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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on a framework of measures for strengthening the Union's semiconductor ecosystem, repealing Regulation (EU) 2023/1781 (Chips Act 2.0)

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(Text with EEA relevance)

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EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

Semiconductors underpin all digital technologies, from smart wearables and cars to medical, defence and mission-critical equipment, and the data centres powering the artificial intelligence (AI) revolution. Since 2020, a series of supply shortages and attempts to economically coerce on the EU have highlighted the fragility of the European semiconductor ecosystem and the vulnerability of its end-user industry. These disruptions have stemmed from global crises such as the COVID-19 pandemic, individual shocks like the Nexperia case, and the persistent structural mismatch between supply and demand in the global market. Together, these factors have exposed how excessive external dependencies can leave entire markets vulnerable.

At the same time, rising geopolitical rivalry, including Sino-American tensions, and the rapid emergence of AI have further underscored the strategic importance of semiconductors. Leading-edge but also mainstream chips have increasingly become a key geopolitical asset, and several choke points have emerged along the global semiconductor value chain. This has accelerated the race to control parts of these choke points.

The growing scale of this industry reflects its geopolitical importance. Semiconductors are the world's third most traded commodity – after oil and vehicles – with global revenues reaching USD 700.9 billion in 2025.[1] The market is expected to surpass **USD 1 trillion by 2026**[2] **and to grow to USD 1.6 trillion by 2030**[3]. As a critical supplier and enabler for nearly all modern industries and the infrastructure that supports them, the semiconductor sector has evolved into a **strategic resource**. In a more transactional and assertive global environment, this position also makes it a potential source of **geopolitical leverage**. Regions lacking significant capabilities in semiconductor design or manufacturing therefore risk becoming dependent on components that others may restrict or condition.

The European Chips Act proposed in February 2022 constituted **the EU's first strategic response to critical vulnerabilities** in the global semiconductor value chain, which were exposed by the COVID-19 pandemic and intensifying global subsidy-driven competition by third countries. The EU decided that **decisive, coordinated intervention was essential** to address structural dependencies in its semiconductor ecosystem and to support the industry. Without substantial investments in research and manufacturing capacity, and without proper crisis-response mechanisms, Europe would remain structurally vulnerable. The Chips Act emerged during a period of **strong focus on the green and digital transitions**, and amid growing European consensus on the need to strengthen the region's **economic competitiveness and reverse declining industrial capacity**. The September 2024 Draghi report would later spell out these concerns, calling for urgent industrial renewal.[4]

The evaluation of the European Chips Act shows that **it has delivered significant outputs.** For instance:

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1 WSTS Semiconductor Market Forecast Spring 2025, https://www.wsts.org/76/103/WSTS-Semiconductor-Market-Forecast-Spring-2025

2 Global Semiconductor Sales Increase Substantially in February, https://www.semiconductors.org/global-semiconductor-sales-increase-substantially-in-february/

3 The next era of semiconductor value creation, McKinsey, https://www.mckinsey.com/industries/semiconductors/our-insights/the-next-era-of-semiconductor-value-creation

4 "The future of European competitiveness", part B, Chapter 3 – Mario Draghi, https://commission.europa.eu/topics/competitiveness/draghi-report_en

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- infrastructures have been set up including competence centres, an embryonic design platform, and five state-of-the-art pilot lines representing some of the most innovative technology infrastructures in the world;
- over EUR 52 billion has been committed in public and private investments committed in ongoing production facilities under Pillar II; and
- a coordination and crisis-response mechanism has been set up under Pillar III via the European Semiconductor Board (ESB), involving all Member States and the Commission.

Despite this considerable progress and the Union's strengths in key segments of the semiconductor value chain, such as mainstream semiconductor production (power electronics, microcontrollers, photonics, sensors), manufacturing equipment and materials, **clear capability gaps remain** that still need to be addressed.

The EU produces less than 10%[5] of global semiconductors and is almost entirely dependent on the United States and Asia for the most advanced and leading-edge chips below 5 nanometres – including AI chips. These structural dependencies heighten the risk of supply disruptions, coercive pressure, and systemic shocks affecting key EU industries, from automotive and energy to aerospace and defence. Overall, semiconductors illustrate the urgency of Europe's **technological sovereignty challenge.**

Technological sovereignty has become a strategic imperative for the EU. The aim is to preserve Europe's ability to choose its own path, reduce excessive dependencies and ensure that critical digital infrastructures and technologies remain secure, resilient and aligned with European values.

The Chips Act 2.0 will therefore be part of the **Technological Sovereignty Package** along with other initiatives such as the Cloud and AI Development Act (CADA).

Europe's approach to technological sovereignty is grounded in openness, partnership and fair competition. Strengthening the EU's technological base enables it to remain open and cooperative while safeguarding its capacity to act independently and protect its interests, security and democratic principles.

In this context, the **two key problems** that the revision of the Chips Act aims to address are:

(a) overdependence on third countries for semiconductor design and manufacturing;

(b) insufficient crisis preparedness capabilities.

Building on the objectives set out in the first Chips Act, and informed by an analysis of these challenges and their underlying drivers, **two overarching objectives for the Chips Act 2.0** have been identified:

(1) Increase the competitiveness of the European semiconductor value chain to improve its technological sovereignty and resilience. This means providing the conditions necessary for EU competitiveness, technological sovereignty and resilience in semiconductor technologies by: (i) accelerating the industrial deployment of research and innovation; (ii) ensuring security of supply; and (iii) reducing strategic dependencies in cutting-edge and mature semiconductor technologies.

[5] IDC, Semiconductors market data by feature size, sector and region, CNECT/2022/MVP/0084 – Second Interim Report. The value chain encompasses IP, EDA, capital equipment, substrates, materials, fabless firms, IDMs, foundries and OSAT providers. Only revenues by EU headquartered companies are considered.

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(2) Enhance crisis preparedness to ensure the EU's security of supply. This means improving the functioning of the internal market by enhancing crisis preparedness and creating a uniform legal framework to protect the Union's economic security and increasing its indispensability, resilience and prosperity in the field of semiconductor technologies.

Increase the competitiveness of the European semiconductor value chain to improve its technological sovereignty and resilience

As the EU becomes increasingly reliant on foreign semiconductor supplies, it is more vulnerable to external coercion, including the potential 'weaponisation' of supply chain dependencies. Without a robust industrial base in semiconductor design and manufacturing, the EU could fail to translate its strong research and innovation ecosystem into productivity gains and the large-scale industrialisation of new technologies.

At the same time, European user industries face significant supply chain uncertainties, prompting higher inventory levels and dampening investment. This, in turn, undermines the overall competitiveness of manufacturing within the EU. Furthermore, dependencies in semiconductor supply chains heighten geopolitical and security risks, particularly in times of crisis when access to critical technologies may be restricted or they may be diverted to other regions.

Against this backdrop, **the initial Chips Act was predominantly supply-driven, but the Chips Act 2.0 places greater emphasis on demand-side measures**. The two dimensions are mutually reinforcing: cultivating robust local demand helps strengthen local semiconductor supply. In this way, the combined expansion of demand and supply contributes to greater industrial resilience, shorter and more secure supply chains, enhanced strategic autonomy, and better alignment between European production capacity and the needs of key industries.

This approach is closely linked to broader EU initiatives, especially CADA, which includes actions to **stimulate demand for cutting-edge AI chips** by developing new data centres across the Union. These measures are expected to generate additional demand for semiconductors that can support the aims and objectives of the revised Chips Act. The **AI Continent Action Plan Communication**[6] outlines how, as part of the broader effort to develop **AI Gigafactories**, the Union aims to achieve strategic autonomy in the design and production of AI semiconductors, reduce dependencies on critical technologies, and strengthen sovereignty in cutting-edge semiconductors.

Strengthening Europe's semiconductor value chain – including in areas critical for AI – is essential to support the Union's strategic objectives. At the same time, boosting Europe's **mainstream semiconductor** production capacity remains indispensable. Mature and specialised nodes are vital for European industrial ecosystems such as **automotive, aeronautics, defence, telecom, and cloud**, where demand for reliable, application-specific chips continues to grow. Strengthening resilience in these segments is therefore essential for safeguarding Europe's industrial base and reducing excessive dependencies. It is equally important to improve Europe's **chip design capabilities** and foster closer cooperation between designers, manufacturers and end-user industries, including through **co-design approaches** that ensure semiconductor solutions are optimised for industrial and strategic applications.

Building on the need to strengthen both supply and demand in the European semiconductor ecosystem, the Chips Act 2.0 also provides for the deployment of **strategic projects** to

[6] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, AI Continent Action Plan, COM(2025) 165, 9.4.2025.

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strengthen key segments of the Union's semiconductor value chain. These projects will be prioritised and supported through a **coordinated mix of public and private investment,** covering sovereign and advanced manufacturing, advanced chip design, and supply-chain resilience. This approach complements the measures described above, strengthens cross-border integration across the value chain, and contributes to enhancing Europe's strategic autonomy and technological sovereignty.

In this context, and under the Competitiveness Coordination Tool (CCT), a **strategic project on advanced manufacturing** will be treated with the highest priority to support the production of AI chips and other semiconductors. The initiative aims to establish the first semiconductor facility in the Union combining leading-edge node manufacturing with chiplet integration and advanced 3D packaging capabilities. Pilot production could be envisaged in the period 2030-2033.

To further increase the resilience of the ecosystem, the scope of the provisions on **first-of-a-kind initiatives are** clarified. These provisions cover the entire semiconductor value chain, including **manufacturing-centred chip design activities, specialty materials, manufacturing equipment, printed circuit boards, advanced packaging and assembly**. First-of-a-kind assessment will also apply to national co-funding for strategic projects in case strategic projects are also identified as first-of-a-kind, in line with competition rules.

The Chips Act 2.0 emphasises quicker **industrialisation of pilot lines**, transforming successful pilot manufacturing facilities into commercially viable manufacturing capabilities. It also adds **photonics and photonic integrated circuits** to the reinforced Chips for Europe Initiative 2.0, as they are key enabling technologies for a wide range of strategic sectors, including telecommunications, data centres, AI, healthcare, automotive and quantum. As the **Chips for Europe Initiative** has demonstrated its vital role in strengthening the Union's leadership in semiconductors research, innovation and industrial deployment. It is therefore essential to continue it. By sustaining proven instruments – such as pilot lines, the network of competence centres, the Design Platform, and quantum chips activities – the Chips for Europe Initiative 2.0 aims to ensure that Europe retains its competitive edge, accelerates commercial-scale production, and maximises the contribution of semiconductor technologies to sustainability and technological sovereignty.

Complementary demand-side measures will also be mobilised to accelerate market uptake of European technologies. **Innovation procurement and grand challenges** will help generate early demand, enable reference deployments and facilitate faster market entry for advanced chips developed in the Union. In addition, public procurement involving semiconductors in infrastructures, equipment or systems may integrate a security of supply related criterion alongside price considerations, where such technologies are deployed in essential services or critical infrastructures. By leveraging public demand in a coordinated manner, these measures will complement supply-side instruments, promote the uptake of secure technologies across the Union, and strengthen the security and resilience of downstream strategic sectors. In line with the Union's climate, environmental and energy objectives, energy-efficient and sustainable chip production and operation should be prioritised. Permitting procedures will also need to be streamlined to accelerate industrial deployment and maintain international competitiveness, in particular on the basis of the Commission proposal for a Regulation for speeding-up environmental assessments. In parallel with Chips Act implementation, and in anticipation of the revision of the Cybersecurity Act, a **cybersecurity risk assessment** will evaluate both technical vulnerabilities and non-technical factors affecting the cybersecurity of semiconductors used in public procurement for specific critical sectors.

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To incentivise regional leadership in the semiconductor value chain, this proposal creates a **European Semiconductor Region of Excellence** label for regions with a robust semiconductor regional investment plan that is aligned with strategic priorities. These include increasing semiconductor manufacturing, R&D collaboration, skills development, and sustainable infrastructure. This would signal to international investors that the region has a high-potential ecosystem for semiconductor-related business.

Enhance crisis preparedness to ensure the EU's security of supply

Despite the monitoring and crisis-response tools created under Pillar III of the first Chips Act, significant gaps remain in the Union's ability to effectively address semiconductor supply crises. The EU still lacks sufficiently developed mechanisms, tools and institutional capacities to anticipate and assess disruptions in a timely and coordinated manner.

To **improve preparedness in the semiconductor supply chain**, the Commission will support the setting up of a **Business-to-Business Semiconductor Supply Chain Platform ('the Platform')**, where companies can share non-commercially sensitive information in an aggregated form. This will help create a digital supply chain model, increasing visibility of structural interdependencies, enabling systematic risk identification and strengthening resilience to disruptions. In the event of alerts, the Commission could request information from individual undertakings and from the Platform. These requests for information must be strictly limited to what is necessary and be proportionate. Undertakings participating in the Platform will be exempt from the obligation to reply to requests for information. In parallel with the Chips Act 2.0 Regulation, the Commission will develop an **EU Blueprint for semiconductor crisis management** by the second quarter of 2027. The Blueprint will set out clear procedures, roles and responsibilities across pre-crisis and crisis phases and will build on the first simulation exercise on semiconductor supply chain disruptions conducted with the Member States in 2025. These efforts will be coherent with the Preparedness Union Strategy and its Action Plan.

- **Consistency with existing policy provisions in the policy area**

Semiconductors are critical enablers of the clean and digital transitions. Their strategic importance for the EU is further amplified by geopolitical tensions, the Union's current overdependence on advanced manufacturing and design, and the increasing weaponisation of these dependencies by third countries. In this context, the Chips Act 2.0 is indispensable for achieving the Commission's political priorities, especially 'A new plan for Europe's sustainable prosperity and competitiveness' and 'A new era for European defence and security'.[7]

The Chips Act 2.0 proposal can be seen as a response to the need for urgent action on semiconductors to safeguard the EU's future as an economic powerhouse, an investment destination and a manufacturing centre, as acknowledged in the **Clean Industrial Deal**,[8] the **Competitiveness Compass for the EU**[9] and the Joint Communication on **Strengthening EU Economic Security**.[10]

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7 Priorities 2024-2029 - European Commission

8 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation, COM(2025) 85, 26.2.2025.

9 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A Competitiveness Compass for the EU, COM(2025) 30, 29.1.2025.

10 Joint Communication to the European Parliament and the Council, Strengthening EU economic security, JOIN(2025) 977, 3.12.2025.

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The proposal is consistent with the overall digital vision, targets and avenues for the EU's successful digital transformation by 2030 as presented in the Commission Communication **The 2030 Digital Compass: the European way for the Digital Decade** (Digital Compass Communication)[11] and the subsequent Commission Decision on the **Digital Decade Policy Programme**,[12] with the specific target on semiconductors. This proposal is intended to help equip the Union with the capabilities that will be needed to deliver on its 2030 target. The review of the Digital Decade Policy Programme is planned for June 2026.[13]

This proposal helps implement the **Semicon Coalition Declaration**, which was signed by the respective ministers of the 27 Members States on 29 September 2025 and calls for a reinforced and forward-looking Chips Act 2.0 to strengthen Europe's position in the global semiconductor value chain.[14]

The proposal also shares some of the objectives of the **Industrial Accelerator Act**,[15] which sets out a framework of measures to strengthen EU competitiveness, accelerate industrial decarbonisation, and boost strategic manufacturing capabilities.

The proposal is broadly consistent with EU initiatives pursuing related objectives, especially the **Digital Europe Programme (DEP), Horizon Europe (HE), the Critical Raw Materials Act (CRMA),**[16] and also the **European Regional Development Fund (ERDF), InvestEU** and **Erasmus+**.

Out of the above-mentioned initiatives, the proposal is particularly consistent with DEP and HE, which serve as the two funding backbones of Pillar I in the current multiannual financial framework. DEP provides support for digital infrastructures, while HE supports upstream research, piloting and demonstration.

Moreover, the proposal also complements the CRMA, as both pursue strategic autonomy by addressing different segments of the value chain: the Chips Act focuses on semiconductor design and manufacturing, while the CRMA targets critical raw materials.

The Chips Act is consistent with the EU's strategic autonomy, economic security and competitiveness agendas. It aligns with the **European Economic Security Strategy[17], dual-use export controls[18], the Foreign Subsidies Regulation[19]** and the **Strategic Technologies for Europe Platform (STEP)**.[20] Together, these instruments reduce strategic dependencies

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11 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2030 Digital Compass: the European way for the Digital Decade, COM(2021) 118, 9.3.2021.

12 Decision (EU) 2022/2481 of the European Parliament and of the Council of 14 December 2022 establishing the Digital Decade Policy Programme 2030, 19.12.2022.

13 Survey opens on the future of the Digital Decade Policy Programme, https://digital-strategy.ec.europa.eu/en/consultations/survey-opens-future-digital-decade-policy-programme

14 Semicon Coalition calls for reinforced Chips Act, https://digital-strategy.ec.europa.eu/en/news/semicon-coalition-calls-reinforced-chips-act

15 Proposal for a Regulation of the European Parliament and of the Council establishing a framework of measures for the acceleration of industrial capacity and decarbonisation in strategic sectors and amending Regulations (EU) 2018/1724, (EU) 2024/1735 and (EU) 2024/3110 ("Industrial Accelerator Act"), COM(2026) 100, 4.3.2026.

16 Regulation (EU) 2024/1252 of the European Parliament and of the Council of 11 April 2024 establishing a framework for ensuring a secure and sustainable supply of critical raw materials and amending Regulations (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1724 and (EU) 2019/1020 ("Critical Raw Materials Act")

17 Joint Communication to the European Parliament, the European Council and the Council on 'European Economic Security Strategy' JOIN (2023) 20 final.

18 Exporting dual-use items - Trade and Economic Security

19 Regulation (EU) 2022/2560 of the European Parliament and of the Council of 14 December 2022 on foreign subsidies distorting the internal market

20 Strategic Technologies for Europe Platform, https://strategic-technologies.europa.eu/index_en

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and strengthen industrial capacity and address distortions caused by foreign subsidies in the Single Market.

The proposal is consistent with European cybersecurity legislation. Certain categories of chips are within the scope of the **Cyber Resilience Act (CRA)**[21], and investments under the Chips Act will aim to further its objectives by building on the strength of the European industry in the secure chips market segment. The proposal will also complement the proposed revision of the **Cybersecurity Act**, by adding a security of supply dimension for the public procurement of semiconductors by critical entities.

The **Industrial Action Plan for the European automotive sector** underscored the importance of the semiconductor industry for an innovative and digitalised automotive sector.[22]

The Chips Act 2.0 is also designed in complementarity with other initiatives such as the Important Projects of Common European Interest (IPCEI). Here, the preparation of the upcoming IPCEI candidate on Advanced Semiconductor Technologies[23] is fully in line with the spirit of the **Chips Act** by addressing first industrial deployments of breakthrough innovations.

The Chips Act 2.0 is designed to be compatible with the current multiannual financial framework (MFF) (2021-2027) and the next MFF (2028-2034), including the European Competitiveness Fund (ECF), Framework Programme 10 (FP10), and the National and Regional Partnership Plans (NRPPs). Its architecture will allow for immediate action and impact under the current MFF, while ensuring continuity and scalability under the next MFF. The proposal does not pre-empt nor prejudge the outcome of the ongoing legislative process on the MFF.

Furthermore, the Chips Act 2.0 is without prejudice to State aid and competition rules, including the R&D&I Framework and the IPCEI Communication, while preserving their distinct objectives. IPCEIs and the R&D&I Framework play a central role in supporting research, development, innovation and first industrial deployment, especially for highly innovative and cross-border projects with strong spillover effects.

Measures under the Chips Act 2.0 will build on this architecture by further clarifying and refining the scope of the first-of-a-kind framework under Pillar II, ensuring that the whole value chain will be covered.

- **Consistency with other Union policies**

The proposal is consistent with EU competition and industrial strategy, as reflected in industrial strategies and the Draghi Report, and it complements the digital and clean transition frameworks.

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21 Regulation (EU) 2024/2847 of the European Parliament and of the Council of 23 October 2024 on horizontal cybersecurity requirements for products with digital elements and amending Regulations (EU) No 168/2013 and (EU) 2019/1020 and Directive (EU) 2020/1828 ("Cyber Resilience Act")

22 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Industrial Action Plan for the European automotive sector, COM(2025) 95, 5.3.2025.

23 The IPCEI candidate AST is currently being designed to build on existing EU initiatives, in particular pilot lines and the European design platform, ensuring continuity and acceleration rather than duplication. Driven by megatrends such as AI, automation, security and sustainability, IPCEI candidate AST may eventually provide a collective European response to disruptive technological change. It could focus on key technology areas including, for example AI chips and accelerators, photonic integrated circuits, heterogeneous integration and advanced packaging, sensors, power electronics, energy-efficient solutions and secure communication, while covering the full semiconductor value chain, including enabling technologies such as EDA, equipment, testing, materials and wafers.

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This proposal will be a part of the **Technological Sovereignty Package** along with the **Cloud and AI Development Act** (CADA) and a **Strategic Roadmap for Digitalisation and AI in Energy**. The Package strives to ensure that the Union retains the capacity to decide autonomously, act effectively, and shape global technological developments, while remaining open, competitive, and committed to international cooperation and rules.

Coordination will be needed between the Chips Act and the proposed **European Competitiveness Fund (ECF)**[24] and the upcoming **Quantum Act**.[25] Consistency with the Quantum Act will provide an opportunity to establish a comprehensive European quantum policy framework that makes the most of synergies across multiple instruments.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

As with the first Chips Act, the legal bases for the Chips Act 2.0 Regulation are Article 173(3) and Article 114 of the Treaty on the Functioning of the European Union (TFEU). The Union must contribute to the achievement of the objectives set out in Article 173(1) through the policies and activities it pursues. Article 173(1) TFEU notes that the objectives are to ensure that the conditions necessary for the competitiveness of the Union's industry exist. In accordance with a system of open and competitive markets, this action aims to: (i) speed up adjustment of industry to structural changes; (ii) encourage an environment favourable to initiative and to the development of undertakings throughout the Union, particularly small and medium-sized undertakings; (iii) encourage an environment favourable to cooperation between undertakings; and (iv) foster better exploitation of the industrial potential of policies of innovation, research and technological development. The objective of Article 114 TFEU is the establishment and functioning of the internal market by adopting measures for the approximation of national rules.

The Chips Act 2.0 builds on the objectives of the current Chips Act Regulation. The first specific objective of the Chips Act 2.0, underlying Pillar I, is creating large innovation capacities and the adequate technological capabilities in the semiconductor industry to accelerate and adjust to innovation. In addition, underlying Pillars II and III, the Regulation aims to increase the Union's resilience and security of supply in the field of semiconductor technologies by supporting and coordinating investment in advanced semiconductor manufacturing (Pillar II) and enabling coordinated monitoring and crisis response (Pillar III).

The appropriate legal basis for the first objctive is Article 173(3), of the TFEU. In the case of Article 173(3) TFEU, actions taken should not entail the harmonisation of national laws and regulations but strengthen the competitiveness and resilience of the semiconductor industrial base. The Chips Act 2.0 aims to bolster the strength and resilience of the European semiconductor technology and industrial landscape, boosting the innovation potential of the semiconductor ecosystem throughout the EU. This includes reducing reliance on a small set of non-EU companies and regions and expanding the EU's ability to design and manufacture advanced semiconductors. The Chips for Europe Initiative (Pillar I), which will continue to be supported through the new legislative action, is intended to help achieve these goals by

[24] Proposal for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund ('ECF'), including the specific programme for defence research and innovation activities, repealing Regulations (EU) 2021/522, (EU) 2021/694, (EU) 2021/697, (EU) 2021/783, repealing provisions of Regulations (EU) 2021/696, (EU) 2023/588, and amending Regulation (EU) [EDIP], COM(2025) 555, 16.7.2025

[25] Commission invites contributions to shape future EU Quantum Act, https://digital-strategy.ec.europa.eu/en/news/commission-invites-contributions-shape-future-eu-quantum-act

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closing the gap between the EU's research excellence and its effective, sustainable industrial deployment.

