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ANALYSIS:
THE EU CHIPS ACT

FEBRUARY 2022

OVERVIEW

On 8 February 2022, the European Commission put forward its proposal for a European Chips Act, consisting of the following documents:

- **Communication: A Chips Act for Europe**
- **Proposal for a Regulation establishing a framework of measures for strengthening Europe's semiconductor ecosystem 'Chips Act')** – Annexes
- Proposal for a Council Regulation amending Regulation 2021/2085 establishing the Joint Undertakings under **Horizon Europe**, as regards the **Chips Joint Undertaking**
- **Commission Recommendation on a common Union toolbox** to address semiconductor shortages and an EU mechanism for monitoring the semiconductor ecosystem

The **Chips Act sets out the ambition to develop a thriving semiconductor ecosystem in Europe and to prepare for future supply disruptions**, by building on European strengths and by addressing outstanding weaknesses. European strengths are identified as 1) equipment and materials, 2) system solutions and system integration, 3) presence in high-growth market segments (e.g. automotive, medtech, energy and machinery), and 4) research and academic excellence. The Chips Act establishes a framework centred around three measures (*Article 1*):

1) **Chips for Europe Initiative**: EUR 43 billion in public investment up to 2027 to support pilot lines, set up a virtual design platform, support a network of competence centres, and launch a Chips Fund, primarily focused on large-scale capacity building in cutting-edge and next-generation semiconductor and quantum technologies.

2) **Security of Supply**: A framework to attract investments and enhance production capacities, facilitating the implementation of specific projects ('first-of-a-kind facilitates'), via state aid and faster permitting procedures, to ensure security of semiconductor supply to the internal market.

3) **Preparedness and Monitoring**: Permanent monitoring recommendations and the establishment of a crisis toolbox for Member States in case of future semiconductor shortages.

The Commission underlines that **no impact assessment nor public consultation** was carried out, and the supporting evidence for the Regulation will be set out in a staff working document to be published in the next three months. Meetings with industry are highlighted to have had an impact on the Act, including, inter alia, the ECSEL Joint Undertaking meeting during the summer of 2021, and the Semiconductor CEO meeting with Commissioner Breton in January 2022.

The note is structured as follows:

Where is the money coming from?

The proposal does not have a separate financial envelope per say, but will amount to a **total of EUR 43 billion,** supported by funding from **Horizon Europe (HE)** and the **Digital Europe Programme (DEP)**. Some of the funding will be recycled from other budget posts. For example, the budget of HE will be reduced by EUR 400 million to make the equivalent increase available for the DEP. To compensate for this, the Commission proposes to make a further amount of EUR 400 million available again for HE in the period 2023-2027 (coming from projects that have not been completed between 2021-2023). The funding from HE and DEP is set out in *Article 3.2*, and also in *Article 34* for the Amendments to DEP (a new 'Objective 6' is established on semiconductors). The legal changes to Horizon Europe are set out in a separate amendment.

In addition to the close to EUR 5 billion *already* dedicated to microelectronics under the Multiannual Financial Framework (MFF), **the EU budget will support the Chips for Europe Initiative with a total of EUR 3.3 billion**, including EUR 1.65 billion via Horizon Europe, and EUR 1.65 billion via the Digital Europe Programme.

- **Horizon Europe (1.65 billion):**
  - Cluster 3: EUR 150 million
  - Cluster 4: EUR 900 million
  - Cluster 5: EUR 300 million
  - European Innovation Council (EIC): EUR 300 million

- **Digital Europe Programme (EUR 1.65 billion):**
  - EUR 600 million is being reallocated from existing objectives in the DEP to Objective 6.
  - EUR 400 million is being reallocated from the Connecting Europe Facility (CEF) Programme.
  - EUR 400 million is being reallocated from cluster 4 of Horizon Europe.
  - EUR 250 million is coming from unallocated margin of heading 1 under DEP.

