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COMMISSION STAFF WORKING DOCUMENT
Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Defence Readiness Omnibus

{COM(2025) 820 final} - {COM(2025) 821 final} - {COM(2025) 822 final} - {COM(2025) 823 final}

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EXECUTIVE SUMMARY

Further to the European Council call on the European Commission to accelerate the work on all strands to **decisively ramp up Europe's defence readiness** within the next five years [(1)], on 17 June 2025, the Commission adopted the Defence Readiness Omnibus [(2)] proposal ('Omnibus').

In it the Commission has proposed new measures to cut red tape and facilitate EU countries' major ramp-up changes in defence investments. These measures include EUR 800 billions of investments[(3)] that EU countries can use under ReArm Europe to ensure that their defence industries can deliver defence capabilities at speed and scale. The Omnibus also proposes simplifying and harmonising rules as an essential part of boosting Europe's defence preparedness.

This Staff Working Document attempts to quantify the expected impacts of the Commission's proposals in the Omnibus, describes the problem drivers identified, and explains why the European Union should act on them.

The Commission proposals involve both defence and non-defence legislation, the European Defence Fund, defence procurements, intra-EU transfers of defence products, EU chemical rules, access to finance for defence industry and permitting for defence readiness projects. They could **significantly reduce administrative burden for private and public entities**, therefore **ensuring better time-to-delivery** for EU defence industry. They could also **unlock substantial private capital flows** to fund defence readiness investments and **facilitate joint procurement** of defence equipment by Member States, which could trigger additional potential savings.

The assessment of the impacts of the chosen option was computed using a granular quantitative model, however taking account that there are still **important data and information gaps** in the Defence economic sector which make a precise and fully externally justified assessment of the impact of the Defence Readiness Omnibus a challenge in itself. The quantification of the Omnibus effects is therefore a modelling work that relies heavily on reasonable internal assessment where outside sources where not found or difficult to calculate with high level of precision.

Given those limitations, existing shortcomings linked to the sensitivity and data-gaps, the European **Commission welcomes any feedback to the methodology and to the quantification** of this Omnibus. This will be instrumental to build on further quantification

(1): European Council, Conclusions, 20 March 2025.

(2): https://commission.europa.eu/news-and-media/news/new-simplification-proposal-will-speed-defence-investments-eu-2025-06-17_en

(3): The European Commission's ReArm Europe Plan/Readiness 2030, presented in March 2025, proposes to unlock close to EUR800 billions in defence spending through flexibility within the EU fiscal rules (by activating the national escape clause) allowing for higher level of defence spending, a new EUR150 billions loan instrument (SAFE) for joint procurement, potential redirection of cohesion funds, and expanded European Investment Bank support. It also aims to mobilise private capital through the savings and investments union.

work in the field of the Single Market of Defence. Please address all methodological comments, inputs, feedback and ideas to: defis-simplification@ec.europa.eu. ([4])

Based on the method used and described in Annex D, the estimated cumulated impacts are summarised below:

- **Simplification measures: direct annual costs savings of EUR 1.2 billion for private and public entities**, by reducing the time that employees and companies spend on procedures.
- **Easier access to finance** estimated to free up to **EUR 4.7 billions** of annual extra investments for defence companies and could therefore bring along between **26 000 to 33 000 extra jobs annually over the next eleven years**, calculated under the assumption that the Omnibus will remove some barriers and uncertainties to invest in defence for EIB, financial institutions and private investors.
- **Potential savings** for Member States on **joint procurement** from reaping economies of scale[(5)] and easier procedures, which could reach up to **EUR 1.8 billion annually**, assuming that joint procurement increases from the current 18% share of defence equipment spending to 40% in 2036 and that efficiency will save 10% of joint procurement value.

The potential additional costs on business and administrations that these proposals would make are considered, on the other side, not significant due to the intended simplification goal and integration in the normal administrative adaptation and formation costs of companies and public administrations.

Although the three categories of savings are difficult to sum together given their different assumptions and nature (see Annex D for details), such a sum would bring the estimated total financial value of benefits arising from the Omnibus to range (depending on more pessimistic / optimistic scenarios) **from EUR 42.5 billions to EUR 51.3 billions[(6)], as net present value over the next 11 years (2026-2036)**[(7)].

(4): Whenever possible, please use and base your inputs on the Better Regulation Toolbox, notably Chapter 8, p. 499 to 608.

(5): Sizeable procurement orders for each defence system result in cheaper unit costs.

(6): Net present value over the next 11 years (2026-36), under different scenarios, adding all type of benefits. Methodology is described in details in Annex D.

(7): Some measures will have effect from 2026, others only from 2027.

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT OF DEFENCE READINESS 2030

Europe faces acute and growing threats. The only way we can ensure European peace is to have the readiness to deter those who would do us harm. High intensity armed conflict has returned to Europe and EU Member States need to be ready for the worst-case scenario.

To fight and more importantly to deter armed conflicts, Member States need prompt, effective and efficient access to the most sophisticated military equipment supplied by a strong and independent European Defence Technological and Industrial Base (EDTIB). The EU defence sector although still quite competitive globally, is in a concerning situation, as highlighted by the Draghi and Letta reports, plagued by under-investment, under-capacity, fragmentation, inefficient scale (on both the supply and demand side), and by a burdensome web of regulations.

The European Council on 6 March 2025 tasked the Commission to swiftly simplify the legal and administrative framework, for public procurement, industry cooperation, permitting and reporting requirements, to address all the obstacles and bottlenecks hindering a rapid ramping up of the defence industry, including for SMEs and mid-caps. In this context, the European Council invited the Commission to prioritise a defence-specific simplification omnibus.

The stakeholder consultation prior to the Commission proposal for the Omnibus confirmed that the overarching problem is a structural lack of scale and speed of investments in defence readiness across the EU. This is due to a number of factors: lack of EU-wide collaboration for defence R&D, limited common procurements, complex European Defence Fund rules on innovation and procurement, diverging or conflicting regulations on national permits that impact the defence industry and intra-EU transfers of defence products, EU legislation on chemicals and access to finance.

In the context of this Omnibus proposal, '*defence readiness*' should be understood as the ability of the Member States and the EU defence industry, institutions and supporting systems to anticipate, prevent and respond to defence-related crises.

Defence readiness relies on the availability of the necessary defence industrial capacity to acquire and maintain the resources, capabilities and infrastructure required to (i) respond effectively and in an agile way to crises and (ii) to deter potential threats through credible strength.

This Staff Working Document (SWD) forms an integral part of the Commission proposal on the Defence Readiness Omnibus of 17 June 2025, submitted to the European Parliament and the Council for examination under the ordinary legislative procedure. It highlights the specific problems and underlying issues, explains the choice of proposed simplifications to reach the objective of Defence Readiness by 2030, also building on the stakeholder consultation carried out in the second quarter of 2025, and attempts to quantify the impact of the proposed solutions, using the assumptions and methodologies explained in the annexes.

2. PROBLEM DEFINITION

2.1 What are the problems?

Meeting the EU's defence-readiness objectives will require substantial defence investments. Current estimates forecast at least an additional EUR 800 billions investment is needed, including EUR 150 billions under the Security and Action for Europe (SAFE) instrument, and involving significant public procurement. The magnitude of the required effort to reach defence readiness by 2030 is due to the substantial and chronic under-investments in defence in the EU over the last decades and the cumulated defence investment gaps of Member States, which have been **losing opportunities in pooling demand (provoking therefore inefficient scale in production, higher procurement costs, fragmentation)**.

Heavy artillery ammunition is a good example of the issues resulting from decades of underinvestment. Low demand means **EDTIB production capacities have shrunk significantly over time.** This limits Member States' capacities to replenish stocks quickly and re-establish a credible and reliable defence position. Furthermore, stocks that were already limited have been further depleted with the military support provided to Ukraine. Member States would face critical shortages in the event of a high-intensity conflict.

The EU's current regulatory environment, adopted in peacetime, needs to be adapted to the EU's current objective of developing and maintaining the necessary capabilities and military readiness to credibly deter armed aggression and quickly and effectively deploy the major defence instruments needed. Deterring armed aggression is also an effective way to protect the environment, that would be significantly damaged in the event of war. **Currently, rules generate excessive admin costs and delays for companies**. **EU legislation often also hampers the efficacy of armed forces' operations**. When the Commission consulted stakeholders about whether current EU legislation could facilitate the 2030 Defence Readiness objective, many corporate stakeholders, experts, and EU countries indicated that several pieces of EU defence-related and non-defence-related legislation were not conducive to facilitating the EDTIB's long-term investments necessary to deter threats and ensure the security of the EU and its citizens. For example, some Member States' air forces reported years-long delays in expanding training runways for pilots caused by complex and lengthy permitting rules.

Across sectors, processes must be considerably simplified and regulatory and administrative burdens removed to accelerate the ramp-up of European defence industrial production, to rapidly reach the levels of production capacity required to prepare for and thereby deter a high-intensity conflict. Regulatory burden creates also problems in the **access to finance, leading to higher cost of capital for defence sector, limited access to debt/equity, and foregone investment opportunities.**

2.2 Problem drivers by domain

- **Burdensome processes in the European Defence Fund (EDF) programme**

The interim evaluation of the European Defence Fund (EDF), established by Regulation (EU) 2021/697[8], confirmed its overall effectiveness and relevance. This is illustrated by the

(8): Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092 (OJ L 170, 12.5.2021, p. 149, ELI: http://data.europa.eu/eli/reg/2021/697/oj) increasing number of proposals submitted and companies participating since the creation of the Fund.

However, this evaluation also highlighted the need to further streamline procedures, reduce the administrative burden, introduce clarifications, simplification, and flexibility to facilitate the programme's implementation. The experience gained since 2021, and the feedback received showed for example that the current criteria for evaluating proposals are complex and assessing them is time-consuming.

Despite significant improvements to the EDF application process compared to its precursor programmes, stakeholders consulted as part of the interim evaluation and Omnibus stakeholder consultation, both highlighted the potential for further simplifications. Some 52% of corporate stakeholders responding to the stakeholder consultation called for simplification of the EDF programme to unlock its full potential to also contribute to the defence readiness objective.

For example, the national association of employers of a large Member State indicated that: '*…simplified EDF procedures should go a long way toward making businesses and member states more likely to be able to effectively utilise the funds in their projects, while eligibility for frontline testing will be of great help in ensuring that European-produced equipment is working effectively. We are particularly hopeful for the effect that clarifying award criteria could have, as this is currently an area which gives rise to a lack of transparency and equal treatment due to the uncertainties in application processes…*'[(9)]

The current legal framework for the EDF implementation also limits the use of indirect management to exceptional cases. For example, the requirement that all infrastructure, facilities, assets and resources used for the implementation of EDF funded projects are located within the Union and associated countries territory limits the potential for the EDTIB to benefit from testing opportunities that offer unique features. For example, testing in Ukraine provides possibilities that are not readily available within the EU, such as 24-hour testing on the battlefield, which can significantly enhance development and validation of defence technologies.

- **Complex, lengthy and costly procedures for Defence procurement**

Stakeholders in the public and private sector perceive procedures under the Directive 2009/81/EC on Defence and Security Procurement[(10)] as overly complex and burdensome impacting, according to stakeholders, the most critical contracts, hampering effective allocation of resources and creating an undue administrative burden for the industry.

One of the key objectives of the Directive 2009/81/EC is to allow defence procurements to take place within EU public procurement rules, adapted to specific defence needs, and support the establishment of an open and competitive European defence equipment market

(9): Position paper on the Defence Readiness Omnibus, June 2025 (author details not disclosed for confidentiality)

(10): Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC, (OJ L 216, 20.8.2009, pp. 76–136, ELI: http://data.europa.eu/eli/dir/2009/81/oj) that would strengthen the resiliency and combat-readiness of the Union. However, a few issues remain.

Firstly, the perceived complexity of the Directive undermines its application and further worsen Member States' tendency to rely excessively on exclusions allowed in the Directive or under the Treaties to not apply the Directive on grounds of security or government-to-government relations. A study on the implementation of the directive in 2016 concluded that the directive had helped open the single market but that a '…*significant share of defence procurement expenditure is still done outside the Directive and, generally, outside EU public procurement rules…*'(11) .

Secondly, stakeholders report significant administrative costs disproportionately affecting start-ups and SMEs(12). These costs on key players hinder the defence industry's capacity for innovation.

Thirdly, procedures are reportedly too slow(13) to accommodate the urgent needs linked to the Defence Readiness 2030 objectives. According to a European company's submission to the public consultation, '*...procurement is too slow: it can take more or less two years before the tender even starts...*'.

One Member State administration noted that '…*Defence procurement rules lack the alignment with the framework set in the classic and utilities directives, also they do not fully respond to the regulatory needs, determined by the international security challenges. Current defence and security procurement rules have been established in 2009 and have not been reviewed ever since, despite the changes in other public procurement directives and existing practices…*'

The administrative burden resulting from the application of strict procurement rules and procedures can be particularly heavy in relative terms for procurements with small values. This is particularly important now when Member States need to quickly step up their defence procurements, while human/administrative resources in both public administration and industry are significantly limited. Making a lot of low-value contracts simpler could help Member States and industry to focus scarce resources on the most important procurements.

Member States and industry recognise that the specificities of R&D and innovation procurement procedures (such as the lack of a precise outcome before funding research) means these procedures could be improved and accelerated (through simplification and removing some restrictions). Member States' recent expenditure figures show them spending as little as 1-2% of their total defence budget on R&D, which is not on a par with international allies and challengers(14). According to the 2025 EDA report on defence data

(11): Report from the Commission to the European parliament and the Council on the implementation of Directive 2009/81/EC on public procurement in the fields of defence and security, to comply with Article 73(2) of that Directive, SWD(2016) 407 final, p.4.

(12): In the public consultation, some actors reported a multiplier of 10 in the proportion of costs related to this directive between SMEs and prime contractors.

(13): Habitats directive and other environmental protection rules require defence companies to run impact assessment which can be very time-consuming, as requesting to engage with several different public entities.

(14): Some (unverifiable) sources quote Russia's share of defence budget allocated to R&D at around 6-7% and China's between 5-10%.

the spending on defence research and development has reached EUR 13 billions in Member States. However, other international powers, notably the US, outpaced Member States in terms of total R&D expenditure as well as the share of total defence allocated to R&D.

Member States' and industry also report that the current rules governing framework agreements do not give Member States as much predictability and stability in their defence procurement planning as they could. According to stakeholders, Directive 2009/81/EC limits the current maximum duration of a framework agreement to seven years. This does not reflect the particularities of the defence sector, whose procurement cycles are longer than in the civil sector.

- **Member States' fragmented defence spending in procurement**

The European Defence Agency (EDA) noted in 2025 that *'the benefits of defence cooperation are widely acknowledged among Member States and include economies of scale, reduced unit costs, enhanced interoperability and a decrease of fragmentation and duplication. Prioritising EU collaborative procurement solutions can foster a more coordinated approach to defence procurement, promoting interoperability and standardisation across European defence systems*.' [(15)]

Joint procurement by Member States is key to improve efficiency, effectiveness, and interoperability of defence capabilities. The latest available data show that **only 18% of defence equipment spending is through joint procurement, against an EDA benchmark of at least 35%**[(16)]**.** Stakeholders estimate that clearer and simpler rules on joint procurement would help increase the total of joint defence equipment spending (with all the associated benefits) from its current low level, which is hampered by the complex associated procedures and legal uncertainty.

- **Bottlenecks in intra-EU transfers of defence-related products** (Transfer Directive)

Swift transfers of defence-related products within the EU are essential to mobilise the full industrial and technological capacities across the EU and to achieve synergies, economies of scale, innovation and to ensure security of supply.

Member States must grant general, global, or individual transfer licences for transfers of defence-related products from their territories. Member States may exempt transfers of defence-related products from the obligation for prior authorisation in specific cases listed in Directive 2009/43/EC (the 'Transfers Directive').

Stakeholders in the consultation pointed to the lack of harmonisation of control systems of Member States, **insufficient use of General Transfer Licences** (GTLs) which are the key simplification tool[(17)] provided for in the Transfers Directive, and called on the Commission

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(15): European Defence Agency, Defence Data 2024-2025 [2025-eda_defencedata_web.pdf].

(16): European Defence Industry Strategy, 5 March 2024 [https://defence-industry-space.ec.europa.eu/eu-defence-industry/edis-our-common-defence-industrial-strategy_en]. Reaffirmed in the Joint White Paper on Defence Readiness of 19 March 2025 [https://defence-industry-space.ec.europa.eu/eu-defence-industry/introducing-white-paper-european-defence-and-rearm-europe-plan-readiness-2030_en].

(17): Directive 2009/43/EC of the European Parliament and of the Council of 6 May 2009 simplifying terms and conditions of transfers of defence-related products within the Community (OJ L 146, 10.6.2009, p. 1, ELI: http://data.europa.eu/eli/dir/2009/43/oj).

to reduce complexities and delays linked to checks on intra-EU transfers. Fourteen Member States used GTLs for armed forces for EEA countries, while six only for EU[(18)]. Stakeholders also pointed to **bottlenecks leading to significant delays in the implementation of EDF projects** due to lack of timely authorisations of transfers and to heavy burden of managing multiple national End User Certificates or other forms of limitations in intra-EU transfers.