- **Subsidiarity (for non-exclusive competence)**

The objectives of the proposal cannot be achieved by Member States acting alone, as the problems are of a cross-border nature, and are not limited to single Member States or to a subset of Member States. The proposed actions focus on areas where there is a demonstrable value added in acting at Union level due to the scale, speed and scope of the efforts needed.

Providing a comprehensive response to the semiconductor crisis requires rapid and coordinated joint action from a variety of stakeholders, in cooperation with Member States. No single Member State can achieve this alone. Moreover, given the complexity of the semiconductor ecosystem, the consequence of the Union's structural dependencies and demand and supply shortages are so far-reaching that EU intervention is best placed to address these issues.

Action at Union level is clearly best suited to driving European actors towards a common vision and implementation strategy. This is key to generating economies of scale and of scope and producing critical mass necessary for cutting-edge capacities. It will also limit, if not prevent, fragmentation of efforts, subsidy races, and suboptimal national solutions.

Union action is needed in the areas that this proposal addresses through its three pillars.

- With regard to the first pillar (Chips for Europe Initiative 2.0), the reinforced Chips for Europe Initiative 2.0 will continue to support the activities of the Chips for Europe Initiative set up under the first Chips Act. This means large-scale technological capacity building and innovation throughout the Union to enable the development and deployment of cutting-edge and next-generation semiconductor and quantum technologies and to address Europe's chronic structural weaknesses in design and production. After **two successful Important Projects of Common European Interest (IPCEIs)** on microelectronics, which support cross-border innovative projects across the microelectronics value chain, a possible **third IPCEI** in this field is being designed. These initiatives are of strategic importance for the sector. However, at this stage, they are unlikely alone to sufficiently address capacity building in the form of pilot lines and design infrastructures. These need to be made widely available to all interested third parties across Europe and will also enable the Union to play a stronger role in a global and interdependent ecosystem. These large-scale facilities can only be delivered at Union level due to the scale of investments and know-how necessary.
- Regarding the second pillar (Security of supply and demand), actions aimed at accelerating **investment in semiconductor manufacturing** can only be adequately designed and implemented at Union level. This is because of the scale of the investments needed and because, by definition, these manufacturing facilities will serve the entire internal market, strengthen the whole ecosystem, and guarantee security of supply in crises. Additionally, **strategic project** measures would be developed by fostering a mix of public and private investment with a high private lever.
- In relation to the third pillar (Monitoring and Crisis Response), enhanced **Union cooperation** will ensure necessary and comparable intelligence gathering. Together, Member States and the Commission will be able to anticipate shortages, activate the crisis stage in a situation of severe shortage and put in place the necessary measures

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to **address such a crisis** in more effective ways than through a patchwork of national measures.

- **Proportionality**

The proposal is designed to strengthen Europe's semiconductor ecosystem through: (i) short-term preparedness and monitoring to increase the transparency of semiconductor supply chains; (ii) mid-term security of supply actions to enhance semiconductor production capacity in Europe; and (iii) longer-term technology and innovation leadership actions to set up design and production facilities for advanced and emerging semiconductor technologies.

In this context, the proposal focuses on those parts of the semiconductor ecosystem that contribute most to the resilience of the Union's supply chain.The focus on the semiconductor ecosystem itself – rather than the larger electronics components and systems domain, or application areas using semiconductors and/or electronics components and systems – is intended to limit actions to one of today's most crucial pain points for the European economy and society at large.

The Chips for Europe Initiative 2.0 puts in place the mechanisms necessary for ensuring the longer-term competitiveness and innovation capacity of European industry through: (i) research and design capabilities, (ii) pilot lines for testing and experimentation, (iii) capacities for quantum chips and photonic integrated circuits, (iv) competence centres, and (v) a fund for start-ups, scale-ups and SMEs.

The new security of supply actions to enhance the Union's semiconductor production capacity in Pillar II can recognise a facility as a European Semiconductors Technology Initiative. On the basis of this recognition, Member States are required to ensure that permits for these facilities and foundries are granted through fast-track procedures.

The new preparedness actions in Pillar III are based on monitoring and information exchange by Member States and the Union to anticipate disruptions in the supply chain. In the event of (anticipated) disruptions, coordinated measures may be taken to mitigate or prevent semiconductor shortages and other disruptions.

- **Choice of the instrument**

A regulation is considered the most appropriate instrument as it makes it possible to set requirements that apply directly to national authorities and relevant economic operators. This will help ensure that the requirements are implemented in a timely and harmonised way, leading to greater legal certainty and ensuring continuity with the first Chips Act.

The proposal takes the form of a Regulation of the European Parliament and of the Council. This is the most suitable legal instrument for Pillar I of the proposal setting up the Chips for Europe Initiative 2.0. This is because only a regulation, with its directly applicable legal provisions, can provide the degree of uniformity needed to continue and operate a Union initiative aimed at supporting an industrial sector across the internal market. The choice of a regulation as a legal instrument for Pillar II is justified by the need for uniform application of the new rules, in particular the definition of European semiconductor technology initiatives and strategic projects, and a uniform procedure for to recognise and support them. Additionally, a regulation is the most suitable instrument for Pillar III, as this part should provide for a mechanism to anticipate and address serious disruptions to semiconductor supply in the Union. Also, this mechanism should not require transposition through national measures and will be directly applicable.

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3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

In accordance with Article 40 of the Chips Act Regulation, the Commission submitted a first report on the evaluation and review of the Regulation to the European Parliament and the Council by 20 September 2026. The purpose of the evaluation was to produce a critical, unbiased and evidence-based judgement of the progress of the Chips Act and its ability to strengthen the Union's semiconductor ecosystem[26].

The evaluation covered the three pillars of the Chips Act and cross-pillar elements. It examined the impact of the Chips Act on the economy, governance and social factors, and included an impact assessment on the Chips Act 2.0. It identified and quantified the costs and benefits of the Chips Act under each pillar. It also outlined the lessons learnt from its implementation and highlighted persisting and emerging issues affecting the functioning of the Regulation. It covered the period from the entry into force of the Chips Act on 21 September 2023 until the end of November 2025.

The evaluation concluded that **the Chips Act has been key to creating a European regulatory and policy framework for semiconductors** that did not previously exist and doing so in a short period of time. It mobilised substantial public and private investment, introduced state-of-the-art EU-level infrastructures and put in place governance mechanisms for coordination and crisis preparedness. Stakeholder confidence in the overall strategic direction remains high, and the Act is widely perceived as a necessary response to geopolitical, technological and economic pressures.

At the same time, **the transition from output delivery to system-wide results and impacts is still ongoing**. The main constraints are structural and economic rather than operational. They relate to the Union's ability to industrialise innovation, finance scale-ups, reinforce supply chain resilience and generate system-level intelligence.

The Act has been **instrumental in building technology infrastructures and early-stage manufacturing capacity**. The creation of EU-level pilot lines, competence centres and shared infrastructures has ensured coordinated effort. These initiatives are already improving access to advanced tools and support strong cross-border collaboration. The impact of other components (namely, quantum chip pilots and the design platform) will only become apparent at a later stage. In any case, a wide range of stakeholders recognise the Act's contribution to strengthening Europe's R&I base and improving coordination across Member States.

By contrast, **progress in manufacturing deployment and subsequent increased strategic autonomy is still at an early stage**, partly due to long lead times between investment decisions and actual production in fabs. Europe remains structurally dependent on non-EU suppliers in critical segments, particularly at advanced technology nodes. The loss or delay of major investment projects also demonstrates that sovereignty has not yet materially improved.

Across the evaluation criteria, **the lab-to-fab gap emerges as a major challenge**. The Act has already managed to move technologies to higher readiness levels, and – considering its recent entry into force – stable pathways to volume manufacturing are expected to materialise in the coming years. Many outputs operate effectively at a technical level and will generate the industrial capacities required to secure European supply later on. The challenge

[26] Link to the SWD Annex of the Evaluation Report

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confronting the EU is no longer primarily innovation generation, but **industrialisation and scale**.

The evaluation also found that **limited private capital continues to restrict the scaling of European semiconductor firms**. The Act mobilised unprecedented levels of public funding, but private investment (particularly late-stage and institutional investment) remains insufficient compared to competing regions. Support for scale-ups is constrained by structural features of the European financial system, including the lack of a real Capital Market Union, existing rules for pension funds and conservative investment practices. This weakens European value capture and incentivises scale-ups to relocate or sell the business to non-EU firms. The Act has improved early-stage innovation capacity, but the budget allocated to the (EIC Accelerator part of the) Chips Fund was used up in its first two years and has proven insufficient. Thematic instruments with patient capital are necessary to help semiconductor start-ups scale up, and broader measures must be conceived to create the conditions required for high-potential technology businesses to emerge.

In addition, the evaluation found that current **EU-level instruments to address security of supply and economic security vulnerabilities are useful, but should be further strengthened**. On the one hand, manufacturing deployment is shaped primarily by industry investment decisions supported through national funding frameworks. Demand-side weaknesses further undermine resilience. On the other hand, fragmented markets, low volumes in key sectors and limited procurement coordination reduce the commercial viability of European production. Without demand aggregation and reliable market signals, new capacity risks being underutilised.

Finally, the evaluation concluded that **the EU's insight into EU and global semiconductor supply chains is too limited to support strong crisis preparedness**. The ESB substantially improved coordination, and early-warning mechanisms were initiated. However, a more integrated approach to monitoring across materials, equipment, design tools and downstream users should be considered. Data collection remains fragmented and sensitive, limiting the ability to anticipate disruptions. Pillar III therefore provides only partial system-level visibility.

Overall, the Chips Act has delivered quickly and credibly on its initial goal of building European capacity. However, effectiveness in terms of autonomy and resilience depends on whether Europe can now convert infrastructures into industrial output, innovation into scale and coordination into actionable intelligence.

- **Stakeholder consultations**

In line with the Better Regulation Guidelines, the Commission carried out a comprehensive stakeholder consultation process, with the aim of collecting reliable information using a range of methods, consulted parties and tools.

The Commission ran multiple activities: a **public consultation** between 5 September 2025 and 28 November 2025 (105 responses and 39 position papers submitted); a **call for evidence** for the impact assessment (209 responses and 85 position papers submitted); a targeted **stakeholder survey** (64 responses); **interviews** (with respondents representing a broad, strategically selected spectrum of organisations involved in or affected by the European semiconductor ecosystem); **16 thematic workshops** conducted between September and December 2025 with the participation of various stakeholders across the European

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semiconductor ecosystem; **six workshops with Member States** conducted between January and March 2026.

Stakeholders highlighted an overdependence on non-European suppliers, particularly for high-performance chips. Key obstacles to developing an EU AI-chip value chain include insufficient manufacturing capacity, limited investment instruments, shortages of skilled workforce, and weak domestic demand from hyperscalers and AI companies. Structural cost disadvantages were also noted across the value chain: EU-based fabs face higher construction and operating costs, longer permitting and build-and-commission timelines, and weaker agglomeration effects compared to competitors in East Asia.

Financing constraints further exacerbate these challenges. A lack of venture capital and risk finance was identified as a major barrier for design firms, while integrated device manufacturers and other production-oriented firms pointed to lengthy permitting procedures and high energy costs as significant impediments. In addition, systemic barriers persist in the form of late-stage financing gaps, fragmented governance, and dependence on non-EU foundries, which hinder firms' ability to scale prototypes into commercial products – an issue confirmed through the public consultation.

Skills shortages emerged as a cross-cutting concern among stakeholders. It was emphasised that semiconductor skills pipelines require decade-long investment horizons, yet many relevant programmes operate on shorter budgetary cycles, limiting their longer-term impact. Stakeholders also pointed to room for improvement in terms of coordination between the EU and the national levels.

The results of the public consultation are summarised in the factual summary report published with the answers to the call for evidence on the 'Have your say' portal.

- **Impact assessment**

In line with the Better Regulation Guidelines, this regulatory proposal is based on an impact assessment that analyses the problem and subproblems related to the need to strengthen the competitiveness of the EU's semiconductor ecosystems. The impact assessment identifies possible policy options to address problem drivers and assesses their likely impacts. The impact assessment was structured to reflect the consultation of the Commission's Inter-Service Steering Group on the Chips Act 2.0.

The impact assessment received a negative opinion from the Regulatory Scrutiny Board (RSB) on 28 January 2026. The Board recommended to:

- further developing the analysis of the problem, including a more comprehensive assessment of current and required EU capabilities and production capacities across critical elements of the semiconductor value chain, for both mature and leading-edge chips;
- clarifying and better defining the objectives, particularly with regard to the level and scope of the technological sovereignty sought for different types of chips;
- strengthening the intervention logic by clearly demonstrating how different measures relate to each other, including supply-side and demand-side instruments, and how these collectively contribute to achieving the desired level of sovereignty;
- defining the proposed measures in greater detail to allow their impact to be properly assessed, including clearer information on the overall costs of the intervention, their

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distribution of those costs and the risks related to potential inefficiencies in the allocation of resources; and

- improving transparency regarding the uncertainties linked to the next MFF and providing a more thorough analysis of the consistency of the measures with existing and forthcoming policy initiatives.

All the above-mentioned points were addressed as fully as possible. When the revised impact assessment was resubmitted, the Board issued a positive opinion with reservations on 30 March 2026. The Board's reservations related to the following aspects:

- the measure to incentivise trusted chips is not described in sufficient detail for its impact to be properly assessed;
- the report does not sufficiently analyse consistency with existing and forthcoming policy initiatives and instruments and does not clearly explain how the interplay between supply-side and demand-side measures will ensure synergies;
- the analysis of the risk of allocating resources inefficiently is not sufficiently developed.

The Board's opinions, the final impact assessment and the executive summary are published together with this proposal.

The impact assessment is built around a set of three specific objectives that tackle the problem drivers identified. It sets out three policy options for each specific objective, based on the level of policy intervention, the scope, efficiency and coherence, as well as the proportionality and subsidiarity principles.

Policy option 0 (PO0) would involve continuing to implement the current Chips Act without any modification. It would maintain the existing R&D&I programme under Pillar I and maintain the same approach to supporting investments through State aid (using the 'first-of-a-kind' framework under the existing State aid rules). There would be no additional Union budget under Pillar II. Under Pillar III, it would maintain the current crisis-response mechanism, which operates using a voluntary data-gathering regime from the private sector (except in a crisis). This policy option would not include any policy measures going beyond the scope of the existing Chips Act.

Policy option 1 (PO1) – the horizontal ('market-enabling') policy approach – would focus on improving overall framework conditions. This would involve increased support for research, development and innovation, investing in skills and creating a favourable investment environment. **No additional Union-level funding would be introduced for mass-scale manufacturing and design, notably for AI chips**. Under this approach, in the long term the EU would rely on attracting non-EU suppliers capable of fabricating leading-edge chips, and global design companies.

Policy option 2 (PO2) – the **vertical ('proactive') industrial policy approach –** would build on the horizontal measures but complement them with targeted financial interventions, in particular through **strategic projects** that may be supported under the proposed **European Competitiveness Fund**. This approach builds on European technological assets created under of the first Chips Act, in particular pilot lines, and translates them into industrial deployment. By introducing a clear EU-level dimension to funding industrial projects and enabling cross-border, value-chain-wide investments, this approach would aim to reduce fragmentation while strengthening Europe's competitiveness, resilience and technological sovereignty. The added value would be in the attempt to create 'made in Europe' technology.

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Overall, **the preferred option is PO2**, as it provides the most effective and proportionate response to the problems identified, 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.

- **Regulatory fitness and simplification**

The preferred policy option (PO2) delivers simplification by introducing a coordinated EU-level framework for strategic projects. A single project pipeline for large-scale semiconductor investments prevents the duplication of administrative steps and repetitive documentation. The clarification of the 'first-of-a-kind' scope further simplifies first-of-a-kind procedures for both Member States and companies. Additionally, the concept of a European Chips Infrastructure Consortium ('ECIC') will be deleted under the Chips Act 2.0 for the sake of simplification, as it was never used under the current Act. Another efficiency gain stems from faster and more predictable permitting procedures. Permitting and design phases for advanced semiconductor facilities in the EU are on average 7.5 months longer than in key competing jurisdictions. Assuming that each year of delay adds around 5% to the total project cost, this implies an additional cost of approximately 3.125% of the overall investment. By way of example, this would correspond to around EUR 625 million for a EUR 20 billion advanced fabrication plant. By reducing iterative exchanges with authorities and clarifying permitting pathways, PO2 generates substantial implicit cost savings that outweigh compliance-related costs. Another benefit of simplification is created by replacing ad hoc crisis-driven information requests with a structured **Business-to-Business Semiconductor Supply Chain Platform**. This reduces duplication and improves coordination across Member States.

Under the 'one-in-one-out' approach, PO2 creates a limited additional administrative burden and it is largely offset by structural simplification. New 'INs' for businesses consist primarily of disclosures of supply chain vulnerabilities. These are estimated at up to 10 person-days per request, corresponding to approximately EUR 2783 per large firm, with total costs of up to EUR 1.34 million per request in a full-coverage scenario. This burden is counterbalanced by 'OUTs' in the form of fewer urgent and duplicative crisis-related data calls, streamlined information exchange and reduced internal monitoring effort due to market-intelligence activities being partially outsourced to the Platform. Businesses face a net administrative burden, consisting of starting participation in the Platform and disclosures. However, these will be largely offset by the security of supply that this data sharing will bring about. Additionally, in the first stage, assessments will only be made on a qualitative basis unless there is a formal crisis.

- **Fundamental rights**

Article 16 of the Charter of Fundamental Rights of the European Union ('the Charter') provides for the freedom to conduct a business. The measures under Pillars I and II of this proposal create capacity for innovation and promote the security of supply of semiconductors, which can reinforce the freedom to conduct a business in accordance with Union law and national laws and practices. Nevertheless, some measures under Pillar III needed to address the fact that serious disruptions to semiconductor supply in the Union could temporarily limit the freedom to conduct a business and the freedom of contract, protected by Article 16, and the right to property, protected by Article 17 of the Charter. Any limitation of those rights in this proposal will, in accordance with Article 52(1) of the Charter, be provided for by law, respect the essence of those rights and freedoms, and comply with the principle of proportionality.

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The obligation to disclose specific information to the Commission, provided that certain conditions are met, respects the essence of, and will not disproportionately affect, the freedom to conduct a business (Article 16 of the Charter). Any information request serves the objective of general interest of the Union as it allows potential measures for mitigating a semiconductor shortage crisis to be identified. These information requests are appropriate and effective in order to attain the objective as they provide the information necessary to assess the crisis at hand. The Commission, in principle, only requests information from representative organisations. It may additionally issue requests to individual undertakings only if it is necessary. In light of the serious economic and societal consequences of semiconductor shortages, and the respective importance of mitigation measures, information requests are proportionate to the desired aim. Furthermore, the limitation on the freedom to conduct a business and the right to property are offset by appropriate safeguards. Any request for information may only be launched in a situation of crisis in which the Commission has activated the crisis stage through an implementing act.

The obligation to accept and prioritise priority-rated orders respects the essence of, and will not disproportionately affect, the freedom to conduct a business and the freedom of contract (Article 16 of the Charter), and the right to property (Article 17 of the Charter). This obligation serves the objective of general interest of the Union as it ensures critical sectors affected by supply disruptions due to a semiconductor shortage can continue to operate. The obligation is appropriate and effective in order to attain this objective as it ensures that available resources are preferentially utilised for products supplied to these sectors. No other measure is as effective. In a situation of crisis, it is proportionate to oblige certain undertakings to accept and prioritise certain orders. Those undertakings include semiconductor manufacturing facilities that have applied to be recognised as 'European semiconductor technology initiatives'; other semiconductor manufacturing facilities which have accepted such a possibility in return for receiving public support; or undertakings along the semiconductor supply chain which have been subjected to a priority-rated order from a third country to the extent that the security of supply to critical sectors is affected. Appropriate safeguards ensure that any negative impact of the prioritisation obligation on the freedom to conduct a business, the freedom of contract or the right to property does not amount to a violation of those rights. Any obligation to prioritise certain orders may only be launched in a situation of crisis in which the Commission has activated the crisis stage through an implementing act. The undertaking concerned may ask the Commission to review the priority-rated order if it is unable to perform the order or if performing the order would place unreasonable economic burden on it and entail particular hardship. Furthermore, the subject of the obligation is exempt from any liability for damages for breaching contractual obligations resulting from compliance with the obligation.

4. BUDGETARY IMPLICATIONS

Budgetary implications relate to staffing of Commission departments and support for setting up a Business-to-Business Semiconductor Supply Chain Platform. The proposal requires human resources for the tasks in the proposal that would be under the responsibility of the Commission. Some of the tasks can be implemented by redeploying existing staff currently working on similar tasks, e.g. related to programme supervision, stakeholder liaison, and reporting for research & development and capacity-building activities under Pillar I. Additional staff will be needed to carry out other tasks, e.g. supervising strategic projects, including monitoring milestones and deliverables; compliance checks (State aid, procurement); cross-border coordination with Member States; administrative (non-fiscal) oversight; and reporting to Council/Parliament. In addition, the proposal implies additional

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tasks related to the Business-to-Business Semiconductor Supply Chain Platform, e.g. monitoring semiconductor supply chains; analysis and crisis preparedness functions; handling requests for information (RFIs) and checking and aggregating data during the pre-crisis stage; and cross-sector coordination with industry stakeholders.

Support for setting up and operating a Business-to-Business Semiconductor Supply Chain Platform requires operational expenditure in the order of EUR 70 million. The Commission would provide the support for the platform.

Further details regarding budgetary implications are provided in the Legislative, Financial and Digital Statement annexed to this proposal.

In addition to the budgetary implications mentioned above operational and administrative budgets for implementing the Chips for Europe Initiative 2.0 and strategic projects in the MFF 2028-2034 can only be requested at a later stage.

5. OTHER ASPECTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The Commission will be responsible for monitoring the implementation of the intervention on a regular basis. This may be supported by external studies and Member State and market data. The Commission will carry out a comprehensive evaluation of the effectiveness, efficiency, coherence, proportionality, and subsidiarity of the Chips Act 2.0. **An evaluation report** presenting the main findings will be submitted to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions within **four to five years** of the date of application of the legislative act. Where appropriate, the Commission may accompany this report with proposals for improving or adapting the Chips Act 2.0.

This review mechanism follows the approach established under the first Chips Act. It ensures continuity, comparability of results, and a long-term perspective on policy results. The Commission, in close cooperation with the Member States, will regularly monitor the implementation and application of the legal provisions, paying particular attention to the effectiveness of the measures adopted. Monitoring activities will rely on quantitative and qualitative indicators, drawing from data provided by stakeholders across the semiconductor value chain, Member States, and relevant EU bodies. The overall success of the initiative will be assessed using evidence of strengthened **security of supply**. This will include progress in relevant measurable aspects such as the EU's share of global semiconductor production and changes in market concentration. The implementation of the Chips Act 2.0 and its accompanying measures will allow the specific objectives, expected benefits and related impacts to be systematically tracked.

In order to conduct the evaluation, Member States and national competent authorities will provide necessary and relevant information to the Commission at its request.

- **Detailed explanation of the specific provisions of the proposal**

1.1. Chapter I – General Provisions

Chapter I lays out the subject matter of the Regulation. It also sets out the definitions used throughout the instrument. The Regulation continues and further develops the Chips for Europe Initiative (now Chips for Europe Initiative 2.0). Under Pillar I it creates the conditions necessary to strengthen the Union's capacity for industrial innovation and sets out demand stimulation measures. Under Pillar II it sets the criteria for recognising European

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semiconductor technology initiatives that are first-of-a-kind initiatives and strategic projects that foster the security of supply and the resilience of the Union's semiconductor ecosystem. Under Pillar III it sets out measures for improving the coordination mechanism between the Member States and the Commission, which was originally established under Regulation (EU) 2023/1781 (Chips Act).

1.2. Chapter II – Chips for Europe Initiative 2.0

Chapter II focuses on the Chips for Europe Initiative 2.0, which aims to reinforce the Union's competitiveness, resilience and capacity for innovation. By investing in the Chips for Europe Initiative 2.0, the Union should become more effective at turning its research and technology developments into demand-oriented, application-driven, secure and energy-efficient semiconductor technologies of the highest quality. At the same time, the Union should provide an opportunity for its supply industry to benefit from those investments.