In addition, the following elements seem to be part of the overall calculation:
- The existing **EUR 1 billion Quantum Technologies Flagship** under Horizon Europe.
- The **EUR 1.8 billion under the existing Key Digital Technologies Joint (KDT) Undertaking**, which will be transferred to the new Chips Joint Undertaking.

In total, this leaves us at around EUR 11.1 billion.

What about the remaining some EUR 32 billion?

When referring to EUR 43 billion, the Commission includes both public investments and "**leveraged equity support**". The latter can to an extent help explain our "missing numbers". Further, the funding from Horizon Europe and the Digital Europe Programme stem from the current MFF (Multiannual Financial Framework 2021-2027), meaning that a big chunk of the public funding will likely come as part of **the next MFF (2028-2034).**

In addition, it is not entirely clear how the Commission has counted in the funding foreseen under the **National Recovery Plans**, **cohesion funding**, nor the second **Important Project on Common European Interest (IPCEI) on microelectronics** – all mentioned as contributing to the overall ambition. The **Chips Fund** for start ups and SMEs will contribute another estimated EUR 15 billion in a combination of public (EUR 2 billion) and private investments.

CHIPS FOR EUROPE INITIATIVE (CHAPTER II)

The first measure of the Chips Act is to establish the **Chips for Europe Initiative**, with the aim to **create large innovation capacitates and the adequate technological capacities in the semiconductor industry** to accelerate and adjust to innovation, and ensure the adjustment of the industry to structural changes due to fast innovation cycles. The legal basis for the Initiative has been expanded on from the first draft leak we saw, now also including references to Articles 182(1) and 183, in addition to Article 173(3) of the Treaty on the Functioning of the European Union (TFEU). The two former deal with 'Research and technological development and space'. The latter ensures that the necessary conditions exist to ensure the competitiveness of EU's industry.

The five objectives and components of the Initiative are set out in *Article 4.2* and *Article 5,* respectively:

1) **Building large-scale design capacities for integrated semiconductor technologies**
   A virtual platform for design infrastructure for integrated semiconductor technologies will be set up. This platform will make available design infrastructures, with clear IP rules – aiming to ensure that the "IP of next generations of chips comes from Europe". The design platform will be linked with the pilot lines outlined below. Risks and development costs will be shared and new web-based methods of accessing design tools, with flexible cost models (especially for prototyping) and common interface standards will be promoted.

2) **Enhancing existing and developing new pilot lines**
   The Chips for Europe Initiative will aim at ensuring the deployment of pilot lines for next generation chips and testing facilities for innovative applications. This initiative will largely build on capacities of European Research and Technology Organisations (RTOs). Focus areas include:
   - Pilot lines to experiment, test, and validate, including through Process Design Kits, the performance of IP blocks, virtual prototypes, new designs and novel integrated heterogeneous systems in an open and accessible way.
   - New pilot lines on semiconductor technologies such as FD-SOI down to 10-7 nm, advanced Gate-All-Around and leading-edge nodes (e.g. below 2 nm), complemented by pilot lines for 3D heterogeneous systems integration and advanced packaging. The pilot lines will be integrating the latest research and innovation activities and their results as well as a dedicated design infrastructure.

3) **Building advanced technology and engineering capacities for accelerating the development of quantum chips**
   The Initiative shall address the specific needs of the future generation of information processing components exploiting non-classical principles, notably chips exploiting quantum effects (i.e. quantum chips) based on research activities. Focus areas include (i) innovative design libraries for quantum chips, (ii) pilot lines for the integration of quantum circuits and control electronics for building quantum chips and (iii) testing and experimentation facilities for testing and validating advanced quantum components.

4) **Creating a network of competence centres across Europe**
   The initiative shall support the creation of a network of competence centres in each Member States, in addition to promoting skills and training at the local, regional or pan-European level. This will also include supporting education, training, skilling and reskilling initiatives (e.g. dedicated PhD scholarships). As set out further in *Article 8,* the competence centres shall be identified by Member States, and these networks may provide access to design activities and design tools, raise awareness and provide knowhow, ensure access to expertise, facilitate the transfer of knowledge between Member States, develop training programmes, etc. The networks shall receive funding in the form of grants (under this Programme).