Several stakeholders indicated that defence industry often sees the application of the Transfers Directive as problematic. The Directive makes more flexible types of transfer licences available, but it is not mandatory for Member States to use them, and several do not. Even though transfer licenses are rarely refused, the process of requesting a licence is burdensome, and GTLs are not used efficiently.

GTLs allow *ex ante* controls (control prior to the transfer within the EU) to be replaced by *ex post* controls (controls after the transfer within the EU). This typically enables a transfer to be performed **within one to three days**. In contrast, the average time for authorities to process a simple individual transfer licence *ex ante* can be roughly estimated to be 6-7 weeks, with authorisation processes often taking significantly longer times.

GTLs are thus the main instrument the Transfers Directive 2009/43/EC introduced to facilitate intra-EU transfers of defence-related products. However, the uptake of **GTLs has been limited**. Preliminary results of a survey of industrial actors' experience in the context of the ongoing evaluation of the Directive 2009/43/EC indicate, for instance, that only one third of the responding companies has ever used a General Transfer Licence in their experience.

Lengthy procedures and heavy administrative burden make intra-EU transfers insufficiently agile and insufficiently responsive to urgent European defence needs. They are not supportive enough for the development of a competitive and innovative European defence technological and industrial base.

- **Lengthy and complex national permitting procedures for defence projects**

National permitting procedures for defence-related projects - such as construction or expansion of ammunition production lines, manufacturing sites for explosives, or equipment assembly facilities - are governed by a multitude of sectoral rules, on environment, health and safety, land use, energy, water use, etc.

These procedures can involve long mandatory impact assessments or specific consultations. Their outcome and the expected duration can be difficult for investors to assess *a priori*. Most EU environmental and other permit-related legislations provide for derogations for defence-related projects, to allow exceptions to be made for public interest and public order objectives. However, diverging interpretations and implementations across Member States undermine the efficiency of those derogation measures when it comes to defence investments.

These factors result in long and unpredictable permitting timelines, often exceeding two to four years for defence projects of strategic relevance. In some cases, projects are postponed or cancelled due to legal uncertainty, excessive administrative costs, or challenges in securing the required authorisations within operational timelines. The absence of clear

(18): Ad hoc survey on Member States, 2021.

prioritisation for defence-related investments leads to delays that are incompatible with the EU's goal of achieving defence readiness by 2030.

Corporate stakeholders also report that permitting requirements and practices differ greatly between Member States, creating uncertainty for cross-border defence investments and delaying industrial partnerships supported by EDF or European Defence Industry Programme (EDIP). Small and medium enterprises and specialised suppliers are particularly affected due to their limited legal and administrative resources.

One Member State gave the example of an application for a permit to extend an existing explosive manufacturing facility, which was blocked for more than one and a half years by extensive permitting requirements.

Another Member State reported delays of up to 24 months to strategic and time-sensitive defence projects due only to permitting issues, as a high number and different authorisations, consultations involving approval by different administrations were required. Delays immobilise resources and are costly for industry. They increase the standby fees of contractors, total cost of capital, legal costs and more. A private stakeholder reported a standard timeline of at least 24 months for setting up a defence business in Europe, including securing the necessary permits and licensing authorisations. Others reported a variety of cases where authorisations required three, five and even up to seven years.

Timely and predictable investment in defence industrial capacity is a critical enabler of the EU's ability to respond to deteriorating security conditions and meet its operational commitments under the 2030 Defence Readiness objective.

- **Implementation of the EU legislation on chemicals does not always support the objective of defence readiness by 2030**

EU legislation on chemicals consists mainly of the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)[(19)], the Regulation on Persistent Organic Pollutants[(20)], the Regulations on Classification, Labelling and Packaging (CLP)[(21)] and Biocidal Products[(22)]. Their bans or restrictions on uses of certain substances are essential for the health and safety of EU citizens, including workers in the defence industry.

Chemical substances are also a vital and necessary component in most defence systems, and a large part of the substances used to develop, produce, and maintain these systems are subject to authorisation and restriction requirements under REACH and other legislations.

(19): Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC: OJ L 396, 30.12.2006.

(20): Regulation (EU) 2019/1021 of the European Parliament and of the Council of 20 June 2019 on persistent organic pollutants (recast): PE/61/2019/REV/1 :OJ L 169, 25.6.2019, p. 45–77.

(21): Regulation (EC) 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures, amending and repealing Directives 67/548/EEC and 1999/45/EC, and amending Regulation (EC) No 1907/2006: OJ L 353, 31.12.2008, p. 1–1355.

(22): Regulation (EU) 528/2012 of the European Parliament and of the Council of 22 May 2012 concerning the making available on the market and use of biocidal products: OJ L 167, 27.6.2012, p. 1–123.

Several specificities of the defence sector merit nevertheless special consideration when deciding on authorisations and restrictions and often result in defence-specific exemptions. These specificities include factors, such as (i) remarkably high operational requirements (no risk for failure in extreme environments), (ii) long-life cycles of defence products (often up to 50 to 60 years), (iii) demanding and time-consuming requirements for certification, qualification and maintenance and (iv) aspects related to security of information.

Article 2.3 of REACH states that '*Member States may allow for exemptions from this Regulation in specific cases for certain substances, on their own, in a mixture or in an article, where necessary in the interests of defence.'* The other chemical legislation also contains similar provisions (excluding Persistent Organic Pollutants, POPs).

However, stakeholders in the consultation process, generally agreed that the present legislation, and its implementation, were not compatible with the ambition of Defence Readiness by 2030. Stakeholders, industry and the Armed Forces highlighted three major problems:

1. Member States' use of the exemption is often restricted;

2. The fact that defence readiness needs are not adequately taken into account at an early stage of decision-making processes, for example regarding socio-economic assessment of restrictions and authorisations within REACH, creates uncertainty and increased risks, which hampers investment in the development and production of defence systems;

3. Some processes and information requirements are time-consuming, administratively burdensome and may risk information leakage of sensitive information.

These problems pose a direct threat to the availability, interoperability, and maintainability of European defence capabilities and undermine the EU's strategic autonomy.

- **Difficulties for EU companies to access finance**

As highlighted in a European Commission study on *Access to equity financing for European defence SMEs* (2024), the European defence industry, particularly SMEs and mid-caps, face difficulties in accessing finance. The report identifies an **annual funding gap for both debt and equity of EUR 2 billions for European SMEs**. Today, one in four companies cannot access debt or equity when they need to.

The environmental sustainability of the defence sector is an important yet complex dimension in accessing finance. The defence sector covers a broad spectrum of activities. While certain defence-related activities (such as radars or shelters) raise little concern from an environmental point of view. There are other defence-related activities such as the production of ammunition which may indirectly result in damage to both the natural environment (e.g. soil contamination). The wide-ranging potential environmental impacts of defense activities are recognised in various environmental legislations, which allow exemptions for activities conducted solely for military purposes, when appropriate[23].

(23): Examples of such legislation are article 1(3) of the Environmental Impact Assessment Directive (Directive 2011/92/EU as amended by 2014/52/EU) and article 7 of the Nature Restoration Law (Regulation(EU) 2024/1991).

Consequently, due to the diverse environmental concerns linked to the defense sector, many private and public financial institutions exclude investments in the defence sector. This contributes to restricting access to finance for companies developing defence technologies or that are part of the defence supply chain. Investors' perception and reputational risk aversion - influenced by eenvironmental, social and corporate governance ratings and benchmarks - mean that ESG-themed funds (and other funds) are not available for defence-related equity and debt.

For example, the European Investment Bank (EIB) Group, which provides key financial support to EU's economy and is the main implementing partner of EU financial instruments through the InvestEU Programme, providing EU budget guarantees of EUR 26.2 billions to investments(24), changed in 2025 its exclusion policy(25) to allow investments in equipment or infrastructure dedicated to military/police use. However, the EIB still excludes financing of the 'production of and trade in weapons and ammunition'(26). These exclusions create a significant barrier to capital access for the defence industry.

The EU sustainable finance framework also plays a key role in influencing investment and exclusion policies of European financial actors for investments in defence projects. This framework was developed as part of the European Green Deal and codified through various policies and instruments, such as Regulation (EU) 2019/2088 (Sustainable Finance Disclosure Regulation, SFDR) which aims to channel private investment toward environmentally and socially sustainable activities. It introduces detailed disclosure obligations for financial market participants and sets out criteria for sustainable economic activities including minimum safeguards.

However, during the consultation stakeholders reported that, **financial actors face excessive uncertainties regarding the treatment of defence-related investments under sustainability-linked instruments**, for two reasons:

1. EU financial actors are biased against the defence sector, because its activities are not seen or perceived as sustainable or as having environmental, social or governance benefits. The EU Taxonomy for sustainable activities does not include defence activities. As a result, investors who want to invest in alignment with this taxonomy usually exclude or limit the share of defence and dual-use sectors from sustainable investment portfolios. The EU sustainable finance framework does not provide clear guidance and definitions on the type of activities considered as positively contributing to social sustainability. This means that the concept of 'sustainable finance' is often interpreted in a narrow way which excludes defence-related activities.

2. The framework itself does not exclude investments in the defence sector. However, the different financial instruments have different minimum safeguards, particularly for the defence-specific category of 'controversial weapons'. This creates legal

(24): The InvestEU Fund aim is to mobilise more than EUR372 billions of public and private investment through EU budget guarantees of EUR26.2 billions. [https://investeu.europa.eu/investeu-programme/investeu-fund_en].

(25): https://www.eib.org/en/press/all/2025-156-eib-steps-up-financing-for-european-security-and-defence-and-critical-raw-materials.

(26): EIB eligibility, excluded activities and excluded sectors list.

uncertainty and has led to an excessively careful approach, resulting in the exclusion of investments in the defence sector.

This framework **results in a negative bias against investments in the defence sector that keeps the average cost of capital quite high (a weighted average of 9,19% for the defence sector in Europe)**[(27)].

The main actors view the absence of more specific guidance on the relation between the sustainable finance framework and investments in defence, as a major bottleneck. Such detailed guidance is needed to clarify how defence investments comply with sustainability and meet the minimum safeguards set out in the EU sustainable finance framework.

Despite the growing political urgency to boost the European Defence Technological and Industrial Base, **defence-related investments are also suffering from underinvestment under the InvestEU support mechanisms.** This is because of both the exclusions policies of implementing partners, such as the EIB Group or EBRD, and of inadequate eligibility rules of the InvestEU funds for investments in defence.

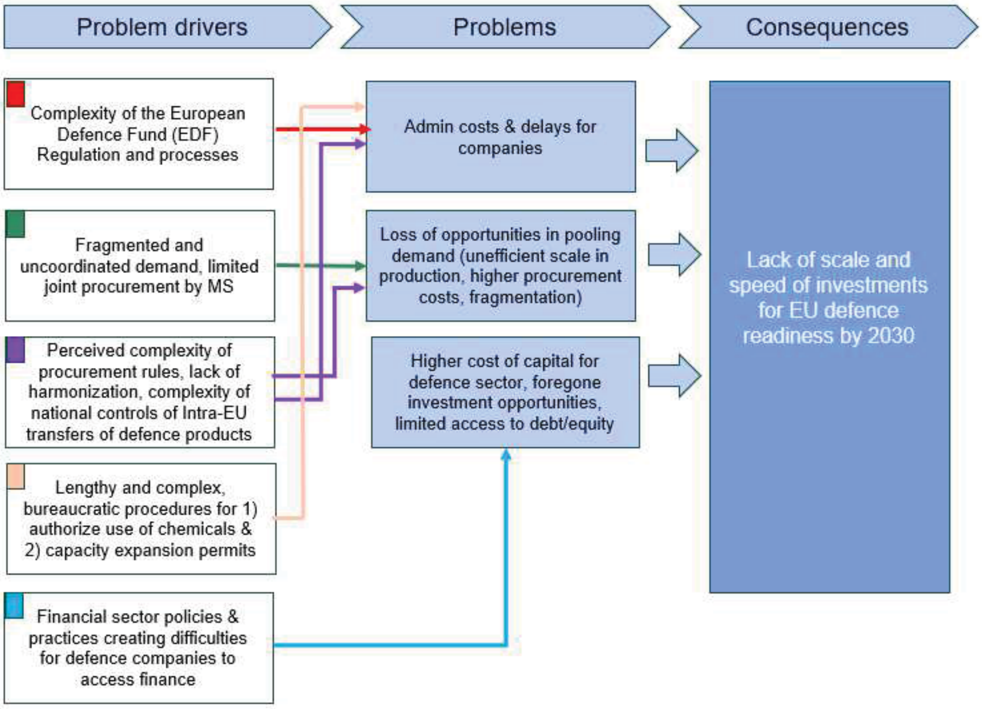
Defence is labelled as a strategic sector and eligible for financing under InvestEU. However, key stakeholders and implementing partners report that the programme lacks incentives for implementing partners to support it. Stakeholders particularly regretted the absence of a clear legal or strategic orientation toward defence-readiness in the InvestEU Investment Guidelines.

The InvestEU Investment Guidelines have additional eligibility conditions for investments in strategic sectors, particularly defence aimed at safeguarding the essential security interest of the EU and its Member States. However, implementing partners report that these eligibility rules, inspired by the rules for grant fundings (under funds like the EDF), are excessively restrictive and unsuited to debt and equity investments, where security interests are not so directly at risk.

2.3 How likely is the problem to persist?

The stakeholder consultations stressed that the defence ecosystems and Member States have long been plagued by these problems, with no solution emerging at national level, because of the European approach required. Without EU intervention, these issues will continue to plague the EU's defence sector and severely damaging its capacity to deliver its Defence Readiness 2030 objective.

(27): Cybersecurity, a comparable sector, in Europe has a weighted average cost of capital of 7-9%. Defence sector in the USA has a weighted average cost of capital of 7,68% (industry average, Jan. 2025).



3. WHY SHOULD THE EU ACT?

3.1 Legal basis

Defence readiness is a wide concept, so simplifying the regulatory framework to enable a speedy defence production ramp-up will affect many legal texts. Not all falling under the framework of the common security and defence policy, which is subject to specific rules of procedure and adoption (cf. Articles 21 to 46 TFEU).

Defence-related legislative acts not under the common security and defence policy and that can be identified for simplification are: the Regulation establishing a European Defence Fund and the Directives related to Defence and Security Procurements and to Intra-EU Transfers of defence-related products.

Non-defence related legislative acts identified as key for Defence Readiness and its financing are: the REACH Regulation, the Classification, Labelling and Packaging Regulation (CLP), the Persistent Organic Pollutants Regulation (POPs), and InvestEU and Environmental and Social Governance (ESG) Benchmarks Delegated Regulations.

These pieces of legislation could therefore be amended through ordinary legislative procedure. For all existing texts, the amendments should be done based on the same legal basis as the original procedure:

Legislation amended by the proposal	**Legal basis**
Regulation (EC) 1907/2006 on the registration of chemicals (REACH), **Regulation (EC) 1272/2008** (the CLP Regulation), **Regulation**	**Article 114 TFEU** This enables the EU to strengthen and protect the proper functioning of the internal market. It allows co-legislatures to take action through an ordinary legislative procedure to eliminate

(EU) 528/2012 (the Biocidal Products Regulation - BPR)	regulatory barriers within the EU, facilitate trade, and ensure a competitive level playing field.
Regulation (EU) 2019/1021 on Persistent Organic Polluants	**Article 192(1) TFEU** This refers to the implementation of the EU's objectives on environment policy, including preserving, protecting, and improving the quality of the environment, protection human health, and prudent and rational utilisation of natural resources
Regulation (EU) 2021/697 establishing the European Defence Fund	**Article 182(4) TFEU, Article 183 TFEU, Article 188 TFEU** These articles concern the adoption and implementation of framework programmes. **Article 173(3) TFEU** This tasks the EU and Member States with ensuring that 'conditions necessary for the competitiveness of the EU's industry exist.' Within this remit, the Commission may take initiatives to promote coordination of defence industrial policies and adjusting the European Defence Technological and Industrial Base to structural changes – such as a deeply deteriorated security environment and encouraging an environment favourable to innovative initiatives.
Directive 2009/81/EC on the procurement of defence and security contracts	**Article 53(2) TFEU** **Article 62 TFEU** These concern the right of establishment. **Article 114 TFEU** See above.
Proposed new **Regulation for Fast-Track Permitting**	**Article 114 TFEU** Allows the EU to take measures that increase harmonisation in order to create a level playing field for EU defence industry manufacturing to flourish.

3.2 Subsidiarity test: necessity criteria

Insofar as only amendments to existing legislative texts are proposed, the problems are inherently linked to the deficiencies of the European framework and can only be solved through changes to the relevant EU instruments and legislations.

Most of the stakeholders also welcomed the proposal for a new regulation related to fast-track permitting. This fast-tracking mechanism is needed to overcome insufficient coordination between Member States which does not allow for smooth cross-border investments. The proposed regulation aims to tackle the fragmentation of the European defence single market, which is a clearly identified obstacle to European defence readiness and prevents defence industries from growing in a seamless way across the EU. Stakeholders flagged the absence of a functioning and harmonised permitting framework as significantly impeding the development of a competitive, resilient, and innovative EDTIB.