To this end, this Chapter includes the general provisions and objectives of the Chips for Europe Initiative, which was originally established under Regulation (EU) 2023/1781. The Chips for Europe Initiative 2.0 aims to support large-scale capacity building throughout the Union in existing cutting-edge and next-generation semiconductor technologies. The Chips for Europe Initiative 2.0 now comprises six components: (1) design capacities for integrated semiconductor technologies; (2) pilot lines for preparing innovative production, and testing and experimentation facilities; (3) advanced technology and engineering capacities for accelerating the development of quantum chips; (4) a network of competence centres and skills development; (5) 'Chips Fund' activities for access to capital by start-ups, scale-ups and SMEs; and (6) building and strengthening advanced design, prototyping, and industrial deployment capacities for photonic integrated circuit technologies across the Union. The Chips for Europe Initiative 2.0 puts a strong focus on industrialisation and demand stimulating measures such as Grand Challenges, Demand Forum and Demand Accelerators.

The Chips for Europe Initiative 2.0 is to be supported by funding from HE and DEP under the current MFF, in particular the new Specific Objective 6, of DEP and implemented in accordance with the Regulations establishing those programmes and, where relevant and without prejudice to the MFF negotiations, their successors.

The Regulation provides for a procedural framework to facilitate combined funding by Member States, without prejudice to State aid rules, the Union budget and private investment.

The Chapter also includes provisions on implementation. Implementing the Chips for Europe Initiative 2.0 will also be primarily entrusted to the Chips Joint Undertaking and, where applicable, to the joint undertaking or any other similar entity or initiative succeeding it established by Union law under a subsequent Multiannual Financial Framework. The technical description of the actions is provided in Annex I. Annex III includes measurable indicators to monitor implementation and to report on the Chips for Europe Initiative 2.0's progress towards achieving its objectives. The Commission is empowered to adopt delegated acts to amend the list of measurable indicators. The Chips for Europe Initiative 2.0 builds on Europe's existing strengths in the global semiconductor value chain and increases synergies with actions currently supported by the Union and Member States. Therefore, in order to maximise its positive impacts, the Chips for Europe Initiative 2.0 should allow synergies to be created with the Union programmes described in Annex IV.

1.3. Chapter III – Security of Supply and Demand

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Section 1 of Chapter III sets out the framework for European semiconductor technology initiatives and strategic projects. The Commission may recognise projects within the semiconductor value chain in the Union or in a third country as strategic projects, where the projects meet the following criteria: they create EU added value by substantially contributing to objectives of common Union interest; they have a clear cross-border dimension; they contribute to improving the indispensability, resilience and prosperity of the Union's semiconductor value chain; and they contribute to significantly increasing European technological sovereignty and technological leadership.

Technological areas identified as potential areas for the recognition of strategic projects are set out in Annex II.

Section 2 of this Chapter sets out provisions for fast-tracking permit-granting procedures for European semiconductor technology initiatives and strategic projects. It also describes the use of European Business Wallets as single access portals for submitting a single permit application for European semiconductor technology initiatives and strategic projects.

Section 3 of Chapter III describes the objectives of the Semiconductor Region of Excellence label, and sets out the vision and scope of the European Semiconductor Region Investment Plan.

Section 4 of Chapter III focuses on measures to increase supply chain resilience, namely for the public procurement of critical infrastructures and in certain sectors of the economy identified as risk-prone sectors.

1.4. Chapter IV – Monitoring and Crisis Response

Chapter IV contains a mechanism for coordinated monitoring of the semiconductor value chain and responding to disruptions to the supply of semiconductors that have an impact on the proper functioning of the internal market.

Section 1 sets out a comprehensive strategic mapping system for the EU's semiconductor sector, designed to identify vulnerabilities, dependencies, and future needs to increase supply chain resilience. The Commission, in collaboration with the ESB, must conduct an in-depth analysis covering critical aspects. These include key semiconductor-dependent industries and infrastructures (e.g. the healthcare, defence, and digital sectors), supply chain segments (from design to manufacturing and materials), technological dependencies (particularly on third countries), skills shortages, and potential risks, including those arising from underinvestment or geopolitical disruptions. The mapping also assesses the possible impacts of crisis interventions (e.g., priority-rated orders or export controls under Articles 41-43). The results are regularly shared with the ESB to inform policy decisions.

To proactively monitor risks, the Commission must develop and regularly update a list of early-warning indicators (e.g. supply bottlenecks, demand surges, or geopolitical tensions) based on the mapping's findings. The process relies primarily on publicly available data and non-confidential industry inputs. However, the Commission can request additional voluntary information from semiconductor firms if gaps exist, using standardised, secure channels to protect confidentiality. All data collected is handled under strict confidentiality rules (Article 50), and the Commission provides guidance to ensure consistent and secure information-sharing. The framework and methodology for the mapping are also periodically reviewed to adapt to evolving sectoral challenges. Ultimately, this system aims to anticipate disruptions, guide strategic investments and strengthen the EU's semiconductor autonomy.

Section 1 also describes the set-up and objectives of the Business-to-Business Semiconductor Supply Chain Platform. The Platform will be a digital twin of the semiconductor supply chain with the objective of increasing its transparency and resilience. The legal representative of the

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Platform will inform the Commission of current or expected disruptions to the semiconductor supply chain.

Section 2 provides the rules for activating the semiconductor crisis stage and details the emergency measures that can be used to respond to the crisis.

The first aspect is the obligation on national competent authorities to alert the Commission as soon as possible if they identify a risk of serious supply disruption or other credible threats to semiconductor availability. This triggers a preventive phase, where the Commission must act swiftly by convening an extraordinary meeting of the ESB. The ESB's role includes assessing the severity of the disruption, including by issuing preventive requests for information and discussing whether to initiate a formal crisis procedure. Additionally, the Commission may consult third countries to seek cooperative solutions and ask national authorities to evaluate the preparedness of key market players.

If joint procurement is deemed necessary, it must comply with EU public procurement rules (Directives 2014/23/EU, 2014/24/EU and 2014/25/EU), ensuring transparency and competition. Information gathering is another critical tool. The Commission can issue preventive requests for information from the Business-to-Business Semiconductor Supply Chain Platform, with safeguards for sensitive commercial information. The Commission may also issue preventive requests for information to individual companies if they are not participating in the Platform. Responses are shared with the ESB and relevant Member States, ensuring collective awareness.

The framework escalates to a crisis stage only if two conditions are met: (1) serious supply chain disruptions causing significant shortages; and (2) severe impacts on critical sectors (e.g., healthcare, defence, or digital infrastructure) that threaten societal, economic, or security stability. The Commission, after consulting the ESB, may propose activating the crisis stage to the Council, which decides by qualified majority. The crisis stage lasts up to 12 months, with possible extensions if justified, and requires regular reporting to the ESB and European Parliament. During this phase, Member States must coordinate national measures through the ESB to avoid fragmented responses. Once the crisis ends, the Commission must update supply chain monitoring within six months, incorporating the lessons learnt. The provisions governing the activation of the crisis stage remain unaltered from those established in the Chips Act, as a result of co-legislators agreement, and remain fit for purpose.

Section 3 sets out the measures needed to address semiconductor crises in the Union.

Under Article 41, the Commission can demand production and disruption data from semiconductor supply chain companies to assess the crisis and potential solutions. Requests must be strictly necessary and cannot compromise national security.

Article 42 allows the Commission to oblige semiconductor manufacturers to prioritise orders for crisis-critical products, overriding existing contracts.

Article 43 introduces common purchasing, where the Commission acts as a central buyer for multiple Member States facing severe shortages. This mechanism strengthens negotiating power and prevents EU countries competing for limited supplies.

The Commission is empowered to activate the crisis stage by means of an implementing act when there is concrete, serious and reliable evidence of a semiconductor crisis. A semiconductor crisis occurs when there are serious disruptions to the supply of semiconductors, leading to significant shortages. They lead to significant negative effects on one or more important sectors of the Union, or prevent the supply, repair and maintenance of essential products used by critical sectors. The implementing act is to specify the duration of the crisis stage or its prolongation. Before the crisis stage expires, the Commission is to

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assess, taking into account the opinion of the ESB, whether the crisis stage should be prolonged. During the crisis stage, the ESB will hold extraordinary meetings to allow Member States to work closely with the Commission and coordinate any national measures taken with regard to the semiconductor supply chain.

1.5. Chapter V – Governance

Chapter V sets out the framework for the continuation of the ESB, which is composed of representatives from the Member States and is chaired by the Commission. The ESB will provide advice on the Chips for Europe Initiative 2.0 to the Public Authorities Board of the Chips Joint Undertaking (Pillar I). It will provide advice and assistance to the Commission in relation to assessing applications for European semiconductor technology initiatives and strategic projects (Pillar II). It will exchange views with the Commission on the progress of implementing the Semiconductor Region Investments Plan; discuss and prepare for the identification of specific critical sectors and technologies; and address monitoring and crisis response issues (Pillar III). Finally, it will provide support in order to consistently apply the proposed Regulation and facilitate cooperation among Member States. The ESB will support the Commission in international cooperation and strategic partnerships on semiconductors. It will also coordinate and exchange information with relevant crisis structures established under Union law. The ESB will meet in different compositions and hold separate meetings for its tasks under Pillar I and for its tasks under Pillars II and III. The Commission may establish standing or temporary sub-groups of the ESB and invite organisations representing the interests of the semiconductor industry and other stakeholders to such sub-groups as observers. The ESB should ensure that the Steering Committee of the Industrial Alliance for Semiconductors, which will take over the operations of the Industrial Alliance on Processors and Semiconductor Technologies, is invited to present updates at least yearly.

At national level, Member States will designate one or more national competent authorities and, among them, a national single point of contact for the purpose of implementing the Regulation.

1.6. Chapters VI, VII, VIII – Final Provisions

Chapter VI emphasises that all parties are obliged to respect the confidentiality of sensitive business information and trade secrets. The obligation applies to the Commission, the national competent authorities and other authorities of the Member States, as well as all representatives and experts attending meetings of the ESB and the Committee. The Chapter also establishes rules on effective, proportionate, and dissuasive penalties and fines for not complying with the obligations under this Regulation, subject to appropriate safeguards. The Commission may impose periodic penalty payments if the relevant undertakings fail to accept and prioritise certain orders in a semiconductor crisis. Furthermore, the Commission may impose fines on an undertaking that provides incorrect, incomplete or misleading information, or does not supply information within the prescribed time limit.

Chapter VII sets out rules and conditions for exercising delegation and implementing powers. The proposal empowers the Commission to adopt, where appropriate, implementing acts to allow procedures to be specified and ensure uniform application of the Regulation, and delegated acts to amend Annex I (the activities set out therein in a manner consistent with the objectives of the Chips for Europe Initiative 2.0) and Annex III (the measurable indicators and the provisions on establishing a monitoring and evaluation framework to supplement this Regulation).

Chapter VIII puts an obligation for the Commission to prepare regular reports for the evaluation and review of the Regulation to the European Parliament and to the Council.

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2026/0139 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on a framework of measures for strengthening the Union's semiconductor ecosystem, repealing Regulation (EU) 2023/1781 (Chips Act 2.0)

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 173(3) and Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee[27],

Having regard to the opinion of the Committee of the Regions[28],

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) Regulation (EU) 2023/1781 of the European Parliament and of the Council[29] establishing a framework of measures for strengthening Europe's semiconductor ecosystem and amending Regulation (EU) 2021/694 (Chips Act) established a comprehensive framework at Union level to support the semiconductor ecosystem, with a view to strengthening the Union's technological capacity, enhancing resilience and ensuring security of supply.

(2) The evaluation[30] of the Regulation (EU) 2023/1781 shows that it has enabled the mobilisation of significant public and private investment, the deployment of advanced infrastructures and the establishment of coordination and crisis preparedness mechanisms, thereby contributing to improved cooperation across Member States and to the functioning of the internal market. The evaluation has shown that Regulation (EU) 2023/1781 has served as a catalyst for a coordinated Union approach to semiconductors, strengthening research and innovation capacities, proving access to technological infrastructures, putting in place a framework for manufacturing capacity, as well as a crisis and response mechanism to anticipate potential disruptions. At the same time, the evaluation has identified structural shortcomings and persisting

27 OJ C , , p. .

28 OJ C , , p. .

29 Regulation (EU) 2023/1781 of the European Parliament and of the Council of 13 September 2023 establishing a framework of measures for strengthening Europe's semiconductor ecosystem and amending Regulation (EU) 2021/694 (Chips Act) (OJ L 229, 18.9.2023, p. 1, ELI: http://data.europa.eu/eli/reg/2023/1781/oj).

30 [reference to the published evaluation report to be added]

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challenges that limit its effectiveness in addressing evolving industrial and economic needs.

(3) While the framework established by Regulation (EU) 2023/1781 has proven effective in supporting innovation and early-stage capacity, the transition from technological development to large-scale industrial deployment remains at an early stage. Long investment cycles, structural dependencies in critical segments of the value chain, and constraints in scaling up production continue to affect the Union's capacity to achieve a resilient and competitive semiconductor ecosystem.

(4) In addition, the evaluation has shown that limited availability of private capital, in particular for later-stage financing, and structural features of financial markets constrain the growth and scaling of Union semiconductor undertakings. At the same time, fragmentation of demand across industrial sectors, limited market scale, and insufficient coordination among purchasers reduce the commercial viability of manufacturing investments and risk underutilisation of emerging capacities.

(5) Moreover, the semiconductor sector has become a cornerstone of the Union's economic stability, technological sovereignty, and security. The accelerating integration of advanced digital technologies, most notably artificial intelligence (AI), has significantly increased global demand for semiconductors, while simultaneously intensifying competition across international markets. Those developments have exposed structural vulnerabilities in the Union's semiconductor supply chains, including dependencies on limited external suppliers, insufficient domestic production capacity, and fragmentation across Member States.

(6) The growing prominence of AI applications, in particular, has led to a surge in demand for highly specialized chips, such as advanced logic and memory semiconductors, which are critical for training and deploying complex AI models. This trend is expected to continue, amplifying existing supply-demand imbalances and placing additional strain on already fragile global supply chains. At the same time, geopolitical tensions, export restrictions, and disruptions linked to global crises have further underscored the risks associated with excessive reliance on third country manufacturing and limited diversification.

(7) In light of those developments, it is necessary to reinforce and complement the framework established by Regulation (EU) 2023/1781 in order to support the transition from innovation to industrial scale, to enhance resilience and economic security, and to ensure the effective functioning of the internal market. Therefore, Regulation (EU) 2023/1781 should be repealed and replaced by this Regulation.

(8) Since this Regulation reinforces and complements the framework established by Regulation (EU) 2023/1781 without altering its fundamental objectives, the legal bases underpinning that framework remain unchanged.

(9) Therefore, this Regulation should also be based on Article 173(3) of the Treaty on the Functioning of the European Union (TFEU) in order to allow the Union to take measures to further maintain and build capacity and strengthen its semiconductor ecosystem. Those measures should not entail the harmonisation of national laws and regulations. In that regard, the Union should reinforce the competitiveness and resilience of the semiconductor technological and industrial base, whilst strengthening the innovation capacity of its semiconductor ecosystem across the Union, reducing dependence on a limited number of third-country undertakings and geographies, and strengthening its capacity to design and produce, package, reuse and recycle advanced

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semiconductors. The Chips for Europe Initiative first established by Regulation (EU) 2023/1781 should keep supporting those aims under this Regulation by further stepping up efforts beyond bridging the gap between the Union's advanced research and innovation capabilities and their sustainable industrial exploitation, and by ensuring the effective translation of such capabilities into industrial-scale production and market deployment within the Union. The Chips for Europe Initiative 2.0 should continue promoting capacity building to enable design, production and systems integration in next-generation semiconductor technologies, and should continue supporting collaboration among key players across the Union, strengthening the Union's semiconductor supply and value chains, serving key industrial sectors and creating new markets.

(10) In addition, and in order to ensure the effective functioning of the internal market, this Regulation should contribute to establishing a coherent Union framework approximating certain conditions and coordination mechanisms, in accordance with Article 114 TFEU. Such a framework is necessary to prevent obstacles to the functioning of the internal market, reduce fragmentation and ensure a consistent and effective response to supply chain risks, while remaining consistent with Union law and international obligations. This is particularly critical taking into account that semiconductors are a foundational technology underpinning a wide range of economic activities and critical infrastructures across the Union. In a context of heightened geopolitical tensions, strategic global competition and increasing economic security considerations, the semiconductor ecosystem has become a key factor for the stability and functioning of the internal market. The semiconductor sector is characterised by complex cross-border interdependencies across the value chain, with highly specialised activities concentrated in different geographies, while downstream user industries are widely distributed across the Union. Those characteristics mean that disruptions, restrictions or distortions affecting semiconductor supply chains are likely to have significant cross-border effects and to impact the functioning of the internal market. Divergent national measures aimed at addressing such risks may create fragmentation, distort competition and undermine the level playing field within the internal market, particularly given the integrated nature of production and distribution networks. Therefore, the objectives of ensuring the resilience, security and proper functioning of semiconductor supply chains within the Union cannot be sufficiently achieved by the Member States acting alone, but can be better achieved at Union level, by reason of their scale and cross-border effects.

(11) The achievement of those objectives should continue being supported by the European Semiconductor Board, composed of representatives of the Member States and chaired by the Commission, to facilitate a smooth, effective, and harmonised implementation of this Regulation, cooperation, and the exchange of information. The European Semiconductor Board should provide advice to and assist the Commission on specific questions, including the consistent implementation of this Regulation, facilitating cooperation among Member States, and exchanging information on issues relating to this Regulation. The European Semiconductor Board should also advise the Commission on international cooperation related to semiconductors, including strategic partnerships on semiconductors and on information gathering tasks. Meetings may include different subgroups.

(12) Given the globalised nature of the semiconductor supply chain, international cooperation with third countries is an important element to achieve resilience of the Union's semiconductor ecosystem. The actions taken under this Regulation should

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also enable the Union to play a stronger role, as a centre of excellence, in a better functioning global, interdependent semiconductor ecosystem. Where relevant, the views of the Industrial Alliance for Semiconductors[31], which takes over the operations of the Industrial Alliance on Processors and Semiconductor Technologies, and of other stakeholders should be considered. In accordance with international obligations, the Union and Member States could engage, including diplomatically, with international strategic partners that have advantages in the semiconductor industry, with a view to seeking solutions to strengthen the security of supply and to address future disruptions of the semiconductor supply chain, such as those resulting from third-country export restrictions, and to identify the availability of raw materials and intermediate products. The Commission and Member States should coordinate their international efforts, notably with support of the European Semiconductor Board. This may involve, where appropriate, coordination in relevant international fora, concluding investment and trade agreements, or other diplomatic efforts or engagement with relevant stakeholders.

(13) Strengthening the Union's critical infrastructure, security, industrial base and technological leadership requires secure and reliable access to both leading-edge and mainstream semiconductor technologies, including processors, memory, analogue, power, sensor, radiofrequency and connectivity chips, which are essential for future-proofing strategic sectors such as energy, defence, automotive, aviation, telecommunications, healthcare, cloud computing, and industrial automation. The Union possesses strong capabilities across a broad range of mature nodes, including in automotive-grade, power-efficient and secure chips, and should continue to reinforce its competitiveness, resilience, and strategic autonomy throughout the semiconductor value chain.

(14) The semiconductor industry entails substantial investment requirements, both for research, development and innovation activities and for the construction of cutting-edge facilities dedicated to testing and validation in support of industrial-scale production. Those cost-intensive characteristics have a direct bearing on the Union's capacity to compete and innovate, and affect the security of supply and overall resilience of its semiconductor ecosystem. At the same time, the Union's competitiveness and resilience depend on the continued availability and development of mainstream and mature semiconductor technologies, including analogue, power, sensor, connectivity, automotive-grade and aeronautical-grade chips, which remain indispensable across strategic industrial value chains and critical infrastructures. In the current context of increased global competition, geopolitical tensions, and structural supply chain vulnerabilities, semiconductors have become a strategic asset underpinning the Union's economic security, technological leadership, and industrial resilience. In light of the lessons learnt from past shortages and supply chain disruptions in the Union and worldwide, as well as export restrictions or regulatory actions by third countries and the rapid evolution of technology challenges and innovation cycles affecting the semiconductor value chain, it is necessary to reinforce the Union's existing strengths, including its leading position in several mainstream semiconductor segments, thus increasing market uptake, competitiveness, resilience, research and innovation capacity by further reinforcing the Chips for Europe Initiative.

(15) The enhanced Chips for Europe Initiative 2.0 should take into account the experience already gained through the implementation of the Chips for Europe Initiative in order

[31] Terms of Reference - https://ec.europa.eu/newsroom/dae/redirection/document/78326

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to continue and reinforce it with a view to addressing remaining structural weaknesses and to responding to emerging strategic needs. In particular, it is necessary to step up efforts to ensure that the Union's advanced research and innovation capabilities effectively translate into industrial deployment, scale-up and production at commercial scale within the Union.

(16) Member States are primarily responsible for sustaining a strong Union industrial, competitive, sustainable and innovative base. However, the nature and scale of the research and innovation challenges in semiconductors requires action to be taken collaboratively at Union level. In order to equip the Union with the semiconductor technology research and innovation capacities needed to maintain the leading role of its research and industrial investments at the leading edge and building on the experience gained and lessons learnt from the implementation of the Chips for Europe Initiative, it is necessary to further strengthen and extend those capacities to ensure their effective industrial deployment, scale-up, and production at commercial scale within the Union. To this end, the Union and Member States should continue coordinating their efforts and co-invest.

(17) In light of increased global competition, geopolitical tensions, and the risk of disruptions of the semiconductor supply chain, including those arising from regulatory measures adopted by third countries that may affect access to critical semiconductor technologies and related inputs, reinforcing the Union's capacity to develop, produce, and deploy such technologies within its territory has become a strategic priority for the Union's competitiveness, economic security, and technological sovereignty, as highlighted in the report by Mario Draghi entitled 'The future of European competitiveness'. These challenges of the Union's semiconductor ecosystem call for the achievement of large-scale capacity and require a collective effort by Member States, with the Union supporting the development and deployment of large-scale capacity across the full innovation and industrial value chain, including pilot lines, manufacturing scale-up, and commercial deployment, thereby ensuring the effective translation of research excellence into industrial leadership and sustainable production capacity within the Union.

(18) As concluded in the evaluation of Regulation (EU) 2023/1781, the instruments put in place by the Chips for Europe Initiative provided for by that Regulation, namely the design platform, pilot lines, quantum chips pilots, and the diffusion of knowledge, the EU Chips Skills Academy under the Alliances for Sectoral Cooperation on Skills and the Pact for Skills, and competences for the benefit of the entire semiconductor ecosystem are fit for purpose and should continue being supported under this Regulation. Those efforts should also contribute to the Union's broader objective of strengthening its long-term competitiveness, innovation capacity, and industrial base, including through synergies with future Union programmes supporting research and innovation and industrial deployment, such as the proposed[32] successor framework programme to Horizon Europe – the Framework Programme for Research and Innovation established by Regulation (EU) 2021/695 of the European Parliament and of the Council[33] (Horizon Europe) (FP10), and the proposed European

[32] Proposal for a regulation of the European Parliament and of the Council establishing Horizon Europe, the Framework Programme for Research and Innovation, for the period 2028-2034 laying down its rules for participation and dissemination, and repealing Regulation (EU) 2021/695

[33] Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for

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Competitiveness Fund[34], while the Chips for Europe Initiative 2.0 should throughout all components and actions, to the extent possible, mainstream and maximise the benefits of the application of semiconductor technologies as powerful enablers, for instance, for the sustainability transition that can lead to new products and more efficient, effective, clean, and durable use of resources, including energy and materials necessary for the production and whole lifecycle use of semiconductors.

