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NOTE

From: Presidency
To: Delegations

Subject: Draft Council conclusions on the New European Innovation Agenda
- Presidency text

Delegations will find attached a Presidency text on the *draft Council conclusions on The New European Innovation Agenda* with a view to the Research Working Party meeting on 17 October 2022.

DRAFT COUNCIL CONCLUSIONS ON THE NEW EUROPEAN INNOVATION AGENDA

The Council of the European Union,

RECALLING:

- its *Conclusions of 1 December 2020 on the New European Research Area (ERA)*¹, **recognizing that additional efforts are needed to translate the Union's intellectual and scientific assets into new products and services that meet societal demands, while** emphasising the importance of adequate links within the European innovation ecosystem and between its actors to ensure that research results are **valorised and** applied faster in the economy and society, and recognising that development of a transformative and forward-looking innovation strategy is necessary to ensure Europe's sustainable economic growth and competitiveness;
- its *Conclusions of 28 May 2021 on Deepening the European Research Area: Providing Researchers with Attractive and Sustainable Careers and Working Conditions and Making Brain Circulation a Reality*², highlighting the **need for skills and talents and the** potential that the European Innovation Council (EIC) and the European Institute for Innovation and Technology (EIT) have with regard to the higher education sector to nurture entrepreneurship in researchers and to support the creation and scale-up of start-ups and small and medium-sized enterprises (SMEs) in Europe;
- its *Recommendation of 26 November 2021 on a Pact for Research and Innovation (R&I) in Europe*³, setting out the values and principles for R&I in Europe and the priority areas for joint action, inviting Member States to prioritise investments and reforms that address the ERA priorities, and stressing the significance of synergies between R&I policies and sectorial policies and industrial policy to boost the European Union's (EU) innovation ecosystem;

¹ 13567/20.

² 9138/21.

³ OJ L 431, 2.12.2021, p. 1-9.

- its *Conclusions of 26 November 2021 on the Future Governance of the European Research Area*⁴, outlining the ERA Policy Agenda and a set of voluntary ERA Actions for the period 2022–2024 in the priority areas for joint action identified in the Pact;
- **its Conclusions of 5 April 2022 on a European strategy empowering higher education institutions (HEIs) for the future of Europe**⁵, **highlighting the need to encourage HEIs to develop close cooperation with economic, social and industrial partners within local and regional R&I ecosystems** presenting measures to turn higher education institutions into engines of innovation;
- **the Commission Communication of 25 November 2020 on an intellectual property action plan to support the EU's recovery and resilience**⁶, **which highlights how important management of intellectual assets and intellectual property is for the competitiveness of the EU's innovative businesses and countries;**
- the *Commission Communication of 5 July 2022 on a New European Innovation Agenda*⁷, setting out key measures to position the EU as a global leader in the current wave of deep-tech innovation;

⁴ 14308/2021.

⁵ 7936/22.

⁶ **COM(2020) 760.**

⁷ COM(2022) 332.

GENERAL POLICY PERSPECTIVES

1. **REAFFIRMS the critical role that all types of innovation play in driving Europe's competitiveness, the creation of jobs, prosperity and well-being;** STRESSES that science-**research**-driven innovation, **which** provides knowledge-based solutions to global challenges, is a key driving force for shaping, as well as creating new markets; EMPHASISES that innovation, in its broader sense, **including societal, social and public sector innovation**, is an essential enabler for achieving the EU's policy objectives, in particular the green transition and digital transformation, ~~thereby contributing to the EU's competitiveness, sustainable economic growth and the well-being of European society;~~ **RECOGNISES the need to continue and strengthen investments in fundamental research for creation of new knowledge and capacities enabling all types of innovation;**
2. ACKNOWLEDGES that Europe is very well positioned in scientific **knowledge** production and that **all forms of** innovations, both incremental and breakthrough, are essential to ~~turn scientific knowledge into~~ **maximise its** societal and economic value; **and EMPHASISES that universities and research performing organisations (RPOs) play an important role in this process;** STRESSES the vital importance of reinforcing investments in higher education and R&I, and of advancing policy reforms to ~~preserve~~ **strengthen** Europe's **position as a global R&I leader** scientific leadership, ~~underpin~~ **optimise** Europe's innovation potential and lay down a strong foundation for an efficient **functioning of the** European innovation ecosystem; **STRESSES the decisive role of knowledge valorisation activities;**
3. RECOGNISES that Europe has the capacity to lead the new wave of breakthrough, **incremental**, deep-tech and disruptive innovations, **underpinned by** ~~owing to~~ its global leadership in science and knowledge production, strong industrial infrastructure, increasingly vibrant start-up ecosystem, **dynamic SME base** and highly reputable **research and** education institutions, combined with a long-term experience in public-private partnerships and evidence-based policy orientations, setting out ambitious and far-sighted goals; **AGREES that the New European Innovation Agenda must be based on a comprehensive approach to innovation which includes the role of social sciences and humanities;**