Introducing specific exemptions for the defence sector across different EU legislation will simplify the legal framework by introducing well-targeted changes to existing obligations, in order to clarify the needs for defence readiness for Member States. These changes should then mean the defence sector is treated the same as other areas targeted in those provisions, always with the appropriate safeguards.

3.3 Subsidiarity test: added value criteria

The specific cross-border nature of the problems identified – particularly those regarding procurement and transfers of defence-related products within the EU – illustrate the added value of the potential changes. Smoothly and swiftly strengthening and harmonising the single market for defence would also bring large-scale benefits because of the urgent needs to prepare for European Defence Readiness 2030.

The proposals aim to decrease scaling costs, improve access to finance and improve the capacity of the defence supply chain to operate at European scale to meet increasing demand and defence readiness 2030 objectives. These will in turn deliver significant economic, security and social benefits to the EU.

4. OBJECTIVES: WHAT IS TO BE ACHIEVED?

The objective of the Defence Readiness Omnibus initiative is to enable the EU and its Member States to achieve defence readiness by 2030, by simplifying the EU regulatory landscape and facilitating the necessary defence investments. It aims to reduce unnecessary administrative burdens, costs and delays for defence companies and investors. This will help tackle the loss of opportunities for Member States resulting from the fragmentation of their demand (inefficient scale in production, higher procurement costs), increase innovation, speed up procurement, and reduce the high cost of capital for the EDTIB, which currently misses out on investment opportunities.

5. WHAT POLICY OPTIONS WERE THE AVAILABLE?

5.1 What is the baseline for assessing options?

The baseline option is to keep the current rules of the existing operational framework (*status quo*). All the methodological calculations used and described below are based on the known costs of the implementation of existing legislation, taken as a baseline, and to which changes are applied to calculate cost-savings, with all methodological caveats to take into account the important data-gaps existing in the Defence sector, including confidentiality considerations. For each of the policy areas described below, the baseline option is therefore not to change the status quo.

The Commission could give the Member States extra guidance, guidelines, technical support, etc. to help them to make full use of the existing provisions of European regulations (e.g. derogation). Nevertheless, financial support to defence industry from private capital and InvestEU would remain significantly impaired, seriously constraining development of defence capacities and innovation across the EU. The current ongoing EU initiatives in the defence domain (EDF as it is, ASAP[(28)], EDIRPA[(29)]) have not simplification among their objectives as such. Therefore, the EDF programme and the expansion of industrial capacity would still suffer from delays and administrative burden. Joint procurement would continue to be inadequately low. The EU cannot afford this scenario under current geopolitical circumstances.

5.2 What were the options for policy change?

A few different policy change options were considered:

The **baseline option** of maintaining the *status quo* was dismissed at an early stage, because it does not address the structural legal and procedural obstacles described above nor does it guarantee the timely acceleration of projects critical for European Defence Readiness.

Option 1 (an in-depth review of all EU legislation relevant for the Defence Readiness 2030 objectives) would involve amending defence-related legislation and make further and extended exemptions for the defence players wherever needed. It would entail a complete overhaul of the directives related to defence and security procurement[(30)] and to intra-EU transfers of defence-related products[(31)] and of the European Defence Fund (EDF) Regulation.

It would also involve reviewing and amending relevant non-defence legislation, such as the REACH Regulation, Regulation on classification, labelling and packaging of chemical substances (CLP), the Regulation on Persistent Organic Pollutants (POP), and the delegated regulations on InvestEU and on the environmental and social governance (ESG) benchmarks.

This option was dismissed at an early stage. The urgency to ramp-up Europe's defence readiness by 2030 made this a suboptimal solution, because its preparation, adoption and implementation would be long and complex. Also, it would most probably not be fully implemented or operational in time to meet the Defence Readiness 2030 objective.

Option 2 (well-targeted amendments) focused on only the most crucial amendments to speed up adoption and implementation. It would involve making well-targeted amendments in all relevant EU legislation while maintaining the existing architecture and balance of the texts as much as possible, with a view to act swiftly and efficiently for fast adoption and implementation of the proposed changes.

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(28): Act in Support of Ammunition Production (ASAP), https://defence-industry-space.ec.europa.eu/eu-defence-industry/asap-boosting-defence-production_en.

(29): European Defence Industry Reinforcement through common Procurement Act (EDIRPA), EDIRPA | Addressing Capability Gaps.

(30): Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC (Text with EEA relevance).

(31): Directive 2009/43/EC of the European Parliament and of the Council of 6 May 2009 simplifying terms and conditions of transfers of defence-related products within the Community (Text with EEA relevance).

The stakeholder consultation identified the following defence-related legislation for targeted simplification: the Regulation establishing a European Defence Fund and the Directives related to defence and security procurement(32) and to intra-EU transfers of defence-related products(33).

Option 2 would also consider targeted amendments to relevant non-defence legislation, specifically the REACH Regulation, the Regulation on classification, labelling and packaging of chemical substances (CLP) and the Regulation on Persistent Organic Pollutants (POP), and delegated regulations related to InvestEU and environmental and social governance (ESG) benchmarks.

Stakeholders also proposed and strongly supported a new EU regulation on fast-track permitting for defence readiness projects.

Some specific points were also in favour of option 2:

- An in-depth review of the Directive on Defence Procurement was already scheduled for 2026. Plus, some of the points stakeholders raised could be resolved more efficiently through targeted and limited changes which could be adopted and implemented more easily and rapidly than waiting for the full revision of the Directive.
- Stakeholders and experts presented some proposals to make the European Defence Fund Regulation more responsive to changing operational needs and opening financing through InvestEU just for the remaining years of the current Multi-annual Financial Framework, meaning only a couple of years ahead, therefore warranting targeted revisions for those cases.
- Extending exemptions from chemical legislation for the defence players in a large manner could be complex, costly, and lengthy to apply for companies.
- Reviewing all existing EU-level investment vehicles to make it easier for the defence sector to access finance would highly likely entail lengthy discussions with the co-legislators, meaning further delays in implementation.
- Revising the Sustainable Finance Framework to include security objectives would also entail lengthy legislative procedures.
- The cost on business and administrations that these proposals would make would not be significant due to the intended simplification goal, the targeted approach of changes and therefore their integration in the normal recurring administrative and formation costs of companies and public administrations.

(32): Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC (Text with EEA relevance).

(33): Directive 2009/43/EC of the European Parliament and of the Council of 6 May 2009 simplifying terms and conditions of transfers of defence-related products within the Community (Text with EEA relevance).

6. WHAT ARE THE IMPACTS OF THE CHOSEN POLICY OPTION?

The proposed changes are summarised and their sector specific, quantifiable impacts described below. The exact methodology of the calculations is described in Annex D. Sub-sections below present their wider, more general impacts (e.g. competitiveness, innovation).

6.1 Changes to the European Defence Fund Regulation

The Commission proposes add enabling provisions to the EDF Regulation(34) enabling provisions to improve the strategic utility, agility, and interoperability of EDF-funded projects. The proposed changes include measures aiming to:

- extend the validity of Ownership Control Declarations/Ownership Control Assessment from 18 to 36 months and to reduce the administrative burden for applicants and the Commission itself;
- clarify and simplify award criteria, introducing the possibility of selecting the most relevant award criteria for each action to be supported. This will reduce the time companies spend on grant applications and the time the Commission spends on reviews (internal assessments estimate this will save approximately 1.054 working hours per year);
- clarify the rules applicable to direct awards;
- facilitate indirect management (where relevant);
- clarify pre-commercial procurement and access rights of co-financing Member States to the results of development projects;
- make costs for testing activities conducted outside of the EU territory (e.g. in Ukraine) eligible for funding;
- allow for multiannual work programmes.

These working hours saved and the reduced time-to-contract could generate **EUR 101 millions annually in direct administrative cost savings, plus the value of reduced time**. This would translate, over eleven years of application and corrected for inflation, to **a net present value (NPV) of EUR 740 millions** (see Annex D for more information on the methodology and assumptions). On the other side, these changes would not entail any addition costs on companies or public administrations.

Easier access to EDF will also accelerate innovation processes among smaller enterprises and boost their competitiveness. In the medium term this will make the defence industrial sector more competitive.

6.2 Changes to Directive 2009/81/EC on defence and security procurement

The Commission proposes changing this Directive to:

- **increase the contract award notice threshold for application of the rules and procedures of this Directive from EUR 443 000 to EUR 900 000.** This will greatly simplify many small value procurements, save money and reduce the administrative reporting burden for defence procurement. According to data on contract award notices including information on the contract value published in the Tender Electronic Daily supplement to the Official Journal of the EU, it can be expected that

(34): Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092 (Text with EEA relevance).

per year on average 228 procurements out of a total 1028 would fall outside of the scope of this Directive. The increased thresholds would greatly simplify and reduce administrative costs for almost one in four of the procedures currently falling under the Directive, while affecting only approximately 1% of the value of procurement under it. This should also reduce the average time necessary for these procurements. If we assume that the contract award notices including information on contract value are a representative sample of the total average annual contract award notices, the number of procurement process falling outside of the Directive following the implementation of the Omnibus proposal could reach 310 per year;

- **give Member States the flexibility to profit from all available procedures related to public procurements** as provided for in Directive 2014/24/EU(35), (such as the possibility to use the open procedure and the dynamic purchasing system);
- **make the innovation partnership procedure more flexible** (based on the existing procedure in Directive 2014/24/EU) to better support the procurement of innovation;
- **add a simplified procedure for direct procurement of innovative products and service**s resulting from competitive parallel research and development projects, to reduce the administrative burden and increase the speed at which Member States can procure innovative products;
- **remove some statistical reporting obligations** for Member States (to diminish the administrative burden in a time of urgency);
- **extend the maximum possible duration of framework agreements to ten years**. This would allow Member States to establish longer-term partnerships with the defence industry sector(36), so that Member States and industry can benefit from greater certainty in procurement planning and orders. It would also reduce the current order book planning problems and bottlenecks in production;
- **create rules on procurement involving contracting authorities and entities from different Member States**, to allow for greater flexibility and better legal predictability in our relations with our allies;
- **facilitating and speeding up collaborative procurement of identical defence products** (or products subject only to minor changes) by multiple Member States by enabling the use of the negotiated procedure without publication. This will also make it possible to achieve better economies of scale, reduce fragmentation, and improve interoperability.

The method used in the assessment of impacts (described in Annex D) estimates that collaborative procurement will bring **annual benefits of over EUR 1.8 billions** from reduced delays, reduced procurement costs and higher efficiency on the industry side. Most of these savings will be for Member States' public budgets.

This comes from the assumption that (i) joint procurement will gradually raise thanks to the Omnibus from 18% to 40% by 2036, and (ii) consequent economies of scale and efficiency will save 10% of joint procurement value (see Annex D for details and sources).

(35): Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, p. 65–242, ELI: http://data.europa.eu/eli/dir/2014/24/oj).

(36): As proposed in the European Defence Industry Programme (EDIP) Regulation.

Over eleven years of application and corrected for inflation, this will generate a net present value of EUR 16.7 billions. Increasing the share of joint procurement will widen the addressable market for EU defence companies now focused on 27 fragmented national ones. This will boost competition in the EU defence market and make the sector more sustainable and competitive. of the sector on the world stage. The employment, economic, and social effects will benefit several EU regions where the defence industry is concentrated. On the other side, these changes would not entail any addition costs on companies or on the public administration except from the very insignificant cost of formation linked for public administration to a better formation in joint procurement.

6.3 Changes to Directive 2009/43/EC on the intra-EU transfers of defence products

The Commission proposes changing this Directive to:

- **extend and better harmonise the scope of General Transfer Licences (GTLs) to widen their use**. GTLs are considered the most effective way to speed up the procedure and reduce the administrative burden. Overall, this is expected to unlock cost savings and improve industrial responsiveness. The overall effect will be achieved through a series of measures included in the Omnibus:
  - introducing GTLs for transfers for the implementation of projects funded under the EU's defence industrial programmes;
  - extending the benefit of the GTLs for 'transfers to certified entities' . This is also expected to significantly increase the uptake of certification.
  - empowering the Commission, in close collaboration with Member States, to adopt delegated acts negotiated in accordance with Article 290 of the TFEU, to effectively set and harmonise the minimum scope of GTLs.
- **allow Member States to exempt further categories of transfers from requiring prior authorisation**. This will further facilitate transfers in specific straightforward cases where the risks of dissemination are extremely limited or in situations of crisis and emergency.
- **reduce the complexity and burden of managing end-user certificates and from other complex and burdensome restrictions on re-exporting transferred defence products.** This will be achieved by developing, in close collaboration with Member States, harmonised ways to implement Article 4(8) of the Directive which calls on Member States to refrain from imposing restrictions on the re-export of non-sensitive components to be integrated in a product in another Member State. Managing multiple national end-user certificates is also a heavy administrative burden and a source of possible delays in projects funded under the European Defence Fund. The Omnibus proposes to limit such issues by introducing instead a standardised clause to be included in the grant agreements.
- **Member States more flexibility to adapt reporting requirements for non-tangible technology transfers.** This will reduce the overly burdensome obligations imposed on suppliers.

Stakeholders indicate that large companies spend considerable resources on managing transfer of license authorisations each year. Their information suggests that a large company would employ 65 full-time employees (FTEs) each on license transfers annually. A conservative scenario assumes that SMEs spend roughly 60 hours annually on license administrative activity. In this scenario, the working hours saved on managing licenses' transfer and complying with reporting, plus the reduced time delays, would save **each year EUR 142 millions in administrative cost** (see Annex D for details on the methodology)**. Over eleven years of application and corrected for inflation, this would result in a net present value of EUR 914 millions**. On the other side, these changes would not entail any addition costs on companies or on the public administration.

Industrial supply chains will function more efficiently, even if they are spread across several Member States, which in turn will help integration of the sector across the EU. Making easier transfer of defence assets and products will also significantly increase the efficiency and effectiveness of the armed forces, in training and testing activities, and in normal operations and maintenance of their capacities. In the current geopolitical context, this is an intangible benefit of relevant value.

6.4 Well-targeted changes to EU legislation on chemical

The Commission proposes the following changes to the EU legislation on chemicals:

- clarification of the defence exemption under Article 2(3) REACH to facilitate its use by Member States, to ensure legal certainty and a faster process and to reduce the administrative burden for defence industries.
- to respect the subsidiarity principle and to ensure that national specific circumstances are assessed in a balanced way, Member States will continue to decide whether or not to grant exemptions or not based on their first-hand information (as they currently do).
- clarification of the existing exemptions is also proposed in Regulation (EU) 1272/2008 on classification, labelling and packaging of chemical substances (CLP) and in Regulation (EU) 528/2012 on Biocidal Products.
- amendment of the Persistent Organic Pollutants (POPs) Regulation to ensure that the preparatory stages of the Stockholm Convention processes must take defence readiness needs into account at an early stage.
- no corresponding change of the REACH Regulation is proposed at this stage, because of the ongoing preparatory work in view of a revision of REACH. This revision will explicitly incorporate the defence readiness objective, ensuring comprehensive assessment of defence concerns, including indirect impacts on defence supply chains.
- Member States may make exemptions from the reporting requirements embedded in art 13(1) of Regulation (EU) 2019/1021 ([37]) to protect sensitive information on the grounds of protecting national or EU security interests.

The proposed targeted amendments will reduce time and money spent on compliance tasks related to the amended provisions. These include registration costs, reviews, and processing costs of filing.
Compliance-related cost savings across the EDTIB related to these changes are estimated at EUR 35.8 millions per year (see Annex D for details on the methodology)**. Over eleven years of application and corrected for inflation, this would result in a net**

(37): Regulation (EU) 2019/1021 of the European Parliament and of the Council of 20 June 2019 on persistent organic pollutants (OJ L 169, 25.6.2019, p. 45 ELI: http://data.europa.eu/eli/reg/2019/1021/oj).

present value of EUR 263 millions. Environmental protection standards would not be downgraded, so these amendments are not expected to have any negative impact on the wider objectives of environmental sustainability of the defence activities. No additional costs on companies or on the public administration can be expected through this change.

6.5 Changes related to access to finance

The Commission proposes the following changes to access to finance:

- targeted clarifications in a Commission Notice, giving the defence industry guidance on the applicability of the sustainable finance framework and the Corporate Sustainability Due Diligence Directive;
- an amendment of the meaning of '*controversial weapons'* in the Sustainable Finance Disclosure Regulation taxonomy, to give assurance to investors and a positive signal to the financial markets on EU's legislation position on access to finance for defence industries.
- an amendment to the annex to the Delegated Regulation (EU) 2020/1818 to clarify that *'controversial weapons'* are weapons that are prohibited under international conventions.

These proposals are expected to give the financial sector clarity on how to navigate defence-related investments and the EU sustainability-related frameworks. This is expected to generate additional investments into the defence sector from financial institutions previously withholding such investment due to legal uncertainty. This would increase the amount of capital available for the defence sector. Experts estimate that this could generate up to **EUR 2.5 billions in additional investment opportunities annually** (see Annex D for details on the methodology and assumptions).