(19) In order to achieve its general objective and address both the supply and demand side challenges of the current semiconductor ecosystem, and building on the experience gained and lessons learnt from the implementation of Regulation (EU) 2023/1781, which demonstrated the continued need to strengthen the Union's capacity not only in research and innovation but also in industrial deployment and manufacturing scale-up, the Chips for Europe Initiative 2.0 should keep supporting and further enhancing the five operational objectives put in place under Regulation (EU) 2023/1781. It should also introduce a new operational objective aimed at strengthening the Union's capabilities in photonic technologies and support 'grand challenges' as instruments to support large-scale, cross-sectoral initiatives addressing major technological and industrial challenges of strategic relevance for the Union. The primary implementation of the Chips for Europe Initiative 2.0 should continue being entrusted to the Chips Joint Undertaking and, where applicable, to the joint undertaking or any other similar entity or initiative succeeding it established by Union law under a subsequent Multiannual Financial Framework.

(20) First, the Chips for Europe Initiative 2.0 should reinforce the Union's design capacity. To that end, it should keep supporting the virtual design platform set up under the Chips for Europe Initiative to connect the communities of design houses, start-ups, small and medium-sized enterprises (SMEs) and IP and tool suppliers and research and technology organisations to provide virtual prototype solutions based on co-development of technology, and to facilitate the transition from design to industrial production and commercial deployment within the Union.

(21) Second, in order to provide the basis for strengthening the security of supply and the Union's semiconductor ecosystem, the Chips for Europe Initiative 2.0 should keep supporting the enhancement of existing and development of new advanced pilot lines to enable development and deployment of cutting-edge semiconductor technologies and next-generation semiconductor technologies. The pilot lines should provide industry with a facility to test, experiment, and validate semiconductor technologies as well as system design concepts, while reducing environmental impacts as much as possible, in order to accelerate their transition to industrial-scale semiconductor manufacturing within the Union. Investments from the Union, alongside with Member States and the private sector, in pilot lines remain necessary to address persistent structural challenges and market failures, including insufficient availability of industrial-scale testing, validation, and semiconductor manufacturing scale-up capacities in the Union, which continue to hinder innovation, industrial deployment, and global competitiveness.

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participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013 (OJ L 170, 12.5.2021, p. 1, ELI: http://data.europa.eu/eli/reg/2021/695/oj).

[34] Proposal for a regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund ('ECF'), including the specific programme for defence research and innovation activities, repealing Regulations (EU) 2021/522, (EU) 2021/694, (EU) 2021/697, (EU) 2021/783, repealing provisions of Regulations (EU) 2021/696, (EU) 2023/588, and amending Regulation (EU) [EDIP]

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(22) Third, in order to accelerate the innovative development of quantum chips and associated semiconductor technologies, including those based on semiconductor material or integrated with photonics, conducive to the development of the semiconductor sector, the Chips for Europe Initiative 2.0 should support actions, including on design libraries for quantum chips, pilot lines for building quantum chips and facilities for testing and validating quantum chips produced by the pilot lines with a view to enabling their industrial deployment and strengthening the Union's technological leadership in emerging semiconductor technologies.

(23) Fourth, in order to promote the use of semiconductor technologies, to provide access to design and pilot line facilities, and to address skills gaps across the Union, the Chips for Europe Initiative 2.0 should continue providing Member States with the possibility to support at least one competence centre on semiconductors in each Member State, by enhancing existing centres or creating new facilities.

(24) Fifth, photonics and photonic integrated circuits are key enabling technologies for a wide range of strategic sectors, including telecommunications, data centres, artificial intelligence, sensing, healthcare, automotive, aeronautical and quantum technologies. They enable high-speed data transmission, energy-efficient processing, and advanced sensing capabilities, and are therefore critical to the Union's technological leadership, competitiveness, and security of supply. The Union has established strong research and innovation capabilities and holds leading positions in several segments of the photonics value chain. However, further efforts are needed to strengthen the Union's capacity to design, prototype, industrialise, and manufacture photonic integrated circuits and associated photonic semiconductor technologies at scale. To advance technology development in photonics and photonic integrated circuits, it is therefore necessary to support the development of design libraries and design tools, strengthen production technologies and material platforms, and reinforce pilot lines and open-access manufacturing facilities across multiple material platforms. Those actions should facilitate prototyping, testing, validation and industrial uptake, including through advanced integration and packaging technologies, and contribute to strengthening the Union's photonics ecosystem, enhancing its technological sovereignty, and accelerating the industrial deployment of innovative photonic technologies across the Union.

(25) Sixth, the Commission should continue supporting the 'Chips Fund', that is to say, a dedicated semiconductor investment facility designed to strengthen the European semiconductor ecosystem by supporting start-ups, scale-ups, and SMEs proposing both equity and debt solutions, including a blending facility under the InvestEU Fund established by Regulation (EU) 2021/523 of the European Parliament and of the Council[35], and, if applicable, any other relevant investment scheme under the Multiannual Financial Framework 2028-2034, in close cooperation with the European Investment Bank Group and together with other implementing partners such as national promotional banks and institutions. The Chips Fund activities should support the development of a dynamic and resilient semiconductor ecosystem by providing opportunities for increased availability of funds to support the growth of start-ups and SMEs as well as investments across the semiconductor value chain, including for other companies in the semiconductor value chain. In this regard, support and clear guidance should be provided, in particular to SMEs, with the aim of assisting them in the

[35] Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017 (OJ L 107, 26.3.2021, p. 30, ELI: http://data.europa.eu/eli/reg/2021/523/oj).

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application process. In that context, the European Innovation Council is expected to provide further dedicated support through grants and equity investments to high risk, market creating innovators.

(26) In order to further strengthen the Union's technological leadership and industrial competitiveness in semiconductors, it is appropriate to introduce the concept of 'grand challenges' as part of the Chips for Europe Initiative 2.0. Those grand challenges should focus on the development, integration and industrial deployment of promising and critical semiconductor and related technologies of key importance for the Union. Grand challenges should support advanced research and development activities aimed at enabling the next generation of semiconductor technologies, including those underpinning AI, cloud, data centres and edge infrastructures, with a particular focus on enhancing energy efficiency, securing capacities in leading-edge technologies and reinforcing the Union's manufacturing strengths. They should also address key technological roadblocks, including challenges related to miniaturisation, energy efficiency, sustainability, heterogeneous integration, security, reliability and manufacturability. In order to maximise their impact, grand challenges should contribute to strengthening the semiconductor ecosystem across the Union by fostering collaboration along the semiconductor value chain, including with relevant vertical sectors. In particular, they should support structured cooperation between semiconductor developers and user industries, with a view to achieving a competitive edge in applications critical for the Union's technological sovereignty and industrial base. Finally, grand challenges should further ensure the integration and alignment of efforts across existing infrastructures, including pilot lines, and promote their orientation towards industrial use. They should facilitate the transfer, maturation and uptake of technologies developed under the Chips for Europe Initiative 2.0, including through activities related to prototyping, testing, validation, demonstration, initial industrial deployment and integration into production environments.

(27) Competence centres should contribute to maintaining the Union's lead with regard to chip research, development and innovation and design capabilities. The promotion of human potential and skills through education in science, technology, engineering and mathematics subjects up to the postdoctoral level is crucial for achieving that objective. In particular, competence centres should provide services to the semiconductor stakeholders, including start-ups and SMEs. Examples include facilitating access to pilot lines and to the virtual design platform, providing training and skills development, support to finding investors, making use of existing local competencies or reaching out to the relevant verticals. The services should be provided on an open, transparent and non-discriminatory basis. Each competence centre should connect and be part of the European network of competence centres in semiconductors and should act as an access point to other nodes of the network. In that regard, synergies with existing similar structures, such as European Digital Innovation Hubs set up under the Digital Europe Programme established by Regulation (EU) 2021/694 of the European Parliament and of the Council[36], should be maximised. For example, Member States could designate an existing European Digital Innovation Hub focused on semiconductors as a competence centre for the purposes of this Regulation, provided that the prohibition of double financing is not breached.

[36] Regulation (EU) 2021/694 of the European Parliament and of the Council of 29 April 2021 establishing the Digital Europe Programme and repealing Decision (EU) 2015/2240 (OJ L 166, 11.5.2021, p. 1, ELI: http://data.europa.eu/eli/reg/2021/694/oj).

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(28) To facilitate access to technical expertise and ensure dissemination of knowledge across the Union, as well as support to diverse skills initiatives, the network of competence centres established under the Chips for Europe Initiative should continue being supported under the Chips for Europe Initiative 2.0. To that end, the Chips Joint Undertaking established by Council Regulation (EU) 2021/2085[37] should establish the procedure for continuing the support for competence centres, including the selection criteria, as well as further details on the implementation of the tasks and functions referred to in this Regulation. The competence centres forming the network should be selected by the Chips Joint Undertaking and should have substantial overall autonomy to lay down their organisation, composition, and working methods. However, their organisation, composition, and working methods should comply with and contribute to the objectives of this Regulation.

(29) Skills and education related work that is being carried out by the Union is fundamental to further flourishing the Union's semiconductor ecosystem. For that purpose, the STEM Education Strategic Plan[38] and its actions should be leveraged, and initiatives like the Pact for Skills[39], Skills Academies[40], joint European study programmes[41], the Skills Portability Initiative[42] and the European Universities Alliances[43] should contribute to the development of specific actions for the semiconductor sector. Similarly, in order to attract external talent to the Union, synergies with initiatives that facilitate international recruitment like the EU Talent Pool[44] should be explored.

(30) Access to publicly funded infrastructure, such as pilot and testing facilities, and to the competence centres, should be open to a wide range of users and should be granted on a transparent and non-discriminatory basis and on market terms (or cost plus reasonable margin basis) for large undertakings, while SMEs and academic institutes may benefit from preferential access or reduced prices thereby facilitating broader participation in semiconductor innovation and supporting the development and diffusion of industrial capabilities across the Union. Moreover, the research and innovation activities under the Chips for Europe Initiative 2.0, including technology infrastructures, should also be to the benefit of the defence sector, without prejudice to further activities for the development of defence products and technologies that may take place under Regulation (EU) 2025/2643.

(31) The success of the Chips for Europe Initiative 2.0 can only be built on a collective effort of Member States and the Union to support the significant capital costs, to widen the availability of resources for virtual design, testing and piloting, and the

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37 Council Regulation (EU) 2021/2085 of 19 November 2021 establishing the Joint Undertakings under Horizon Europe and repealing Regulations (EC) No 219/2007, (EU) No 557/2014, (EU) No 558/2014, (EU) No 559/2014, (EU) No 560/2014, (EU) No 561/2014 and (EU) No 642/2014 (OJ L 427, 30.11.2021, p. 17, ELI: http://data.europa.eu/eli/reg/2021/2085/oj).

38 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'A STEM Education Strategic Plan: skills for competitiveness and innovation'

39 https://pact-for-skills.ec.europa.eu/index_en

40 https://digital-strategy.ec.europa.eu/en/news/new-digital-skills-academies-support-eus-technological-sovereignty-competitiveness-and-preparedness

41 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'a blueprint for a European degree'

42 https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/15892-Fair-labour-mobility-package-Skills-portability-1-digitalised-cross-border-portability-of-qualifications-and-skills_en

43 https://education.ec.europa.eu/education-levels/higher-education/european-universities-initiative/map

44 Regulation (EU) 2026/1047 of the European Parliament and of the Council of 29 April 2026 establishing an EU Talent Pool

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diffusion of knowledge, skills and competences. Where appropriate, in view of the specificities of the actions concerned, the objectives of the Chips for Europe Initiative 2.0, in particular the Chips Fund activities, should also be supported through a blending facility under the InvestEU Fund. Support from the Chips for Europe Initiative 2.0 should be used to address, in a proportionate and cost-effective manner, market failures or sub-optimal investment situations as a consequence of high capital intensity, high risk, and complex landscape of the semiconductor ecosystem and actions should not duplicate or crowd out private financing or distort competition in the internal market. Actions should have a clear added value throughout the Union.

(32) Moreover, the Chips for Europe Initiative 2.0 should continue building upon the strong knowledge base and enhance synergies with actions currently supported by the Union and Member States through programmes and actions in research and innovation in semiconductors and in developments of part of the value chain, in particular Horizon Europe and the Digital Europe Programme with the aim to reinforce the Union as global player in semiconductor technology and its applications, with a growing global share in manufacturing, in accordance with Commission communication entitled '2030 Digital Compass: the European way for the Digital Decade'[45]. Furthermore, private investments are expected to be mobilised to complement the funding of the Chips for Europe Initiative 2.0 contributing to achieving its objectives. Complementing those activities, the Chips for Europe Initiative 2.0 would closely collaborate with other relevant stakeholders, including with the Industrial Alliance for Semiconductors.

(33) Research and development (R&D) within the Union is increasingly exposed to practices aiming to misappropriate confidential information, trade secrets, and protected data, such as IP theft, forced technology transfers and economic espionage. In order to prevent adverse impacts on the interests of the Union and the objectives of the Chips for Europe Initiative 2.0, it is necessary to adopt an approach to ensure that the access to and use of commercially sensitive information or results, including data and know-how, security and transfer of ownership of results as well as content protected by IP rights generated in connection to or as a result of actions supported by the Chips for Europe Initiative 2.0, are protected. To ensure that protection, any actions supported by the Chips for Europe Initiative 2.0 and funded by Horizon Europe and the Digital Europe Programme, as well as their successors under a subsequent Multiannual Financial Framework, should follow the relevant provisions of those programmes, such as on participation of entities established in third countries associated with the programme, grant agreements, ownership and protection, security, exploitation and dissemination, transfer and licensing, and access rights. It is possible to set specific provisions when implementing those programmes, in particular with regard to limitations to transfers and licensing in accordance with Article 40(4) of Regulation (EU) 2021/695, and limitation of participation of legal entities established in specified associated or other third countries due to reasons based on the Union's and the Member States' strategic assets, interests, autonomy or security, in accordance with Article 22(5) of Regulation (EU) 2021/695 and Article 12(6) of Regulation (EU) 2021/694. Additionally, the handling of commercially sensitive information, security, confidentiality, protection of trade secrets and IP rights should be governed by Union

[45] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2030 Digital Compass: the European way for the Digital Decade, COM(2021) 118 final, 9 March 2021.

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law, including Directives (EU) 2004/48/EC and (EU) 2016/943[46] and of the European Parliament and of the Council, and national law. It is possible for the Commission and the Member States to protect technology transfers for reasons related to Union and national security interests in relation to investments made in facilities falling within the scope of this Regulation in accordance with Regulation (EU) 2019/452 of the European Parliament and of the Council.

(34) In order to strengthen the uptake of semiconductors designed in the Union, manufactured in the Union, or both, across industrial value chains, it is necessary to promote closer linkages between semiconductor supply and downstream industrial demand, while remaining consistent with the Union's international obligations and competition rules. In particular, enhanced coordination between semiconductor technology providers and users should facilitate the identification of aggregate demand, the development of common technical requirements, and the development of solutions tailored to Union industrial needs. Such coordination is especially relevant in key sectors such as cloud computing, automotive, aeronautical, telecommunications, defence and robotics, which are characterised by high-performance, security, reliability, and energy-efficiency requirements, and where semiconductors constitute a critical enabling technology for innovation, digital transformation, and strategic autonomy. In those sectors, early engagement of users in the design and development phase can significantly reduce time-to-market, improve system integration, and ensure that semiconductor solutions are fit for purpose and aligned with evolving industrial standards and operational constraints. To that end, the Commission should, in cooperation with Member States and relevant stakeholders, put in place the necessary conditions for the Alliance for Semiconductor to facilitate industrial matchmaking, co-design activities and collaborative initiatives, including through a demand forum, with a view to bridging the gap between supply and demand, fostering innovation ecosystems and accelerating the deployment of semiconductor-based solutions within the Union, in compliance with Union competition rules and in a manner consistent with the Union's international obligations. For semiconductors used in defence and space sectors, which are highly specialised and must operate reliably in extreme and hostile environments, the Commission should continue to coordinate the activities within the EU Observatory of Critical Technologies for space and defence.

(35) In the space and defence sector, activities aimed at identifying gaps, vulnerabilities and needs will continue within the already established EU Observatory of Critical Technologies (OCT). Specific EU technology roadmaps for space and defence, including semiconductors, responding to the OCT and covering research, innovation and industrialisation, will inform the EU work programme for space and defence development activities.

(36) The demand forum should allow potential offtakers of semiconductor technologies to express their needs and expected specifications from an aggregated or industry-wide perspective, while enabling European semiconductor technology initiatives and strategic projects to present their technological capabilities and proposed solutions. Demand accelerator measures should facilitate collaborative platforms, pilot projects and design partnerships, enabling the early validation and deployment of innovative semiconductor solutions within the Union. They can also contribute to growth of

[46] Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (OJ L 157, 15.6.2016, p. 1, ELI: http://data.europa.eu/eli/dir/2016/943/oj).

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innovative ecosystems and facilitate the emergence of lead markets in key sectors, thereby enhancing the Union's industrial competitiveness and technological sovereignty. All activities carried out under the demand forum and demand accelerator measures should be implemented in full compliance with Union competition law and other relevant provisions of Union law, ensuring that cooperation between undertakings does not lead to distortions of competition or the exchange of commercially sensitive information.

(37) In order to foster the widespread deployment of systems integrating advanced semiconductor technologies within the Union, it is necessary to support targeted actions that enhance cooperation and innovation. In particular, facilitating the formation of cross-border joint procurement arrangements between contracting authorities or entities can help aggregate demand, reduce market fragmentation, and enable more efficient investment in complex and costly semiconductor-based systems. At the same time, supporting the integration and deployment of innovative semiconductor technologies is essential to accelerate their uptake in key sectors, including digital infrastructure, artificial intelligence, and industrial applications, thereby strengthening the Union's technological capacity and competitiveness. To ensure the effective implementation of such actions, the Commission should provide technical and legal guidance to contracting authorities. This guidance should support contracting authorities in using security of supply, cybersecurity, resilience, energy efficiency, lifecycle performance, supply-chain transparency and Union added-value criteria when procuring systems integrating innovative semiconductor design and solutions, in compliance with applicable Union law and international obligations. In particular, it should promote pre-commercial procurement, innovation partnerships and joint procurement of procedures capable of creating early demand for trusted semiconductor technologies developed, produced or both, in the Union.

(38) In light of their importance for ensuring the security of supply and enabling a resilient semiconductor ecosystem, European semiconductor technology initiatives and strategic projects should be considered to be in the public interest. Ensuring the security of supply of semiconductors is also important for digitalisation, which enables the green transition of many other sectors. To attract investments to the Union's semiconductor sector and contribute towards security of supply of semiconductors and resilience of the Union's semiconductor ecosystem, Member States may apply support measures, including incentives, and provide for administrative support in national permit-granting procedures for European semiconductor technology initiatives. In the Multiannual Financial Framework 2028-2034, National and Regional Partnership Plans may constitute part of the support, subject to the provisions of those plans. The possibility of support by Member States should be without prejudice to the competence of the Commission in the field of State aid under Articles 107 and 108 TFEU, where relevant. To ensure the correct and efficient application of the State aid rules, in its communication 'A Chips Act for Europe'[47], the Commission has already recognised the need for a case-by-case assessment regarding State aid granted to semiconductor production facilities with a view to safeguarding the Union's security of supply and supply-chain resilience while generating significant positive impacts on the wider economy. Furthermore, the procedures for the recognition as European semiconductor technology initiatives and for the authorisation of State aid, where

[47] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A Chips Act for Europe, COM(2022) 45 final, 8 February 2022.

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applicable, should be conducted in parallel in order to accelerate the decision-making process. Member States should support the establishment of European semiconductor technology initiatives in accordance with Union law. When providing support measures for European semiconductor technology initiatives, Member States should consider setting non-discriminatory requirements related to intellectual property protection and security, including cyber-security, and confidentiality and could recommend mitigation measures to address specific risks related to the interference, forced technology transfers, and IP theft by entities from third countries.

(39) In order to encourage the establishment of the necessary related design capabilities, Member States may provide support for such activities in accordance with State aid rules, including under framework for State aid for research and development and innovation[48] or Commission Regulation (EU) No 651/2014[49].

(40) In order to encourage the establishment of the necessary manufacturing and related design capabilities, and thereby ensure the security of supply and strengthen the resilience of the Union's semiconductor ecosystem, public support may be appropriate, provided that this does not lead to distortions in the internal market. In that respect, it is necessary to harmonise certain conditions for operators to carry out specific projects at Union level that contribute to achieving the objectives of this Regulation and establish a framework for recognising European semiconductor technology initiatives.

(41) European semiconductor technology initiatives should provide capabilities that are 'first-of-a-kind' in the Union and contribute to the indispensability, resilience, prosperity, competitiveness and security of supply of the Union's semiconductor ecosystem. The qualifying factor for being a 'first-of-a-kind' initiative is to bring an innovative element to the internal market regarding the manufacturing processes or the final product, which could be based on new or existing technology nodes, including mature and cutting-edge ones. An initiative providing an innovation with regard to the manufacturing process or final product which is similar to an innovation which already exists or is already planned in the Union may still be recognised as first-of-a-kind if it can be demonstrated that the initiative is necessary to ensure the Union's resilience and security of supply by reducing excessive strategic dependencies on imports from third countries. Any such initiative should be assessed based on its own merits, taking into account, for instance, relevant market analysis, the degree of concentration of the dependencies and the risk of creating a situation of overcapacity.

(42) Relevant innovation elements in first-of-a-kind initiatives could relate to the technology node or substrate material, or approaches that lead to improvements in computing power or other performance attributes, energy efficiency, level of security, safety or reliability, as well as integration of new functionalities, such as AI, memory capacity or other. Integration of different processes leading to efficiency gains or packaging and assembly automation are also examples of innovation. With regard to environmental gains, innovation elements would include the reduction in a quantifiable way of the amount of energy, water or chemicals used, or improving recyclability.

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[48] Communication from the Commission Framework for State aid for research and development and innovation (C/2022/7388) (OJ C 414, 28.10.2022, p. 1).

[49] Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1, ELI: http://data.europa.eu/eli/reg/2014/651/oj).

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(43) In order to ensure public investments in European semiconductor technology initiatives and strategic projects lead to an actual increase in security of supply and resilience of the Union, undertakings applying for recognition or support under this Regulation should demonstrate that they will articulate their supply chain in a way that reduces supply chain dependence on non-domestic undertakings. Such information should include, where applicable to the initiative's activities, the origin of the essential semiconductor manufacturing equipment and substrates and the extent to which procurement from third country undertakings is necessary due to technical performance considerations. In the case of front-end or back-end semiconductor manufacturing, undertakings should also indicate the other relevant front-end or back-end manufacturing processes beforehand or afterwards linked to the investment taking place within and outside the Union.

(44) In order to facilitate semiconductor manufacturing investments, public authorities should take into account the necessary enabling conditions for the sustainable operation of such facilities, including access to energy, water and other critical infrastructure resources. To support the long-term resilience and sustainability of the semiconductor ecosystem in the Union, appropriate consideration should be given to the expected resource needs and environmental impacts associated with such investments.

(45) Where a European semiconductor technology initiative offers production capacity to undertakings not related to the operator of the facility, it should establish, implement and maintain adequate and effective functional separation in order to prevent the exchange of confidential information between internal and external production. This should apply to any information obtained in the design and in the front-end or back-end manufacturing processes.

(46) In order to qualify as a European semiconductor technology initiative, the establishment of the initiative by a domestic undertaking should have a clear positive impact with spill-over effects beyond the undertaking or the Member State concerned on the Union's semiconductor value chain in the medium to long term with a view to strengthening resilience, competitiveness and innovation of the semiconductor ecosystem, including the growth of start-ups and SMEs, and contributing to the Union's twin green and digital transitions. Moreover, following the same reasoning, participation in the Business-to-Business Semiconductor Supply Chain Platform ('the Platform') should be obligatory for production facilities – such as front-end and back-end production facilities, but also other production facilities like for the production of semiconductor manufacturing equipment, substrates or materials. This commitment serves the strengthening of the resilience, competitiveness and innovation of the semiconductor ecosystem's supply chains. Various activities of domestic undertakings aiming to create positive spill-over effects may be considered for the purpose of qualifying as European semiconductor technology initiatives. Examples include giving access to manufacturing facilities against a market fee; giving process design kits to smaller design companies or to the virtual design platform; disseminating results from their R&D activities; engaging in research collaboration with European universities and research institutes; cooperating with national authorities or educational and vocational institutions to contribute to skills development; contributing to Union-wide research projects; or offering dedicated support opportunities for start-ups and SMEs. The impact on several Member States, including with regard to cohesion objectives, should be considered as one of the indicators of a clear positive impact of a European semiconductor technology initiative on the semiconductor value chain in the Union.

