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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council

**on a framework of measures for strengthening Europe's semiconductor ecosystem
repealing Regulation (EU) 2023/1782 (Chips Act 2.0)**

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Identification of the problem and EU-level dimension

Semiconductors are a strategic enabling technology for the Union's digital transformation, industrial competitiveness, defence and economic security. The Draghi report highlighted the need for investment in strategic technologies such as semiconductors for the EU's competitiveness and called for a comprehensive EU Semiconductor Strategy. The Evaluation of the first Chips Act and the problem analysis of the Impact assessment of the Chips Act 2.0 demonstrate that, despite significant progress via the first Chips Act, the EU continues to face structural vulnerabilities across the semiconductor value chain. These vulnerabilities stem from overdependence on a limited number of third country suppliers for semiconductor design and manufacturing. As a result, EU-based production accounts for around one fifth of its consumption and key downstream industries remain exposed to external supply shocks. Secondly, the EU's capacity to anticipate, monitor and respond to semiconductor supply disruptions remains insufficient, resulting in insufficient crisis preparedness. Existing mechanisms of the Chips Act rely on voluntary information-sharing outside crisis situations and have not generated the depth and timeliness of supply-chain intelligence required for effective crisis preparedness.

The semiconductor sector is characterised by high capital intensity, long-term investments, high technological risk and strong network effects, resulting in structural market failures. These include underinvestment in manufacturing facilities, limited demand-side pull for advanced technologies, and insufficient supply chain intelligence to anticipate and manage disruptions. Fragmented national measures hinder effectiveness of public intervention.

Given the cross-border nature of semiconductor supply chains, Union-wide potential disruptions and the scale of investment required to compete with major third country public support programmes, problems have a clear EU-level dimension and cannot be effectively addressed by Member States acting alone.

Aim of the initiative

The objective of Chips Act 2.0 is to increase the competitiveness of the European ecosystem to strengthen technological sovereignty and resilience and enhance crisis preparedness to ensure the EU's security of supply and economic security. Building on the first Chips Act, the initiative aims to address these weaknesses and challenges with the objectives of:

- Enhancing the EU's capacity and security of supply in mainstream and advanced semiconductors, including AI chips;
- Developing a strong user market across key industry sectors;
- Increasing intelligence capabilities for crisis preparedness and response.

Options evaluated and preferred option

The impact assessment evaluates a baseline scenario and increasingly ambitious policy options reflecting different degrees of EU intervention. The options range from measures focused on improving framework conditions, to a more comprehensive and strategic approach.

The preferred option (“*Strategic sovereignty*”) would reinforce the existing Chips Act by combining both horizontal and more targeted vertical instruments. Horizontal measures include the increase of R&D&I support, clarification of the first-of-a-kind framework, fast-tracking permitting, measures increasing the attractiveness of semiconductor regions through a ‘Semiconductor Regions of Excellence’ label, the set-up of a Business-to-business platform to enhance transparency and resilience, information requests outside of crisis stages and increased investment in skills. More vertical measures are EU-level Strategic Projects and demand-side measures such as innovation procurement, lab-to-fab accelerators and the incentivising of domestic chips or equivalent in public procurement.

This option provides the most effective and proportionate response to the identified problems, while respecting subsidiarity and minimising administrative burden. It responds to evaluation findings calling for stronger integration between R&I and industrial deployment activities, faster industrialisation pathways and more effective supply chain intelligence mechanisms.

Stakeholders’ support

Consultations indicate broad support for a strengthened EU-level approach. Stakeholders across all groups regard the Chips Act as a timely and necessary response, while reinforcement remains necessary. Semiconductor manufacturers, equipment and materials suppliers, and fabless design companies support stronger coordination and improved access to shared infrastructures. SMEs, start-ups and scaleups highlight the importance of demand-side measures.

Member States feedback supports strengthening coordination and emphasises the need for improved supply chain security and crisis preparedness. Stakeholders also underline the need for a clear EU strategy for maintaining openness in international cooperation.

Benefits and costs of the preferred option

The preferred option is expected to generate economic, technological and strategic benefits relative to the baseline, notably by making available the instruments necessary to invest in advanced semiconductors manufacturing and design ecosystem and packaging in Europe, and to pursue the investment in innovative mainstream semiconductors. These include increased private investment leverage, reduced public investment and utilisation risk for advanced facilities, accelerated innovation-to-market pathways, strengthened EU manufacturing and design, and improved resilience of supply chains. The Evaluation confirms that Chips Act investments have mobilised substantial private capital and improved the EU’s attractiveness as an investment location.

Public costs primarily relate to increased EU and national funding commitments for Strategic Projects, R&D&I support and governance structures. Private sector costs mainly arise from participation requirements and information sharing obligations, which are designed to be proportionate and largely exempt SMEs. Overall, the expected benefits in competitiveness, resilience and security of supply outweigh the costs over the medium to long term.

Impact on SMEs and competitiveness

The preferred option is expected to have a positive impact on SMEs, as the semiconductor industry relies on a network of highly specialised SMEs across the value chain. Increased R&D&I cooperation, Strategic Projects, innovation procurement, and incentives for procurement of domestic chips, create demand, particularly benefiting fabless design SMEs.

From a competitiveness perspective, Chips Act 2.0 strengthens the EU semiconductor value chain. By reducing dependencies and fostering industrial scale-up, the initiative enhances the EU's ability to compete while supporting downstream competitiveness. The Evaluation confirms that EU intervention remains essential for SMEs to compete in a capital-intensive and globalised sector.

Other significant impacts

Environmental impacts are linked to increased manufacturing capacity and resource use. The initiative supports the deployment of energy-efficient technologies and sustainable manufacturing processes, contributing to the EU's climate and sustainability objectives.

Social impacts include the creation of high-skilled jobs, strengthened regional innovation ecosystems and increased demand for advanced skills. Enhanced supply security benefits critical sectors such as automotive, industrial automation, telecommunications, healthcare, aerospace, security, defence and AI infrastructure, contributing to EU societal resilience.

Chips Act 2.0 includes simplification measures aiming to reduce administrative burden, increase predictability and accelerate implementation. Stakeholders and evaluation findings highlighted procedural complexity, lengthy timelines and administrative burden as major constraints on effectiveness and competitiveness. These include time-limited permitting procedures for manufacturing facilities, more legal certainty on scope and better-aligned procedures for First-of-a-kind and Strategic Project designation.

Follow-up

The Commission should carry out an evaluation within four to six years after the date of application of the initiative. Where necessary, the evaluation should be accompanied by proposals to adapt or reinforce the framework considering new technological and geopolitical developments.