

## Closing the innovation gap by capturing industrial needs

*-A proposal for attracting private capital and securing a policy framework that supports Europe's long-term competitiveness*

### **Introduction**

- The innovation gap is one of Europe's most important challenges that needs to be addressed. Technologies constitute the foundation for our defense, security, and competitiveness. Therefore, there is an urgent need to both develop and bring new technologies to the market.
- To better identify what policy measures that support industry in solving this challenge, a developed, more strategic and cross-sectorial industry dialogue is needed. This is key to bridging the innovation gap by transforming research into market-ready products and securing private investment at every stage.
- We propose to establish **an industry-led Technology Council** to support the development of a coherent European industrial, research, and innovation policy framework, building towards long-term European competitiveness.
- An industry-led Technology Council would ensure strong market potential and commercial viability for identified areas, supporting a strategic and impactful use of the European Competitiveness Fund.

### ***An industry-led Technology Council to support bridging the innovation gap***

Europe is challenged by a world in a state of profound change. International trade barriers are rising, geopolitical fragmentation is intensifying, and technological innovation is progressing at an accelerated rate. To bring innovation back to Europe, it must be easier to commercialize ideas, and in this paper, we propose a model where an improved and structured industry dialogue can promote the flexibility and agility needed, supporting both industry and public strategic goals.

Implemented with clear objectives, the Commission's proposal for an EU Competitiveness Fund could effectively create a coherent approach to align industrial policy with research and innovation policy. It matters in stimulating increased industry investments in research and development, innovation and production in Europe, being key factors to support closing the innovation gap, as identified by Mario Draghi in his report of September 2024, "A competitiveness strategy for Europe".

A majority of EU industry dialogues are today sectoral, preventing the EU from having a holistic industrial policy. The lack of effective cross-industry dialogue and difficulties in coordinating between different DG; s often leads to fragmented policies, resulting in missed opportunities for innovation and decreased private investment. To enhance Europe's industrial competitiveness and to capture new

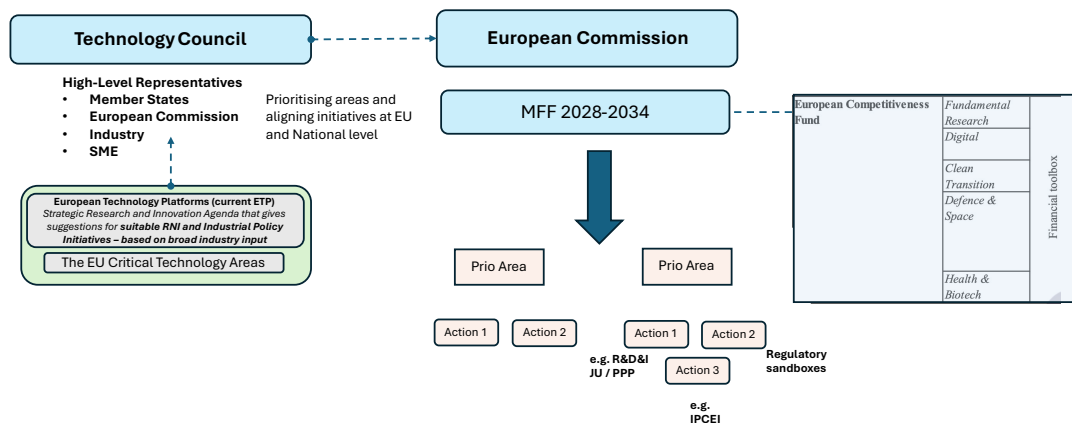


opportunities, it is essential to establish a broad cross-sector industry dialogue that can consider complete value chains, without losing focus on identified sector-specific critical issues.

We propose a Competitiveness Fund together with an industry-led Technology Council to promote the strategic industry dialogue, flexibility and agility needed in policy development that can respond to and turn rapid global technological advancements into products such as goods and services in the market. Building on the existing European Industrial Forum, the suggested industry-led Technology Council could offer well-informed, unified, and broadly based advice to support bridging the innovation gap.