Those changes should also generate cost savings and increase investments opportunities by reducing the weighted average cost of capital (WACC) for EU defence companies, reducing the risk premiums(38) that investors demand to provide capital, because of the defence sector's improved access to finance under the sustainable finance framework. Notably, experts estimate that it would be reasonable to estimate the premium reduction as a 1 percentage point lower WACC. **This would generate financial cost savings of EUR 94 millions and generate** EUR **141 millions in additional investment for defence companies annually (investments that would have otherwise not passed the 'cost of capital' hurdle)**.

Targeted amendments to the eligibility rules for investments in defence under the investment guidelines for the **InvestEU fund** are also suggested in order to increase financing and investment in the defence sector. These amendments aim to simplify the criteria and further adapt them to debt and equity funding, for example by removing the current requirement for subcontractors and suppliers to be exempt from non-EU control. Changing the InvestEU eligibility criteria is expected to **unlock EUR 1 174 millions in funding per year** (see Annex D for details on the methodology and assumptions).

(38): This reduction is consistent with current average cost of capital for defence companies in the USA, to which EU industry will therefore align.

All these proposals are expected to generate an overall benefit for companies of EUR 3 909 millions annually (see Annex D for details on the methodology and assumptions)**. Over eleven years of application and corrected for inflation, this would result in a net present value of EUR 26.7 billions.**

Those important additional investments in defence can be expected to generate additional jobs, at a rate some economic literature estimates at 5,9 direct new jobs and 1,1 new indirect jobs per million of euro invested in the defence sector(39). Overall, this would amount to around **26 000 to 33 000 total extra jobs potentially created per year due to this extra investment, and cumulatively, a total of 330 931 extra (direct and indirect) jobs potentially created over 11 years**.

On the other side, these changes could entail some very insignificant costs on companies for the formation of employees to this new and clearer environment, especially compared to the possible benefits.

The economic, social, competitive and innovation impacts of the changes in the attitude of the financial community towards defence sector following this increase in the scale of investments flowing into defence ecosystem and its employment potential must not be underestimated. Historically, high-tech developments in the defence ecosystem have often spilled over into the civilian sector, sparking related innovations and often creating completely new products, services, and even entire industries(40) . The scale of such benefits cannot be assessed at this stage, but can be envisaged as an additional positive outlook for the EU economy and society.

6.6 A new regulation on Fast-Track Permitting for Defence Readiness Projects

The Commission proposes a legal framework of limited scope to accelerate permitting procedures related to the defence readiness projects, while leaving instruments to that end in the hands of Member State. The key components of the proposed Regulation include:

- a maximum 60-day period for permitting procedures from the time of submission of a complete file; possibilities to pause this period if information is missing; permit deemed automatically granted if no official response was sent by the end of this period;
- a requirement for Member States to designate a single point of contact (‘one-stop-shop’) to coordinate assessments and decisions and liaise with the permit-asker;
- a requirement for Member States to make information available on the permitting process, financing opportunities, and administrative support, where relevant;
- a requirement for Member States to provide administrative support (including assistance on compliance and public information requirements) for defence readiness projects, throughout the permit-granting process, particularly for SMEs and mid-caps.

The scope of this measure and the available resources mean no public estimation of procedural lengths of permitting is currently available. However, stakeholders and Member

(39): According to the results of Garret-Peltier (2017), *Job Opportunity Cost of War.*

(40): From radar, penicillin mass production, jet engines, microwave ovens in the 1930s-40s, to nuclear power, satellite communication, semiconductors & integrated circuits in the 1950s-60s, Arpanet/Internet, satellite positioning, trauma medicine in the 1970s, satellite/digital imaging, composite materials, medical imaging in 1980s-90s, cybersecurity, UAVs, robotics, wearable tech, internet by satellite from 2000 to today, States from across Europe reported recurring cases of permitting cycles spanning over several years, up to 5 or 7 years even in projects clearly important for defence readiness.

Now the urgency of the defence readiness ramp-up calls for a strong and ambitious response. Administrative slowness cannot be an excuse anymore to hamper projects necessary for European defence and security.

Member States and industry agreed that, though ambitious, a 60 days period, with the possibilities for authorities to stop the clock, could provide enough time for permit-granters to provide correct analysis based on a duly complete file. Administrations and those requesting permits would need support for this, which is why the proposals make sure a strong and clear support framework is in place to enable the system to function smoothly.

The regulation proposal creates a common set of legal and procedural guarantees across the EU, while preserving national responsibility for taking the actual permitting decisions. It aligns with similar measures (fast-track procedures, 'one-stop-shop' principle) adopted in other strategic sectors (e.g. Chips Act, Net-Zero Industry Act) and addresses a key bottleneck identified by both industry and national authorities.

The collective nature of the security challenge and the cross-border nature of highly integrated defence industries with interlinked supply chains, mean that the EU respects the principles of subsidiarity and proportionality in leaving Member States responsible for putting this administrative procedure in place.

To assess the benefits of this measure, the average time for permitting pre-Omnibus was estimated at around three years. The Commission proposal for 60-day maximum permitting procedure would therefore **lead to time savings of around 34 months on average,** that translates into direct cost savings due to both the cost associated with delays and the associated time-value of money that helps us capture the opportunity cost associated with immobilising financial resources associated to a project awaiting permit approval. By combining the two factors and using a conservative estimation of the number of permits which could be asked per year for defence readiness, notably in view of the 2030 objectives and the industrial ramp-up, the associated cost savings is estimated to amount to approximately **EUR 804 millions in annual administrative cost reduction benefits ([41]) plus the value of saved time** (see Annex D for details on the methodology and assumptions)**. Over eleven years of application and corrected for inflation, this would result in a net present value of EUR 5.9 billions.**

This permitting simplification will also reduce the risk of Member Staes having to acquire defence products outside of the EU due to delays in the supply chain. Environmental protection standards would not be downgraded, so these amendments are not expected to have any negative impact on the wider objectives of environmental sustainability of the defence activities.

On the other side, these changes could entail some costs on the public administration for the formation of employees to this new legal framework, as well as possible (depending on the Member States' interpretation) costs linked to the set up of single points of contacts. However, the proposed changes anticipate for this a provision to help public administrations adjust to the changes through external help from the European Union. It must also be noted that such a mechanism of single point of contact already exist for the Net-Zero Industry Act,

(41): Savings linked to administrative costs are estimated around EUR 638 million. See annex D for more details.

meaning that public administrations could leverage on this existing framework to minimise the potential costs.

7. HOW WILL ACTUAL IMPACTS BE MONITORED AND EVALUATED?

Overall, the Defence Omnibus solutions proposed are expected to have socio-economic impact on the Single Market for Defence products and services and in the European economy in general.

For some proposed changes, cost-savings, value creation, and facilitated access to finance could be calculated, along with the number of new jobs created. The values are presented in the Executive Summary and the methodology used is shown in the Annex D. These calculations do not consider the effects of the changes that could not be calculated due to lack of specific data. Those are very important in the Defence sector (see Annex D for how to improve this issue).

A main indicator of success would be the Defence Readiness efforts succeeding by 2030: i.e. all Member States and their citizens feel that Europe is defence-ready in 2030.

A second category of indicators of success would be in the use of the proposed changes in the short to mid-term, and the related cost-savings and extra financial power. These could be observed through monitoring aspects such as the following:

- **Time-to-grant for EDF projects, SMEs participation rate and crowd-in effect of EDF grants**. This will allow checking on the short and mid-term the impact of the EDF changes, once adopted. An overall impact evaluation of the EDF, once the programme expires, will be prepared and take due account of the changes made through the Omnibus. Success here would mean a shorter time-to-grant, more SMEs participating and higher private sector investment following increased public spending (crowd-in effect).

- **Reduced fragmentation of the defence single market** would indicate the extent of the success of the Commission initiative. Key performance indicators include:

i. **increased share and value of joint defence procurement** by Member States.
ii. **increased number of contracts falling below the thresholds of the Directive 2009/81/EC**, coinciding with an increased or unchanged overall procurement spending.
iii. **increased use of General Transfer Licenses**.

- Monitoring and *ex post* impact evaluation are key to the quality of public policies and EU legislation. However, sometimes Member States withhold data on the grounds of security of information, which makes it difficult to monitor and evaluate the impact of **REACH and other chemical legislation**. Indicators could include:

i. **increased use of exemptions for Defence** in chemical legislations.
ii. **increased capability availability** and smooth supply chains of defence products.
iii. **expert and stakeholders' feedback** on the difficulties for the defence sector due to administrative burden linked to chemical and environment legislation.

- Impact of measures to ease **access to finance** can be monitored with some of or all the following key performance indicators (subject to non-internal data availability):

i. **numbers and volume of InvestEU-backed defence-readiness projects and beneficiaries** (source: ECFIN/EIB).
ii. crowding-in effects of private investors (source: ECFIN/EIB).

iii. changes in banks and funds' investment policies towards defence undertakings (source: ECFIN/FISMA, financial markets, expert assessments)
iv. **volume of private finance mobilised for defence projects and companies through ESG-aligned instruments**, including green bonds, Paris-aligned or climate-transition benchmark products and sustainability-linked loans (SLLs) (source: ECFIN/FISMA, financial markets)
v. number of defence SMEs receiving positive ESG assessments or improved access to finance based on revised guidance or investor practices (source: industry stakeholders feedback);

- Monitoring of the **permitting framework** will be conducted at both national and EU levels to highlight potential issues that might need normative adjustments. Key performance indicators could include:

i. **changes in the number of and permitting timelines** for defence readiness projects (feedback from stakeholders and experts);
ii. the **amount of compliance costs**, especially for SMEs and mid-caps compared to bigger counterparties (source: industry stakeholders feedback, ad hoc analysis).
iii. **The use and effectiveness of 'one-stop-shop'** mechanisms (source: Member States, industry stakeholders feedback and expert assessment).

8. CONCLUSION

The proposals of the defence readiness Omnibus will simplify the existing defence-related legislation in a targeted manner, to harmonise authorisation and procedures created by the defence directives. It will accelerate these procedures as much as possible in specific cases, such as EDF and lower value procurement.

In non-defence specific legislation, it will introduce well-targeted amendments in the existing InvestEU investment guidelines to support defence-readiness investments. It will also clarify the application of the existing legislation on chemicals.

Well-targeted simplification proposals will contribute to the completion of the defence single market, improve the quality and readiness of the European Defence Industrial and Technological Base, and comply with goals set in European Defence Industrial Strategy[(42)] and the White Paper[(43)]. A specific new Regulation on fast-track permitting for defence readiness projects, respecting all existing regulations and national competencies, was also deemed a solution with high impact and low costs.

This Omnibus package is expected to: (i) **reduce bureaucracy costs and time-to-delivery** for European defence companies, (ii**) unlocking private capital flows** to fund more defence investments and (iii) **facilitate joint procurement** of defence equipment by Member States, triggering further savings.

(42): Report from the Commission to the European parliament and the Council on the implementation of Directive 2009/81/EC on public procurement in the fields of defence and security, to comply with Article 73(2) of that Directive, SWD(2016) 407 final, p.4.

(43): Joint White Paper for European Defence Readiness 2030, JOIN(2025) 120 final.

Table 1: Aggregation of the different cost-savings and benefits by domain and category (annual and percentage of the overall net-present value over 11 years)

<table>
<tr><th>Type of legislation</th><th>Legislative proposals & clarifications to existing legislation</th><th>Categories of benefits generated</th><th>Estimation of yearly benefits (EUR millions, real values)*</th><th>Share of total NPV</th></tr>
<tr><td rowspan="3">Defence-related</td><td>EDF Regulation</td><td>(A) Cost savings</td><td>101</td><td>1,4%</td></tr>
<tr><td>Defence Procurement</td><td>(A) Cost savings
(C) Joint procurement</td><td>7**
1 818**</td><td>32,6%</td></tr>
<tr><td>Intra-EU transfer of defence products</td><td>(A) Cost savings</td><td>142**</td><td>1,8%</td></tr>
<tr><td rowspan="3">Non-defence-related</td><td>Fast-track permitting</td><td>(A) Cost savings</td><td>804</td><td>11,5%</td></tr>
<tr><td>Chemicals</td><td>(A) Cost savings</td><td>36</td><td>0,5%</td></tr>
<tr><td>Access to finance</td><td>(A) Cost savings
(B) Value creation</td><td>94([44])
3 815</td><td>52,2%</td></tr>
<tr><td colspan="4">Total Net Present Value of benefits over 2026-36: EUR 51.56 billions</td><td>100%</td></tr>
<tr><td colspan="5">– Direct annual cost savings for private & public entities: EUR 101+7+142+804 +36+94 millions = EUR 1.2 billions.
– Easier access to finance triggering new investments: EUR 3 815 millions in year 1, up to EUR 4.7 billions (from 2035)
– Potential cost savings for MS on joint procurement: EUR 1.8 billion annually</td></tr>
</table>

(*) Central scenario, (**) Only from 2027, when relevant Omnibus amendments will enter into force

The important data and information gaps in the Defence economic sector make a precise and fully externally-justified assessment of the impact of the Defence Readiness Omnibus a challenge in itself. The quantification of the Omnibus effects is therefore a modelling work that relies heavily on internal assessment, including available outside sources.

Although the availability of data in the defence sector and in the subsectors affect the estimations and lead to benefits' assessment with a conservative approach, the cumulative impacts of the proposed changes are still to be significant, with the quantification models used (see Annex D for details on the methodology):

- **direct annual EUR 1.2 billions in cost-savings for private and public entities**, mostly for private companies due to simplification measures cutting time and efforts

(44): Given the nature of those savings, related to lesser cost delays in access to finance, those are not counted as administrative cost-savings in the sense of the better regulation cost-benefit analysis.

spent on procedures (fast-track permitting scheme alone, should save around EUR 804 millions per year).

- **easier access to finance** for defence companies estimated to free up to **EUR 4.7 billions of annual extra investments** (mostly through easier access to InvestEU starting at around EUR 1.2 billions, and from clearer links between sustainable investments and Defence sector, starting at around EUR 2.5 billions annually). This extra-investment is expected to create around **26 000 to 33 000 extra jobs annually**.
- cost savings by Member States through **joint procurement**, pooling together their demand in easier ways thanks to the Omnibus. The ensuing economies of scale could also amount from **EUR 1.8 billions and growing annually up to EUR 3.6 billions in 2036 in the central scenario** (equivalent figures for the low scenario are EUR 909 millions from 2027, up to EUR 1.8 billions in 2036).

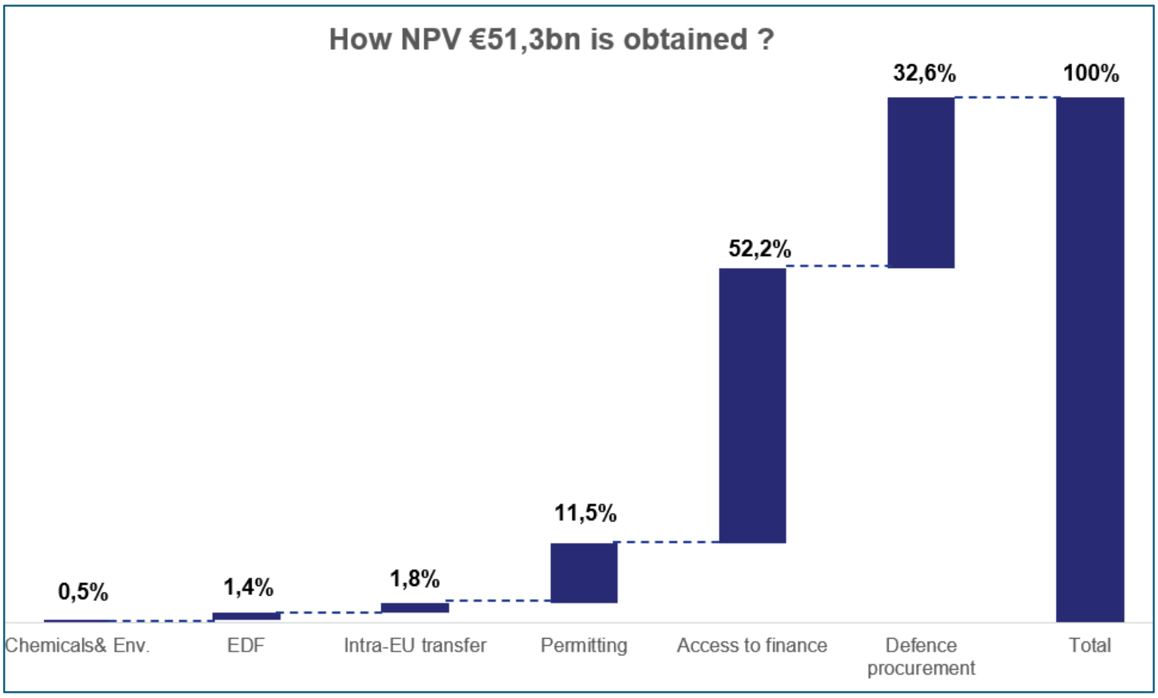
Although the three categories of savings are difficult to sum together given their different assumptions and nature, as well as the limited availability of data (*see* Table 2 and annexes), such a sum would bring the total financial value of the benefits arising from the Omnibus proposals to range (depending on different pessimistic/optimistic scenarios) **from EUR 42.5 to EUR 51.3 billion[45] as a net present value over the next 11 years (2026-36).**