5) **Establish a Chips Fund to facilitate access to loans and equity by start-ups and SMEs**
   The 'Chips Fund' will be set up via the Horizon Europe European Innovation Council (EIC) and a dedicated semiconductor equity investment facility under the InvestEU programme (in cooperation with the European Investment Bank). This fund is dedicated to start-ups and SMEs.

Will complement the Horizon Europe (€1 billion Quantum Technologies Flagship) and Digital Europe Programme, while enlarging the scope of the latter.

In addition:

- The Key Digital Technologies (KDT) Joint Undertaking will be renamed the '**Chips Joint Undertaking'** and will be reinforced and reoriented towards the chips industry. The Chips Joint Undertaking will be in charge of implementing the Chips for Europe Initiative (*Article 9*).

- As highlighted by the accompanying Communication, the **upcoming second Important Project of Common European Interest (IPCEI) on microelectronics** is also considered part of this measure, and it will involve the whole semiconductor value chain, involving "over 100 prospective participants from about 20 Member States" (*Introduction, p.9*)

- The Commission, in consultation with the European Semiconductor Board, shall prepare the ground for certifications of chips (*Recital 27*). This comes following the 2 February European Standardisation Strategy, which announced that the Commission, alongside relevant stakeholders, will develop **common standards for** "**green, trusted and secure chips**".

- *Article 7* sets out a new voluntary legal instrument which will be set up to structure public-private collaborative work – **a European Chips Infrastructure Consortium (ECIC).** The main aim of an ECIC is to apply for funding, on behalf of its members, which should include at least three legal entities from two Member States.

- Annex III provides a **list of Union Programmes with which the Initiative shall create synergies** and defines purposes for each one of the programmes listed: Synergies of the Initiative with the Digital Europe Programme; Horizon Europe; Union programmes under shared management, including the ERDF, ESF+, the European Agricultural Fund for Rural Development and the European Maritime, Fisheries and Aquaculture Fund; Connecting Europe Facility; InvestEU Programme and Erasmus+.

SECURITY OF SUPPLY (CHAPTER III)

The second measure is to **support and coordinate investment in advanced semiconductor manufacturing through a harmonised legal framework**, to ensure the EU's resilience and security of supply of semiconductors. The legal basis for this (as well as for the emergency toolbox set out in Chapter IV) is Article 114 of the TFEU on the functioning of the internal market and ensuring a coordinated response by Member States in times of crisis. In a footnote, the Commission specifically point to the Spanish reformed National Security Law as an example of a national regulatory measure that could indeed further aggravate crisis or shortages by leading to a fragmentation of the sector.

To secure supply of semiconductors, Member States may (without prejudice to state aid rules) apply **support schemes and provide for administrative support,** including fast tracking of permit granting procedures related to their planning, construction, and operation (*Article 14*) – given we are dealing with a **'first-of-a-kind facility'**, meaning industrial facilities of semiconductor manufacturing, including front-end and/or back-end, that are not substantively already present or committed to be built within the Union, for instance with regard to the technology node, product innovation, material innovation, process technology, or energy and environmental performance. Two types of 'first-of-a-kind facilities' are identified:

1) **'Integrated Production Facilities'** *(Article 10)*: Design and manufacturing facilitates in the EU that contribute to the security of supply for the internal market.
2) **'Open EU foundries'** *(Article 11):* Manufacturing facilitates in the EU that offers production capacity to unrelated undertaking and thereby contribute to the security of supply for the internal market.