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(47) In order to ensure legal clarity and consistent application of this Regulation, it is necessary to clarify the conditions under which an undertaking may be recognised as a European semiconductor technology initiative. Experience with the implementation of the framework for integrated production facilities and open EU foundries under Regulation (EU) 2023/1781 has shown that uncertainties have arisen among undertakings and Member States as to whether the status of a semiconductor technology facility is conditional upon the receipt of public support. It should therefore be explicitly clarified that, while an application for such status should relate to a first-of-a-kind initiative, the granting of the status should not be dependent on the receipt of support measures or administrative assistance. Consequently, first-of-a-kind initiatives may obtain the status of a European semiconductor technology initiative irrespective of whether they benefit from public funding, provided that they comply with the relevant requirements set out in this Regulation.

(48) It is important that European semiconductor technology initiatives are not subject to extraterritorial application of public service obligations imposed by third countries that could undermine their ability to use or re-export the final product stemming from their infrastructure, software, services, facilities, assets, resources, IP or know-how needed to fulfil their obligations under this Regulation, in particular those related to security of supply.

(49) In light of the fast development of semiconductor technologies and to strengthen the future industrial competitiveness of the Union, European semiconductor technology initiatives should invest in the Union in continued innovation with a view to achieving concrete advances in semiconductor technology or preparing next-generation technologies. Such initiatives should be able to test and experiment new developments through preferential access to the pilot lines established under the Chips for Europe Initiative in Regulation (EU) 2023/1781 and the Chips for Europe Initiative 2.0 through fast-tracked applications. Any such preferential access should neither exclude nor prevent effective access on fair terms to the pilot lines by other interested undertakings, in particular start-ups and SMEs. Taking into account the importance of a qualified and skilled workforce to achieve the objectives of this Regulation, European semiconductor technology initiatives should support the Union talent pipeline by developing and deploying educational and skills training and by increasing the pool of qualified and skilled workforce.

(50) To allow for a uniform and transparent procedure to attain the status as a European semiconductor technology initiative, the decision to grant this status should be adopted by the Commission following the application by an individual undertaking or a consortium of several undertakings. The status should be open for both the installation of a new semiconductor manufacturing initiative and the significant scale-up or innovative transformation of an existing semiconductor manufacturing initiative. To account for the importance of a coordinated and cooperated implementation of the planned facility, where relevant, the Commission should take into account in its assessment the readiness of one or more Member States where the applicant intends to establish its initiatives to support the establishment of such initiatives. Furthermore, when assessing the viability of the business plan, the Commission could take into account the overall record of the applicant as well as the existence of appropriate measures to protect intellectual property and commercially sensitive information.

(51) In light of the rights attached to recognition as a European semiconductor technology initiative, the Commission should monitor whether initiatives that have been granted that status continue to comply with the requirements set out in this Regulation. If this

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is no longer the case, the Commission should have the right to re-examine and, if necessary, repeal the status and, accordingly, the rights attached to that status. Any decision to repeal that status should be taken only after consulting the European Semiconductor Board and should be properly reasoned. Correspondingly, the undertaking operating a European semiconductor technology initiative should have the possibility to proactively request a review of the duration of the status or implementation plans where unforeseen external circumstances, such as serious disturbances with a direct economic impact on the recognised initiative, could have an impact on its ability to comply with the applicable criteria.

(52) In order to strengthen the Union's technological sovereignty, resilience, indispensability, competitiveness and prosperity in the semiconductor sector, it is necessary to identify and support projects of strategic importance by domestic undertakings across the semiconductor value chain. Strategic projects on semiconductors should be granted support from Union programmes, funds and financial instruments, in accordance with the objectives set out in the regulation establishing those funds and programmes and without prejudice to the next (2028-2034) multiannual financial framework. In particular, those strategic projects should be granted the competitiveness seal where they fulfil the conditions set out in Regulation (EU) 2026/XXX [on establishing the European Competitiveness Fund] (ECF') ([1]), as high-quality projects that contribute to the objective of the European Competitiveness Fund. Strategic projects should contribute to objectives of common Union interest and reinforce the Union's capacity to design, manufacture and integrate advanced semiconductor technologies and demonstrate clear Union added value and a cross-border dimension, in particular through cooperation between Member States or through coordinated public support. They should contribute to strengthening the resilience and robustness of the Union's semiconductor ecosystem, including by addressing bottlenecks, reinforcing semiconductor supply chains and enhancing innovation and industrial deployment. The participation of innovative SMEs and SMCs in strategic projects shall be encouraged.

(53) Both strategic projects and European semiconductor technology initiatives should be able to focus not only on cutting-edge semiconductor nodes, but also on innovative existing and mature technology nodes where this is necessary to preserve and strengthen the Union's competitiveness, resilience and security of supply across strategically important semiconductor technologies and industrial applications. In order to ensure that strategic projects effectively contribute to the Union's long-term competitiveness, such projects should support the development or deployment of critical capacities, technologies or capabilities within the Union. This should include, in particular, activities that reduce strategic dependencies and enhance the Union's technological leadership in key segments of the semiconductor value chain, including by enabling, advancing or securing critical technologies and capabilities within the Union.

(54) Where strategic projects are implemented across multiple sites, they should be carried out by a single consortium and function as an integrated entity, in order to ensure coherence, efficiency and effective coordination of activities.

(55) In light of the strategic nature of the semiconductor sector and its relevance for security, participation in strategic projects should be subject to appropriate conditions. In accordance with Article 136 of Regulation (EU, Euratom) 2024/2509 of the

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European Parliament and of the Council[50], it would be possible to restrict or exclude the participation of certain entities where this would be contrary to the Union's strategic assets, interests, autonomy or security. As a general rule, participation in strategic projects should be limited to legal entities established in the Union. However, by way of derogation and where duly justified, participation may be extended to entities established in third countries, provided that such participation complies with the applicable conditions and safeguards and does not undermine the Union's strategic assets, interests, autonomy or security.

(56) To ensure flexibility and to reflect technological developments and evolving market needs, this Regulation should set out a list of indicative technological areas for strategic projects. The power to amend that list should be delegated to the Commission in accordance with Article 290 TFEU in order to update those areas in light of technological change and market developments relevant to the semiconductor sector**.** In order to ensure a coherent and efficient identification and selection of strategic projects, the Commission, taking into account the opinion of the European Semiconductor Board, should identify priority areas and establish a list of topics of potential projects. The implementation of actions supporting such projects should be carried out, where appropriate, through the Chips Joint Undertaking, in accordance with its governing Regulation and work programmes. To strengthen the Union's sovereignty and ensure security of supply in leading-edge semiconductors, it is appropriate to prioritise the establishment of an open foundry for advanced semiconductor manufacturing capabilities within the Union, which should operate, where relevant, on the basis of open access for different users. That strategic project could be complemented by other strategic projects on for instance memory, design, and other semiconductor technologies.

(57) The Chips Joint Undertaking should implement actions supporting strategic projects through its work programme, including through calls for proposals in accordance with its applicable rules. Proposals should be evaluated in accordance with the procedures and criteria set out in the governing framework of the Chips Joint Undertaking. In order to ensure efficiency and avoid duplication of assessments, the Commission should rely on the outcome of the evaluation carried out by the Chips Joint Undertaking when designating strategic projects. Projects selected for funding by the Chips Joint Undertaking and complying with the criteria laid down in this Regulation should be eligible for designation as strategic projects.

(58) The designation of a project as a strategic project should be without prejudice to the outcome of funding decisions taken under the Chips Joint Undertaking. Projects not selected for Union funding should nevertheless be able to obtain the status of strategic project, subject to the consent of the applicant, in order to benefit from the rights and obligations attached to that status under this Regulation. Rights include strategic projects' inclusion in the demand forum, the possible receipt of public support and administrative support and the receipt of status of overriding public interest and possibly status of highest national significance relevant to permit-granting procedures, and obligations also applicable to European semiconductor technology initiatives, such as participation in the Business-to-Business Semiconductor Supply Chain Platform and the obligation to accept priority-rated orders. Strategic projects should benefit from the same rights and be subject to the same obligations as European

[50] Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (OJ L, 2024/2509, 26.09.2024, ELI: http://data.europa.eu/eli/reg/2024/2509/oj).

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semiconductor technology initiatives, where they comply with the relevant requirements, in order to ensure a coherent regulatory framework and to maximise their contribution to the Union's objectives in the semiconductor sector. Where relevant, such designation should also confirm their status as first-of-a-kind initiatives and define the duration of that status based on the expected lifetime of the project.

(59) In order to ensure that strategic projects continue to fulfil the criteria laid down in this Regulation, the Commission should be able to withdraw the designation of a project where those criteria are no longer met or where the designation was based on incorrect information. Before adopting such a decision, the Commission should ensure that the undertakings concerned are given the opportunity to be heard, in accordance with the principle of good administration, and should take into account the opinion of the European Semiconductor Board. Where the designation of a strategic project is withdrawn, that project should lose all rights and obligations associated with that status under this Regulation. However, such projects should remain subject, for a limited period, to specific obligations linked to security of supply, where provided for in this Regulation.

(60) In order to guarantee simple and rapid permit-granting, Member States should ensure that permit-granting procedures for European semiconductor technology initiatives and strategic projects are organised through a single procedure based on a single application. Additionally, Member States should designate a one-stop shop acting as a single point of contact for the project, in order to facilitate and coordinate the processing of applications in an efficient, transparent and timely manner.

(61) It is necessary that European semiconductor technology initiatives and strategic projects are established as quickly as possible, while keeping the administrative burden to a minimum. For that reason, Member States should process applications related to the planning, construction and operation of such facilities in the most rapid manner possible. In order to further accelerate the deployment of European semiconductor technology initiatives and strategic projects, clear and binding time limits should be established for permit-granting procedures. In particular, the overall duration of such procedures should not exceed the defined period of 12 months from the submission of a complete application, without prejudice to shorter time limits set by Member States.

(62) Given the potential cross-border nature of European semiconductor technology initiatives and strategic projects, Member States should make best efforts to effectively cooperate and coordinate at the level of relevant authorities, including between designated one-stop shops, in order to facilitate coherent and timely decision-making processes.

(63) Digitalisation of permit-granting procedures is essential to enhance transparency, efficiency and legal certainty. Member States should therefore establish single access portals at national level enabling applicants to submit and manage their applications in a fully digital environment. The use of interoperable digital solutions, including European Business Wallets, should facilitate secure data exchange, re-use of existing information and seamless interaction between applicants and competent authorities, while ensuring a high level of cybersecurity and data integrity. To improve transparency and predictability for applicants, the single access portal should provide up-to-date information on the status of applications, applicable procedures and deadlines, as well as notifications of decisions taken by the competent authorities.

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(64) Similarly, in order to support investment decisions and reduce information asymmetries, Member States should make relevant information on permit-granting procedures, financing opportunities, business support services and applicable regulatory requirements available online in a centralised and easily accessible manner. They should also ensure appropriate use of existing studies, permits and authorisations related to the planning, construction and operation of European semiconductor technology initiatives and strategic projects, where compatible with Union and national law, in order to avoid duplication of administrative procedures and reduce delays. Given the strategic importance and time sensitivity of European semiconductor technology initiatives and strategic projects, Member States should ensure that administrative and judicial proceedings related to permit-granting are treated as urgent, where and to the extent provided for under national law, while fully respecting the rights of defence and the rights of affected individuals and communities.

(65) Regulation (EU) [202X/XX] of […][51] establishes a common acceleration framework for environmental assessments in order to boost the Union's roll out of key technologies, reduce dependencies and strengthen competitiveness. Procedures linked to environmental assessments should be accelerated and streamlined for plans, programmes and projects across all sectors of the economy while maintaining high levels of protection of human health and of the environment. Some sectors may, however, require yet faster environmental assessments. Therefore, and in order to safeguard the coherence of the legal framework of environmental assessments, while allowing for the additional needs for acceleration in certain strategic sectors, Regulation (EU) [202X/XX] establishes a dedicated toolbox that should therefore be used in the context of this Regulation. Given the essential role of semiconductor technologies in ensuring the achievement of the Union's climate objectives by the introduction of novel, more sustainable technologies, production processes, the integration of semiconductors in net-zero technologies, and their contribution to the Union's resilience and economic security, European semiconductor technology initiatives and strategic projects in the meaning of this Regulation should also be considered strategic projects within the meaning of Regulation (EU) [202X/XX] and therefore benefit from the dedicated toolbox established under that Regulation.

(66) In the semiconductor sector, undertakings thrive in specialised local districts that can attract investment, foster innovation, and build resilient industrial ecosystems. Regions and regional industrial clusters are instrumental in developing and facilitating the establishment of such ecosystems. A European Semiconductor Region of Excellence label should be established with the objective of identifying, recognising and fostering regions in the Union that demonstrate a long-term, coordinated strategy to host, attract and expand semiconductor-related investments and semiconductor value chains. International investors should be able to find in a European Semiconductor Region of Excellence the ideal environment to develop semiconductor-related business. Such label should be awarded by the Commission following applications by regional authorities, on the basis of coherence and credibility of a Semiconductor Region Investment Plan and the level of commitment by the relevant authorities, and the application should be endorsed by the relevant Member State in order to ensure political coordination between different levels of government.

(67) Applying regions should develop a Semiconductor Region Investment Plan. Measures proposed in that plan should address in particular framework conditions to strengthen

[51] Proposal for a Regulation of the European Parliament and of the Council on speeding-up environmental assessments (COM/2025/984 final, 10.12.2025).

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semiconductor manufacturing, R&D collaboration, skills development, or sustainable infrastructure and signal their readiness to host semiconductor investments.

(68) On receiving the label, a region should gain access to opportunities, including stronger partnerships with industry and research institutions, and increased attractiveness to international investors seeking reliable, high-potential locations. Recognised regions should be able to join a Network of European Semiconductor Regions of Excellence, enabling them to share knowledge, forge alliances, and amplify their impact across the Union, while international recognition of their strategies would reinforce their reputation as prime destinations for semiconductor innovation and investment.

(69) Semiconductors are essential components embedded in infrastructures, equipment and systems used by critical entities, including those covered by Directive (EU) 2022/2555 of the European Parliament and of the Council[52]. The functioning, security and continuity of such critical entities depend increasingly on the availability, integrity and trustworthiness of semiconductor components and of their suppliers. In order to reduce the Union's exposure to supply chain shocks and dependencies on a limited number of third-country suppliers, it is necessary to strengthen transparency and resilience in the sourcing of semiconductors used in public procurement for critical infrastructures and services. Public procurement governed by Directives 2014/23/EU[53], 2014/24/EU[54], 2014/25/EU[55], of the European Parliament and of the Council represents a significant share of Union demand and can play a strategic role in promoting reliable and resilient semiconductor supply chains. Contracting authorities or contracting entities procuring critical infrastructure should integrate security of supply considerations throughout the procurement process, and should also consider how the semiconductors incorporated into the procured equipment or systems add value to the Union semiconductor supply chain resilience with their design and manufacturing steps. Such considerations are without prejudice to the Union cybersecurity legislation.

(70) Encouraging contracting authorities and contracting entities to require economic operators to provide a security of supply declaration concerning the sourcing of semiconductors would enhance transparency across supply chains and enables informed decision-making in procurement procedures, without imposing disproportionate administrative burdens and leaving discretion to contracting authorities and contracting entities as to whether to request such declaration in all procurement procedures. Such declaration should, where required, contain key elements enabling an assessment of supply chain robustness, including the identification of undertakings involved, the diversity of suppliers, added value to the Union's semiconductor supply chain resilience, strategies to increase resilience such as through dual sourcing from domestic undertakings, and vulnerability assessments to potential disruptions, as well as, where applicable, relevant risk assessments carried

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[52] Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union, amending Regulation (EU) No 910/2014 and Directive (EU) 2018/1972, and repealing Directive (EU) 2016/1148 (NIS 2 Directive) (OJ L 333, 27.12.2022, p. 80, ELI: http://data.europa.eu/eli/dir/2022/2555/oj).

[53] Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts (OJ L 94, 28.3.2014, p. 1, ELI: http://data.europa.eu/eli/dir/2014/23/oj).

[54] 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, ELI: http://data.europa.eu/eli/dir/2014/24/oj).

[55] Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, p. 243, ELI: http://data.europa.eu/eli/dir/2014/25/oj).

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out pursuant to this Regulation. To ensure that considerations of resilience, security and European supply chain added value are effectively integrated into procurement decisions, contracting authorities and contracting entities may specify in the procurement documents requirements relating to security of supply relating to the sourcing of semiconductors incorporated into the infrastructures, equipment or systems covered by the public procurement contract. To that end, they may include technical specifications, selection criteria, award criteria or contract performance clauses.

The public procurement framework established by Directives 2014/24/EU, 2014/25/EU and 2009/81/EC contains provisions enabling contracting authorities to exclude economic operators that have been guilty of serious misrepresentation, have withheld relevant information, or have supplied false or misleading information in the context of participation in a procurement procedure. Those provisions remain applicable to procurement procedures carried out by national contracting authorities covered by this Regulation.

(71) In this context, given that free trade agreements, custom unions, the WTO Agreement on Government Procurement[56] contain commitments on access to public procurement, undertakings from third countries which have concluded such international agreements with the Union guaranteeing such access should be deemed to fall under the definition of domestic undertakings. Furthermore, these international agreements, as well as strategic partnerships on semiconductors, reflect a mutual commitment between the Union and its partners to secure international semiconductor supply chains, which is why undertakings from these Union partners are granted equivalence to domestic undertakings.

(72) For the purposes of this Regulation, the assessment for whether an undertaking is domestic or equivalent, or not, should look into the ownership structure and the control of such undertaking. For assessing control, undertakings should be considered to be controlled by a third country or by a third-country legal entity, where that third country or legal entity is able to exercise decisive influence over its strategic decisions, whether directly or indirectly, including in particular, by having the right or exercising the power to appoint or remove a majority of the members of the administrative, management or supervisory body of the undertaking being assessed; by having appointed solely as a result of the exercise of one's voting rights a majority of the members of the administrative, management or supervisory bodies of the undertaking being assessed who have held office during the present and previous financial year; by controlling alone, pursuant to an agreement with other shareholders in or members of the undertaking being assessed, a majority of shareholders' or members' voting rights in that undertaking being assessed; by having the right to exercise a dominant influence over the undertaking being assessed, pursuant to an agreement entered into with that undertaking being assessed or to a provision in its Memorandum or Articles of Association, where the law governing that undertaking being assessed permits its being subject to such agreement or provision; by having the power to de facto exercise the right to exercise a dominant influence over the undertaking being assessed, without being the holder of that right; by having the right to use all or part of the assets of the undertaking being assessed; by managing the business of the undertaking being assessed on a unified basis, while publishing consolidated accounts; or by sharing

[56] Protocol Amending the Agreement on Government Procurement (OJ L 68, 7.3.2014, p. 2, ELI: http://data.europa.eu/eli/prot/2014/115/oj), which entered into force on 6 April 2014 (OJ L 89, 25.3.2014, p. 5).

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jointly and severally the financial liabilities of the undertaking being assessed, or guaranteeing them.

(73) Regulation (EU) No 654/2014 of the European Parliament and of the Council[57] enables the Union to suspend or withdraw concessions or other obligations under international trade agreements in order to respond to breaches by third countries of international trade rules that affect the Union's commercial interests. Any exercise of the Union's rights under Regulation (EU) 2021/167 should also be reflected in the interpretation of the definition of domestic undertaking under this Regulation.

(74) In addition to challenges relating to the security of supply of semiconductors, increasing attention has been drawn to cybersecurity risks associated with sourcing from certain suppliers for critical infrastructures, equipment or systems. Such cybersecurity risks should not fall within the scope of this declaration submitted by economic operators in procurement procedures involving the provision or use of semiconductors and are governed by the applicable Union cybersecurity legal framework. Notwithstanding, economic operators are to ensure compliance with, and act in accordance with, relevant Union cybersecurity legislation.

(75) Given the complexity and evolving nature of semiconductor supply chains, the Commission, in consultation with the European Semiconductor Board and relevant industrial stakeholders, should, where necessary, issue recommendations identifying specific infrastructures, equipment or systems for which supply chain resilience is particularly important seeing potential supply chain risks, and such recommendations should be considered by contracting authorities and contracting entities in the preparation and conduct of procurement procedures, thereby supporting consistent implementation across the Union.

(76) In order to preserve flexibility and avoid undue constraints on procurement procedures, contracting authorities and contracting entities should be allowed not to apply the requirement, including those relating to dual sourcing involving domestic undertakings in duly justified cases, including where there is a lack of competition, absence of suitable tenderers, or where their application would lead to disproportionate costs or technical incompatibilities. Such derogations should be interpreted narrowly and applied in a transparent manner, ensuring that the objectives of strengthening semiconductor supply chain resilience and safeguarding the functioning of critical entities are not undermined.

(77) In order to ensure the effective and consistent application of measures aimed at strengthening the resilience and security of semiconductor supply in public procurement, the Commission may provide guidance and facilitate coordination among relevant actors. Such guidance should support the use of recommendations identifying infrastructures, equipment or systems for which semiconductor supply by domestic undertakings is particularly relevant, as well as the preparation and assessment of security of supply declarations, including elements related to supply chain mapping, the proportion of domestic undertakings involved, resilience strategies such as dual sourcing, and vulnerability and risk assessments. The guidance should

[57] Regulation (EU) No 654/2014 of the European Parliament and of the Council of 15 May 2014 concerning the exercise of the Union's rights for the application and enforcement of international trade rules and amending Council Regulation (EC) No 3286/94 laying down Community procedures in the field of the common commercial policy in order to ensure the exercise of the Community's rights under international trade rules, in particular those established under the auspices of the World Trade Organization (OJ L 189, 27.6.2014, pp. 50-58, ELI: http://data.europa.eu/eli/reg/2014/654/oj).

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also facilitate the application of common methodologies for assessing supply chain risks, in particular in sectors exposed to heightened vulnerabilities, and promote the exchange of best practices and relevant information, with a view to ensuring a coherent approach across the Union and supporting the effective functioning of the internal market.

(78) In order to increase the transparency and safeguard the security of supply of semiconductors for critical sectors, it is necessary to provide for the possibility of further Union action where the identified risks are not adequately addressed. Where, following consultation with the European Semiconductor Board, the Commission concludes that the measures recommended to contracting authorities or contracting entities to address such risks are insufficient, it should be empowered to adopt implementing decisions regarding which public authorities shall require economic operators to submit a security of supply declaration and for which procedures and products.

(79) The semiconductor supply chain experiences disruptions that may damage certain downstream sectors economically. Critical sectors linked to public security, such as energy, defence or public administration, and those sectors where semiconductors represent a large percentage of the value of the final product, such as automotive, datacentres or industrial automation, are particularly exposed to disruptions in semiconductor supply chains. Therefore, the Commission should have the possibility to identify them as risk-prone sectors.

(80) In order to clarify the necessary information to include, the Commission should, where appropriate, issue methodological guidance on how to carry out risk assessments that address the creation of a dual sourcing strategy, upstream and downstream supply chain mapping, and vulnerability analysis and sensitivity to supply disruption. For that purpose, the Commission may issue methodological recommendations on how to carry out risk assessments for those sectors.

