can inform policies at all levels across the EU.

3. **General comments**

- 3.1 The EESC welcomes the Commission's European Innovation Agenda and particularly its twofold objective of fostering Europe's competitiveness, on the one hand, and of promoting European citizens' welfare, on the other.
- 3.2 In this regard, the EESC appreciates that the Commission's plan is based on the overarching goal of closing the persistent innovation divide across Member States and within European regions that could hamper social and economic cohesion.
- 3.3 In the EESC's view, the digital dividend should be available to all European citizens irrespective of where they live. The digital revolution should close the persistent gaps that emerged during the industrial revolution and which have become more acute in some Member States that joined the EU after the iron curtain fell.
- 3.4 This is even more important now because we need all EU Member States and regions to be independent from third countries which, as the war in Ukraine, the ongoing energy crisis and chip shortage show, are not always reliable and, in any event, are not aligned with European core values.
- 3.5 The EESC also welcomes the Commission's focus on closing the so-called "scale-up" and deep tech gaps in comparison with third states where growth-stage tech businesses are more common. It suggests that the Commission put more emphasis on the role played by businesses, SMEs, startups and the innovation networks that they lead in delivering the green and digital transition, promoting their competitiveness¹. It is also important to promote initiatives designed to transform traditional companies into innovative ones.
- 3.6 In the EESC's view, deeper and more even digitalisation could start a virtuous circle: enhancing citizens' welfare; achieving sustainability goals; reinforcing economic and social cohesion in the EU; and reducing industrial and economic dependency on third countries which do not share the same values.
- 3.7 For all the reasons above, the EESC fully welcomes and supports the Commission's initiative on the basis of its merits.
- 3.8 The EESC also welcomes the initiative's architecture which is focused around five flagship initiatives. It would be advisable to provide for tools for the regular verification and monitoring of results in order to prepare corrective and improvement measures, where needed.
- 3.9 The EESC welcomes the proposal to set up an Innovation-Friendly Regulations Advisory Group within public services and suggests that an EESC representative be a full member of the group.

¹ See the EESC opinion on Digital Innovation Hubs and SMEs, not yet published in the Official Journal of the European Union.

4. **The flagship on funding for deep tech scale-ups**

- 4.1 The EESC strongly welcomes all the proposed measures which are aimed at reducing the cost of new equity across the EU. These include allowing the use of IP rights as collateral, and proposing a new listing law that will simplify and ease both initial and ongoing listing requirements for certain types of companies, with a view to reducing costs and increasing legal certainty for issuers while safeguarding investor protection and market integrity.
- 4.2 The EESC notes the need for Europe to have an IP regime that adequately balances open science and intellectual property. In this respect, many startups own (or use) standard essential patents (SEPs). The imposition of legal obligations, at least on SMEs, to carry out checks on sets of standard essential patents they intend to licence, should be avoided. Such an obligation could be detrimental to innovation since it could prolong negotiations, leading to disputes at a stage when the prospects of revenue from licensing are still uncertain.
- 4.3 The EESC welcomes the emphasis on women and data collection on women and less represented groups in order to develop tailored policies to bridge gender and other gaps, which also affect start-ups. Promoting the employment of women in the innovation sector is central for ensuring European competitiveness, while establishing an index on gender and less represented groups provides a useful knowledge tool for dealing with this issue.
- 4.4 The EESC points out that established SMEs and midcaps must also innovate in order to deliver the green and digital transition; for this reason, measures to assist SMEs and midcaps in this endeavour and promote their competitiveness should be included in the agenda. More generally, it is important to create an ecosystem that allows for the transformation of traditional companies into innovative ones.
- 4.5 Given that – as the Commission points out – bank products are the main source of companies' financing, the EESC stresses the relevance of public-funded guarantees and invites the Commission to evaluate the possibility of replicating in this field what was already provided for by the Temporary Frameworks for COVID-19 and the Ukraine war. In this regard it is conceivable that public-backed guarantees could attract long-term and more risk-averse investors (such as pension and sovereign funds) whose funding is underused in Europe.
- 4.6 The EESC urges the Commission, in the implementation of this flagship, to prioritise cross-border research labs and spin-off startups from different universities. Extensive collaboration among universities can in fact foster innovation with practical applications, under a bottom-up approach which seems more appropriate in order to stimulate creativity.
- 4.7 The EESC also urges the Commission to focus EU support on individual sectors (e.g. chips, renewables, etc.) in order to promote applied research where it is actually needed to pursue EU strategic goals.
- 4.8 Besides reducing equity costs and harmonising tax systems, the EESC invites the Commission to evaluate the introduction of specific EU "scale-up funding" intended to assist certain strategic

startups in their growth. This can also reduce the attractiveness of killer acquisitions or of moving abroad since founders could nurture their companies without selling or moving them.