Any undertaking of consortium of undertakings can apply to be recognized as either of the two. The Commission in consultation with the European Semiconductor Board (see *Governance* below) decide on this based on the criteria set out in *Articles 10-12.*

As stated by the accompanying Communication (p.16), **the Regulation allows for state aid support in cases that do not fall under existing guidelines**. In such cases – for facilities that would otherwise not exist in Europe – it is justified to **cover up to 100% of a "proven funding gap***".* The funding gap must be sufficiently proven by i.e. comparing expected production costs in Europe using realistic assumptions as part of a credible business plan and comparing those to realistic sourcing or production alternatives (globally) based on concrete evidence from beneficiaries, and/or by safeguards to ensure a fair distribution of additional gains that were not forecasted in the notified funding gap analysis. The aid must have an incentive effect and be necessary, appropriate and proportionate. This means that state aid *cannot* be granted for:

- Investments that have already been decided upon before an application for aid has been submitted;
- Investments that would have taken place also without the aid;
- Investments where less distortive alternatives exist (having less impact on competition distortions).

PREPAREDNESS AND MONITORING (CHAPTER IV)

1) Monitoring *(Articles 15-17)*

There will be two type of measures to ensure coordinated risk assessment of supply chain crisis: **permanent monitoring and crisis response**. As part of monitoring activities, Member States shall regularly monitor early warning indicators, and the availability and integrity of the services and good provided by the identified key market actors (*Article 15*). **Early warning indicators** could include availability of raw materials, forecasted demand for semiconductors, appropriate manufacturing equipment, the effect of trade policies, export restrictions, trade barriers and other trade related measures, or the effects of delocalisation or acquisitions of key market actors (*Recital 37*).

Relevant finding shall be reported on to the European Semiconductor Board. Based on this input, it is also the responsibility of the Member States to alert the Commission of a potential semiconductor crisis. In such a case, the Commission shall enter into **consultation and cooperation with stakeholders, including with "relevant third countries"**, to seek cooperative solutions to supply chain disruptions (*Article 17*).

2) Crisis stage *(Articles 18-22)*

A **semiconductor crisis** is triggered when clear disruptions to the supply of semiconductors take place, entailing significant delays and negative effects on important economic sectors in the EU, and/or preventing the supply, repairs and maintenance of essential products used by critical sectors (further set out in *Article 18*). The Commission can **activate the crisis stage by a implementing act**. This would trigger the deployment of a **emergency toolbox** (*Article 19*), consisting of measures such as:

1) **Mandatory information gathering** from companies, including information about production capabilities, production capacitates, current primary disruptions and other relevant data that can mitigate the crisis (*Article 20*).
2) **Priority rated orders on crisis-relevant products** can be imposed on semiconductor undertakings that have received public support under the Chips for Europe Initiative as 'first-of-a-kind facilitates' (*Article 21*).
3) **Common purchasing schemes** can be put in place where the Commission on request from two or Member States establish a negotiating mandate to act as a central purchasing power (*Article 22*).

As some measures proposed in this chapter are aimed to address "serious disruptions to vital societal functions" – **the Commission recognises that these measures may temporarily limit the freedom to conduct business and the freedom of contract** (protected by Article 16 and Article 17 of the EU

Charter of Fundamental Rights, respectively). Hence, any request for information may only be launched in a situation of crisis (active by the Commission through an implementing act) – and where the Commission has first requested the information from representative organisations *before* resorting to requesting it from individual undertakings.

The Crisis response toolbox is further set out in the accompanying **Recommendation to Member States**.

GOVERNANCE AND PENALTY REGIMES (CHAPTER V-VI)

Governance

At the national level, **Member States are tasked with designating a national competent authority** and a single point of contact (*Article 26*).

At the Union level, the **European Semiconductor Board (ESB)** will be established to give advice and assistance to the European Commission regarding the Chips Act, including when it comes to identifying specific sectors and technologies "with potential high social impact and respective security significance in need of certification for trusted products" (*Article 23*).The ESB will be chaired by the Commission, and shall consist of members from the Member States' national competent authorities. In the context of sub-groups, external experts – including the **Industrial Alliance on Processors and Semiconductor Technologies – shall also be invited to attend as observers** (*Articles 24-25*).