(81) In order to ensure a high level of resilience of the Union's semiconductor supply chain, it is necessary to provide for the possibility of further Union action where the identified risks are not adequately addressed. Where, following consultation with the European Semiconductor Board, the Commission concludes that the measures recommended to address such risks are insufficient, it should be empowered to adopt implementing decisions specifying appropriate risk mitigation measures. Such measures may include, where justified and proportionate, requirements for diversification of supply sources, including dual sourcing, or the building-up of strategic stocks. Those measures should be targeted, proportionate, and take into account the specificities of the sectors and companies concerned, as well as the need to preserve the functioning of the internal market and avoid undue administrative burden. The assessment of risks to the semiconductor supply chain should be based on objective and reliable evidence. For that purpose, the Commission should take into account, inter alia, publicly available information, data collected through requests for information, as well as indications of repeated or persistent supply chain disruptions. The use of such evidence should ensure that any measures adopted are well-founded, transparent, and proportionate to the identified risks, while safeguarding the confidentiality of sensitive business information.

(82) With the interest of continuity of supply and reliability in mind, contracting authorities and contracting entities are empowered to request risk assessments on the

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semiconductor supply chains of economic operators participating in public procurement or other public funding procedures that concern risk-prone sectors.

(83) The objective of a strategic mapping of the semiconductor sector should be to provide an analysis of the Union's strengths and weaknesses in the global semiconductor sectors with a view to providing a basis for measures to ensure security of supply and resilience of the Union's semiconductor ecosystem. To that end, the strategic mapping should identify factors such as key products and critical infrastructures in the internal market that depend on the supply of semiconductors, main user industries and their current and expected needs, key segments of the Union's semiconductor supply chain, technological characteristics, dependencies on third-country technology and providers, and bottlenecks of the Union's semiconductor sector, current and expected needs for skills and access to qualified workforce building on the work of the European Skills Observatory established under the Union of Skills and, where appropriate, the potential impact of the measures of the emergency toolbox. The strategic mapping should be based on publicly and commercially available data.

(84) In order to prepare for future disruptions of the different stages of the semiconductor value chain in the Union and of trade within the Union, the Commission, assisted by the European Semiconductor Board should and on the basis of the outcome of the strategic mapping, identify and develop a list of early warning indicators. Such indicators could include atypical increases in lead time, the availability of raw materials, intermediate products and human capital needed for semiconductor manufacturing, or appropriate manufacturing equipment, the forecasted demand for semiconductors on the Union and global markets, price surges exceeding normal price fluctuation, the effect of accidents, attacks, natural disasters or other serious events, the effect of trade policies, tariffs, export restrictions, trade barriers and other trade-related measures, and the effect of business closures, offshoring or acquisitions of key market actors. Monitoring activities of the Commission should focus on those early warning indicators.

(85) Due to the complex, quickly evolving and interlinked semiconductor value chains with various actors, a coordinated approach to monitoring is necessary to increase the ability to mitigate risks that may negatively affect the supply of semiconductors and to enhance the understanding of the dynamics of the semiconductor value chain. The Commission, in consultation with the European Semiconductor Board, should monitor the semiconductor value chain focusing on early warning indicators and identifying best practices for risk mitigation and increased transparency in the semiconductor value chain, in such a way that it would not represent an excessive administrative burden for undertakings, in particular SMEs and SMCs. Relevant findings, including information provided by relevant stakeholders and industry associations, should be provided to the European Semiconductor Board to allow for a regular exchange of information with the Board and for integration of the information into a monitoring overview of the semiconductor value chains.

(86) The Business-to-Business Semiconductor Supply Chain Platform ('the Platform') should be a digital twin of the semiconductor supply chain with the objective of increasing supply chain transparency and better informing undertakings to increase their resilience. It should be an industry-led action that benefits participating undertakings by enhancing their resilience to semiconductor supply chain disruptions and reducing their market-intelligence costs. The incentive for undertakings to join the Platform and provide high quality input data should be the added value that they will obtain from the Platform's output. Such output may include guidance by an

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independent third party based on market analysis, aggregated insights on semiconductor supply chain risks, results of stress tests of the semiconductor supply chain, early warnings and guidance on proactive measures with the sole purpose of enhancing the de-risking of the semiconductor supply chain. Participation in the Platform should encourage undertakings to take proactive actions to enhance their supply chain resilience without public sector intervention. For the Commission, a proactive and resilient private sector would ensure a lower risk of activation of the crisis stage and deployment of the emergency toolbox.

(87) The Commission should provide through a call for proposal the initial funding for the Platform, supporting its establishment and covering set-up costs. The call should only lay down a minimum set of requirements without prescribing specific technical solutions or exact data collection requirements. It should be up to the beneficiary of the call for proposal and the participating undertakings to implement a financing model based on a business case that allows the Platform to become self-sustaining in the medium term. The merit and usefulness of this type of platform can be measured by the success of similar initiatives that already exist either regionally, internationally or in other sectors.

(88) The Platform should be designed in such a way that it ensures the utmost confidentiality of commercially sensitive information and compliance [of the Platform] with Union competition law. In particular, the Platform should put in place adequate safeguards to ensure that the exchange of information amongst participating undertakings is strictly limited to what is objectively necessary and proportionate to achieve the objectives set out in this Regulation and to avoid anticompetitive exchange of commercially sensitive information amongst competitors. To that extent, participating undertakings should only have access to their own data and anonymised aggregated reports.

(89) Meetings, discussions or information exchanges between participating undertakings within the framework of the Platform should be limited to what is indispensable to achieve the Platform's objectives and should be appropriately documented. The exchange of commercially sensitive information between participants – including information relating to individual undertakings' current or future prices, costs, margins, sales volumes, production levels, capacities, or market shares – should be excluded[58]. The Platform should operate in a manner that preserves the independence of participating undertakings in their commercial decision-making. Participating undertakings should remain responsible for ensuring compliance with Union and national competition rules, including Article 101 TFEU.

(90) The Platform should strongly encourage the participation of the main end-user sectors of semiconductors based on the significant added value that participation will bring them. The benefits for participating end-user sector undertakings could include becoming increasingly knowledgeable of their own semiconductor supply chain risks and therefore, being empowered to take proactive semiconductor supply chain management measures. The list of main end-user sectors of semiconductors should reflect the current sectors that are purchasing semiconductors in order to produce their products either directly or indirectly via their components. Electronic manufacturing

[58] For more information, see Chapter 6 of the Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal cooperation agreements (Horizontal Guidelines).

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service providers and distributors should be included the list because of the important role they play in the Union's semiconductor ecosystem.

(91) From the public sector perspective and in order to ensure the swift flow of information in case of disruptions to the supply chain, the national competent authorities of Member States should keep an updated contact list of relevant undertakings operating along the semiconductor supply chain established in their national territory. That list should allow for the identification of appropriate respondents to voluntary requests for information. The list should not be required to be exhaustive, and it should be handled in a manner that fully respects the applicable confidentiality rules.

(92) A number of undertakings providing semiconductor services or goods are assumed to be essential for an effective semiconductor supply chain in the Union's semiconductor ecosystem, due to the number of Union undertakings relying on their products, their Union or global market share, their importance to ensure a sufficient level of supply or the possible impact of the disruption of supply of their products or services. The Member States, in cooperation with the Commission, should identify and keep an updated list of those key market actors in their territories. As part of the monitoring, Member States should specifically consider the integrity of the activities carried out by key market actors. Such issues could be brought to the attention of the European Semiconductor Board by the Member State concerned.

(93) To enable anticipation of potential shortages, national competent authorities should alert the Commission if they become aware of a risk of serious disruption in the supply of semiconductors or have concrete and reliable information of any other relevant risk factor or event materialising. In order to ensure a coordinated approach, the Commission should, where it learns of a risk of serious disruption in the supply of semiconductors or has concrete or reliable information of any other relevant risk factor or event materialising, upon alert or from international partners, convene an extraordinary meeting of the European Semiconductor Board to discuss the severity of the disruptions and possible initiating of the procedure for activating the crisis stage, and whether it may be appropriate, necessary and proportionate for Member States to carry out coordinated joint procurement as a preventive measure, as well as to enter into dialogue with stakeholders, with a view to identifying, preparing and possibly coordinating such preventive measures. The European Semiconductor Board and the Commission should, within that dialogue, take into account the views of stakeholders of the semiconductor value chain. The European Semiconductor Board should advise the Commission on whether to issue a preventive request for information to the Platform. The Commission should consult and cooperate with relevant third countries with a view to jointly addressing semiconductor supply chain disruptions, in compliance with international obligations.

(94) After receiving advice from the European Semiconductor Board, the Commission should be able to issue requests for information to undertakings and to the Platform. As experience with several supply chain disruptions in the past and with the difficulties in obtaining the necessary information to deal with those disruptions has shown, the purpose of preventive requests for information at the stage of alert is to adequately deal with supply chain disruptions before the crisis stage is activated and to provide input for precise assessments of a possible semiconductor crisis.

(95) Undertakings actively participating in the Platform should be considered to have fulfilled their obligation to share information with the Commission in cases of supply chain disruptions, and therefore should be exempted from receiving directly a request

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for information before the crisis stage. By actively participating in the Platform, those undertakings are demonstrating a strong commitment to proactively de-risking their supply chain. Undertakings actively participating in the Platform should therefore be shielded from the potential added administrative burden of having to respond to the Commission's requests for information. The Commission should report the key findings of responses to requests for information before the crisis stage to the European Semiconductor Board without undue delay. To protect participating undertakings in the Platform from undue foreign influence and safeguard trade secrets, the Platform should be prohibited from answering any requests for information, other than those issued by the Commission, without prejudice to its obligations under Union or national law.

(96) The semiconductor crisis stage should be activated in the presence of concrete, serious and reliable evidence of such a crisis. A semiconductor crisis occurs where there are serious disruptions to the supply of semiconductors or serious obstacles to trade in semiconductors within the Union causing significant shortages of semiconductors, intermediate products or raw or processed materials, and such significant shortages prevent the supply, repair and maintenance of essential products used by critical sectors, for instance medical and diagnostic equipment, to the extent that such a crisis would have serious detrimental effects on the functioning of the critical sectors due to their impact on society, economy and security of the Union.

(97) In order to ensure an agile and effective response to such a semiconductor crisis, where the Commission becomes aware of a potential semiconductor crisis, it should assess whether the conditions for activating the crisis stage are met. If this assessment produces concrete, serious and reliable evidence of a semiconductor crisis, the Commission should be able to present to the Council a proposal to activate the crisis stage for a predetermined duration period of maximum 12 months, taking into account the opinion of the European Semiconductor Board. The Commission should assess the need for prolongation or early termination of the crisis stage and initiate such procedure, should such a necessity be ascertained, taking into account the opinion of the European Semiconductor Board.

(98) The synergies between the security of supply mechanisms established under Chapter VII of Regulation (EU) 2025/2643 and this Regulation should provide the Union's defence sector with the necessary flexibility and breadth of action to react and ensure security of supply. In particular, the possibility for the Commission under this Regulation and under Chapter VII of Regulation (EU) 2025/2643 to prioritise defence production under the priority-rated orders provisions of both regulations, should minimise supply chain disruptions in the defence sector in time of crisis.

(99) Due to the sensitive nature of the crisis stage activation and of the potential measures that may be taken in response thereof, including the significant impact which such measures might have on private undertakings in the Union, the power to adopt an implementing act as regards activating, prolonging and terminating the crisis stage in a semiconductor crisis should be conferred on the Council.

(100) Close cooperation between the Commission and the Member States and coordination of any national measures taken with regard to the semiconductor supply chain is indispensable during the crisis stage with a view to addressing disruptions with the necessary coherence, resiliency and effectiveness. To that end, the European Semiconductor Board should hold extraordinary meetings as necessary. Any measures taken should be strictly limited to the duration period of the crisis stage.

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(101) For a rapid, efficient and coordinated Union response to a semiconductor crisis, it is necessary to provide timely and up-to-date information to the Commission and to the Member States through the European Semiconductor Board on the unfolding operational situation as well as to ensure that effective measures to secure the supply of semiconductors to affected critical sectors can be taken. Appropriate, effective and proportionate measures should be identified and implemented when the crisis stage is activated, without prejudice to possible continued international engagement with relevant partners with a view to mitigating the evolving crisis situation. Where appropriate, the Commission should request information from undertakings along the semiconductor supply chain. Furthermore, the Commission should be able to, where necessary and proportionate, require European semiconductor technology initiatives to accept and prioritise an order of the production of crisis-relevant products, and to act as a central purchasing body when mandated by Member States. The Commission should limit those measures to certain critical sectors. The European Semiconductor Board may also assess and advise on appropriate and effective measures. In addition, the European Semiconductor Board may advise on the necessity of introducing protective measures pursuant to Regulation (EU) 2015/479 of the European Parliament and of the Council[59]. The use of all emergency measures should be proportionate and restricted to what is necessary to address the semiconductor crisis in the best interest of the Union. The Commission should regularly inform the European Parliament and the Council of the measures taken and the underlying reasons. The Commission may, after consulting the European Semiconductor Board, issue further guidance on the implementation and use of the emergency measures.

(102) A number of sectors are critical for the proper functioning of the internal market. For the purposes of this Regulation, those critical sectors should be listed in an Annex to this Regulation. That list should be limited to the sectors and subsectors listed in the Annex to Directive (EU) 2022/2557 of the European Parliament and of the Council[60], with the addition of the sectors of defence and security, on the basis of their important role in ensuring vital societal functions. Certain measures should be taken only for the purpose of securing supply to critical sectors. The Commission may limit the emergency measures to certain of those sectors or to certain parts of them when the semiconductor crisis has disturbed or is threatening to disturb their operation.

(103) The purpose of requests for information from undertakings along the semiconductor supply chain established in the Union in the crisis stage is to enable precise assessments of the semiconductor crisis or to identify and prepare potential mitigation or emergency measures at Union or national level. Such information may include production capability, production capacity and current primary disruptions and bottlenecks. Those aspects could include the typical and current actual stock of crisis-relevant products in production facilities located in the Union as well as production facilities which are located in third countries where those undertakings operate, with which they contract or from which they purchase supplies, the typical and current actual average lead time for the most common products produced, the expected production output for the following three months for each Union production facility, or reasons that prevent the filling of production capacity. Such information should be

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59 Regulation (EU) 2015/479 of the European Parliament and of the Council of 11 March 2015 on common rules for exports (codification) (OJ L 83, 27.3.2015, p. 34, ELI: http://data.europa.eu/eli/reg/2015/479/oj).

60 Directive (EU) 2022/2557 of the European Parliament and of the Council of 14 December 2022 on the resilience of critical entities and repealing Council Directive 2008/114/EC (OJ L 333, 27.12.2022, p. 164, ELI: http://data.europa.eu/eli/dir/2022/2557/oj).

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limited to what is necessary to assess the nature of the semiconductor crisis or potential mitigation or emergency measures at Union or national level. Requests for information should not entail the supply of information the disclosure of which is contrary to Member States' national security interests. The concrete information to be asked may be developed on the basis of prior responses to requests for information before the crisis stage, or advice from a representative number of relevant undertakings through voluntary consultation, in cooperation with the European Semiconductor Board. Any request should be proportionate, have regard for the legitimate aims of the undertaking and the cost and effort required to make the data available, as well as set out appropriate time limits for providing the requested information. Undertakings should be required to comply with the request and may be subject to penalties if they fail to comply or provide incorrect information. Any information acquired should be used only for the purposes of this Regulation and be subject to confidentiality rules. To ensure full involvement of the Member State where the undertaking has its production site, the Commission should forward, without delay, a copy of the request for information to the national competent authority and, where the national competent authority so requests, share the acquired information with that national competent authority through secure means. If an undertaking receives a request for information related to its semiconductor activities from a third country, it should inform the Commission so as to enable the Commission to assess whether a request for information by the Commission is warranted.

(104) As an instrument of last resort to ensure that critical sectors can continue to operate in a time of crisis and only when necessary and proportionate for that purpose, European semiconductor technology initiatives may be required by the Commission to accept and prioritise orders of crisis-relevant products. Potential beneficiaries of priority-rated orders should be entities from critical sectors or undertakings supplying to critical sectors whose activities are disrupted or at risk of disruption on account of the shortage. To ensure that priority-rated orders are used only when necessary, they should be restricted to beneficiaries who, having implemented risk mitigation measures, were unable to avoid, for instance through their procurement practices, and to mitigate the impact of the shortage through other means, such as using existing stockpiles. The obligation of accepting and prioritising orders of crisis-relevant products may also be extended to strategic projects and semiconductor manufacturing facilities which have accepted such possibility in the context of receiving public support, if such public support aims to foster the ability to increase production capacity. The decision on a priority-rated order should be taken in accordance with all applicable Union legal obligations, having regard to the circumstances of the case. The priority rating obligation should take precedence over any performance obligation under private or public law while it should have regard for the legitimate aims of the undertakings and the cost and effort required for any change in production sequence. Each priority-rated order should be placed at a fair and reasonable price. The calculation of such price may be carried out on the basis of average market prices over recent years, subject to reasons being given for any increase, for example taking into account inflation or rise in energy costs. Undertakings may be subject to penalties if they fail to comply with the obligation for priority-rated orders.

(105) For facilities carrying out a priority-rated order, it may be beneficial for the Commission, assisted by the European Semiconductor Board, and the Member States to exchange best practices concerning the execution of those orders, including best administrative practices.

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(106) The undertaking concerned should be required to accept and prioritise a priority-rated order. With a view to ensuring that priority-rated orders align with the capacities and the production portfolio of a facility, the Commission should provide the facility concerned with the opportunity to be heard on the feasibility and details of the priority-rated order. The Commission should not issue the priority-rated order where the facility is unable to fulfil the order even if prioritised, be it due to insufficient production capability or production capacity or on technical grounds, or where the product is not supplied or the service is not performed by the facility or because that would place an unreasonable economic burden and entail particular hardship on the undertaking, including substantial risk relating to business continuity.

(107) To ensure a transparent and clear framework for the implementation of priority-rated orders, the Commission should be empowered to adopt an implementing act laying down the practical and operational arrangements for the implementation of priority-rated orders. That implementing act should contain safeguards to ensure that priority-rated orders are implemented in compliance with the principles of necessity and proportionality, such as a mechanism that takes into account existing orders and a mechanism to ensure that volumes of priority-rated orders do not exceed what is necessary.

(108) Under the exceptional circumstance that an undertaking operating along the semiconductor supply chain in the Union receives a priority-rated order request from a third country, it should inform the Commission of such a request, so as to inform an assessment of whether, where there is a significant impact on the security of supply to critical sectors, and the other requirements of necessity, proportionality and legality are satisfied in the circumstances of the case, the Commission should likewise impose a priority-rated order obligation.

(109) In light of the importance to ensure the security of supply to critical sectors that perform vital societal functions, compliance with the obligation to perform a priority-rated order should not entail liability for damages towards third parties for any breach of contractual obligations that may result from the necessary temporary changes of the operational processes of the concerned manufacturer, limited to the extent to which the violation of contractual obligations was necessary for compliance with the mandated prioritisation. Undertakings potentially within scope of a priority-rated order should anticipate that possibility in the conditions of their commercial contracts. Without prejudice to the applicability of other provisions, the liability for defective products, provided for by Council Directive 85/374/EEC[61], should not be affected by this liability exemption. In accordance with Article 52(1) of the Charter of Fundamental Rights of the European Union (the 'Charter'), the obligation to prioritise the production of certain products respects the essence of and does not disproportionately affect the freedom to conduct a business and the freedom of contract laid down in Article 16 and the right to property laid down in Article 17 of the Charter.

(110) When the crisis stage is activated and to ensure the security of supply to critical sectors that perform vital societal functions, two or more Member States may mandate the Commission to aggregate demand and act on their behalf for their public procurement in the public interest, in accordance with existing Union rules and procedures, leveraging its purchasing power. Common purchasing should be used only

[61] Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (OJ L 210, 7.8.1985, p. 29, ELI: http://data.europa.eu/eli/dir/1985/374/oj).

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to address supply-chain disruptions of semiconductors during a crisis. The mandate may authorise the Commission to enter into agreements concerning the purchase of crisis-relevant products for certain critical sectors. The Commission should assess for each request the utility, necessity and proportionality in consultation with the European Semiconductor Board. Where the Commission intends to not follow the request, it should inform the Member States concerned and the European Semiconductor Board and give its reasons. The procedural details should be set out in an agreement between the Commission and the participating Member States, including reasons for the use of the common purchasing mechanism and liabilities to be assumed. Such an agreement may include the number of contracts to be concluded and the conditions of the common purchasing, such as prices, delivery timeframes, quantities and opt-in or opt-out clauses. The common purchasing may result in the signature of one contract covering the needs of all Member States or several contracts each covering the needs of one or more Member States. Furthermore, the participating Member States should be entitled to appoint representatives to provide guidance and advice during the procurement procedures and in the negotiation of the purchasing agreements. The deployment, use or resale of purchased products should remain within the remit of the participating Member States.

(111) During a semiconductor shortage crisis, it might become necessary that the Union considers protective measures. The European Semiconductor Board should be able to express its views to inform the Commission's assessment of whether the market situation amounts to a significant shortage of essential products pursuant to Regulation (EU)2015/479.

(112) The institutional framework for expert groups, including the rules on transparency for the entity and its sub-groups, should apply to the European Semiconductor Board, without prejudice to this Regulation. The European Semiconductor Board should provide advice to and assist the Commission on developing a comprehensive semiconductor policy and on specific technical questions. Those questions may include providing advice on the Chips for Europe Initiative 2.0 to the Public Authorities Board of the Chips Joint Undertaking, exchanging information on the functioning of European semiconductor technology initiatives and strategic projects, discussing and preparing the identification of specific sectors and technologies with potential high social impact and security significance in need of certification for trusted products and addressing coordinated monitoring and crisis response. Furthermore, the European Semiconductor Board should ensure the consistent application of this Regulation, facilitate cooperation between Member States as well as exchange of information on issues relating to this Regulation. The European Semiconductor Board should also exchange views with the Commission on the best ways to ensure effective protection and enforcement of IP rights, confidential information and trade secrets with due involvement of stakeholders in relation to the semiconductor sector. The European Semiconductor Board should support the Commission in international cooperation in accordance with international obligations. It should serve as a forum for coordinating national semiconductor policies and relevant investments, international engagement, how to enhance cooperation along the global semiconductor value chain, in particular with a focus on research, development and innovation (R&D&I) and skills exchange programmes, without prejudice to the prerogatives of the European Parliament and of the Council in accordance with the Treaties. For that purpose, the European Semiconductor Board should take into account the views of the Industrial Alliance for Semiconductors and of other stakeholders. In addition, the European Semiconductor Board should coordinate,

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cooperate and exchange information with other Union crisis response and crisis preparedness structures with a view to ensuring a coherent and coordinated Union approach as regards crisis response and crisis preparedness measures for semiconductor crises.

(113) A representative of the Commission should chair the European Semiconductor Board. Each Member State should appoint one high-level representative and one alternate to the European Semiconductor Board. They could also appoint up to three technical representatives in relation to different tasks of the European Semiconductor Board, for example, depending on which part of this Regulation is discussed in the meetings of the European Semiconductor Board. Member States should endeavour to ensure effective and efficient cooperation in the European Semiconductor Board. Member States should indicate a single contact point to ensure the reliable and timely exchange of information on the operation of the European Semiconductor Board. To receive important advice on the activities of the European Semiconductor Board and allow appropriate participation of stakeholders, the Chair should be able to establish sub-groups and should be entitled to establish working arrangements by inviting experts and observers to take part in the meetings on an ad hoc basis or to invite stakeholders, in particular organisations representing the interests of the Union semiconductors industry, such as the Industrial Alliance for Semiconductors, to its sub-groups as observers.

(114) The Chair should be able to facilitate exchanges between the European Semiconductor Board and other Union bodies, offices, agencies and expert and advisory groups. In light of the importance of the supply of semiconductors for other sectors and the resulting need for coordination, the Chair should ensure participation by other Union institutions and bodies as observers in meetings of the European Semiconductor Board where relevant and appropriate in relation to the monitoring and crisis response mechanism established in this Regulation.