4. TAKES NOTE that ~~the~~ global competition and **the** complex geopolitical situation affecting in a very detrimental way supply chains call for an **stronger and advanced** advancement of the European innovation ecosystem not only to facilitate the green transition and digital transformation, but also to **diversify supply and** mitigate ~~and diversify~~ the damaging strategic dependencies on external suppliers, to reinforce security **and sustainable** of supply in critical technologies and raw materials, and to achieve strategic autonomy while preserving an open economy, **while ensuring a level playing field within the Union's internal market;**

4.a REAFFIRMS the Union's commitment to maintain openness in international R&I cooperation to further strengthen the quality of R&I in the Union, while pursuing a level playing field and balanced reciprocal openness in R&I based on shared fundamental values and principles;

5. EMPHASISES that rapid technology development and the fast pace of innovation, in particular of breakthrough, deep-tech and disruptive innovations, require a **flexible**, fit-for-purpose, forward-looking and innovation-friendly regulatory framework, **including standardisation and accreditation aspects**, meeting the needs of innovators, allowing for regulatory adaptation **and experimentation** and acting as a driver for facilitating technological advancement **and market deployment;** INVITES the Commission and the Member States to ensure that the regulatory framework at EU, ~~and national~~ **and regional** levels encourages innovation **and entrepreneurship** and takes into account emerging technologies facilitating response to **that can help meet** the EU **union's** policy objectives;

6. TAKES NOTE of the EU's lower innovation performance as compared to some of its competitors, ~~partially due to lower business expenditures in R&I, lower venture capital funding and fragmented capital markets;~~ AGREES that industrial **private** R&I investments **and strategic use of intellectual assets** are crucial for the EU's post-pandemic recovery, and the green transition and digital transformation of the European economy, **including** ~~and~~ to advance the transition to affordable, secure and sustainable energy; RECOGNISES that innovative start-ups **and SMEs** and high-growth companies **of all sizes** are pivotal to achieve **accelerate the development of solutions required for** the transformation of the European economy in line with EU priorities;

7. AGREES that further policy reforms at the European, national and regional levels are necessary to strengthen **the** business and entrepreneurial capacities and **a wider range of skills** of the EU's R&I actors, to intensify knowledge valorisation and **accelerate** uptake of research findings **results** and emerging technologies by innovative enterprises, to mitigate the risk-averseness and fragmentation of the EU's regulatory framework, **to promote all types of innovation**, to improve **and accelerate the** access to scale-up financing **by for** start-ups and SMEs, as well as to further incentivise private capital investments in **all forms of** innovation;

FOSTERING, ATTRACTING AND RETAINING TALENTS

8. CONSIDERS that providing high quality education **and training, including reskilling and upskilling opportunities**, and attractive working conditions is key in order to **foster**, attract and retain talents with a **wide and** diverse array of competences and skills; STRESSES that a **more** well-balanced brain circulation, cross-sectorial and international mobility, **lifelong learning, entrepreneurial education to students, flexible education pathways** and an effective university-industry-public sector cooperation are the driving forces behind knowledge valorisation; **REAFFIRMS the need to encourage HEIs to improve their capacities to engage with their ecosystems by instilling the necessary knowledge, skills and competences, and by fostering valorisation of knowledge and the creation of spin-offs;**
9. ACKNOWLEDGES that more efforts are needed to improve the recruitment, working conditions, career development, cross-sectorial **and geographical** mobility and training of individual researchers and innovators in the EU's R&I performing organisations **RPOs** and universities; RECOGNISES the changing labour market in Europe, **the need to improve the gender balance**, and the need to **anticipate and** avoid skills mismatches and **shortages of** highly skilled workers ~~force shortcomings~~; **ENCOURAGES further initiatives aimed at promoting and embracing an entrepreneurial spirit;**

10. APPRECIATES **the EU and national policies to further encourage universities to strengthen the entrepreneurship mindset among the academia, including the relevant EIT's initiatives** to target at least one million deep-tech talents **and** by the end of 2025 to foster the deep-tech talent base in Europe; WELCOMES the launch of the scheme for at least 600 interns to gain experience in the EIT's and EIC's supported companies before the end of 2024; SUPPORTS the EIT's Girls Go Circular Project and the Women2Invest Programme, and introduction of the EIC's Women Leadership Programme to help close the gender gap in innovation in Europe;
11. WELCOMES the Commission's intention to explore, in the context of the EIC Forum, approaches to tackle the administrative barriers that currently limit the uptake of employees' stock options across the EU, as a way to attract and retain deep-tech talents, **as well as its intention to assess the scope for EU level action targeting the admission of entrepreneurs and start-up founders from third countries;**