Confidentiality & Penalty Regimes

Chapter VI emphasizes the obligation of all parties to **respect the confidentiality of sensitive business information and trade secrets**. Officials or civil servants from the Commission and from the Member States shall not disclose any information acquired or exchanged by them under the Chips Act, adhering to the obligation of professional secrecy. Where appropriate, **the Commission can adopt implementing acts to specify the practical arrangement for the treatment of confidential information** in the context of information gathering (*Article 27*).

We also find provisions **for penalties for noncompliance** in Chapter VI. These are set out in *Articles 28-31*:

- **Fines** can be given to undertakings that supply incorrect, incomplete or misleading information, or fail to inform the Commission of a third country information sharing obligation. The latter point is a new addition from the leaked draft. Fines should not exceed EUR 300 000.
- **Periodic penalty payments** can be imposed where an undertaking does not carry out the obligation to prioritise the production of crisis-relevant products. The calculation formula is laid out in *Article 28.3*.

Three new articles appear that were not part of the leaked draft, namely on the limitation period for the imposition of fines and periodic penalty payments (*Article 29*), the limitation period for the enforcement of penalties (*Article 30*) and the right to be heard for the imposition of fines or periodic penalty payments (*Article 31*). These all seem to aim at **safeguarding undertakings from unfair treatment**.

Officials or civil servants from the Commission and from the Member States shall not disclose any information acquired or exchanged by them under the Chips Act, adhering to the obligation of professional secrecy. Where appropriate, **the Commission can adopt implementing acts to specify the practical arrangement for the treatment of confidential information** in the context of information gathering.

The Commission, or Member States, may **exchange confidential information with competent authorities of third countries** "with which they have concluded a bilateral or multilateral confidentiality arrangements" (*Article 27.2*).

Compared to the 2 February leak, there are mostly semantic changes to the final text (e.g. no more "Pillars", and the 'Chips for Europe Programme' becoming the 'Chips for Europe Initiative'). Below, we look a bit closer into more significant changes from the leak - in addition to key overall aspects of the initiative, and their potential impact.

Competition, State Aid & 'First-of-a-kind facilities'

The Act defines a 'first-of-a-kind-facility' as "an **industrial facility capable of semiconductor *manufacturing***, including front-end and/or back-end, that is not substantially present or committed to be built within the Union, for instance with regard to the technology node, product innovation, material innovation, process technology or energy and environment performance". A facility of a comparable capability on an industrial scale "should not yet substantively be present or committed to be built within the Union" (*Recital 24*). They **must have a 'positive impact'**, meaning they ensure that production evolve towards more advanced technologies and that innovative technology processes are put in place (*Communication, p. 16*).

The reference to 'manufacturing facilities' is interesting in a competition policy aspect. Under current **EU Competition Policy**, including the November 2021 review ('A competition policy fit for new challenges'), state aid support for manufacturing per se is not supported, although the positive impact of the State Aid Temporary Framework (in force until 31 December 2022) to support the EU economy during the COVID-19 crisis is acknowledged, including in, inter alia, supporting "investments into new production lines or machinery to extend production to overcome supply shortages". In the Communication, the Commission foresaw that public support might become envisaged to fill possible funding gaps in the semiconductor industry. Hence, **the introduction by the EU Chips Act to support manufacturing of semiconductors with state aid is a significant change from previous schemes** (the legal basis for this is Article 107(3) of the TFEU).

Interestingly, a Recital 69 featured in the leak has been removed, reading that EU Chips Act shall apply "without prejudice to the application of competition law". There is no such language included in the final text.

Potential Side Effects of Favourable Treatment

Beyond the acknowledgement of the status of 'first-of-a-kind' (and the accompanying benefits), it should also be noted that these facilities are **subject to (less favourable) special treatment in times of crisis**. If a semiconductor crisis has been triggered by the Commission, manufacturing facilities that have been recognised as 'Integrated Production Facilities' or 'Open EU Foundries' (facilities that have agreed to this obligation as a counterpart of public support) **must accept and perform priority rated orders** to ensure that critical sectors are able to continue to operate in times of semiconductor shortage.