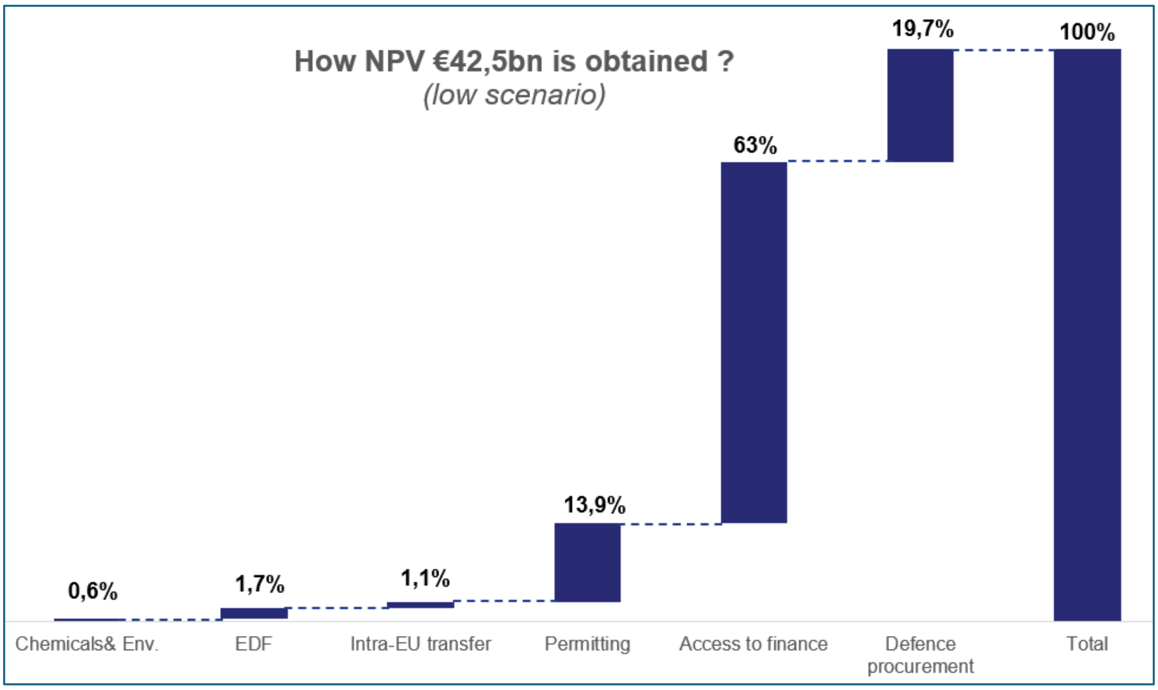
Table 2: Breakdown of the different cost-savings and benefits by category in net-present value over 11 years

Net Present Value of benefits over period 2026-36 (EUR billions)		
Scenarios: *Benefits categories:*	**Low**	**Central scenario**
A) Cost savings	8.0	8.5
B) Value creation	26.1	26.1
C) Facilitated joint procurement	8.4	16.7
Total	**42.5**	**51.3**

(45): Net present value over the next 10 years (2026-36), under different scenarios, adding all type of benefits. Methodology is described in details in Annex D.

Graphs 1 & 2: Breaking down the overall cost savings and benefits by category illustrates the weight of each change in the cost savings & benefits model. The scale of potential benefits is mostly impacted by two shifts over the next 11 years: private capital no longer hindered from flowing to the sector by uncertainties or constraints (52.2% of NPV) and facilitation of joint procurement for Member States (32.6%). Fast-track permitting should also lead to significant cost savings (11.5%).





Annex A Information on the drafting process for the staff working document

This Staff Working Document accompanies the Defence Readiness Omnibus. It was produced, in line with the Better Regulation Guidelines, within three months after the adoption of the package, due to urgency. To assess the proposals, the Commission used publicly available data and previous studies, stakeholders' feedback, expert analysis, and its internal accumulated expertise in managing defence policies and programs. The Commission relied on external consultants (46) to coproduce the quantitative model used to assess the potential savings impact of the Defence Readiness Omnibus.

The availability and reliability of defence sector-specific data were limiting factors for the current study. The following knowledge gaps merit further research, which will benefit future quantification. Important points of attention identified in the course of this study are notably:

1. Supply chain knowledge and mapping is scarce. Member States differ in how they define, monitor, and disclose this.
2. Information Member States share with the Commission is voluntary rather than systematic, which impairs data consolidation by the Commission. Thus, information on bottlenecks is limited, hampering efforts to address them to enable fast-track defence readiness.
3. Some EU instruments are too new to allow the impact of previous instruments to be assessed, so we cannot yet learn from gaps in application or diverging results.

These three factors hamper a very granular analysis of the current situation and extremely precise projections in the future. Data-building and consolidation for the defence sector at European level have in the past been assessed as complex, given their nature and ongoing discussions with many actors. More experimental data-building is also being explored in order to circumvent all the limiting factors. Discussions could lead to progress in the future, when this Staff Working Document could then be subject to counterfactual analysis.In the meanwhile, information on issues such as bottlenecks and gaps and how to address them to enable and to fast-track defence readiness relied both on available disclosures and to a large extent on expert estimations, using conservative expectations and building as much as possible on available assessments of other defence policy initiatives (such as the Staff Working Document accompanying the European Defence Fund, the Joint White Paper on the Future of European Defence, and the Staff Working Document accompanying the European Defence Industry Programme and a framework of measures to ensure the timely availability and supply of defence products). Against this background, the European Commission **welcomes feedback to the methodology and to the quantification** of this Omnibus. These will be instrumental to build on this work for further quantification in the field of the Single Market of Defence. Please address all methodological comments, inputs, feedback and ideas to: defis-simplification@ec.europa.eu. (47)

(46): The quantitative model to assess benefits was built in cooperation with Price Waterhouse Coopers office in Paris, which was involved in assessing other defence policy initiatives (e.g. EDF mid-term review, EDIP, etc.).

(47): Whenever possible, please use and base your inputs on the Better Regulation Toolbox, notably Chapter 8, p. 499 to 608.

Annex B Stakeholder consultation

The stakeholder consultation process comprised (i) a public survey that was open from 25 March to 22 April 2025, (ii) implementation and strategic dialogues at high level, and (iii) a series of targeted meetings with Member States, relevant business representatives from the Union and other key stakeholders, industry associations, major industrial players, small and medium-size-enterprises, mid-caps, in-house experts and civil society.

Committees of national experts (for defence procurement, transfers, EDF, InvestEU, and sustainable finance, where these existed) were consulted on the idea of the Omnibus and on the more concrete proposals.

In total, the Commission engaged over 202 stakeholders across all 27 Member States and received some 277 inputs, for the defence readiness consultation.

The **interim evaluation of the EDF** - based on experts' and users' assessments and evaluations - also pointed out needs for simplification and streamlining after three full cycles of implementation to deliver critical innovations rapidly. This evaluation process is not described here, as it is already described in detail in a dedicated report [(48)].

- **Scope of the defence readiness consultation**[(49)]

This aimed to identify main bottlenecks to defence readiness in defence and non-defence legislations, and to gather qualitative and quantitative input on implications of existing and projected regulatory frameworks.

The consultation covered six interlinked thematic areas:

- the European Defence Fund,
- the Directive 2009/81/EC on defence procurement,
- the Directive 2009/43/EC on intra-EU transfers of defence-related products,
- the chemicals and environmental regulatory framework affecting industrial supply chains,
- permitting procedures for defence-related military and training infrastructures and production facilities,
- access to financial instruments for defence industries and applications of sustainable finance frameworks to the defence sector.

The stakeholder consultation aimed to collect qualitative and quantitative data and evidence, as well as feedback and suggestions on key issues and proposals made in the Defence Readiness Omnibus – a form of reality check. The idea was to gather those from all type of stakeholders (Member States, industry and others) with the aim of (i) removing regulatory barriers/discriminations which affect the European defence industry in EU-regulations and programmes, (ii) simplifying and accelerating procurement procedures for the European defence industry (iii) simplifying and facilitating transfer of defence products in the single

(48): EDF Interim Evaluation Report 2025: [https://defence-industry-space.ec.europa.eu/eu-defence-industry/european-defence-fund-edf-official-webpage-european-commission/edf-interim-evaluation-report_en].

(49): https://defence-industry-space.ec.europa.eu/newsroom/consultations/consultation-contribute-defence-omnibus-simplification-proposal_en.

market, and (iv) simplifying EU defence programmes, particularly the European Defence Fund (EDF).

- **Stakeholder consultation on the EU-Survey platform**

The consultation was built around an open online survey on the EU Survey platform (‘Consultation to contribute to the Defence Omnibus Simplification Proposal’). This ran from 25 March to 22 April 2025, and engaged with 202 stakeholders. These included authorities from all Member States, defence industry leaders, small and medium enterprises and mid-caps, sectoral associations, trade unions, research organisations and NGOs, and private citizens.

The respondents were able to respond to question blocks that related to issues in the areas of (i) expanding and maintaining existing defence industrial capacities, (ii) enabling rapid grant of construction and environmental permits for defence industrial projects, (iii) timely and lawful availability and usability of necessary essential materials / inputs in the supply chains of the European defence industrial base, (iv) the availability of personnel, (v) access to finance, including Environmental, Social and Governance (‘ESG’) investment, (vi) defence procurement rules and procedures, (vii) the effectiveness and efficiency of intra-EU transfers of defence-related products, (viii) the exchange of confidential and sensitive information, (ix) the insufficient cross certification of defence products and lack of mutual recognition of certification, (x) the need to streamline EU defence industrial programmes and (xi) the need to simplify or change other EU-funded programmes.

For each question, where a respondent reported experiencing problems in this area, they were asked to name the main obstacles they face, to provide specific examples, to provide concrete proposals for changes that would solve the obstacle, if possible, to provide a cost estimate of the magnitude of possible cost savings for their entity and for the sector in general that would arise from the proposal and to propose solutions for obstacles that are caused by a lack of EU legislation.

The respondents were also asked to mention anything else that they believe can be done to simplify the EU regulatory environment and harmonise rules for them/their organisation and the defence industry overall. They could also attach documents to their survey responses. They were also invited to submit any non-structured contributions or papers in support of their views.

- **Stakeholder profiles**

We received:

180 replies to the survey. These included 32 from Member States authorities representing 23 Member States, 104 from companies, 25 from business associations, 8 from research organisations and 7 from non-governmental organisations (including labour unions). We also received 47 additional documents (see table below for complete picture).

Out of the original 16 respondents who described themselves as ‘others’ 15 were requalified after observation:

- 1 EDF public-private national contact point, 1 sustainable finance association, 1 regional cluster and 1 labour union were requalified as ‘NGO’

- 2 investors, 1 state-controlled company, and 2 public banks were requalified as 'companies'
- 2 universities were requalified as 'research organisation'
- 3 associations of industries or investors were requalified as 'business association'
- 1 ministerial department was requalified as 'Member State authority'.

Type of stakeholder	Survey replies	Additional documents sent through the survey tool	**Individual Member State or person concerned**
MS authority	32	7	23
Companies	104	19	104
Research organisation	8	0	8
Business association	25	20	25
NGO	7	0	7
EU citizen	2	0	2
International organisation	1	0	1
Other	1	1	1
Sub-total	180	47	**171 (incl. 23 Member States)**

In total, counting as one the different replies from the same persons, **171 persons** with different legal status provided inputs using the EU-Survey platform: from Member State authorities, companies and businesses, research organisations, business associations, NGOs, EU citizens, International Organisations and other stakeholders were received online in.

- **Main results of the public survey**

For ease of readability, results can be broken down into:

- 33 replies of public sector stakeholders (, including replies under 'Member States authorities' and 'international organisations' and
- 148 replies of private sector stakeholders
- Around 35% of private stakeholders were SMEs (52 out of 99 replies).

All percentages below are rounded up, and only 'yes' and 'no' answers are used to calculate the percentage values.

Responses from private sector stakeholders (148 replies):

Obstacle	**Yes**	**No**	**I do not know**	**This question is not relevant for me**	**Total of replies**	**Yes+no**
Are there, in your view, obstacles (legal/regulatory/administrative) to **establish new or**	85 74%	30 26%	13	15	143	115

expand/maintain existing defence industrial capacities in the EU?						
Do you/your organisation face specific obstacles (legal/regulatory/administrative or other) to **enable rapid grant of construction and environmental permits** for defence industrial projects?	52 64%	29 36%	20	39	140	81
Do you/your organisation face specific obstacles (legal/regulatory/administrative or other) to ensure the timely and lawful **availability and usability of necessary essential materials** / inputs in the supply chains of the European defence industrial base ('EDTIB'), for which adequate substitutes are not available (e.g., raw materials, components and substances)?	50 62%	31 38%	20	37	138	81
Are there, in your view, obstacles (legal/regulatory/administrative or other) to the **availability of personnel**?	46 52%	43 48%	19	30	138	89
Are there, in your view obstacles (legal/regulatory/administrative or other) related to **access to finance**, including Environmental, Social and Governance ('ESG') investment?	68 74%	24 26%	28	22	142	92

Do you/your organisation face obstacles (legal/regulatory/administrative or other) related to the **effectiveness and efficiency of defence procurement rules** and procedures that slow down defence procurement process, introduce excessive complexity or administrative costs, limit unduly the access to defence procurement procedures etc.?	62 70%	27 30%	23	29	141	89
Do you/your organisation face obstacles (legal/regulatory/administrative or other) related to the effectiveness and efficiency of **intra-EU transfers** of defence-related products and the control of those transfers that unduly slow down transfers, introduce excessive complexity or administrative costs, limit the possibilities for effective cross-border collaboration or the access to cross border defence procurement procedures.	53 65%	29 35%	22	33	137	81
Do you/your organisation face obstacles (legal/regulatory/administrative or other) for the **exchange of confidential and sensitive information** with the European Commission, national authorities in ensuring	49 58%	36 42%	23	30	138	85

simple and secure handling of such information?						
Are there, in your view, issues stemming from the insufficient **cross-certification of defence products and lack of mutual recognition of certification** and how could these issues be addressed?	41 62%	25 38%	32	39	137	66
Is there, in your view, a need to streamline **EU defence industrial programmes** (such as European Defence Fund, EDIRPA, ASAP) to reduce delivery time, simplify procedures and the treatment of Member States' co-funding?	86 91%	9 9%	29	15	139	95
Is there, in your view, a need to simplify or change **other EU-funded programmes** (such as Horizon Europe, Structural funds, InvestEU or other) in order to improve the access and or usefulness of funding under these programmes for the defence industry?	77 87%	12 13%	31	21	141	89

The numbers refer to all respondents replying to the particular questions.

Overall, private sector stakeholder replying to these questions were almost unanimous in considering there were regulatory obstacles:

- 91% of them agreed there was leeway for simplifying EU defence industrial programmes.
- 87% of them saw leeway for simplifying non-defence funding programmes.
- 74% saw obstacles in accessing finance.
- 74% saw obstacles in setting up new businesses and in expanding or maintaining existing defence industrial capacities in the EU.

Many private sector stakeholders who replied thought the existing legal and administrative framework was detrimental to:

- procurement rules (70%);
- intra-EU transfers of defence-related products (65%);
- permitting (64%);
- availability of critical materials (62%);
- recognition of certification between Member States (62%);
- exchange of sensitive information (58%);
- availability of personnel (52%).

Responses from public sector stakeholders (33 replies):

Obstacle	**Yes**	**No**	**I do not know**	**This question is not relevant for me**	**Total of replies**	**Yes+no**
Are there, in your view, obstacles (legal/regulatory/administrative) to **establish new or expand/maintain existing defence industrial capacities** in the EU?	16 80%	4 20%	2	10	32	20
Do you/your organisation face specific obstacles (legal/regulatory/administrative or other) to **enable rapid grant of construction and environmental permits** for defence industrial projects?	12 71%	5 29%			17	17
Do you/your organisation face specific obstacles (legal/regulatory/administrative or other) to ensure the timely and lawful **availability and usability of necessary essential materials** / inputs in the supply chains of the European defence industrial base ('EDTIB'), for which adequate substitutes are not available (e.g., raw materials, components and substances)?	10 71%	4 29%			14	14
Are there, in your view, obstacles (legal/regulatory/administrative	10 67%	5 33%			15	15

or other) to the **availability of personnel**?						
Are there, in your view obstacles (legal/regulatory/administrative or other) related to **access to finance**, including Environmental, Social and Governance ('ESG') investment?	14 78%	4 22%			18	18
Do you/your organisation face obstacles (legal/regulatory/administrative or other) related to the **effectiveness and efficiency of defence procurement rules** and procedures that slow down defence procurement process, introduce excessive complexity or administrative costs, limit unduly the access to defence procurement procedures etc.?	20 95%	1 5%			21	21
Do you/your organisation face obstacles (legal/regulatory/administrative or other) related to the effectiveness and efficiency of **intra-EU transfers** of defence-related products and the control of those transfers that unduly slow down transfers, introduce excessive complexity or administrative costs, limit the possibilities for effective cross-border collaboration or the access to cross-border defence procurement procedures.	15 79%	4 21%			19	19
Do you/your organisation face obstacles (legal/regulatory/administrative or other) for the **exchange of confidential and sensitive information** with the European Commission, national authorities in ensuring simple and secure handling of such information?	12 55%	10 45%			22	22
Are there, in your view, issues stemming from the insufficient	11	5			16	16

cross-certification of defence products and lack of mutual recognition of certification and how could these issues be addressed?	69%	31%				
Is there, in your view, a need to streamline **EU defence industrial programmes** (such as European Defence Fund, EDIRPA, ASAP) to reduce delivery time, simplify procedures and the treatment of Member States' co-funding?	21 100%	0 0%			21	21
Is there, in your view, a need to simplify or change **other EU-funded programmes** (such as Horizon Europe, Structural funds, InvestEU or other) in order to improve the access and or usefulness of funding under these programmes for the defence industry?	12 100%	0 0%			12	12

The numbers refer to all respondents replying to the particular questions.