IMPROVING ACCESS TO SCALE-UP FINANCING

12. ACKNOWLEDGES that despite recent growth in private capital investments and improvements in the provision of early-stage finance for start-ups, as well as an increase in the number of unicorns, Europe lags behind its competitors in terms of later-stage venture capital investments and scale-up funding, particularly ~~of the~~ **for** deep-tech companies in need of substantial amounts of ~~the~~ patient capital; RECOGNISES the need to increase ~~the~~ private capital investments in European innovative enterprises, **in particular start-ups and scale-ups,** ~~particular~~ **mainly** due to the recent downturn in global venture capital investments;

- 12.a STRESSES that a well functioning European Innovation Council (EIC) Fund is essential to enhance European innovation; TAKES NOTE of the interim solution on the EIC Fund that allows the EIC Fund to take investment decisions; CALLS on the Commission to promptly advance with the long term solution while paying particular attention to the participation and unlocking the innovation potential of SMEs; RECOMMENDS optimizing existing tools, not least the EIC, rather than creating new, supplementary schemes;**

13. TAKES NOTE of the Commission's proposal to increase the availability of equity and make it more attractive for companies by incentivising equity funding through the debt-equity bias reduction allowance (DEBRA) on corporate income tax;
14. INVITES the Commission to implement the EIC's Scale Up 100 action to support the scaling-up of deep-tech start-ups from the portfolio of the beneficiaries of the EIC and other EU programmes by providing them **with** customised support to gain strategic partners, grow and expand internationally, and become potential unicorns and global leaders; CALLS on the Commission and Member States to exchange experience and share good practices on **scaling up** deep-tech start-ups ~~up-scaling~~;
15. SUPPORTS the Commission's initiative to facilitate, through the InvestEU Programme, a better access **to capital for** innovative start-ups and SMEs to capital and **greater** leverage of private R&I investments in Europe, including by valorising intellectual property assets and by using them as collateral for debt financing, thus lowering the capital costs for SMEs; **STRESSES that innovative start-ups and SMEs need to gain more knowledge on recognition, development and strategic management of intellectual assets**; AGREES with the Commission's initiative to expand the European Scale-Up Action for Risk Capital (ESCALAR) mechanism in order to mobilise ~~increased~~ **more** venture capital funding for scale-ups;

IMPROVING AND CONSOLIDATING INNOVATION ECOSYSTEMS

16. ACKNOWLEDGES that despite improving its overall innovation performance, Europe continues to struggle with major regional **and national** disparities and a persistent innovation divide, which weakens the performance of the European innovation ecosystem as a whole, thereby slowing down the pace of the post-pandemic recovery, of the green transition and digital transformation, including the transformation of the EU's energy ecosystem, and hinders the envisaged well-balanced social and economic development; **UNDERLINES that innovation ecosystems have a strong regional dimension that should be fully taken into consideration when developing the innovation policy**;

17. RECOGNISES the critical importance in all EU regions of increasing their R&I investment intensity **in all EU regions**, ~~prioritising~~ **including** investments in line with Smart Specialisation Strategies (S3), implementing reforms to strengthen innovation ecosystems and bringing **both national and** regional R&I actors closer together ~~within~~ **critical networks**; **CALLS on the need to boost synergies among funding programmes and initiatives to unlock resources and promote integrated innovation ecosystems within and across Member States**; STRESSES in particular the need to make progress in closing the innovation gap in Europe ~~through~~ **by** strengthening the innovation ecosystems in lower-performing R&I **countries and** regions to unlock their innovation potential and trigger their economic growth;
18. ~~CALLS on~~ **ENCOURAGES** Member States to identify and mobilise tailor-made regional innovation policies, in view of meeting specific local challenges and needs whilst contributing to the EU's **and national** strategic priorities, building on **the** S3 domains **that** offering regions the best chance of strengthening their competitiveness; INVITES Member States to review, **revise** and consolidate their national and regional innovation-support structures and mechanisms to help innovative companies scale up, grow and amplify their local innovative solutions to the regional, national, European and global markets;
- 18.a RECOGNISES that R&I reforms and investments supported by the Recovery and Resilience Facility (RRF) contribute to boosting innovation ecosystems and industrial policies and to mitigating crises; EMPHASISES the importance of synergies between R&I funds and RRF;**