- 4.9 The EESC urges the Commission to evaluate the creation of a European digital marketplace for startups so that they can engage with potential investors from all across the EU. Such a marketplace could overcome the difficulty that startups, especially in smaller Member States, could have finding investors locally and accessing significant liquidity in a timely manner.
- 4.10 The EESC underlines the relevance of technology infrastructures for scaling up deep-tech startup technologies. Accordingly, such access should be further promoted and facilitated. Open and non-discriminatory access obligations could be provided for publicly funded infrastructures and data.

5. **The flagship on enabling deep tech innovation through experimentation spaces and public procurement**

- 5.1 The EESC welcomes the issuance of a guidance document on regulatory sandboxes, test beds and living labs as a tool to attract experimentation in the EU. It also welcomes the dissemination of best practices across Member States in order to promote harmonisation.
- 5.2 The EESC also welcomes the introduction of a new provision in the state aid framework for RDI, which will allow Member States to fund more testing and experimentation infrastructures. In this context, the EESC suggests setting a maximum cap for admissible national public funding to avoid penalising smaller/poorer Member States or, alternatively, to focus EU funding in a complementary way on Member States which cannot compete in a race on state aid. The EESC also suggests the issuance of EU guidelines to harmonise national interpretation in cases where it may diverge.
- 5.3 The EESC points out the importance of funding experimentation and testing infrastructures in order to help startups scale up their technologies and to close the gap between labs and commercial applications. In this regard, the introduction of the new concept of "testing and experimentation infrastructures" in the draft revised GBER on state aid is welcome. In particular, the concept of testing and experimentation infrastructures (TEIs) should be distinguished from those commonly referred to as "technology infrastructures" (TIs). In this respect, the predominantly economic use may be the distinguishing factor. In addition, notification thresholds should be equalised to EUR 21 million for both TEIs and TIs, and favourable terms provided for companies contributing to at least 5% of TEI investment costs.
- 5.4 The EESC also welcomes the initiative linked to public procurement. In this context, the EESC suggests considering the possibility of introducing a mechanism to ensure the participation of at least one startup in innovation procurement procedures.
- 5.5 The EESC underlines the importance of a sound IP regime applicable to startups' inventions in order to promote continuous research development. Once exclusivity is asserted for early-stage scientific results by commercial partners (which requires exclusivity to support and partner with

scientific labs), there is a risk that such research results will not be further developed by scientific labs as they no longer have an economic interest.

6. The flagship on accelerating and strengthening innovation in European innovation ecosystems across the EU and addressing the innovation divide

6.1 The EESC urges the Commission to encourage the interregional dimension of investments. In particular it welcomes the prioritisation of certain interregional innovation projects linked to the key EU priorities (such as sustainability), with the joint participation of less and more innovative regions.

6.2 The EESC underlines that innovation draws on the entire research and development chain. This ranges from curiosity-driven research to applied research and development activities, as well as the sphere of education and training, and depends on capabilities and resources for innovation uptake determined by political, cultural and socio-economic systems. In this connection, the EESC underlines that, in order to have structural innovation and to nurture new applied ideas, public support should also benefit higher education, including vocational education (which is key for accelerating innovation) and innovation labs, not only projects that have already reached the market phase. A number of pilot universities can be used by the Commission to pursue this goal.

6.3 The EESC also welcomes the Commission's support for Member States in taking forward significant cross-border projects of common European interest, stressing the importance of also sustaining the research phase because innovation is a local process that should be supported from scratch under a bottom-up scenario, in line with the "Future for Europe" final report (proposals 12 and 35). Accordingly, both research work and the professional development of researchers should be funded. Research results, which are publicly supported, should be open to further development by innovators, possibly through Innospace.

6.4 The EESC welcomes the issuance of a guidance document in order to assist interested authorities in opting for the most appropriate EU policy programme. The EESC also emphasises the importance of not designing policy programmes as "closed silos", but rather of taking into account their complementarity and, where possible, applying them in a horizontal way.

7. The flagship on fostering, attracting and retaining deep tech talents

7.1 The EESC welcomes this initiative aimed at increasing opportunities and matching talents across Europe.

7.2 The EESC particularly welcomes the idea of exploring the possibility of more favourable tax treatment of stock options in the EU.

7.3 The EESC urges the Commission to consider the fiscal situation of talented individuals moving across borders in order to ensure that this does not restrict free movement of talent.

7.4 The EESC invites the Commission to coordinate the national initiatives aimed at nurturing talents.

8. The flagship on improving policy making tools

8.1 The EESC welcomes the Commission's intention of developing more robust, comparable databases and a common data taxonomy, as well as of disseminating best practices in a structured way through the European Innovation Council Forum.

8.2 The EESC also welcomes the Commission's plans to share best practices in order to gather good examples of regulatory sandboxes and flexible legal frameworks from across the EU and to issue guidelines for governments on how to use them. The EESC encourages the Commission to make use of these tools in order to overcome regulatory fragmentation and differences across Member States.

Brussels, 14 December 2022.

Christa SCHWENG

The president of the European Economic and Social Committee
