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NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

No. prev. doc.: 14421/22

Subject: *Preparation of the Council (Competitiveness (Internal Market, Industry, Research and Space)) on 1-2 December 2022*
Conclusions on the New European Innovation Agenda
- *Approval*

1. In its Conclusions of 1 December 2020 on the New European Research Area (ERA)¹, the Council welcomed a new approach to innovation, recognizing that developing a transformative and forward-looking research, innovation and diffusion strategy was necessary to achieve the Union's priorities and ensure its sustainable productivity growth and competitiveness, also stressing the importance of adequate links within and between innovation ecosystems and their actors across Europe.

¹ 13567/20.

2. In its Recommendation of 26 November 2021 on a Pact for Research and Innovation (R&I) in Europe², among the values and principles for R&I in the Union, the Council stressed the importance of synergies with sectorial policies and industrial policy, in order to boost innovation ecosystems, among others, by promoting the coordination of R&I policies and programmes to support the development of breakthrough and incremental innovations across the Union.
3. On 5 July 2022, the Commission issued its communication on A New European Innovation Agenda³, the overarching objectives of which are to set out an innovation policy that can drive a sustainable and resilient recovery, to accelerate the green and digital transitions, and to secure Europe's technological sovereignty. The current geo-political context highlights the need to reassess how the Union has been investing in innovation and to adapt to the new innovation wave by boosting deep tech innovations (i.e. innovations which are rooted in advanced technologies, scientific breakthrough and engineering).
4. On 12 September 2022, in response to the Commission Communication and in order to highlight the specific actions needed for the Union to position itself as a global leader in the new wave of innovation, the Czech Presidency tabled a set of draft Council conclusions on the New European Innovation Agenda.
5. The text was discussed by the Research Working Party at its meetings on 22 September, 17 October and 7 November 2022. The necessary adjustments resulting from the discussion were inserted in the last version of the text, which was accepted via an informal silence procedure ending on 11 November 2022.
6. The Permanent Representatives Committee is invited to confirm the agreement reached at technical level on the text as set out in the Annex to this note, in view of submitting the draft Conclusions for adoption by the Competitiveness Council (Research) at its meeting of 2 December 2022.

² OJ L 431, 2.12.2021, p. 1-9.

³ COM(2022) 332.

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)*⁴, 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*⁵, 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;

⁴ 13567/20.

⁵ 9138/21.

- its *Recommendation of 26 November 2021 on a Pact for Research and Innovation (R&I) in Europe*⁶, 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 Union’s innovation ecosystem;
- its *Conclusions of 26 November 2021 on the Future Governance of the European Research Area*⁷, 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*⁸, highlighting the need to encourage HEIs to develop close cooperation with economic, social and industrial partners within local and regional R&I ecosystems;
- the *Commission Communication of 25 November 2020 on an intellectual property action plan to support the EU’s recovery and resilience*⁹, which highlights how important management of intellectual assets and intellectual property is for the competitiveness of the Union’s innovative businesses and countries;
- the *Commission Communication of 5 July 2022 on a New European Innovation Agenda*¹⁰, setting out key measures to position the Union as a global leader in the current wave of deep-tech innovation;

⁶ OJ L 431, 2.12.2021, p. 1-9.

⁷ 14308/2021.

⁸ 7936/22.

⁹ COM(2020) 760.

¹⁰ COM(2022) 332.

GENERAL POLICY PERSPECTIVES

1. REAFFIRMS the critical role that all types of innovation play in driving the Union's competitiveness, the creation of jobs, prosperity and well-being; STRESSES that 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, cultural and public sector innovation, is an essential enabler for achieving the Union's policy objectives, in particular the green transition and digital transformation, as well as the Sustainable Development Goals (SDGs); 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 the Union is very well positioned in knowledge production and that all forms of innovations, both incremental and breakthrough, are essential to maximise its societal and economic value and EMPHASISES that higher education institutions, research organisations and businesses play an important role in this process; STRESSES the vital importance of reinforcing investments in higher education and R&I, and of advancing inclusive policy reforms to strengthen the Union's position as a global R&I leader, optimise the Union'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 the Union has the capacity to lead the new wave of breakthrough, deep-tech and disruptive innovations, including those supported by incremental advances in related technologies, underpinned by its global leadership in science and knowledge production, strong industrial infrastructure, increasingly vibrant start-up ecosystem, dynamic SMEs 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 global competition and the complex geopolitical situation call for a stronger and advanced European innovation ecosystem not only to facilitate the green transition and digital transformation, but also to diversify supply and mitigate damaging strategic dependencies on external suppliers, to reinforce secure and sustainable supply in critical technologies and raw materials, to ensure a level playing field within the Union's internal market and to achieve strategic autonomy while preserving an open economy;
5. 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 and on the strategic interests of the Union;
6. EMPHASISES that rapid technology development and the fast pace of innovation require a flexible, fit-for-purpose, forward-looking and innovation-friendly regulatory framework for all types of innovation, in particular of breakthrough, deep-tech and disruptive innovations. This should include standardisation and accreditation aspects, meeting the needs of innovators and entrepreneurs, allowing for regulatory adaptation and experimentation and facilitating new business models, technological advancement and market deployment, while promoting measures to address the digital gap; INVITES the Commission and the Member States to ensure that the regulatory framework at Union, national and regional levels encourages innovation and entrepreneurship and takes into account emerging technologies that can help meet the Union's policy objectives;