Replies of public sector authorities must be interpreted carefully, given that only 22 out of 27 Member States replied to the online survey, and some Member States replied to multiple times (two Member States gave three replies, and six Member States gave two replies). However, as the multiple replies had different opinions and came from different ministries or independent bodies, we included them all in the table above.

Overall, all public sector stakeholders (100%) that replied to these questions considered there were regulatory obstacles and leeway for simplifying EU defence industrial and non-defence funding programmes.

Almost all (95%) considered that defence procurements could also be improved.

Most also considered there were regulatory or administrative obstacles:

– to set up new business or expand/maintain existing defence industrial capacities in the EU (80%);
– intra-EU transfers of defence-related products (79%);
– to access finance (78%);
– in permitting (71%);
– in availability of critical materials (71%);
– to recognise certification between Member States (69%);
– in availability of personnel (67%);
– in exchanging sensitive information (55%).

- **Other contributions outside of the EU-Survey platform**

The Commission also received **20 input papers from Member States and 10 from industry stakeholders** (including 5 by business associations) describing in detail existing issues with EU legislation for defence.

Some of the senders provided concrete examples and suggested measures for streamlining the regulatory environment and to lessen the administrative burden for the defence sector.

One of the most impactful inputs was a **joint letter to European Commissioner Kubilius from Ministries of Defence of 11 Member States**: namely the Netherlands, Germany, Belgium, Sweden, Czechia, Latvia, Lithuania, Romania, Finland, Estonia, and Denmark.

They expressed their strong desire for the Commission's legal analysis and proposals for solutions in the Omnibus Proposal to also address the legal obstacles for operational readiness of our armed forces and defence organisations, in addition to addressing legal obstacles to the defence industry.

They indicated that while the Treaty recognises the special position of national security and territorial integrity as essential state functions of the Member States that the EU respects, they considered that some EU legislation formed a direct obstacle to the armed forces for fulfilling their tasks.

This is mainly (but not exclusively) in the areas of procurement legislation, nature conservation, and environmental protection, and more generally the administrative burden on defence organisations deriving from various EU legal acts.

- **Implementation and strategic high-level dialogues**

On 12 May 2025, President von der Leyen chaired the first-ever Strategic Dialogue with the European Defence industry and Social Partners to collect ideas from the main actors concerned. Three trade unions and business associations, 16 companies as well as representatives from the Ukrainian defence industries were invited.

The participants were: Aerospace, Security and Defence Industries of Europe (ASD EU) ; European Trade Union Confederation (ETUC); IndustriAll European Trade Union; Airbus ; Aktyvus Photonics; Diehl Stiftung & Co. KG; DOK-ING; Frankenburg Technologies; Helsing; Indra; Kitron; Leonardo; MBDA; Naval Group; Navantia; Polish Armament Group; SEC technologies; Thales; WB Group; Ukraine Defence Industry

On 19 May 2025, Commissioner Kubilius chaired an Implementation Dialogue with defence industry and social partners, which further refined priorities based on real-world feedback.

The participants were 32 companies and 2 social partners and business associations: Aerospace, Security and Defence Industries of Europe (ASD - EU), IndustriAll European Trade Union (EU), Airbus (DE, FR, ES), Aktyvus Photonics (LT), Czechoslovak Group (CZ), C&V Consulting (BE); Damen (NL), Dassault (FR), DOK-ING (HR), Fincantieri (IT), Frankenburg Technologies (EE), GMV (ES), Helsing (DE), Hensoldt (DE), ICEYE (FI), INDRA (ES), John Cockerill (BE); Kitron (NO), KNDS (FR DE), Leonardo (IT), MBDA (IT FR UK DE), Nammo (NO, FI), Naval Group (FR), Navantia (ES), Patria (FI), Polish Armament Group / PGZ (PL), SAAB (SE), Safran (FR), Sener (ES), Terma (DK), Thales (FR), Theon (EL), Threod (EE), and WB group (PL).

The implementation and the strategic dialogues concluded that the defence industry is ready to speed-up and ramp-up defence production. They also concluded that the EU needs to act now, including on investments in innovations to be used on the battlefield as crucial priority. This aligned broadly with the results from the stakeholder consultation.

Stakeholders highlighted the urgent need for both further simplification on the European Defence Fund and for help in increasing the private and public funding for Defence projects throughout the R&D process, chiefly through easier access to finance. They agreed on the need for exemptions in environmental and chemical legislations (such as REACH) to give certainty to investors.

The industry emphasised that fast procurement is crucial to reach the goals set for a strong European defence. It also stressed the need for fast-track permitting, which would greatly speed up process of opening or expanding defence businesses and projects.

Many stakeholders expressed that the Commission should encourage Member States to facilitate transfers, for instance through more and broader use of General Transfer Licences (GTLs).

Total number of inputs in the stakeholder consultation

In total, the Commission received 285 inputs from various stakeholders, elaborating on problems and providing innovative solutions, from 201 different actors from all the 27 Member States.

Type of stakeholder	Survey replies	Additional documents sent through the survey tool	Separate input papers	Implementation and strategic dialogues	Total inputs	**Individual Member State or person concerned**
MS authority	32	7	20		58	27
Companies	104	19	3	34	160	123
Research organisation	8	0	0		8	8
Business association	25	20	5	2	52	31
NGO / labour union	7	0	0	1	8	8
EU citizen	2	0	0		2	2
International organisation	1	0	2		3	1
Other	1	1	0		2	1
Sub-total	180	47	30	37	**285**	**201 (incl. 27 Member States)**

Annex C Who is affected and how?

As the analysis in Annex D presents, there are three distinct categories of defence players positively impacted by the Omnibus Defence package:

1. The defence industry in the EU, particularly more than 3 000 SMEs[(50)]
2. Public authorities of the EU-27 Member States
3. The Commission services, marginally

Companies will enjoy reductions in time delays, cost savings, and new opportunities to invest and expand. Defence budget will be spent more efficiently, ensuring economies of scale in joint procurement.

More details on who is affected and how are provided in the following table 'Overview of Beneficiaries and Benefits by Measure', which summarises the findings of the quantification procedure described in detail in annex D.

We must also stress that the targeted amendments proposed by Omnibus Defence are not expected to introduce new costs for private enterprises or public entities at EU and national level, either directly, or indirectly. They will amend or clarify existing rules and regulations, simplifying their application.

The important data and information gaps in the Defence economic sector make a precise and fully externally-justified assessment of the impact of the Defence Readiness Omnibus a challenge in itself. The quantification of the Omnibus effects is therefore a modelling work that relies heavily on internal assessment where outside sources where not found or difficult to calculate with a higher level of precision. Overall, we took a conservative approach to the assessing benefits

(50): A conservative number, based on limited available data.

Overview of Beneficiaries and Benefits by Measure yearly total Preferred option– central scenario		
Measure	***Amount***	***Beneficiaries***
Cost savings: reduction of FTEs allocated on administrative tasks, opportunity cost of time delays ***(by amending EDF Regulation).***	EUR 101 millions/year	Beneficiaries will be mainly EU companies applying for EDF grant and marginally the Commission services analysing the replies
Cost savings: reduction of FTEs allocated on administrative tasks, opportunity costs of time delays ***(by amending intra-EU transfer of defence products directive)***.	EUR 142 millions/year	Beneficiaries will be EU companies involved in transferring defence products across Member States, for commercial/industrial or R&D purposes.
Cost savings: reduction of FTEs allocated on administrative tasks, other administrative costs and opportunity costs of time delays ***(by introducing new EU regulation on permits for defence projects).***	EUR 804 millions/year	Beneficiaries will be EU defence companies and the public authorities applying for permits.
Cost savings: reduction of administrative compliance costs ***(by amending REACH and other EU chemicals regulation).***	EUR 36 millions/year	Beneficiaries will be EU defence companies using chemicals subject to regulation, for commercial/industrial or R&D purposes.
Cost savings due to economies of scale in purchasing: facilitated joint procurement ***(by amending Defence Procurement directive).***	EUR 1 818 millions /year	Beneficiaries will be Member States (national budgets and particularly those of Ministries of Defence)
Value creation: Additional public and private debt and equity investments, supported by the EU budget ***(by amending the investment guidelines of the InvestEU fund)***	EUR 1 174 millions /year	Beneficiaries will be more than 3000 EU SMEs and 50 large corporations active in the ecosystem
Cost savings: reduction of cost of capital ***(above regulatory simplifications and clarifying the application of the EU sustainable finance framework to defence will reduce risk premium).***	EUR 94 millions /year	Beneficiaries will be the more than 3000 EU SMEs and 50 large corporations active in the ecosystem
Value creation: Supplemental internal investments activated ***(lower internal barrier to pass for approval)***	EUR 141 millions /year	Beneficiaries will be the more than 3000 EU SMEs and 50 large corporations active in the ecosystem
Value creation: Additional private capital available for investments in the defence industry ***(by clarifying the application of the EU sustainable finance framework to defence).***	EUR 2 500 millions /year	Beneficiaries will be more than 3000 EU SMEs and 50 large corporations active in the ecosystem

Annex D Method used in the assessment of impacts

The Commission's assessment used an Excel-based Omnibus calculation model to compute the annual and net present value of the direct and indirect financial benefits over a **11 years' time horizon (2026-36)**.

The **net present value** measures today's cumulative value of future forecasted amounts, discounting them back with an appropriate percentage rate, following the principle that one euro tomorrow and further in the future is worth less than one euro today.

The model identifies three main categories of benefits:

A. **cost savings** refer to reductions of administrative costs, the cutting of red tape and time delays for the European defence industry in its existing configuration;
B. **value creation** computes the impact of releasing more private capital to be invested in the European defence industry, expanding the current ecosystem;
C. **facilitated joint defence procurement** for Member States, which would reduce procurement costs for the public budgets of defence ministries.

The granular quantitative model assessed the impacts as follows:

A. **<u>cost savings</u>:** this would consist of direct effects through reduction of full-time equivalent employees allocated on administrative tasks, opportunity cost of time delays, reduction of cost of capital;
B. **<u>value creation</u>**: this would consist of almost direct effects of the reforms proposed through new unlocked investments given a better and more secure regulatory environment, as more private capital becomes available for the defence sector, compared to the current situation;
C. **<u>facilitated joint procurement</u>**: this would consist of indirect effects of the reforms on savings of national budget through accelerated defence procurements, thanks to economies of scale and of purchasing power on a bigger share of defence procurements being joint between different Member States - these effects being however dependent how much use the Member State makes of the facilitated joint procurement.

Each category of benefits - stemming from the above-mentioned impacts - generates specific potential financial gains to be reaped by the EU defence industry, Member States and marginally also by the Commission.

Categories A and B mainly accrue directly to private companies in the defence sector, especially SMEs but also big corporations (supply side). Category C impacts defence ministries and therefore Member States' budgets (demand side). Minor cost savings also impacts the Commission services (e.g. shorter processing time for EDF grants (51). Given the simplification-oriented nature of the Omnibus proposals, at this stage no new administrative costs arising from their implementation could be envisaged. It can therefore be safely assumed they would be negligible.

This model is built aggregating six 'policy sub-models' corresponding to two sets of affected policy areas, defence- & non-defence related, for which changes are proposed: EDF, defence procurement, intra-EU defence transfers in the first set, permitting, environment and chemicals, access to finance in the second one.

(51): See Annex C for more details on who is benefitting and how, Annex D for methodology calculation.

Omnibus proposal	Policy sub-model	Categories of benefits generated	Beneficiaries
Defence-related	1. EDF Regulation 2. Defence Procurement 3. Intra-EU Transfer of defence products	1. (A) - cost savings 2. (A) cost savings, (C) cost savings from joint procurement 3. (A) cost savings	1. SMEs, Large companies, Commission 2. SMEs, Large companies, Ministries of Defence 3. SMEs, Large companies,
Non-defence-related	4. Fast-track Permitting 5. Chemicals 6. Access to finance	4. (A) cost savings 5. (A) cost savings 6. (A) cost savings ([52]), (B) value creation	4. SMEs, Large companies 5. SMEs, Large companies 6. SMEs, Large companies,

Given the limitations referred above, existing shortcomings and data-gaps, the European **Commission welcomes any improvement ideas and feedback to the methodology and to the quantification** of this Omnibus. Improvement ideas and feedback will also be used in order to build on this novel work for further quantification work in the field of the Single Market of Defence. Please address all methodological comments, inputs, feedback and ideas to: defis-simplification@ec.europa.eu. ([53])

Key quantitative assumptions, hypothesis and parameters used in the model are taken from recent defence stakeholders' consultation findings, industry-specific financial sources and official reports, academic literature, EDF programme management and defence directives implementation experiences, and previous defence-related work (e.g. Staff Working Document on Directive 2009/81/EC (2016)), as described in the details of each of the six policy sub-models. The model takes an overall **inflation hypothesis of 2% for the period 2026-36**, in line with the target of the European Central Bank and anchored expectations of economic agents. Every annual figure thus refers to the result for the first year of application of the policy, which is updated annually for inflation to compute a net present value. The interest rate used to discount the yearly financial benefits back to present is 9,2%, the current 'weighted average cost of capital' for the defence industry sector.

We assessed **two scenarios** in the analysis. The **central scenario** was based on averaged-out estimates or the estimates for which the level of certainty of the data is high, due to Commission internal knowledge (e.g., from running EDF, enforcing the two defence Directives), feedback from stakeholders and market intelligence. The **lower** scenario allows some extremely conservative hypothesis compared with the central scenario (notably a cost saving of only 5% instead of 10% on the facilitated joint procurement).

(52): Given their nature, those are however not counted as administrative cost-savings in the sense of the better regulation cost-benefit analysis.

(53): Whenever possible, please use and base your inputs on the Better Regulation Toolbox, notably Chapter 8, p. 499 to 608.

Each of the six policy sub-models (i.e. computing the specific benefits according to the six different intervention areas) are discussed below, with all quantification of benefits referring to the **central scenario** (adding up to a **total net present value of EUR 51.3 billions over 11-years,** all three different benefit categories included, in the central scenario).

The overall impact of the preferred option generates a range of potential benefits, according to three different scenarios, as summarised below.

Net Present Value of benefits over period 2026-36 (billions of EUR)		
Scenarios: *Benefits categories:*	**Low**	**Central scenario**
A) Cost savings	8.0	8.5
B) Value creation	26.1	26.1
C) Facilitated joint procurement	8.4	16.7
Total	**42.5**	**51.3**

1.1 EDF Regulation

Baseline:
Companies applying for EDF grants must apply through the EU Funding and Tenders Portal and submit specific documentation to verify eligibility. One requirement is the Ownership Control Assessment (OCA), designed to check whether applicants are ultimately owned or controlled by non-eligible entities from non-EU countries. Accordingly, applicants must complete a self-assessment form detailing their ownership and control structure (an Ownership Control Declaration - OCD) and provide supporting documents upon request.

Evaluation of the proposed changes:

1. The Omnibus for Defence package is expected to extend the validity of OCAs from 18 to 36 months, alleviating the administrative burden on companies for renewing OCAs.

2. The Omnibus is also expected to simplify the award criteria for EDF grants, saving companies time on grant applications and money on allocation of Full-Time Employee (FTEs) to these tasks, who can then be assigned to more productive tasks. This will also impact the Commission's internal costs, as its staff can focus on topics other than reviewing documents for EDF grant applications.