Further, when gaining the recognition as 'first-of-a-kind', **the facility must commit to invest in the next generation of chips** (*Articles 10-11*). A new definition of 'next generation chips' is included in *Article 2,* meaning "chips and semiconductor technologies that go beyond the state of the art in offering significant improvements in computing power or energy efficiency as well as other significant energy and environmental gains". It is unclear at the time of writing if this definition is precise enough to have any significant impact in driving investments – and if it is the case, what the potential negative business impact would be of focussing manufacturing on 'next generation chips'. If an EU-based company is supplying e.g. the European automotive industry, what would the business case be for pursuing smaller nodes (when larger nodes are needed for this industry), and would this result in an overall "positive impact" on the European industrial sectors? When giving special focus to node-size throughout the Chips Act, one could argue that instead of addressing current chips shortage for key European industries – there might be a risk to create localised overcapacity for semiconductors currently not representing the key economic growth segments in Europe.

Export Controls

With regards to **export controls**, there is a significant change from the leaked draft to the final text. Any

mention has completely been **taken out of the legal text**. We still find a reference in *Recital 45*, namely that in times of semiconductor crisis, **the European Semiconductor Board may also advise on the necessity of introducing export control regimes** pursuant to the Regulation on common rules for export (2015/479). In the leak, the emergency toolbox included references to "export authorisations" as a potential protective measure. This language is no longer there (see *Article 19.3(a)).*

As laid out in the accompanying Recommendation to Member States, **Member States are encouraged to assess whether the Union should exercise surveillance over certain exports** for securing the supply to the internal market, if requirements laid out in the Regulation on common rules for exports (2015/479) are complied with.

Status of third country entities

To achieve the ambition set out in the Chips Act, the EU will need to **build "balanced semiconductor partnerships with like-minded countries"** *(Communication p.21).* These partnerships should entail information-sharing to mitigate supply chain risks, effective early warning mechanisms, international standardisation activities, coordination on export controls, and more. First out, the Commission will explore (using "existing *or new* fora") partnerships with the **United States, Japan, South Korea, Singapore and Taiwan**. These partnerships are only mentioned in the accompanying Communication, not in the Chips Act itself. Overall, there is **little clarity on the status of third country companies** under the Chips Act. Some points worth noting:

- As part of their monitoring exercise, **Member States should assess the effect of foreign direct investments (FDI**) on the availability and integrity of the services and goods of key market actors (*Recital 39*)
    - There is no exclusion of non-EU companies to be identified as **key market actors** by Member States, given "the impact a disruption of supply of this service or good may have on the Union's semiconductor supply chain and dependent markets" (*Article 17.1(d)*).
- The **European Semiconductor Board** may establish permanent or temporary sub-groups, where **organisations representing the interests of the semiconductor industry** should be invited as an observer. There is no language indicating that this may exclude non-EU companies part of these organisations.
- Upon the **alert (e.g. in the form of information from an international partners) of a potential semiconductor crisis**, the Commission shall convene an extraordinary meeting of the European Semiconductor Board. This extraordinary meeting shall assess the need to activate the crisis stage, and the Commission shall then enter into **consultations and cooperation with "relevant third countries"** with a view to seeking cooperative solutions to address the supply chain disruptions (*Article 15.5(b)*). National competent authorities shall map **undertakings operating along the semiconductor supply chain in their national territory**, including non-confidential information, and notify this list to the Commission (*Article 15.7*). Also here, there is no distinction between EU and non-EU undertakings.
    - After activating the crisis stage (by means of an implementing act), "individual undertakings operating along the semiconductor supply chain" may be requested to **provide the Commission with requested information.**
- '**First-of-a-kind facilities' shall not be subject to extraterritorial application** "of public service obligations of third countries that could undermine their ability to use their infrastructure, software service, facilities, assets, resources, intellectual property or knowhow needed to fulfil the obligation on priority rated orders" (*Recital 22, Article 10.2(c) and Article 11.2(c)*) – this language is clearly aimed at "*non*-like-minded countries".
- There is **no specification as to whether the private legal entities of a European Chips Infrastructure Consortium (ECIC) must be headquartered in a Member State**. From *Article*

7, we read that the ECIC shall have substantial overall autonomy to lay down its membership, governance, voting rights and working methods – as long as this is done "in accordance with the aims and objectives of the Chips for Europe Initiative".