7. TAKES NOTE of the Union's lower innovation performance as compared to some of its competitors; AGREES that private R&I investments and strategic use of intellectual assets are crucial for the Union's post-pandemic recovery, and the green transition and digital transformation of the European economy, including to advance the transition to affordable, secure and sustainable energy, for example through a strategy to boost R&I in safe and sustainable hydrogen; RECOGNISES that innovative start-ups and SMEs and high-growth companies of all sizes, together with relevant actors, including business incubators, European Digital Innovation Hubs and competence centers, are pivotal to accelerate the development of solutions required for the transformation of the European economy in line with Union priorities;
8. AGREES that further policy reforms at Union, national and regional levels are necessary to strengthen the business and entrepreneurial capacities and a wider range of skills of the Union's R&I actors, to strengthen test and demonstration facilities across Europe, to intensify knowledge valorisation, to accelerate uptake of research results, emerging technologies and new business models by enterprises, to mitigate the risk-averseness and fragmentation of the Union's regulatory framework, to promote all types of innovation, to improve and accelerate the access to scale-up financing for start-ups and SMEs, as well as to further incentivise private capital investments in all forms of innovation;

FOSTERING, ATTRACTING AND RETAINING TALENTS

9. CONSIDERS that providing high quality education and training, including reskilling and upskilling opportunities, and attractive working conditions and career opportunities is key in order to foster, attract and retain talents with a wide and diverse array of competences and skills, including transversal competences in industry; STRESSES that a more balanced brain circulation, cross-sectorial and international mobility, lifelong learning, entrepreneurial education to students, flexible learning pathways and an effective research-business-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;

10. **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 Union's HEIs and research organisations; **RECOGNISES** the changing labour market in Europe, the need to improve the gender balance, to anticipate and avoid skills mismatches and shortages of highly skilled workers, including for deep-tech innovation; **ENCOURAGES** further initiatives aimed at promoting and embracing innovation and entrepreneurial spirit;
11. **APPRECIATES** the Union and national policies to further encourage HEIs to strengthen the entrepreneurship mindset among the academia, including the relevant initiatives to target deep-tech talents and to help close the gender gap in innovation in Europe; **UNDERLINES** that the EIT offers, through the integration of the knowledge triangle, a dynamic platform for launching, scaling up and supporting start-ups, spin-offs and SMEs; **WELCOMES** the collaboration between the EIT and the EIC in further elaborating synergies between them;
12. **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 employee stock options across the Union, as a way to attract and retain all kind of talents, including deep-tech ones, as well as its intention to assess the scope for Union level action targeting the admission of entrepreneurs and start-up founders from third countries, whilst respecting the Member States' competences in this field;

IMPROVING ACCESS TO SCALE-UP FINANCING

13. **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, the Union lags behind its competitors in terms of later-stage venture capital investments and scale-up funding, particularly for deep-tech companies in need of substantial amounts of patient capital; **RECOGNISES** the importance of supporting all types of innovation and the need to increase private capital investments in European innovative enterprises, in particular start-ups and scale-ups;

14. 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 continuously evaluate the interim solution while advancing with the long term solution, paying particular attention to the participation and unlocking the innovation potential of start-ups, scale-ups and SMEs; RECOMMENDS optimizing existing tools, not least the EIC, rather than creating new, supplementary schemes;
15. 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 Union programmes by providing them with customised support; CALLS on the Commission and Member States to exchange experience and share good practices on scaling up deep-tech start-ups;
16. SUPPORTS the Commission's initiative to facilitate, through the InvestEU Programme, better access to capital for innovative start-ups and SMEs and greater leverage of private R&I investments in Europe, including by valorising intellectual property assets and by taking them into account when assessing equity investments, thus lowering the capital costs for SMEs; STRESSES that innovative start-ups and SMEs need to gain more knowledge on detection, 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 more venture capital funding for scale-ups;