Estimated savings/benefits following the envisaged amendment:

1. To estimate the cost of OCA procedures for EDF grants, we estimate the annual effort spent by applicants' staff. Overall, the effort of an entity applying to an EDF grant consists in 1 FTE working on OCDs - on average - for 3.64 working days per year, with an average daily cost rate for relevant category of FTEs estimated at EUR 594 per day (source: the EDF assessment report). Considering there are 280 entities that were eligible to OCD obligations (source: EDF 2024 data), this represents an overall effort of EUR 403 603 (EUR 594 x 3.64 x 280 x 12/18) that is reduced to EUR 201 802 by extending the validity of OCAs over 36 months (EUR 594 x 3.64 x 280 x12/36), stretching the number of months that amortise the investment in administrative processes. Overall, the cost savings for companies is thus estimated at ***EUR 201 802*** per year.
2. Cost savings must also be measured for the European Commission's staff. Using a similar approach of amortising costs of OCDs reviews over the validity period of the OCAs, we consider the amount of OCD problem and success rates, respectively reported being at 6,16% and 93,94%, with their respective processing time that is reported being 140 hours per problematic OCD and 23 hours per successful OCD. Considering an internal hourly rate of EUR100, we estimate pre-omnibus internal review costs at EUR 569 655 (EUR 100 x (success rate x 23h + problem rate x 140h) x 280 eligible entities x12/18) and EUR 284 828 post-omnibus (EUR 100 x (success rate x 23 + problem rate x 140) x 280 eligible entities x12/36), leading to a cost saving of ***EUR 284 828*** per year.
3. With respect to the simplification of award criteria, internal assessments conclude in approximately 1 054 hours per year saved thanks to the Omnibus, mostly due to savings in simplifying eligibility and admissibility review processes with the corresponding savings in expert evaluations, legal and ethical review. With the Commissions internal hourly rate of EUR 100, this leads to cost savings of ***EUR 105 350*** for the Commission. However, most of the savings are expected to result from simplifications for the applicants. With 178 proposals deposited per year (source: EDF, 2023) at an average cost of EUR 496 584 per proposal (source: EDF assessment, 2024) this represents a total cost of EUR 88.4 millions for the industry. This cost was estimated by experts to be reduced by approximately 30% following the Omnibus implementation, so down to EUR 61.9

millions. This results in total savings of ***EUR 26.5 millions*** for the industry and a total cost savings of EUR 26.6 millions approximately when we add the Commission administrative cost savings.

4. Finally, and in addition to the direct cost reduction, we also computed the corresponding monetary value of time saved by an accelerated EDF evaluation process. This value is computed by considering the weighted average cost of capital that academic literature estimates on average at 9,19% yearly in the defence industry, that we bring down to a monthly value of cost of capital that is then multiplied by the 7 months EDF time savings that can be expect overall that is itself multiplied by the average yearly EDF program value of EUR 1.464.275.685. This leads to a total opportunity cost savings of ***EUR 73.8 million*** yearly.
5. A division of the savings between SMEs and non-SMEs was not possible at this stage, given the complex organisation of the projects.
6. By combining all the entries, we estimate the associated cost savings from simplification of the EDF programme made possible by Omnibus to amount to nearly **EUR 101 millions of annual benefits.**

Item	Benefit item & its category (A-B-C)	Calculation process (summarised)	Value ((year 1, then inflated over time)
a	Applicant's cost savings on OCDs - (A)	*Pre-Omnibus – Post-Omnibus values for: # eligible entities * FTE working on OCD * effort spent by an FTE * daily rate of an FTE*	EUR 201 802
b	Administration's cost savings on OCAs - (A)	*Pre-Omnibus – Post-Omnibus values for: % of problematic/successful OCDs * processing time of problematic/successful OCDs * hourly internal EC rate*	EUR 284 828
c = a+b	**Cost savings related to OCA and OCD process**	*Applicant cost savings on OCDs + Administration's cost savings on OCAs*	**EUR 486 629**
d	Administration's cost savings on award criteria simplification - (A)	*hourly internal EC rate * [total annual hours spent on award process pre-Omnibus - total annual hours spent on award process post-Omnibus]*	EUR 105 350
e	Applicant's cost savings on award criteria simplification - (A)	*# proposals per year * average EDF proposal cost * cost reduction estimate post-omnibus*	EUR 26,517,586
f = d+e	**Cost savings due to a simplification of award criteria**	*Administration's cost savings on award criteria simplification + Applicant's cost savings on award criteria simplification*	**EUR 26,622,936**
g	**Opportunity cost time savings** - (A)	*Average yearly EDF program value * WACC (monthly) * EDF evaluation savings in months*	**EUR 73.836.597**
h = c+f+g	**Total yearly savings on EDF** - (A)		**EUR 100.946.162**

2.1 Defence Procurement

Baseline:
Directive 2009/81/EC defines procedures which Member States' contracting authorities or entities in the fields of defence and security must follow when awarding certain works contracts, supply contracts, and service contracts.

Reporting obligations have a relevant cost when it comes to defence procurement in the EU. These procedures involve mandatory administrative steps which the contracting authorities must complete. For instance, directive requires that contracting authorities that have awarded a contract or concluded a framework agreement have to publish a contract award notice (CAN).

The administrative costs related to conducting a procurement under Directive 2009/81/EC represent a cost that the Staff Working Document on Directive 2009/81/EC (2016) has estimated at roughly EUR 7 500 for contracting authorities and EUR 16 800 for all economic operators involved in a procurement process, per procurement.

Delays in contracting also translate into indirect costs resulting from the opportunity cost of funds that have been immobilised due to procurement procedures. Delays in investment activation represent a missed opportunity for the EU to fully mobilise its defence industry faster in order to reap benefits early on in a context where every single month of increased production matters for our industrial base.

Finally, a wider, scattered offering of weapon systems in the EU, spread over several Member States, also bears the risk of duplication of systems compared to a country like the United States, potentially leading to programme cost duplications and inefficiencies that end up costly, therefore with potential savings to be made.

Evaluation of the proposed changes:

1. The Omnibus for Defence package will increase the threshold for contracts subject to the procedures set out by Directive 2009/81/EC moving threshold from EUR 443 000 to EUR 900 000 for supply and service contracts and from EUR 5 538 000 to EUR 7 000 000 for works contracts. This will result in a set of contracts being excluded from the associated administrative requirements, generating cost savings.

2. The increased thresholds for the application of the Directive will also translate into time savings. This is because the time delays previously attributable to the procurement process can now be saved because of the streamlined administrative procedures. This time saving can then be translated into monetary proxies.

3. The Omnibus for Defence package will also stimulate joint procurement by facilitating the engagement in larger and joint purchases by multiple Member States, leading not only to cost savings generated by volumes of orders, but also facilitating cross-border purchases. This is expected to focus purchases on a fewer number of weapon systems, paving the way for program efficiencies that translate into cost savings.

Estimated savings/benefits following the envisaged amendment:

1. To start, we took as a based the European Commission Evaluation on the Directive on Defence Procurement of 2016 for the estimation of the unitary cost of

procurement procedure, which would stand at EUR 7 500 per public authority and EUR 16 800 per company (i.e. around 2% of the total value of eligible contract award notices). Prior to the Omnibus package, according to the TED platform, there were between 979 and 1329 contracts per year awarded by Member States contracting authorities in the area of security and defence which fell in the scope of the application of the Directive 2009/81/EC. As a result of the changes proposed by Omnibus this number is expected to drop mathematically to between 751 and 1019 contracts per year, *de facto* excluding between 229 and 310 contracts per year from the scope of the Directive. Considering that the procurements concluded outside of the scope of the Directive 2009/81/EC require fewer procedural steps and less staff compared with those procurements conducted under the Directive, the unitary cost per procurement contract for procurements outside of the Directive was estimated by experts to be 30% lower than under the Directive. Under this assumption, this measure is expected to generate potential savings, related to the administrative cost for contracting authorities and the economic operators of between ***EUR 1.8 millions per year to EUR 2.4 millions per year*** (total cost of procedure EUR 24 300 x 269 median number of excluded procedures) - (total cost of procedure EUR 24 300 x 269 median number of excluded procedures x (1-30%)).

2. An additional cost saving benefit related to the exclusion of these 269 procedures is the usual two months' time delay of notification, estimated at EUR 10 000 per procedure (expert assumption confirmed by the stakeholders' consultation), i.e. a total of more than ***EUR 5.3 million*** per year, to the benefit of public administrations.
3. Finally, with respect to joint procurement cost saving opportunities, a consolidated approach modelled for both the Munich Security Conference in 2013 and the European Union Institute for Security Studies (EUISS) in 2023 looked into the potential savings linked to joint procurement that would reduce the variety of weapon systems sold in the EU, and lead to program efficiencies. It estimated potential savings of approximately 10% per year of the value procured. These savings are based on the hypothesis that we can reduce the number of different models of each weapon system down to the same number of systems for all Member States than in the fully integrated U.S. industrial defence basis. This differs from the current EU defence landscape in which several models for each weapon system are still in production, demonstrating the fragmentation of the EU's defence industrial basis. The simplification amendments will boost Member States' joint procurement. We assume this will increase from the current 18% level to 40% at the end of the period given the current policy objectives ([54]), with a 2.2% increase year over year.
4. Applying the Munich Security Conference and EUISS consolidated approach for joint procurement savings calculation to the EUR 90 billions annual spending on defence procurement in the EU (source: European Council data for 2024) thus leads to the estimated potential savings from pooling weapon systems of more than **EUR 1.8 billions** yearly.
5. Overall, by combining all the entries, we estimate the associated cost savings plus potential value creation from simplification of the rules on defence procurement made possible by Omnibus to amount to more than **EUR 1 825** millions **of annual**

(54): PESCO commitments since 2017 and European Defence Agency goal of 35% of defence equipment to be done collaboratively, see Joint White Paper on Defence Readiness 2030.

benefits, kicking in from year 2027, when the amendments could enter into force.

Item	Benefit item & its category (A-B-C)	Calculation process (summarised)	Value (year 1, then inflated over time)
a	**Reduced yearly administrative burden** - (A)	*Difference in value of unitary costs for both contracting authorities and economic operations in and outside of the scope of the Directive 2009/81/EC * number of CANs exempted thanks to Omnibus*	EUR 1.961.010 (median value)
b	**Yearly costs savings due to reduced delays** - (A)	*Number of CANs no longer eligible (post-Omnibus) * average delay in months * monthly cost*	EUR 5.380.000
c = a+b	**Total yearly savings on Defense procurement** - (A)		**EUR 7.341.010**
d	**Total Joint Procurement value creation, i.e. pooling activation/acceleration** - (C)	*Yearly procurement volume to EU Defense ecosystem * % pooling potential * 10% cost reduction*	**EUR 1.818.000.000**
e = c+d	**Total cost savings plus potential value creation** - (A), (C)		**EUR 1.825.341.010**

3.1 Intra-EU transfer of defence-related products

Baseline:
In the European Union, the Directive 2009/43/EC governs the transfer of defence-related products between Member States. It was intended to simplify and harmonise the terms and conditions for intra-EU transfers of defence-related products.

Directive 2009/43/EC notably introduced General Transfer Licenses (GTL) to significantly simplify and speed-up transfers by replacing *ex ante* controls with *ex post* controls for transfers to specific types of recipients (e.g. armed forces of the Member States, certified recipients) or for transfers undertaken for some specific types of purposes (evaluation, demonstration and exhibition, maintenance and repairs).

This streamlined approach aims to reduce administrative burdens, shortening delivery timelines, and lowering compliance costs. For companies—especially SMEs—this means fewer delays and reduced overhead associated with navigating complex transfer procedures. By ensuring better fluidity and predictability, general transfer licenses also foster greater industrial cooperation, enabling economies of scale and enhancing the competitiveness of the European defence sector.

However, the uptake of General Transfer Licences and the harmonisation of their scope and conditions remains limited so their benefits are also limited.

Evaluation of the quantified proposed changes:

1. The Omnibus for Defence package is expected to increase the use of General Transfer Licenses through the different measures described in Part 6(C). This is expected to unlock cost savings and improve industrial responsiveness

2. Reduced administrative delays related to GTLs will save time, as the time delays were previously caused by the licensing process can now be saved by the streamlined procedures. The time saved that can then be priced by monetary proxies.

Estimated savings/benefits following the envisaged amendment:

1. There are several thousand defence companies in the EU. The 'Access to equity financing for European defence SMEs' report (2024) estimates this number at minimum 3 150 SMEs, to which we can add another 50 mid and large cap companies in the defence sector (source: SIPRI). Stakeholder consultations report that 65 FTEs in large cap companies spend about 1000 hours each on transfer licences annually, a substantial share of the estimated 2000 worked hours a year that corresponds to 250 8-hour days. Considering a baseline salary cost of EUR 70 000 to an employer of a compliance officer in a country like France (source: open source pay scale gross salaries for a compliance officer), this amounts to a dedicated staff cost of EUR 2 275 500 per company. For SMEs, given the variety of profiles we consider a conservative scenario of 1.5 FTEs spending roughly 30 hours annually on licensing (confirmed by stakeholder consultation) which translates into yearly costs for an SME of EUR 1 575 based on similar salary considerations as for large cap companies. Overall, when considering our assumption of 4725 SMEs and mid-caps (+50% compared to the minimum amount estimated above, to adjust for non-accounted for companies) and 50 large cap companies, this amounts to a total of

more than EUR 120 millions spent on licensing and transfer costs for defence companies in the EU (more than EUR 113 millions for large caps and EUR 7.4 million for SMEs).

2. With the Omnibus for Defence package, the number of licences falling under the GTL that will reduce costs will be increased substantially. Currently, EUR 120 millions can be estimated to be spent on the 15 000 transfer licences (source: EPRS study on Transfers, 2020), averaging to a cost of EUR 8 004 per non-GTL licence. Considering that experts and stakeholders estimate that a GTL licence reduces costs by approximately 80%, a GTL licence is expected to cost EUR 1 601. Factoring those numbers into an expected increased GTL coverage thanks to the Omnibus from around 10% to 30% (or 15% in a low policy effect scenario), this amounts to a total cost post-Omnibus for licensing and transfers of EUR 91.2 million. This means that the implementation of the Omnibus is expected to result in an overall cost saving from a broader application of GTLs of approximately **EUR 28.8 million** (or EUR 14 millions in the low scenario).
3. Considering that SMEs would benefit in the same share of gain as their share in the cost of transfers (the overall EUR 120 million spent on licensing and transfer costs for defence companies in the EU divided between EUR 113 million for non-SMEs and EUR 7.4 millions for SMEs), the gain for SMEs would be ***EUR 1 786 050*** and for non-SMEs ***EUR 27 million***.
4. Stakeholders also reported an average monthly cost in lost contracts or production stops linked to current transfer licensing delays of EUR 15 000 on average. This loss must be multiplied by the cumulative 26250 months of annual delays we get from multiplying the share of the 15000 annual licences that fall under GTL and non-GTL categories by delays of 6-8 weeks for non-GTL licences on average and the 1-3 days delays for GTL licences estimated by the Commission. This thus represents a total EUR 394 millions lost on delays (cumulative months of delay x average monthly cost). By increasing the share of GTL licences from 10% to 30% (or 15% in a low scenario post-Omnibus, we expect a decrease in delays that will shrink the cumulative 26250 months of annual delays down to 18675 cumulative months and reduce costs to EUR 280 millions (lower cumulative months of delay x average monthly cost). This thus means a delta of **EUR 114 million** in delay costs saved by implementing the Omnibus (or EUR 57 millions in the low scenario).
5. Considering that SMEs would benefit in the same share of gain in this delay costs as their share in the cost of transfers, this would amount to a gain of ***around EUR 7 million*** for SMEs and of around ***EUR 106 million*** for non-SMEs.
6. Overall, by combining all the entries, we estimate the associated cost savings from simplification of the rules on Intra-EU Transfer of defence products made possible by Omnibus to amount to more than **EUR 142 million** of annual benefits, kicking in from year 2027, when amendments could enter into force. This only taking into account a limited set of measures (i.e. a conservative approach).

Item	Benefit item & its category (A-B-C)	Calculation process (summarised)	Value (year 1, then inflated over time)
a	**Savings from General Transfer License (GTL) widening** - (A)	*Yearly licensing & transfer costs pre-Omnibus for SMEs and mid/large caps (EUR120M) - Yearly licensing & transfer costs post-Omnibus for SMEs and mid/large caps (EUR91,2M)*	EUR 28.813.050

b	**Costs of delays** - (A)	*Pre-Omnibus delay costs (average delay cost per month * pre-omnibus cumulative months of delays for both non-GTL and GTL licenses) – post-Omnibus delay costs (average delay cost per month * post-omnibus cumulative months of delays for both non-GTL and GTL licenses)*	EUR 113.625.000
c =a+b	**Total yearly savings on Intra-EU Defence Transfers** - (A)		**EUR 142.438.050**

4.1 Fast-track Permitting

Baseline:
Specific permits are required in the EU prior to obtaining construction, environmental, or zoning approvals needed to build or expand even strategic industrial sites like ammunition factories, assembly lines, and test facilities. This is referred to as permitting.

Permitting is associated with administrative delays required to process the complex documentation associated with the requests that must be filed, often across different branches of the national and local public administration. These delays, often stretching over several months, significantly slow down the deployment of critical production capacity.

Evaluation of the proposed changes:

1. The Omnibus for Defence package aims to cut these delays by introducing fast-track permitting procedures for infrastructure projects deemed essential to the EU's defence industrial base.
2. No available source can calculate average permitting time for defence projects. External and internal expertise and stakeholder feedback were therefore used to estimate a 36-month average for complex permitting procedures (stakeholders mentioned some examples of permitting taking up to five or seven years). The Omnibus proposes that permitting takes no longer than two months, saving an average of 34 months.