(115) Member States should hold a key role in the application and enforcement of this Regulation. In that respect, each Member State should designate one or more national competent authorities responsible for the effective implementation of this Regulation and ensure that those authorities are adequately empowered and resourced. Member States may designate an existing authority or authorities. In order to increase organisation efficiency in the Member States and to set an official point of contact vis-a-vis the public and other counterparts at Union and Member State level, including the Commission and the European Semiconductor Board, each Member State should designate, within one of the authorities it designates as competent authority under this Regulation, one national single point of contact responsible for coordinating issues related to this Regulation and cross-border cooperation with competent authorities of other Member States.

(116) The Union should strive to conclude strategic partnerships on semiconductors with established or emerging international partners in order to improve the Union’s security of supply and cooperation along the semiconductor value chain. Those partnerships should also strive to address the semiconductor-related knowledge and skills shortage existing in the Union by attracting, mobilising and retaining new talent to the Union. For partners with which the Union has cooperation on semiconductors established through a Digital Partnership, Trade and Technology Council or Digital Dialogue, the strategic partnership on semiconductors should reflect the political steer and priorities agreed at those fora.

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(117) To develop and ensure a coherent framework for the conclusion of future strategic partnerships on semiconductors, the Member States and the Commission should, as part of their interaction on the European Semiconductor Board, discuss, among other things, whether existing partnerships achieve their intended aims, the prioritisation of partners for new partnerships, the content of such partnerships and their consistency and potential synergies with other Commission international cooperation frameworks and with Member States' bilateral cooperation with relevant international strategic partners. This should be done without prejudice to the prerogatives of the Council in accordance with the Treaties. The Union should seek mutually beneficial partnerships with emerging markets and developing economies, in coherence with its Global Gateway strategy[62] and its International Digital Strategy[63], which contribute to the diversification of its semiconductor supply chain as well as add value to those international strategic partners.

(118) To strengthen the Union's strategic autonomy and leadership in semiconductor technologies, the Industrial Alliance on Processors and Semiconductor Technologies should cease to exist and its operations should be taken over by the Industrial Alliance for Semiconductors (the 'Alliance'), established by this Regulation, under the Commission's oversight. All members and participants of the existing Industrial Alliance on Processors and Semiconductor Technologies should automatically become members and participants of the Alliance. The terms of reference under which the functioning, tasks and composition of the Alliance are detailed, should be published in a Commission website for clarification[64]. The Alliance should bring together stakeholders from across the value chain, including industry, SMEs, research organisations, and key user sectors, to identify critical gaps in the Union's capabilities and drive the technological and industrial advancements needed to enhance competitiveness. By fostering collaboration and innovation, the Alliance should help reduce dependencies, reinforce supply chain resilience and support the scaling of smaller Union actors. To ensure coherence with the Union's semiconductor strategy and priorities, and to facilitate a smooth and effective implementation of this Regulation, the Alliance's Steering Committee should maintain a regular dialogue with the European Semiconductor Board, while its working groups may present updates upon request. This structured engagement should enable the Board to integrate industry insights into policy decisions, ensuring that public and private efforts remain aligned in advancing the Union's technological sovereignty.

(119) In order to ensure trustful and constructive cooperation of competent authorities at Union and national level, all parties involved in the application of this Regulation should respect the confidentiality of information and data obtained in carrying out their tasks to protect in particular IP rights, sensitive business information and trade secrets. Any information acquired in the application for recognition as a European semiconductor technology initiative, in the context of requests for information or notification obligations under this Regulation, should be used only for the purposes of this Regulation and should be covered by the obligation of professional secrecy in

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62 European Commission: Directorate-General for International Partnerships, The Global Gateway strategy, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2841/5607451

63 European Commission: Directorate-General for Communications Networks, Content and Technology, *An international digital strategy for the European Union*, European Commission, 2025, https://data.europa.eu/doi/10.2759/4019528

64 European Commission: Directorate-General for Communications Networks, Content and Technology, *Alliance on Processors and Semiconductors Technologies,* https://digital-strategy.ec.europa.eu/en/policies/alliance-processors-and-semiconductor-technologies

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accordance with Article 339 TFEU, as well as internal Commission rules on the secure handling of data, in particular Commission Decision (EU, Euratom) 2015/443[65]. The Commission and the national competent authorities, their officials, servants and other persons working under the supervision of those authorities as well as officials and civil servants of other authorities of the Member States should ensure the confidentiality of information obtained in carrying out their tasks and activities. This should also apply to the European Semiconductor Board and the Semiconductor Committee. Where appropriate, the Commission should be able to adopt implementing acts to specify the practical arrangements for the treatment of confidential information in the context of information gathering.

(120) Compliance with the obligations imposed under this Regulation should be enforceable by means of fines and periodic penalty payments. To that end, appropriate levels of fines for non-compliance with requests for information and notification obligations under this Regulation should be laid down, taking into account the different levels of gravity of the non-compliance between both obligations and with different ceilings for SMEs. Furthermore, periodic penalty payments should be laid down for non-compliance with the obligation to accept and perform priority-rated orders, which should be proportionate and reflect the price levels on the market during the last 90 days, with different ceilings for SMEs. Limitation periods should apply for the impositions of fines and periodic penalty payments, in addition to limitation periods for the enforcement of penalties. In addition, the Commission should give the concerned undertaking or representative organisations of undertakings the right to be heard.

(121) In order to reflect technological change and market developments relevant to the semiconductor sector, to ensure effective implementation and evaluation of the Chips for Europe Initiative 2.0, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission with a view to amending this Regulation with regard to the actions supported by the Chips for Europe Initiative 2.0 in a manner consistent with its objectives and with regard to the measurable indicators for monitoring the implementation of the Chips for Europe Initiative 2.0 and for reporting on its progress towards the achievement of its objectives, and with a view to supplementing this Regulation by establishing the procedure for applications and the requirements and conditions for the granting, monitoring and withdrawal of the label of design centres of excellence. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making[66]. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

(122) Without prejudice to the budgetary procedure and to its administrative autonomy, the Commission should make optimal use of resources to ensure that it can effectively perform its duties and exercise its powers under this Regulation.

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65 Commission Decision (EU, Euratom) 2015/443 of 13 March 2015 on Security in the Commission (OJ L 72, 17.3.2015, p. 41, ELI: http://data.europa.eu/eli/dec/2015/443/oj).

66 OJ L 123, 12.5.2016, p. 1, ELI: http://data.europa.eu/eli/agree_interinstit/2016/512/oj.

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(123) Since the objective of this Regulation, namely to establish a framework for strengthening the semiconductor ecosystem at Union level, cannot be sufficiently achieved by the Member States but can rather, by reason of the scale or effects of the action, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

(124) Regulation (EU) 2023/1781 should therefore be repealed,

HAVE ADOPTED THIS REGULATION:

Chapter I

General provisions

Article 1
Subject matter

1. This Regulation establishes a framework for strengthening the semiconductor ecosystem, and addressing and preventing dependencies that can threaten the security of supply of semiconductors at Union level, in particular through the following measures:

   (a) the continuation and further development of the Chips for Europe Initiative, originally established under Regulation (EU) 2023/1781 and referred to in this Regulation as 'Chips for Europe Initiative 2.0;

   (b) setting the criteria to recognise and support European semiconductor technology initiatives that are first-of-a-kind initiatives and strategic projects that foster the indispensability, resilience, and prosperity of the Union's semiconductor ecosystem;

   (c) enhancing the coordination mechanism between the Member States and the Commission originally established under Regulation (EU) 2023/1781 which concerns the mapping and monitoring the Union's semiconductor sector, crisis prevention and response to semiconductor shortages and, where relevant, requests for information and consultation with stakeholders from the semiconductor supply chain.

1. The first general objective of this Regulation is to ensure the conditions necessary for the competitiveness and innovation capacity of the Union in semiconductor technologies and to ensure the adjustment of the industry to structural changes.

2. The second general objective, separate from and complementary to the first general objective set out in paragraph 2, is to enhance crisis preparedness to ensure the EU's security of supply thereby improving the functioning of the internal market by laying down a uniform Union legal framework for increasing the Union's indispensability, resilience and prosperity in the field of semiconductor technologies.

3. This regulation shall apply without prejudice to the specific procurement procedures and qualification standards applicable in the defence sector referred to in Regulation (EU) 2025/2643.

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Article 2
Definitions

For the purposes of this Regulation, the following definitions apply:

(1) ‘semiconductor’ means one of the following:

(a) a material, including advanced materials, either elemental or compound, whose electrical conductivity can be modified;

(b) component consisting of a series of layers of semiconducting, insulating and conducting materials defined according to a predetermined pattern, and intended to perform well-defined electronic or photonic functions or both;

(2) ‘chip’ means an electronic device comprising various functional elements on a single piece of semiconductor material, typically taking the form of memory, logic, processor, optoelectronics and analogue devices;

(3) ‘quantum chip’ means a device that processes information at the level of individual quantum systems, with a varying level of component integration on-chip depending on the quantum platform used, including platforms for quantum computing, communication, sensing or metrology;

(4) ‘technology node’ means a specific semiconductor manufacturing process and its design rules;

(5) ‘semiconductor supply chain’ means the system of activities, organisations, actors, technology, information, resources and services involved in the production of semiconductors, including raw and processed materials, such as gases, semiconductor manufacturing equipment, design, including related software development, fabrication, assembly, testing and packaging;

(6) ‘semiconductor value chain’ means the set of activities in relation to a semiconductor product from its conception to its end use, including raw and processed materials, such as gases, semiconductor manufacturing equipment, research, development and innovation, design, including related software development, fabrication, testing, assembly and packaging to embedding and integration in end products, as well as end-of-life processes, such as reuse, disassembly and recycling;

(7) ‘pilot line’ means a testing and experimentation facility addressing higher technology readiness levels up to industrial uptake to test, demonstrate, validate and calibrate products, equipment, processes or systems;

(8) ‘small and medium-sized enterprises’ or ‘SMEs’ means small or medium-sized enterprises as defined in the Annex to Commission Recommendation 2003/361/EC[67];

(9) ‘small mid-cap’ means small mid-cap as defined in the Annex of Recommendation 2025/1099/EC;

(10) ‘first-of-a-kind initiative’ means any of the following initiatives, which provides innovation in the Union with regard to the manufacturing process or final product to the extent that this innovation is not yet sufficiently present or committed to be built within the Union to ensure the Union’s resilience and security of supply, including innovation that concerns improvements in computing power or in the level of

[67] Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (notified under document number C(2003) 1422) (OJ L 124, 20.5.2003, p. 36, ELI: http://data.europa.eu/eli/reco/2003/361/oj).

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security, safety or reliability, energy and environmental performance, the technology node or substrate materials, or in the implementation of production processes that lead to efficiency gains, or improves recyclability, or reduces production inputs:

(a) a new or substantially upgraded semiconductor manufacturing facility;

(b) a new or substantially upgraded facility or process for the production of equipment;

(c) a new or substantially upgraded facility or process for the production of key components for such equipment or other production of inputs predominantly used in semiconductor manufacturing, such as materials;

(d) a new or substantially upgraded facility for electronics manufacturing or integration;

(e) new manufacturing-centred chip design activities;

(11) 'manufacturing-centred chip design activities' means the preparation of designs for fabrication, design–process co-optimisation, and the execution of final tape-out, being the stage at which a chip design is committed to fabrication in the form of a physical prototype for validation prior to volume production;

(12) 'next-generation semiconductor technologies' means semiconductor technologies that go beyond the state of the art in offering significant improvements in functional performance, computing power or energy efficiency as well as other significant energy and environmental gains;

(13) 'cutting-edge semiconductor technologies' means state-of-the-art innovation in chips and semiconductor technologies when the projects are carried out;

(14) 'semiconductor manufacturing' means any of the stages of production and processing of semiconductor wafers, including design, substrate materials, front-end and back-end, necessary to deliver a finished semiconductor product;

(15) 'front-end' means the entire processing of a semiconductor wafer;

(16) 'back-end' means the packaging, assembly and test of a semiconductor product;

(17) 'electronics manufacturing and integration' means the manufacturing or integration of printed circuit boards, advanced packaging substrates and electronic manufacturing concerning the assembly, testing or system integration of semiconductors or semiconductor-based products;

(18) 'user of semiconductors' means an undertaking that produces products in which semiconductors are incorporated;

(19) 'key market actors' means undertakings in the Union's semiconductor supply chain, the reliable functioning of which is essential for the supply of semiconductors;

(20) 'critical sector' means any sector referred to in Annex V;

(21) 'crisis-relevant product' means any of the following products that are affected by a semiconductor crisis and relevant to ensure crucial functions of a critical sector:

(a) semiconductors or chips which are either deployed directly by critical sectors or used in order to produce devices used by critical sectors;

(b) intermediate products required to produce semiconductors or chips;

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(c) raw and processed materials required to produce semiconductors or chips or intermediate products.

(22) ‘production capability’ means the ability of a facility to produce certain types of products;

(23) ‘production capacity’ means the maximum potential output of a facility;

(24) ‘trade secret’ means a trade secret as defined in Article 2, point (1), of Directive (EU) 2016/943;

(25) ‘permit-granting procedure’ means a process that covers all relevant permits to build, expand, convert and operate industrial semiconductor manufacturing projects, including building, chemical and grid connection permits as defined in Article 1 of [the Proposal for a Directive amending Directives (EU) 2018/2001, (EU) 2019/944, (EU) 2024/1788 as regards acceleration of permit-granting procedures], and environmental assessments and authorisations where required, and encompassing all applications and procedures from the acknowledgement that the application is complete to the notification of the comprehensive decision on the outcome of the procedure;

(26) ‘contract’ means public contracts as defined in Article 2(1), point (5), of Directive 2014/24/EU, supply, works and service contracts as defined in Article 2, point (1), of Directive 2014/25/EU of the European Parliament and of the Council [insert footnote], and concession contracts as defined in Article 5, point (1), of Directive 2014/23/EU of the European Parliament and of the Council;

(27) ‘contracting authority’ means, a contracting authority as defined in Article 6 of Directive 2014/23/EU, Article 2(1), point (1), of Directive 2014/24/EU and Article 3 of Directive 2014/25/EU;

(28) ‘contracting entity’ means a contracting entity as defined in Article 7 of Directive 2014/23/EU and Article 4 of Directive 2014/25/EU;

(29) ‘secure processing environment’ means the physical or virtual environment and organisational means to ensure compliance with Union law, including Regulation (EU) 2016/679 of the European Parliament and of the Council[68], in particular with regard to data subjects’ rights, antitrust rules, IP rights and commercial and statistical confidentiality, integrity and accessibility, as well as with applicable national law, and to allow the entity providing the secure processing environment to determine and supervise all data processing actions, including the display, storage, download and export of data and the calculation of derivative data through computational algorithms;

(30) ‘legal representative’ means a natural or legal person domiciled or established in the Union and designated to act on behalf of the Platform established in accordance with Article 34 of this Regulation;

(31) ‘domestic undertaking’ means:

(a) any undertaking in the semiconductor value chain that has its seat in the Union and is under the ownership and control of a Union undertaking;

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[68] Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016, p. 1, ELI: http://data.europa.eu/eli/reg/2016/679/oj).

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(b) any undertaking in the semiconductor value chain which fulfils one of the following criteria, regardless of whether its seat is in the Union:

(c) it is owned and controlled by a Union undertaking, and has its seat outside the Union;

(d) it is owned and controlled by an undertaking established in a third country or territory with which the Union has concluded an agreement establishing a free trade area, a customs union, or a strategic partnership on semiconductors concluded in accordance with Article 49;

(e) it is owned and controlled by an undertaking established in a signatory of the WTO Agreement on Government Procurement.

(32) 'ownership' means being in possession of 50% or more of the proprietary rights of a legal person, entity or body, or having a majority interest therein;

(33) 'control' means control as defined in Article 2(6) of Regulation (EU) 2021/697;

(34) 'Union undertaking' means an undertaking established under the laws of a Member State;

(35) 'strategic partnership on semiconductors' means a commitment between the Union and a third country or territory to increase cooperation related to the semiconductor value chain that is established through a non-binding instrument setting out concrete actions of mutual interest;

(36) 'strategic project' means a project that provides significant added value to the Union by substantially contributing to objectives of common Union interest, have a clear cross-border dimension, in particular through technical cooperation or public support involving more than one Member States, and contributes to strengthening the indispensability, resilience and prosperity of the Union's semiconductor value chain and the Union's technological sovereignty and technological leadership by enabling, advancing or securing critical capacities, technologies or capabilities within the Union, including by reducing strategic dependencies.

(37) 'Chips Joint Undertaking' means the joint undertaking established by Council Regulation (EU) 2021/2085 and, where applicable, any successor entity or initiative established under Union law pursuant to a subsequent Multiannual Financial Framework.

Chapter II

Chips for Europe Initiative 2.0

Article 3
Chips for Europe Initiative 2.0

1. The Chips for Europe Initiative 2.0 shall be supported for the duration of the Multiannual Financial Framework 2021-2027, established by Council Regulation (EU, Euratom) 2020/2093[69].

[69] Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027 (OJ L 433I, 22.12.2020, p. 11, ELI: http://data.europa.eu/eli/reg/2020/2093/oj).

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2. The Chips for Europe Initiative 2.0 shall be supported by funding from Horizon Europe and the Digital Europe Programme in accordance with Regulations (EU) 2021/694 and (EU) 2021/695, as well as by national and private funding.

Article 4
Objective of the Chips for Europe Initiative 2.0

3. The general objective of the Chips for Europe Initiative 2.0 shall be to achieve large-scale technological capacity building and support related research and innovation activities throughout the Union's semiconductor value chain, in order to:

(a) strengthen the Union's technological sovereignty, economic security, resilience, prosperity, indispensability and industrial competitiveness, by providing for the transfer and industrial uptake of technologies developed under the Chips for Europe Initiative 2.0;

(b) stimulate the Union's demand for semiconductors, including through procurement procedures that promote, in accordance with Union law and international obligations of the Union, the uptake and integration of semiconductor technologies, components and systems designed, developed or manufactured within the Union;

(c) enable the innovation, development and deployment of cutting-edge semiconductor technologies, including photonics as a transversal and enabling technology, in particular those critical for artificial intelligence (AI), including edge AI, and for key application sectors such as health, energy, industrial automation, robotics, transport, defence, automotive and aeronautical systems, and data centres and cloud infrastructure;

(d) contribute to the achievement of the green and digital transitions, in particular by reducing the energy, environmental and climate impact of electronic systems, improving the sustainability of next-generation chips and strengthening the circular economy processes, contribute to quality jobs within the semiconductor ecosystem, and address security-by-design principles which provide protection against cybersecurity threats.

4. The Chips for Europe Initiative 2.0 shall have the following six operational objectives:

(a) operational objective 1: supporting advanced design capacities for semiconductor technologies;

(b) operational objective 2: enhancing existing and developing new advanced pilot lines across the Union to enable development and industrial deployment of cutting-edge and next-generation semiconductor technologies, and pilot testbeds to validate and demonstrate the integration and use of those technologies in key applications and user industries;

(c) operational objective 3: building advanced technology and engineering capacities for accelerating the innovative development of cutting-edge quantum chips and associated semiconductor technologies;

(d) operational objective 4: supporting a network of competence centres across the Union by enhancing existing or creating new facilities;

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(e) operational objective 5: building and strengthening advanced design, prototyping, and industrial deployment capacities for photonic integrated circuit technologies and other photonic technologies across the Union;

(f) operational objective 6: undertaking activities, to be described collectively as 'Chips Fund' activities, to facilitate access to finance, including by providing clear guidance, in particular for start-ups, scale-ups, SMEs and small mid-caps in the semiconductor value chain, through financial instruments and investment support mechanisms supporting equity, debt or blended finance under the European Innovation Council Accelerator, InvestEU Fund and, where applicable, other Union instruments and, if applicable, their successors under the Multiannual Financial Framework 2028-2034.

5. The Chips for Europe Initiative 2.0 shall support large-scale, cross-sectoral initiatives addressing major technological and industrial challenges of strategic relevance for the Union ('grand challenges').

6. The Chips for Europe Initiative 2.0's operational objectives may include capacity building activities and related research and innovation activities. Under the 2021-2027 Multiannual Financial Framework, all capacity building activities shall be financed through the Digital Europe Programme and the related research and innovation activities shall be funded through Horizon Europe.

Article 5
Operational objectives of the Chips for Europe Initiative 2.0

The Chips for Europe Initiative 2.0 shall:

(a) under its operational objective 1:

(i) maintain and extend a virtual design platform, available across the Union, integrating a wide range of new and existing design assets, tools and services, facilitating access, in particular, for academia, start-ups, scale-ups and SMEs, with a view to strengthening the growth and scale-up of fabless undertakings in the Union;

(ii) extend the Union's design capabilities, including in photonics and quantum technologies, by fostering innovative developments in advanced chip design and architectures, and, to that end, support ambitious strategic design projects of high relevance to the Union's strategic autonomy and competitiveness;

(b) under its operational objective 2:

(i) strengthen capabilities in next-generation chip production technologies and semiconductor manufacturing equipment, by integrating research and innovation activities and preparing the development of future technology nodes and semiconductor manufacturing processes;

(ii) support innovation at a large scale through access to new or existing pilot lines for experimentation, test, process control, final device characterisation, testing and validation of new technologies and design concepts integrating key functionalities;

(iii) support innovation through access to new or expanded pilot testbeds where different innovative technologies or products are combined and

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integrated for the development and validation of new devices in key applications and user industries before full industrial-scale deployment, in order to identify risks, validate performance, and ensure feasibility in real-world conditions;

(iv) provide support to European semiconductor technology initiatives through preferential access to new or existing pilot lines, as well as ensure access on fair terms to new pilot lines and pilot testbeds for a wide range of users of the Union's semiconductor ecosystem;

(v) prepare for the transfer and industrial uptake of technologies developed under this operational objective;

(c) under its operational objective 3:

(i) support the development of new or existing pilot lines, clean rooms and foundries for prototyping and producing quantum chips for the integration of quantum circuits and control electronics;

(ii) develop facilities for testing and validating advanced quantum chips produced by the pilot lines, with a view to closing the innovation feedback loop between designers, producers and users of quantum components;

(iii) develop innovative design libraries for quantum chips in close relation with operational objective 1;

(d) under its operational objective 4:

(i) strengthen capacities and offer a wide range of expertise to stakeholders, including end-user start-ups, scale-ups and SMEs, and facilitating access to and the effective use of the capacities and facilities referred to in this Article;

(ii) address the knowledge and skills shortage and mismatch by attracting, mobilising, and retaining new talent on research, design, and production including reskilling and upskilling of workers;

(e) under its operational objective 5:

(i) strengthen capabilities in production technologies, semiconductor manufacturing equipment and materials platforms for photonic integrated circuits by integrating research and innovation activities;

(ii) strengthen existing and develop new pilot lines and open-access semiconductor manufacturing facilities for the prototyping and production of photonic integrated circuits and associated photonic technologies;

(iii) develop and maintain design libraries and design automation tools for photonic integrated circuits, associated photonic technologies, and methods for their integration into modules available on open and non-discriminatory terms across the Union;

(iv) prepare for the transfer and industrial uptake of technologies developed under this operational objective;

(f) under its operational objective 6:

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(i) provide support to start-ups and scale-ups across the semiconductor value chain in accessing finance at all stages of growth, with a particular focus on bridging the financing gap that prevents them from achieving the scale necessary to compete globally;

(ii) accelerate and improve accessibility to investment in the semiconductor value chain, in particular by mobilising venture capital and growth equity, and leverage funding from both the public and the private sectors, while increasing the indispensability, resilience and prosperity of the semiconductor ecosystem in the Union.

Those objectives shall be implemented, where appropriate, in accordance with the technical description set out in Annex I.

Article 6
European network of competence centres in semiconductors

1. For the purposes of the Chips for Europe Initiative 2.0's operational objective 4, the European network of competence centres in semiconductors, system integration and design (the 'network') established under the Regulation (EU) 2023/1781 shall be supported. The network shall be composed of the competence centres selected by the Chips Joint Undertaking in accordance with paragraph 3.