IMPROVING AND CONSOLIDATING INNOVATION ECOSYSTEMS

17. **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, green transition and digital transformation, including the transformation of the Union's energy and mobility ecosystems, and hinders the envisaged well-balanced social and economic development; **UNDERLINES** that innovation ecosystems have a strong regional and national dimension that should be fully taken into consideration when developing the innovation policy; **RECOGNISES** the importance of avoiding fragmentation, as well as strengthening networking and collaboration among all stakeholders;
18. **NOTES** that there is a strong role for communities, cities and regions to build globally competitive R&I ecosystems and growth strategies. Local capacity building and seed investing lay the foundations for a successful European innovation ecosystem that delivers European competitiveness; in this context **CALLS ON** the Commission and Member States to consider the thematic focus of the Horizon Europe Missions;
19. **RECOGNISES** the critical importance of increasing R&I investment intensity in all Union regions, 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; **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 by strengthening the science base and innovation ecosystems in lower-performing R&I countries and regions to unlock their innovation potential and accelerate their economic growth;

20. ENCOURAGES Member States to identify and empower tailor-made innovation policies, in view of meeting specific local challenges and needs whilst contributing to the Union's and national strategic priorities, building on the S3 domains that offer 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 regional, national, European and global markets;
21. RECOGNISES that R&I reforms and investments supported by the Recovery and Resilience Facility (RRF) are expected to contribute to boosting innovation ecosystems and industrial policies and to mitigating crises; EMPHASISES the importance of synergies between R&I funds and RRF;
22. WELCOMES the Commission's initiative to identify and help turn up to 100 European regions throughout Europe into 'regional innovation valleys', by connecting regional ecosystems with similar and complementary specialisations and capabilities, and facilitating networking notably between less and more innovative regions, thereby mediating their cross-fertilisation, in view of better aligning their efforts and investments with Union strategic priorities and developing Union value chains; INVITES the Commission, in collaboration with the European Committee of the Regions, to coordinate this initiative with the Partnerships for Regional Innovation (PRI) initiative and provide funding opportunities under Horizon Europe, the ERDF and other relevant Union programmes;
23. ACKNOWLEDGES the vital role of research infrastructures, technology infrastructures and testing and experimentation facilities as regional competence hubs, including the network of European Digital Innovation Hubs, which attract and integrate a broad range of R&I stakeholders in a solution-oriented and multidisciplinary way, facilitate acquisition of new knowledge, accelerate the uptake of new technologies by companies, and function as a catalyst for place-based innovation;

24. WELCOMES the Prague Declaration on Synergies in the R&I Funding in Europe and the Commission Notice – Synergies between Horizon Europe and ERDF programmes¹¹; ENCOURAGES Member States and the Commission to identify persisting barriers and overcome existing obstacles hindering synergies between regional, national and Union 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 Union funding instruments, with a view to addressing the scale-up gap for European innovative companies, including deep-tech ones;
25. ACKNOWLEDGES the need for a broader approach to the European innovation ecosystem; 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; WELCOMES the recently signed Memorandum of Understanding between EUREKA and the Commission in order to strengthen the Union’s innovation capacities;

¹¹ C(2022) 4747.

ENHANCING FRAMEWORK CONDITIONS

26. **HIGHLIGHTS** the essential role of regulatory sandboxes and testing and experimentation facilities, such as test beds, demonstrators, living labs and digital innovation hubs, for testing, demonstrating and upscaling 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 regulatory authority; in this context **STRESSES** the role and functions of HEIs and research organisations and **SUGGESTS** a better promotion of their existing provision of safe environments for developing new technologies and for checking compliance of innovation with the regulatory environment and societal norms; **WELCOMES** the fact that the revised State Aid Framework for Research and Development and Innovation will allow aid to be granted for the construction and upgrading of testing and experimentation infrastructures;

ADVANCING INNOVATION POLICIES

27. **UNDERLINES** the key importance of 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; **ENCOURAGES** Member States to develop, foster innovation procurement policies and to strategically use innovation procurement as an instrument to boost innovation, and to assess the benefits and impacts of these policies on innovation, as well as encouraging innovative tools for fostering the cooperation and the partnership between public and private sectors;
28. **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; **ENCOURAGES** Member States to take advantage of these instruments; **WELCOMES** the Commission's initiative to support the formation of innovation procurement specialist advisory services;

29. ENCOURAGES the Commission together with the Member States to review the European Innovation Scoreboard and Regional Innovation Scoreboard, so that they also reflect 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;
30. 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 promote coherent implementation of European, national and regional innovation-support activities and policies, to elaborate initiatives to improve the Union's regulatory framework for innovation, and to propose measures to develop an innovation-friendly environment 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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