Estimated savings following the envisaged amendment:

1. The 34 months faster permitting time following the Omnibus is expected to lead to direct cost savings due to both the cost associated with each month of permitting delay and the associated time-value of money that helps us capture the opportunity cost associated with immobilising financial resources associated to a project awaiting permit approval.
2. Faster permitting times are expected to lead to an overall cost saving of around **EUR 638 million** per year by freeing up staff and resources from tasks that were subject to permitting.
3. This cost saving amount is calculated on the hypothesis that the defence investment ramp-up and current growth in the sector mean that each year 12% of the 4 775 defence undertakings(55) in the EU will launch projects necessitating permitting (which we then multiply by the monthly costs associated with permitting delays). These costs are an estimated daily worker wage rate (EUR 325) multiplied by the number of working days in a month (21) and the number of two full-time equivalents expected to be immobilised during the 34 months permitting delay (per project). Added to this value (EUR 464 100) are the (+30%) estimated average costs of overhead including legal and rental costs (around EUR 15 000 a month according to estimations provided in discussions with stakeholders) to capture the rest of administrative costs and obtain a more accurate picture of cost reductions (EUR 464 100 x (1+30%) +EUR 15 000 x 34) x number of estimated yearly projects (4 775 x 12%) = **EUR 638 million**.
4. Considering the share of SMEs and non-SMEs in the defence sector as described above, a crude approximation of the savings divided between SMEs and non-SMEs,

(55): Using the estimations used in the other models, a very minimum of 3150 SMEs to which we can add 33 mid and large cap companies in the defence sector.

estimating that each category would be applied the factor of estimated yearly projects irrespective of its size, would be a benefit of around ***EUR 631 million*** for SMEs and around ***EUR 6.6 million*** for non-SMEs.

5. In addition to the direct cost reduction linked to shortened delays with the fast-tracked permitting procedure, we also calculated the corresponding monetary value saved by being able to use the funds that would otherwise have been immobilised. This value is calculated by considering the weighted average cost of capital that academic finance literature estimates on average at 9.19% yearly in the defence industry that we divide by 12 to get a monthly value. This is then multiplied by the estimated cost reduction associated with shortened delays (EUR 638 million x 9.19% / 12 x 34 = **EUR 166 million**).
6. As for the division of savings between SMEs and non-SMEs, the same calculation as described above indicates savings in this category of around ***EUR 164 million*** for SMEs and around ***EUR 1.7 million*** for non-SMEs.
7. Overall, by combining the savings of shortened delays, we estimate the associated cost savings from reduced permitting delays made possible by the Defence Omnibus fast-track permitting to amount to approximately **EUR 804 million of annual benefits**.

Item	Benefit item & its category (A-B-C)	Calculation process (summarised)	Value (year 1, then inflated over time)
a	**Cost savings from reduction in permitting delays** - (A)	*# EU defence companies * % companies subjected to permitting * monthly costs including overheads, equipment and salaries * # months of permitting saved*	EUR 637.871.290
b	**Indirect savings from time value of money** - (A)	*Total savings from reduction in permitting delays * monthly WACC * # months saved per permitting procedure*	EUR 166.091.053
c=a+b	**Total yearly savings on Permitting** - (A)		**EUR 803.962.343**

On the other side, the changes proposed could entail some costs on the public administration for the formation of employees to this new legal framework, as well as possible (depending on the Member States' interpretation) costs linked to the set up of single points of contacts. However, the proposed changes anticipate for this a provision to help public administrations adjust to the changes through external help from the European Union. It must also be noted that such a mechanism of single point of contact already exist for the Net-Zero Industry Act, meaning that public administrations could leverage on this existing framework to minimise the potential costs. Overall, those potential additional administrative costs for the public administrations are considered negligeable in light of the normal administrative adaption to change and the normal formation efforts, especially compared to the potential benefits.

5.1 EU legislation on chemicals

Baseline:

The Regulation 1907/2006 (REACH) governs the safe use of chemical substances. Under REACH, businesses that manufacture, import, or use chemicals must identify and manage the risks associated with these substances and provide safety information to users. For defence businesses, this means, first, ensuring compliance alongside the supply chains, and for some economic agents, second, to register new substances with the European Chemicals Agency, ensuring compliance throughout their supply chains, and potentially substituting hazardous chemicals with safer alternatives.

Evaluation of the proposed changes:

1. The Defence Readiness Omnibus Package should ease REACH regulatory obligations for defence-related activities by expanding the pre-existing set of exemptions for critical substances with military applications. The aim is to preserve, at the initiative of Member States, the defence industrial basis from possible costly and unnecessary requirements. These measures aim to strengthen Europe's defence resilience while maintaining essential environmental and safety protections.

2. In addition to REACH-specific amendments, the Omnibus for Defence package will introduce exemptions on environmental reporting requirements which should reduce administrative workload on European companies and alleviate the need to dedicate employees' time, allowing re-orientation towards more productive and value-adding tasks.
3. Finally, the Omnibus might alleviate REACH Art. 33 obligations that provide that businesses monitor and pass along the supply chain information on certain substances and chemicals in their products, generating cost savings and its own set of reallocations towards more productive and value-adding tasks.

Estimated savings/benefits following the envisaged amendment:

1. Compliance with REACH generates costs across EU defence companies that are estimated at ***EUR 35.8 million*** per year. These are divided into two types of savings achieved through exemptions and savings due to alleviated Art. 33 obligations.
2. The first type of savings is estimated to be modest (around **EUR 2 million**) as highly dependent on companies that are low in the supply chain and on the willingness of Member States to use this clause. They entail registration costs, reviews, and processing costs of filing (a total of around EUR 42 million), which are applied to an expert estimate of the proportion of defence companies that would benefit from this exemption, in this conservative case, only 5%.
3. The second type of savings are estimated as more consequential (**EUR 33.7 million**), based on stakeholders' input that stressed the business impact of such obligations. Lighter Article 33 reporting obligations are assumed to alleviate the dedicated effort of the associated workforce (the equivalent cost of 602 FTEs, costing EUR 70 000/year, a total of EUR 42.1 million, allocated 80% on Article 33 compliance (source: experts estimation), i.e. EUR 33.7 millions).
4. Both results were achieved based on FTE costs, average time, and cost devoted to compliance tasks related to amended provisions. A division of savings between SMEs and non-SMEs was not possible at this time, given the limited data available on this specific supply chain.

Item	Benefit item & its category (A-B-C)	Calculation process (summarised)	Value (year 1, then inflated over time)
a	**REACH cost savings** - (A)	*Cost of FTEs allocated to REACH compliance * average percentage of projects expected to be exempted*	EUR 2.106.602
b	**Reporting requirements cost saving** - (A)	*Cost of FTEs allocated to REACH compliance * % of time allocated to reporting*	EUR 33.705.626
c= a+b	**Total yearly savings on Environmental & Chemicals reporting** - (A)		**EUR 35.812.228**

6.1 Access to Finance

Baseline:
The EU sustainable finance framework aims to channel private investment toward environmentally and socially sustainable activities by introducing detailed disclosure obligations for financial market participants, by defining setting out criteria for sustainable economic activities including minimum safeguards. It is codified through various policies and instruments such as the Sustainable Finance Disclosure Regulation (SFDR)(56) and the Benchmark Regulation (BMR)(57).

To support access to finance the EU uses budgetary guarantees under the InvestEU programme, covering financial instruments deployed by implementing partners. As part of InvestEU, the InvestEU fund established by the Regulation (EU) 2021/523, is an EU budget guarantee, aiming to support investments in the form of debt, counter-guarantees, or equity funding. InvestEU is endowed with a EUR 26.2 billions EU budget guarantee backing the investments of the 'implementing partners', increasing their risk-bearing capacity and thus helping to mobilise at least EUR 372 billions in additional investment. Notwithstanding, the current framework results in a negative bias against the defence sector that keeps the average cost of capital high.

Evaluation of the proposed changes:

1. The Commission has published two texts which provide clarity to the financial sector on how to link defence sector investments with their sustainable investment preferences: the Notice on the application of the sustainable finance framework and the Corporate Sustainability Due Diligence to the defence sector and the amended Delegated Regulation on the definition of prohibited weapons. These two proposals are expected to provide clarity to the financial sector on how to navigate defence-related investments and the EU sustainability-related frameworks. This is expected to generate additional investments into the defence sector from financial institutions previously withholding such investment due to legal uncertainty, i.e. an increase in the amount of capital available for the defence sector. More available funding will also have an indirect effect by reducing the premiums required by investors and lenders to invest in defence, therefore reducing the WACC(58) for EU defence companies.
2. The change of investment guidelines for the InvestEU fund will facilitate the financing of defence-related projects and beneficiaries under the programme. It will increase the availability of EU guarantee deployed in support of the defence sector and crowd-in additional public and private investments in support of the defence sector.

Estimated savings/benefits following the envisaged amendment:

(56): Regulation (EU) 2019/2088.

(57): Commission Delegated Regulation (EU) 2020/1818.

(58): Access to capital is costly and is measured in corporate finance by the Weighted Average Cost of Capital (WACC) metric that measures a company's average cost of financing from all sources, debt and equity. The higher the WACC, the more profitable investment projects have to be to pay for capital. Therefore, several projects that could have existed are not financed because from an internal company finance standpoint, their internal rate of return (IRR) falls below the weighted average cost of capital and are thus not financially sustainable for a private entity. As such, they represent foregone investment opportunities and defence projects.

- Value creation following guidance on the application of the EU sustainable finance to defence:

The amended Delegated Regulation on the definition of prohibited weapons clarifies that only 'prohibited weapons' should be considered for exclusion under the EU's sustainable funds, instead of the legally contested 'controversial weapons', in order to clarify the scope of weapons subject to disclosure obligation or exclusion. This will offer clarity on several types of weapons which are screened for by financial institutions and ESG data providers. We expect a convergence from 'heterogeneous lists' towards lists that include only those under the harmonised definition proposed.

The most tangible and measurable adjustment expected concerns the treatment of companies involved in nuclear deterrence programmes recognised under the Non-Proliferation Treaty, but currently often bundled under the 'controversial' category.

In the second quarter of 2025, combined assets in Article 8 (funds with sustainability characteristics under the SFDR) and Article 9 funds (funds with sustainability as an objective) amounts to EUR6.4 trillion, representing over 59% of the total EU fund market (Article 9 funds only represent 5%)(59). . According to data issued by Morningstar Sustainalytics in August 2025(60), 92% of Article 8 funds exclude controversial weapons.

Since Russia's full-scale invasion of Ukraine in 2022, exposure to aerospace and defence stocks within European equity Article 8 funds has increased significantly — rising to an average of 2.5% for active funds and 1.2% for passive funds, up from 0.6% and 0.2% respectively, at the start of 2022(61).

We estimate that the Omnibus could increase the exposure of Article 8 funds to defence, in a proportion equivalent to the average of the increase observed since 2022 for both active and passive funds, 0,4%. **This could generate EUR 25 billions of additional investment opportunities over ten years.**

In addition, the increase in investment opportunities is expected to generate indirectly additional savings and investments:

- With an estimated EUR 9.4 billion capital expenditure for investments (CAPEX) by European defence companies in 2025 (source: Fitch Ratings, 2025) and an average WACC that academic literature estimated at 9.19 % for the aerospace & defence sector ([62]), a decrease in the WACC made possible by Omnibus for Defence package that experts estimate could be up to 1 percentage point would generate **savings on financing costs of EUR 94 millions** for the European industry ([63]).
- We also believe that **additional investments** will be generated by reducing the gap between projects with an internal rate of return too low to be financed prior

(59): SFDR Article 8 and 9 Funds: Requirements, Inflows, ESG Risks | Morningstar

(60): EU ESG Funds' Exposure to Defense Continues to Increase
(61): EU ESG Funds' Exposure to Defense Continues to Increase

(62):Source, among others: NYU, Aswath Damodaran, Cost of Equity and Capital (US) https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/wacc.html, April 2025. It is important to note that since April 2025, in September 2025 the cost of capital already importantly decreased, underlining the credibility of the hypothesis made here.

(63):Given their nature, those are however not counted as administrative cost-savings in the sense of the better regulation cost-benefit analysis.

to Omnibus and the applicable WACC. After implementation of the Omnibus for Defence package, we estimate **EUR 141 millions** worth of investments will be activated, based on a hypothesis that 15% of investments are not made today because the internal rate of return (IRR) is too low (source: expert discussions). A medium-conservative expert estimation place around 10% of this to become financeable post-Omnibus.

- Direct effect: amendment of the eligibility rules of the InvestEU fund for operations in the area of defence:

The InvestEU fund is a EUR 26.2 billions EU budget guarantee which is expected to mobilise at least EUR 372 billions in additional investment (a 14.2 multiplier leverage effect in average). According to the data from 28 February 2025(64), EUR 23 978 millions of EU guarantee have been approved to support operations (by implementing partners) amounting to EUR 64 billions which mobilised EUR 300 billions. Based on the data available in May 2025, defence-related investments by the EIB Group, which is the main implementing partner for SME support under InvestEU, account for less than 0,1% of InvestEU operations(65).

The change of eligibility criteria proposed in the Omnibus will facilitate investment in defence by InvestEU implementing partners. By comparing with the investments realised in the space sector under InvestEU, since both space and defence are strategic sector under InvestEU and receive similar type of EU funding support (in the current Multiannual Financial Framework defence-related budgets represents 0,57 of the budget dedicated to space(66), a reasonable estimate would be that at least 1% of the InvestEU fund could be invested in defence.

The InvestEU fund is expected to invest an additional EUR 7.23 billions by the end of the current MFF (EUR 2.23 billions remaining from the initial budget and EUR 5 billions additional investments from the InvestEU Omnibus(67), mobilising at least EUR 103 billions, so the InvestEU fund could mobilise EUR 1.3 billions in support of defence by end 2027.

The change of eligibility rules will also facilitate the deployment of the Defence Equity Facility(68), an instrument under which the EIF will invest EUR 175 millions into private funds investing in defence and mobilise approximately EUR 500 millions in support of the

(64): InvestEU Indicators - European Union.

(65): However, the data are likely to be under-estimated since some defence-related investments are reported in other transversal categories (ex. manufacturing).

(66): In the current MFF, the budgets allocated to defence amounts to EUR10.2 billions (EUR7.9 billions European Defence Fund, EUR500 millions ASAP, EUR300 millions EDIRPA and EUR1.5 millions EDIP), while the budget allocated to space accounts for EUR17,9 billions (EUR16 billions Space programme, EUR1,9 billions as part of Horizon Europe). Based on data from February 2025, in total the space sector received EUR228 millions funding received, generating an estimated EUR3,24 billions additional investments, which amounts to 0,95 % of the total investment under InvestEU. If InvestEU operations would reflect EU budget spending on defence, it would represent 0,54% of the investment generated under InvestEU. However, in light of the increased need to invest in defence identified by the EU (SAFE fund, as well as InvestEU implementing partners (defence & security identified as public Policy goal by the EIB Group in March 2025), it is reasonable to expect that defence investment will be higher, at least equivalent to space-related investments realised with the support of InvestEU.

(67): EUR-Lex - 52025PC0084 - EN - EUR-Lex.

(68): Defence Equity Facility.

defence sector in the next two years. In total **EUR 18 billions of investments in defence could be generated with the support of the InvestEU fund until end 2027**.

For the next MFF, the Commission proposed to quintuple the budget available for defence and space to reach EUR 131 billions for the European Competitiveness Fund (the successor to the current InvestEU fund), and to allocate up to EUR 70 billions in budgetary guarantee under the EU Compartment of the ECF InvestEU Instrument (the amount allocated to defence is unknown at this stage)(69). Based on these data, it is reasonable to estimate that at least EUR 700 millions (1% of the budgetary guarantee) could be allocated to defence, which would generate EUR 9.94 billions of investments in support of defence (with Invest EU's average leverage effect of x 14.2). Therefore, in total, over the next 10 years, a total of EUR **11.74 billions investments** could be generated with the support of InvestEU and its successor programme (ECF).

Consolidating such impacts of changes brought to access to finance leads to a **total financing cost savings of EUR 94 millions per year while more than EUR 3.8 billions in supplemental investments are made possible by facilitated access to finance for the EU defence sector.**

The supplemental investments expected will also generate additional jobs, at a rate some economic literature estimates at 5,9 direct jobs and 1,1 indirect jobs per millions euro invested in the defence sector(70). Overall, this would amount to around 26 705 to 33 204 total extra jobs potentially created per year thanks to this extra investment means nearly **331 000 extra (direct and indirect) jobs potentially created over 10 years** following the implementation of the Omnibus for Defence package. No additional financial value benefit is included in the model for these extra jobs created.

Item	Benefit item & its category (A-B-C)	Calculation process (summarised)	Value (year 1, then inflated over time)
a	**Financing costs reduction** – (A)	*1% WACC reduction * total CAPEX*	EUR 94.000.000
b	**Supplemental investments activated** - (B)	*Project value unrealized due to too low IRR * % of project passing approval threshold due to lower WACC*	EUR 141.000.000
c	**Increased access to finance** - (B)	*Total assets under management for Article 8 Funds* 0,4%*	EUR 2.500.000.000
d	**Additional investment in defence projects and companies supported by the InvestEU fund** - (B)	*Until 2027: 1% total annual InvestEU budget guarantee + Defence Equity Facility* *After 2027: 1% maximum budgetary guarantee under next MFF * average InvestEU leverage effect* *Total divided by 10 (to provide an average across the two MFFs)*	EUR 1.174. 000. 000

(69) : EU budget 2028-2034.

(70): According to the results of Garret-Peltier (2017), *Job Opportunity Cost of War.*

e = a+b+c +d	**Total yearly benefits on Access to finance -** (A), (B)		**EUR 3.909.000.000**