Environmental performance

Another example of a semantic change is the **enhanced attention given to environmental aspects** in the final text. Facilitates should carry out environmental impact assessments, and seek to ensure high energy and resources and water efficiency (*Introduction p.7*). The accompanying Communication (*p.7*) also includes new language on **circular economy aspects**, namely the need to keep electronic products in use for longer, through design for durability and upgrading services, this way reducing replacement rates and the need for new products. It is highlighted that microchip materials can be recovered from electronic waste. All of this is relevant, as one of the potential factors to be recognized as a 'first-of-a-kind' facility is if your production is significantly more energy efficient compared with any other facility already present or planned in the EU (*Article 2.1.(10)*).

STAKEHOLDER REACTIONS

- **IMCO Chair Chair Anna Cavazzini (Greens/EFA, DE)**: "Industrial production, technological developments such as artificial intelligence and the need to transition to a circular economy – the green and digital transformations - rely on chips. I therefore welcome the Chips Act's aim at fostering production and enhancing the internal market's resilience in times of crises."

- **ITRE Chair Cristian Buşoi (EPP, RO):** "We welcome the Commission's proposals, which we are ready to work on in the Industry, Research and Energy committee. Chips are now everywhere in our industry, and we have seen how the shortage of semiconductors in Asia has affected many sectors in Europe. At the same time, the demand is set to increase considerably over the next decade".

- **MEP & ITRE Coordinator Christian EHLER (EPP, DE):** "We strongly support this initiative of the Commission strategic industrial policy-making but the details will be crucial and will need careful consideration. This Act can be a shining example of European industrial policy: based on scientific excellence, connecting research and innovation through targeted public-private collaboration, building on the power of the Single Market, while using targeted measures to address specific shortcomings. Getting this all right requires thorough analysis and we therefore regret that there is no Impact Assessment for this Act".

- **MEP & ITRE Coordinator Martina DLABAJOVÁ (Renew, CZ)**: "We simply cannot miss the global race for microchips. If we want digital and green transition to become a reality in the EU, we must do everything we can to make our industries operate without any disruptions caused by dependencies from third countries and global shortages. Therefore, we welcome the EU Chips Act, that secures, in particular, to pool our efforts and investments in research and development, bridging labs with manufacturers to deliver the next generation chips in the EU."

- **Eurochambres**: "The EU has an important part to play in creating conditions to address damaging semiconductors supply shortages in Europe. With today's European Chips Act package, the European Commission acknowledges the importance of this strategic sector." sector."

- **ZVEI:** "With the European Chips Act, the European Commission is presenting a future-oriented, comprehensive package for the semiconductor industry. It is right to sustainably promote the entire semiconductor ecosystem in Europe. However, the focus on structure sizes below ten nanometres is too narrow and misses the needs of the European user industry."

- **ESIA:** "ESIA is welcoming the political ambition from the European Commission and Member States to support the European semiconductor industry, to promote leadership in chip design, and to increase production capacities to reach 20% of the global share. For the latter, the EU has rightly defined investments in 'first-of-a-kind' production facilities as a priority area, including

through adapting state aid rules in a strictly targeted manner. We also welcome the emphasis on research and development and innovation as a key building block of the European Chips Act to strengthen intellectual property development in critical areas of the European industrial supply chain. ESIA is urging policy makers to ensure that R&D does address industry needs, so that Europe's world-class research can be better converted into innovation capacity."

- **DIGITALEUROPE:** Addresses two main concerns: (I) on monitoring, reporting obligations should be kept to a minimum, as excessive broad reporting obligations add administrative burden on companies and create risks of duplication and (II) that it is still unclear how much indirect funding will be secured and how it will be spent.