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**NOTE**

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

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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 22 September 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)*<sup>1</sup>, emphasising the importance of adequate links within the European innovation ecosystem and between its actors to ensure that research results are 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*<sup>2</sup>, highlighting 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*<sup>3</sup>, 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 the R&I policies and sectorial policies and industrial policy to boost the European Union's (EU) innovation ecosystem;

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<sup>1</sup> 13567/20.

<sup>2</sup> 9138/21.

<sup>3</sup> OJ L 431, 2.12.2021, p. 1-9.

- its *Conclusions of 26 November 2021 on the Future Governance of the European Research Area*<sup>4</sup>, 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;
- the *Commission Communication of 18 January 2022 on a European Strategy for Universities*<sup>5</sup>, presenting measures to turn higher education institutions into engines of innovation;
- the *Commission Communication of 5 July 2022 on a New European Innovation Agenda*<sup>6</sup>, setting out key measures to position the EU as a global leader in the current wave of deep-tech innovation;

## GENERAL POLICY PERSPECTIVES

1. STRESSES that science-driven innovation 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, 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 the European society;
2. ACKNOWLEDGES that Europe is very well positioned in scientific production and that innovations, both incremental and breakthrough, are essential to turn scientific knowledge into societal and economic value; STRESSES the vital importance of reinforcing investments in higher education and R&I, and of advancing policy reforms to preserve Europe's scientific leadership, underpin Europe's innovation potential and lay down a strong foundation for an efficient European innovation ecosystem;

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<sup>4</sup> 14308/2021.

<sup>5</sup> COM(2022) 16.

<sup>6</sup> COM(2022) 332.

3. RECOGNISES that Europe has the capacity to lead the new wave of breakthrough, deep-tech and disruptive innovations, owing to its global leadership in science and knowledge production, strong industrial infrastructure, increasingly vibrant start-up ecosystem, and highly reputable education institutions, combined with a long-term experience in public-private partnerships and evidence-based policy orientations, setting out ambitious and far-sighted goals;
4. TAKES NOTE that the global competition and complex geopolitical situation affecting in a very detrimental way supply chains call for an advancement of the European innovation ecosystem not only to facilitate the green transition and digital transformation, but also to mitigate and diversify the damaging strategic dependencies on external suppliers, to reinforce security of supply in critical technologies and raw materials, and to achieve strategic autonomy while preserving an open economy;
5. EMPHASISES that rapid technology development and the fast pace of innovation, in particular of breakthrough, deep-tech and disruptive innovations, require a fit-for-purpose, forward-looking and innovation-friendly regulatory framework, meeting the needs of innovators, allowing for regulatory adaptation and acting as a driver for facilitating technological advancement; INVITES the Commission and the Member States to ensure that the regulatory framework at EU and national levels encourages innovation and takes into account emerging technologies facilitating response to the EU'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 R&I investments are crucial for the EU's post-pandemic recovery, and the green transition and digital transformation of the European economy, and to advance the transition to affordable, secure and sustainable energy; RECOGNISES that innovative start-ups and high-growth companies are pivotal to achieve 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 business and entrepreneurial capacities and skills of the EU's R&I actors, to intensify knowledge valorisation and uptake of research findings and emerging technologies by innovative enterprises, to mitigate the risk-averseness and fragmentation of the EU's regulatory framework, to improve access to scale-up financing by start-ups and SMEs, as well as to further incentivise private capital investments in innovation;

## **ATTRACTING AND RETAINING TALENTS**

8. CONSIDERS that providing high quality education and attractive working conditions is key in order to attract and retain talents with a diverse array of competences and skills; STRESSES that a well-balanced brain circulation, cross-sectorial and international mobility, and an effective university-industry cooperation are the driving forces behind knowledge valorisation;
9. ACKNOWLEDGES that more efforts are needed to improve the recruitment, working conditions, career development, cross-sectorial mobility and training of individual researchers and innovators in the EU's R&I performing organisations and universities; RECOGNISES the changing labour market in Europe, and the need to avoid skills mismatches and highly skilled workforce shortcomings;
10. APPRECIATES the EIT's initiative to target at least one million deep-tech talents 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;

## **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 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, particularly due to the recent downturn in global venture capital investments;

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 ScaleUp 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 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 deep-tech start-up up-scaling;
15. SUPPORTS the Commission's initiative to facilitate through the InvestEU Programme a better access of innovative start-ups and SMEs to capital and 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; AGREES with the Commission's initiative to expand the European Scale-Up Action for Risk Capital (ESCALAR) mechanism in order to mobilise increased 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 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;
17. RECOGNISES the critical importance in all EU regions of increasing their R&I investment intensity, prioritising investments in line with Smart Specialisation Strategies (S3), implementing reforms to strengthen innovation ecosystems and bringing regional R&I actors closer together within critical networks; STRESSES in particular the need to make progress in closing the innovation gap in Europe through strengthening the innovation ecosystems in lower performing R&I regions to unlock their innovation potential and trigger their economic growth;

18. CALLS on 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 strategic priorities, building on S3 domains offering regions the best chance of strengthening their competitiveness; INVITES Member States to review 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;
19. WELCOMES the Commission's initiative to identify and help turn up to 100 European regions into the „regional innovation valleys”, by connecting regional ecosystems with similar specialisations and complementary capabilities, and facilitating the networking between less and more innovative regions, thereby mediating their cross-fertilisation, in view of better aligning their efforts and investments towards EU strategic priorities; INVITES the Commission and the European Committee of the Regions to provide support through the Partnerships for Regional Innovation (PRI) initiative and funding opportunities under Horizon Europe and ERDF;
20. ACKNOWLEDGES the vital role of research and technology infrastructures as regional competence 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 uptake of new technologies by companies, and function as a catalyst of place-based innovation;
21. WELCOMES the Commission Notice – Synergies between Horizon Europe and ERDF programmes<sup>7</sup>; 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 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;

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<sup>7</sup> C(2022) 4747.

## **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, 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 oversight by a regulator's authority; WELCOMES that the revised State Aid Framework for Research and Development and Innovation will allow to grant aid for construction and upgrade of testing and experimentation infrastructures;

## **ADVANCING INNOVATION POLICIES**

24. UNDERLINES the key importance of public procurement of new goods and services as an important instrument for incentivising innovation solutions and accelerating their market uptake; CALLS on Member States to foster and coordinate innovation procurement policies and to strategically use public procurement as an instrument to boost innovation, and to assess their benefits and impacts 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 of public procurement personnel; CALLS on Member States to take advantage of these instruments;
26. ENCOURAGES the Commission to review the European Innovation Scoreboard so that it 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 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 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 innovation-driven ecosystem in Europe.

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