## The EU Multi-Financial Framework

Proposal for a mechanism to support European industrial competitiveness supporting the EU Agenda



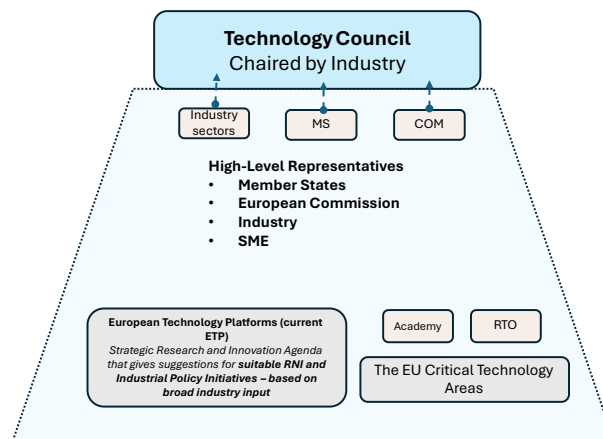
The core function of the industry-led Technology Council would be to consolidate industry-wide strategies and advise the European Commission on both technologies and sector developments that demand further R&D at EU-level, as well as possibilities to scale up industrial activities within Europe. In advising on the use of instruments for both pre-competitive collaborative research and industrial deployment, the industry-led Technology Council could play a crucial role in addressing the innovation gap in Europe.

We propose that the industry-led Technology Council should include representatives from industry on a CTO-level, corresponding high-level representatives from the European Commission and EU Member States. Industry representatives should be selected to ensure a broad and balanced representation to cover the European industrial strategy, providing a holistic perspective that avoids dominance by any single company or sector. The involvement of European industry associations could help to secure the representative nature of industrial participation.



## Industry-led Technology Council

Proposal for a mechanism to prioritising areas aligning initiatives at EU and national level with strong involvement from industry



It is here further proposed that the industry-led Technology Council makes use of the well-established European forums that develop strategic agendas for research and innovation. The well-anchored European Technology Platforms (ETP) could be further developed and strengthened to be one important forum that gathers industry, academia, and research and technology organizations.

The European Commission should receive identified areas for consideration, potentially leading to funded activities using the most suitable mechanisms, e.g. updated Public-Private Partnerships, or Important Projects of Common European Interest (IPCEIs). Agreements on priorities and needs from industry should be met with a coordinated approach by the European Commission— across DG; s — ensuring alignment of funding instruments and policies to create the necessary conditions for implementing strategic initiatives.

Industrial collaborative research is key to bridging the innovation gap by transforming research into market-ready products and securing private investment at every stage. Complementing the advising role of ETPs, the public-private partnerships (PPP) play an important role in bringing project results closer to the market and improve the link between research and societal growth.

Identifying capital-intensive, high-risk areas strategically important to Europe would be another benefit of using the described process, where strengthening industry involvement would be one important element to stimulate increased industry investments in R&D and production in Europe.

The European Flagship actions mentioned in the European Competitiveness Compass should also have R&I anchored by design in the sectoral industrial policies. Initiatives such as the European Defense Fund and EU Chips Act demonstrate the



value of firmly embedding R&I in industrial policy, to deliver technological advancement and a competitive edge.

***The need for a more structured dialogue between industry, member states, and the European Commission***

Europe has a longstanding lead position in pioneering research and plays a significant role in setting standards. This, however, is insufficient. To successfully close the innovation gap, industrial collaborative research, and industrial policy – designed in close collaboration with industry – must play a central role in finding the most efficient ways of translating research into market-ready products.

The European Commission's proposal to fund strategic priorities under the EU Competitiveness Compass is an important step for Europe.

The Competitiveness Fund offers an opportunity for this. If complemented with an improved and structured industry dialogue it can function to further direct private investment to Europe, supporting both industry and public strategic goals.

We propose that an industry-led Technology Council is established and connected to the Competitiveness Fund to consolidate industry-wide strategies and advise the European Commission on both technologies and sector developments. This would promote the flexibility needed in policy development to respond to rapid global technological advancements and meet industrial needs.

An improved industry-led dialogue would:

- Ensure that identified key areas will be identified with strong market potential and commercial viability.
- Support a strategic and impactful use of the European Competitiveness Fund, with the ability to prioritize high-impact, high-risk investments that individual businesses cannot undertake alone.
- Encourage private sector investment in EU industrial research, supporting companies to remain globally competitive, and incite industry to scale up and have its production in Europe.
- Develop a coherent industrial, research, and innovation policy framework that supports long-term European competitiveness, avoiding isolated sector-specific actions.
- Improve coordination between national and EU-level initiatives, avoiding gaps as well as overlaps.