19. WELCOMES the Commission's initiative to identify and help turn up to 100 European regions **throughout Europe** into the 'regional innovation valleys', by connecting regional ecosystems with similar **and complementary** specialisations and ~~complementary~~ capabilities, and facilitating the networking **notably** between less and more innovative regions, thereby mediating their cross-fertilisation, in view of better aligning their efforts and investments towards **with** EU strategic priorities **and developing EU value chains; in this context CALLS ON the Commission and Member States to consider the thematic focus of the EU Missions;** INVITES the Commission and the European Committee of the Regions to **coordinate this initiative and** provide support through the Partnerships for Regional Innovation (PRI) initiative and funding opportunities under Horizon Europe, ~~and~~ **the ERDF and other relevant EU programmes;**
20. ACKNOWLEDGES the vital role of research and technology infrastructures as regional competence hubs, **including through the network of European Digital Innovation Hubs**, which attract and integrate a broad range of R&I stakeholders in a problem-solving, solution-oriented and multidisciplinary way, facilitate acquisition of new knowledge, accelerate **the** uptake of new technologies by companies, and function as a catalyst ~~of~~ **for** place-based innovation;
21. WELCOMES **the Prague Declaration on Synergies in the R&I Funding in Europe and** the Commission Notice – Synergies between Horizon Europe and ERDF programmes⁸; ENCOURAGES Member States and the Commission to identify persisting barriers and overcome existing obstacles hindering synergies between ~~the~~ regional, national and EU funding instruments; AGREES that through their coherent implementation, opportunities for R&I actors to achieve **the** objectives of innovation policies will be maximised; WELCOMES the Commission's intention to assess, together with Member States and the European Investment Bank, the complementarities between existing EU funding instruments, with a view to addressing the scale-up gap for European deep-tech companies;

21.a AKNOWLEDGES the need for a broader approach to the European innovation ecosystem, linking different initiatives such as EUREKA; RECOGNISES the role of EUREKA in providing well-targeted support for European businesses, particularly SMEs and midcaps, facilitating access to international knowledge and thus enabling them to internationalise and to enter global markets;

ENHANCING FRAMEWORK CONDITIONS

22. INVITES Member States and the Commission, in the framework of the ERA Policy Agenda for the period 2022–2024, to identify a way forward for the implementation of the concept of technology infrastructures to exploit their full potential in synergy with the well-advanced concept of research infrastructures, being a part of the same infrastructure ecosystem;
23. RECOGNISES the essential role of regulatory sandboxes and experimentation facilities, such as test beds, **demonstrators**, living labs and digital innovation hubs, for testing, demonstrating and upscaling of innovative solutions, and for their translation from laboratory to industry through experimental activities carried out in a time-bound, controlled real-world environment and overseen by a regulator's authority; **in this context STRESSES the role and functions of universities and RPOs**; WELCOMES **the fact** that the revised State Aid Framework for Research and Development and Innovation will allow to grant aid **to be granted** for **the** construction and upgrading of testing and experimentation infrastructures;

ADVANCING INNOVATION POLICIES

24. UNDERLINES the key importance of **public innovation** procurement of new goods and services **and of pre-commercial procurement of R&I** as an important instrument for incentivising innovation solutions and accelerating their market uptake; ~~CALLS on~~ **ENCOURAGES** Member States to **develop**, foster and coordinate innovation procurement policies and to strategically use **public innovation** procurement as an instrument to boost innovation, and to assess their benefits and impacts **of these policies** on innovation;

25. INVITES the Commission to provide, through the Horizon Europe Policy Support Facility (PSF), the Technical Support Instrument (TSI) and the Technical Assistance for Regional Policy, expert advice to Member States on how to design, create and implement more impactful innovation policies and public procurement policies fostering innovation, including via the training **and capacity building of staff in charge** of public procurement personnel; ~~CALLS on~~ **ENCOURAGES** Member States to take advantage of these instruments; **WELCOMES the Commission's initiative to support the formation of innovation procurement specialist advisory services;**
26. ENCOURAGES the Commission to review the European Innovation Scoreboard **and Regional Innovation Scoreboard**, so that it **they also** reflects the objectives of the new European Innovation Agenda, including by incorporating relevant indicators on start-up companies, deep-tech enterprises and scale-ups that can help policy-makers design and implement evidence-based innovation policies;
27. ~~CALLS on~~ **INVITES** Member States and the Commission to develop a common policy agenda to advance the coordination of innovation-support policies together with R&I stakeholders, using the EIC Forum as a platform to ~~ensure~~ **promote** coherent implementation of European, national and regional innovation-support activities and policies, to elaborate initiatives to improve the EU's regulatory framework for innovation, and to propose measures to develop an innovation-friendly environment, ~~as well as~~ **and** innovation-driven ecosystem in Europe; **SUGGESTS that the EIC Forum should work in close cooperation with the ERA Forum to ensure synergies between the ERA Policy Agenda and innovation agenda.**
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