2. Competence centres shall perform all or some of the following activities to the benefit of and in close cooperation with the Union industry, in particular SMEs and mid-caps, as well as research and technology organisations, universities, and the public sector and other relevant stakeholders across the semiconductor value chain:

(a) ensuring alignment between the activities of the competence centre and, where applicable, the semiconductor strategy of the Member State in which the competence centre is established;

(b) raising awareness and providing the necessary know-how, expertise and skills to the stakeholders for helping them accelerate the development of new semiconductor technologies, semiconductor manufacturing, equipment, design options and system concepts as well as the integration of new semiconductor technologies, by using effectively the infrastructure and other available resources of the network;

(c) providing access to design services and design tools under the Chips for Europe Initiative 2.0's operational objective 1, as well as to the pilot lines supported under the Chips for Europe Initiative 2.0's operational objective 2;

(d) raising awareness and providing or ensuring access to expertise, know-how and services, including system design readiness, new and existing pilot lines and supporting actions necessary to build skills and competences supported by the Chips for Europe Initiative 2.0;

(e) facilitating the transfer of expertise and know-how between Member States and regions encouraging exchanges of skills, knowledge and good practices and encouraging joint programmes;

(f) developing and managing specific training, skilling and reskilling actions on semiconductor technologies and their applications to support the development of the talent pool, as well as to increase the number of students and the quality

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of education in relevant fields of studies, at schools and universities located in the Union, up to doctoral level;

(g) facilitating connections between students and semiconductor undertakings across the Union, while paying particular attention to women's participation and underrepresented groups and building on existing initiatives which support education or training, or both, and mobility of students and workers within and from outside the Union.

3. Member States shall designate candidate competence centres in accordance with their national procedures, administrative and institutional structures through an open and competitive process.

The work programme of the Chips Joint Undertaking shall set the procedure for supporting the competence centres forming the network, including the selection criteria as well as further details on the implementation of the tasks and functions referred to in this Article

The Chips Joint Undertaking shall select the competence centres forming the network.

Member States and the Commission shall maximise synergies with existing competence centres established under other Union initiatives such as the European Digital Innovation Hubs referred to in Regulation (EU) 2021/694.

4. The competence centres shall have substantial overall autonomy to lay down their organisation, composition and working methods. The organisation, composition and working methods of the competence centres shall comply with and contribute to the objectives of this Regulation and the Chips for Europe Initiative 2.0.

Article 7

Grand challenges

1. Grand challenges shall develop, integrate, and ensure industrial deployment of promising and critical semiconductor and related technologies of key importance for the Union, and be implemented, where appropriate, in accordance with the technical description set out in Annex I.

2. The Chips for Europe Initiative 2.0 shall support grand challenges by:

(a) promoting advanced R&D that will allow to lead the next generation of AI chips, to sustain cloud, data centres and edge AI infrastructures through unprecedented energy efficiency levels, to secure Union capacities in leading-edge technologies, and to increase the Union's semiconductor manufacturing strengths;

(b) addressing major roadblocks in the further development of semiconductor technologies, such as miniaturisation, energy efficiency, sustainability, heterogeneous integration, security and reliability, and manufacturability.

(c) enlarging the semiconductor ecosystem by closely collaborating with vertical market sectors;

(d) achieving a competitive edge in specific applications critical to the Union's technological sovereignty and industrial competitiveness by structuring collaboration between semiconductor developers and user industries;

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(e) integrating the efforts of multiple pilot lines and gearing them towards industrial usage through increased energy efficiency and advanced semiconductor capabilities;

(f) ensuring the transfer and industrial uptake of technologies developed under the Chips for Europe Initiative 2.0, including activities aimed at technology maturation, qualification, prototyping, demonstration, first industrial deployment, and transfer into production environments.

3. Grand challenges shall be implemented in coordination with grand challenges as established under Regulation (EU) XXXX/XXXX [the Cloud and AI Development Act (CADA)], as well as with initiatives undertaken by the European High-Performance Computing Joint Undertaking established by Council Regulation (EU) 2021/1173[70].

Article 8
Demand accelerators

1. The Commission and Member States shall stimulate the uptake of semiconductors designed or manufactured within the Union, in particular in key markets such as cloud, automotive, aeronautical, telecom, defence, and, where appropriate, in others.

2. The demand accelerators shall be implemented by the Industrial Alliance for Semiconductors.

3. The Commission may, in cooperation with Member States and relevant industrial stakeholders, and in accordance with competition rules:

(a) facilitate potential users, in particular off-takers of semiconductor technologies, to discuss requirements and technological specifications of the semiconductor-related products that their industry is likely to require.

(b) enable the development of common technical roadmaps, and support and stimulate co-design activities between semiconductor manufacturers established in the Union and downstream industrial users, including system integrators and equipment manufacturers, with the aim of developing semiconductor components tailored to Union industrial applications;

(c) facilitate collaborative platforms, pilot projects or design partnerships enabling early involvement of industrial users in the design of innovative semiconductor technologies developed in the Union.

Article 9
Demand forum

1. The Commission shall set up a demand forum to facilitate the showcase of semiconductor technologies, in particular by European semiconductor technology initiatives and strategic projects, as well as integrated production facilities and open EU foundries recognised under Regulation (EU) 2023/1781 in accordance with competition rules.

[70] Council Regulation (EU) 2021/1173 of 13 July 2021 on establishing the European High Performance Computing Joint Undertaking and repealing Regulation (EU) 2018/1488 (OJ L 256, 19.7.2021, p. 3, ELI: http://data.europa.eu/eli/reg/2021/1173/oj).

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2. The demand forum shall be implemented by the Industrial Alliance for Semiconductors.

Article 10
Chip innovation procurement

1. For the purposes of supporting contracting authorities or contracting entities and economic operators acting as purchasing entities in the procurement, integration, qualification and first deployment of systems integrating semiconductors the Chips Joint Undertaking and shall undertake the following actions:

   (a) support the formation, where relevant, of cross-border joint procurement arrangements between contracting authorities or contracting entities;

   (b) support the integration and deployment of innovative semiconductor technologies.

Article 11
Synergies with other programmes

1. The Chips for Europe Initiative 2.0 shall be implemented in synergy with Union programmes in accordance with Annex IV. The Commission shall ensure that the achievement of the objectives of the Chips for Europe Initiative 2.0 referred to in Article 4 is not hampered when leveraging the complementary character of the Chips for Europe Initiative 2.0 with Union programmes.

Article 12
Implementation

1. The Chips for Europe Initiative 2.0's operational objectives 1 to 5 and grand challenges shall be entrusted to the Chips Joint Undertaking and implemented by actions set out in its work programme.

2. In order to reflect technological change and market developments relevant to the semiconductor sector, the Commission is empowered to adopt delegated acts in accordance with Article 55 to amend Annex I with regard to the actions set out therein in a manner consistent with the objectives of the Chips for Europe Initiative 2.0 as set out in Article 4.

3. In order to ensure effective implementation and evaluation of the Chips for Europe Initiative 2.0 and to reflect technological change and market developments, the Commission is empowered to adopt delegated acts in accordance with Article 55 to amend Annex III with regard to the measurable indicators to monitor the implementation and to report on the progress of the Chips for Europe Initiative 2.0 towards the achievement of its objectives as set out in Article 4.

4. In order to ensure effective implementation, monitoring and evaluation of the Chips for Europe Initiative 2.0, the annual activity report of the Chips Joint Undertaking shall include information on matters related to the Chips for Europe Initiative 2.0's operational objectives 1 to 5 and grand challenges, on the basis of the measurable indicators set out in Annex III.

5. The Commission shall inform the European Semiconductor Board on progress in the implementation of the Chips for Europe Initiative 2.0's operational objective 6 on a regular basis.

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Chapter III

Security of supply and demand

SECTION 1

SEMICONDUCTOR MANUFACTURING CAPABILITIES

Article 13
Public interest and public support

1. European semiconductor technology initiatives and strategic projects shall be considered to contribute to the security of supply of semiconductors and the resilience of the Union's semiconductor ecosystem and therefore to be in the public interest.

2. In order to reach security of supply and the resilience of the Union's semiconductor ecosystem, Member States may, without prejudice to Articles 107 and 108 TFEU, apply support measures and provide for administrative support to strategic projects in accordance with Regulation (EU) XXXX/XXXX [European Competitiveness Fund] and other relevant Union legislation and European semiconductor technology initiatives .

3. Furthermore, the Commission may apply support measures, including but not limited to grants, to strategic projects in accordance with Regulation (EU) XXXX/XXXX [European Competitiveness Fund] and other relevant Union legislation.

Article 14
European semiconductor technology initiatives

1. European semiconductor technology initiatives shall be carried out by domestic undertakings.

2. European semiconductor technology initiatives shall demonstrate that they will articulate their supply chain in a way that reduces supply chain dependence on non-domestic undertakings and strengthen the Union's security of supply.

3. European semiconductor technology initiatives shall be first-of-a-kind initiatives that contribute to the indispensability, resilience and prosperity and security of supply of the Union's semiconductor ecosystem.

4. At the time of submitting an application in accordance with Article 15(1) a European semiconductor technology initiative shall be required to qualify as first-of-a-kind initiative.

5. First-of-a-kind initiatives do not have to be a recipient of support measures or administrative support as referred to in Article 13 to apply for the status of European semiconductor technology initiative.

6. A European semiconductor technology initiative shall comply with the following requirements:

   (a) its establishment has a clear positive impact with spill-over effects beyond itself or the Member State or Member States concerned, on the Union's

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semiconductor value chain and the Union's end markets in the medium to long term, with a view to ensuring indispensability, resilience and prosperity of the semiconductor ecosystem, including the growth of start-ups and SMEs, and contributing to the Union's green and digital transitions, and where relevant to the business model of the facility, taking into account the extent to which it offers front-end or back-end production capacity, or both, to undertakings which are not related to the facility, if there is sufficient demand;

(b) it provides an assurance that it is not subject to the extraterritorial application of public service obligations of third countries in a way that may undermine the undertaking's ability to comply with the obligations set out in Article 43(1) and commits to informing the Commission when such obligation arises;

(c) it invests in the Union in continued innovation with a view to achieving concrete advances in semiconductor technology or preparing next-generation semiconductor technologies;

(d) it supports the Union's talent pipeline by developing and deploying educational and skills training and by increasing the pool of qualified and skilled workforce;

(e) if it is a production facility, it participates in the Business-to-Business Semiconductor Supply Chain Platform as referred to in Article 34.

7. For the purposes of investing in continued innovation in accordance with paragraph 6, point (c) of this Article, European semiconductor technology initiatives shall have preferential access to the pilot lines established in accordance with Article 5, point (b). Any such preferential access shall neither exclude nor prevent effective access on fair terms to the pilot lines by other interested undertakings, in particular start-ups and SMEs.

8. Where a European semiconductor technology initiative offers production capacity to undertakings not related to the initiative, the initiative shall establish and maintain adequate and effective functional separation of the design and semiconductor manufacturing processes in order to ensure the protection of information obtained at each stage.

Article 15

Application for status as European semiconductor technology initiative

1. Any undertaking or any consortium of undertakings may submit an application to the Commission to grant a project the status of European semiconductor technology initiative.

2. The Commission shall, taking into account the opinion of the European Semiconductor Board, assess the application through a fair and transparent process on the basis of all following elements:

(a) compliance with the criteria set out in Article 14(2) and commitment to comply with the requirements set out in Article 14(6);

(b) a business plan evaluating the financial and technical viability of the project, taking into account its entire lifetime, including information on any planned public support;

(c) proven experience of the applicant in operating similar initiatives;

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(d) provision of an appropriate supporting document proving the readiness of the Member State or Member States where the applicant intends to establish its facility to support the establishment of such an initiative;

(e) the existence of appropriate policies and appropriate licensing agreements, including technical protection and implementing measures, aiming to ensure the protection of undisclosed information and IP rights, in particular with a view to preventing the unauthorised disclosure of trade secrets or the leakage of sensitive emerging technologies.

The Commission shall provide guidance on the information required under the first subparagraph and its relevant format.

3. The Commission shall process applications, adopt its decisions and notify the applicants within three months of receipt of a complete application. Where the Commission considers that the information provided in the application is incomplete, it shall provide the applicant with the opportunity to submit the additional information required to complete the application without undue delay. The Commission's decision shall determine the duration of the status on the basis of the predicted lifetime of the project.

4. The Commission shall monitor the progress achieved in the establishment and operation of European semiconductor technology initiatives and shall inform the European Semiconductor Board on a regular basis.

5. The operator of the initiative may request the Commission to review the duration of the status or to modify its implementation plans with regard to compliance with the requirements set out in Article 14(6) where it considers such a review to be duly justified on account of unforeseen external circumstances. On the basis of such a review, the Commission may revise the duration of the status granted in accordance with paragraph 3 of this Article or accept the modification of the implementation plans.

6. Where the Commission finds that an initiative no longer fulfils the requirements set out in Article 14(6), it shall give the operator of the European semiconductor technology initiative the opportunity to comment and to propose appropriate measures.

7. The Commission may repeal a decision recognising the status of a European semiconductor technology initiative if the recognition was based on an application containing incorrect information or where, despite completing the procedure in paragraph 5 of this Article, the European semiconductor technology initiative does not fulfil the requirements set out in Article 14(6). Before taking such a decision, the Commission shall consult the European Semiconductor Board after providing it with the reasons for the proposed repeal. Any decision repealing the status of a European semiconductor technology initiative shall be properly reasoned and subject to a right of appeal by the operator.

8. Initiatives whose status as European semiconductor technology initiative have been repealed pursuant to paragraph 7 of this Article shall lose all rights linked to the recognition of this status arising from this Regulation. However, such initiatives shall remain subject to the obligation set out in Article 42(1) for a period equivalent to that which was initially laid down when the status was granted in accordance with paragraph 3 of this Article, or, where the status was reviewed, the applicable duration in accordance with paragraph 5 of this Article.

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Article 16
Strategic projects

1. The Commission shall recognise as Strategic Projects semiconductor projects that meet all of the following requirements:

   (a) it provides significant added value to the Union by substantially contributing to objectives of common Union interest;

   (b) the strategic project is carried out by domestic undertakings;

   (c) strategic projects shall demonstrate that they will articulate their supply chain in a way that reduces supply chain dependence on non-domestic undertakings and strengthen the Union's security of supply;

   (d) it has a clear cross-border dimension, in particular through technical cooperation or public support involving more than one Member State;

   (e) it contributes to the resilience and robustness of the Union's semiconductor value chain;

   (f) it contributes to strengthening the Union's technological sovereignty and technological leadership by enabling, advancing or securing critical capacities, technologies or capabilities within the Union, including by reducing strategic dependencies.

2. Multi-site strategic projects shall be operated by a single consortium and shall function as an integrated legal and technical entity.

3. Participation in strategic projects shall be limited to Union entities.

4. By way of derogation from paragraph 3, participation of legal entities established in third countries is allowed, provided that such participation is consistent with the conditions referred to in paragraph 1 and such participation shall be subject to the relevant security-related conditions of the applicable Union programmes.

Article 17

Identification of priority areas for strategic projects

1. A technical description of priority areas for potential strategic projects in certain indicative technological areas is set out in Annex II. In order to update the technological descriptions and indicative technological areas listed in Annex II to reflect technological change and market developments relevant to the semiconductor sector the Commission is empowered to adopt delegated acts in accordance with Article 55 to amend Annex II.

2. The Commission shall decide, taking into account the opinion of the European Semiconductor Board, on the basis of the criteria set out in Article 16(1) and the indicative technological areas referred to in Annex II, on the priority areas for potential strategic projects.

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Article 18
Designation of strategic projects

1. The implementation of actions supporting potential strategic projects shall be entrusted to the Chips Joint Undertaking and carried out through actions set out in its work programme.

2. The Commission, taking into account the opinion of the European Semiconductor Board shall, by means of a decision, designate as strategic projects those proposals selected for funding by the Chips Joint Undertaking that comply with the criteria set out in Article 16(1) and that request to be designated as such.

3. Subject to the consent of the applicant or applicants, proposals not selected for funding by the Chips Joint Undertaking may also be designated as strategic projects when they meet the applicable evaluation requirements laid down in the call for proposals and comply with the criteria set out in Article 16(1). The possibility to obtain such designation shall be clearly indicated in the calls for proposals and related application procedures and should be requested by the project.

4. The Commission's decision shall indicate whether a strategic project qualifies as a first-of-a-kind initiative in accordance with this Regulation, and shall determine the duration of the status of first-of-a-kind on the basis of the predicted lifetime of the project.

5. Projects designated as strategic projects shall benefit from the rights and be subject to the obligations applicable to European semiconductor technology initiatives under this Regulation when they comply with the requirements laid down in Article 14(6).

6. The strategic project may request the Commission to review the duration of the status of strategic project or to modify the operator's implementation plans with regard to compliance with the requirements laid down in Article 16(1), where the operator considers such a review to be duly justified on account of unforeseen external circumstances. On the basis of such a review, the Commission may revise the duration of the status of strategic project granted or accept the modification of the implementation plans.

7. Without prejudice to any suspension or termination of funding agreements between the operator implementing the strategic project and the Chips Joint Undertaking, where the Commission finds that a project designated as a strategic project no longer fulfils the criteria laid down in Article 16, or where its designation was based on an application containing incorrect information affecting compliance with those criteria, it may, taking into account the opinion of the European Semiconductor Board, withdraw the designation of that project by means of a decision.

8. Before adopting a decision pursuant to paragraph 6 of this Article the Commission shall provide the operator implementing in the strategic project with the reasons for the envisaged withdrawal and shall give them the opportunity to submit observations within an appropriate time limit. The Commission shall take due account of those observations. Any decision withdrawing the status of strategic project shall be properly reasoned and subject to a right of appeal.

9. Projects for which the designation as a strategic project has been withdrawn shall lose all rights and obligations connected to the status of strategic project under this Regulation. However, such projects shall remain subject to the obligation set out in Article 43(1) for a period equivalent to that which was initially foreseen when the status was granted.

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Article 19
Advanced semiconductor manufacturing

1. In order to strengthen Union sovereignty and ensure security of supply in semiconductors, the Commission, in accordance with Article 17(1), shall treat a strategic project for a Union-based open foundry for advanced semiconductor manufacturing with the highest priority.

2. The open foundry for advanced semiconductor manufacturing referred to in paragraph 1 shall constitute a facility or coordinated network of multi-site facilities located within the territory of the Union, capable of manufacturing and packaging advanced semiconductor technologies in accordance with state-of-the-art industrial capabilities.

3. The open foundry for advanced semiconductor manufacturing shall take into account the requirements and objectives set out by potential offtakers as set out in Article 8.

Article 20
Coordination of financing

1. The Commission may carry out activities, where appropriate in cooperation with Member States, to crowd-in investments for European semiconductor technology initiatives and strategic projects. Such activities may, without prejudice to Articles 107 and 108 TFEU, include providing and coordinating support to European semiconductor technology initiatives and strategic projects that face difficulties in accessing financing, in synergy with Union programmes.

2. The European Semiconductor Board shall, at the request of a European semiconductor technology initiative or a strategic project, provide advice on the financing of the initiative or project, taking into account the funding already secured and considering at least the following elements:

   (a) additional public and private sources of financing, including equity;

   (b) support through resources from the European Investment Bank or other financial institutions;

   (c) existing Member State instruments and programmes, including from export credit agencies, national promotional banks and institutions;

   (d) relevant Union funding and financing programmes.

SECTION 2

PERMIT-GRANTING PROCEDURES

Article 21
Fast-tracking of permit-granting procedures

1. Member States shall ensure that administrative applications related to the planning, construction and operation of European semiconductor technology initiatives and strategic projects are processed in an efficient, transparent and timely manner.

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2. The permit-granting procedure for European semiconductor technology initiatives or strategic projects shall not exceed 12 months, from the moment a complete application has been submitted to the one stop shop.

3. The time limit set in paragraph 2 shall be without prejudice to any shorter time limits set by Member States.

4. Where such a status exists in national law, European semiconductor technology initiatives and strategic projects shall be allocated the status of highest national significance possible and be treated as such in permit-granting processes. This paragraph shall apply only where such status exists in national law and shall not create an obligation for Member States to introduce such status.

Article 22
One stop shop for permit-granting procedures

1. Member States shall designate a one stop shop responsible for centralising and coordinating the application of European semiconductor technology initiatives and strategic projects under this Article.

2. Member States shall establish a single permit-granting procedure based on a single application to the one stop shop designated pursuant to Article 22(1), covering all permits required for European semiconductor technology initiatives and strategic projects.

3. The one stop shop shall serve as a single point of contact for the European semiconductor technology initiative or strategic project.

4. No later than 45 days from the receipt of the single application, the designated one-stop-shop shall acknowledge that the application is complete or request any missing information needed to process the application.

5. Where, after the submission of any missing information, the application is still deemed to be incomplete, the one stop shop may, within 30 days of the submission of the requested missing information, make a second request for any information still missing. The one- stop- shop shall not request information in areas not covered in the first request for additional information and shall request further information only as necessary to cover the missing information.

6. If the establishment of a European semiconductor technology initiative requires decisions to be taken in two or more Member States, the relevant one stop shops shall take all necessary steps for efficient and effective cooperation and coordination among themselves.

Article 23
Facilitating administrative and permit-granting process

1. European semiconductor technology initiatives and strategic projects within the meaning of this Regulation shall be considered strategic projects contributing to resilience and decarbonisation or resource efficiency for the purposes of Article 14(1) of [Proposal for a Regulation on speeding-up environmental assessment]. Points 1, 2 and 3 of the Annex in that Regulation shall apply.

2. Without prejudice to [the Proposal for a Regulation on speeding-up environmental assessment], Member States shall ensure that any studies carried out, or permits or authorisations issued, related to the planning, construction and operation of European

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semiconductor technology initiatives and strategic projects are taken into account and that no duplicate studies, permits or authorisations are required, unless otherwise required under Union or national law.

Article 24
Use of European Business Wallets by the Single access portal

1. Member States shall set up a single access portal at national level for the submission of the single permit application for European semiconductor technology initiatives and strategic projects referred to in Article 22(2).

   The single access portal shall automatically attribute the permit applications to the relevant authority, inform the applicant about all steps of the permit-granting procedure, the status of the procedure and of the decisions of authorities, and enable the applicant to check compliance with applicable deadlines.

2. The single access portal shall use the European Business Wallets established pursuant to [Proposal for a Regulation on the establishment of European Business Wallets].

3. Through the use of European Business Wallets, the single access portal shall enable:

   (a) interoperability and automated data exchange between relevant authorities;

   (b) re-use of data and documents already held by relevant authorities;

   (c) a high level of cybersecurity, and integrity of information;

   (d) transparency and accountability of the permit-granting procedure.

4. When setting up single access portals, Member States shall, where appropriate, make use of existing Union digital infrastructure, catalogues and building blocks established by Union law.

5. The designated one stop shop as referred to in Article 22 of this Regulation shall have access to all relevant data and information available in the single access portal, in order to perform its duties.

Article 25
Online accessibility of information

1. Member States shall provide access to the following information on processes relevant to the development of potential European semiconductor technology initiatives and strategic projects, online and in a centralised and easily accessible manner:

   (a) the European Business Wallets referred to in Article 24;

   (b) the permit-granting procedure, including information on dispute settlement;

   (c) financing and investment services;

   (d) funding possibilities at Union or Member State level;

   (e) business support services, including corporate tax declaration, local tax laws or labour law.

2. The Commission shall, in a centralised and easily accessible manner, refer to the information provided by the Member States on its website to ensure a comprehensive and clear overview of all relevant information per Member State.

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SECTION 3

EUROPEAN SEMICONDUCTOR REGIONS OF EXCELLENCE

Article 26
European Semiconductor Regions of Excellence label

1. The Commission may decide to award the European Semiconductor Region of Excellence label by means of implementing act. The label may be awarded following an application by a regional authority and shall be explicitly endorsed by the relevant Member State.

2. The application shall include a Semiconductor Region Investment Plan, demonstrating a shared strategic vision by all relevant authorities.

3. Without prejudice to the applicable rules governing Union programmes and instruments, the European Semiconductor Regions of Excellence label may be taken into account when assessing and selecting operations proposed under Union funding programmes.

Article 27
European Semiconductor Region Investment Plan

1. The European Semiconductor Region Investment Plan as referred to in Article 26(2) shall include a description of the region, including its geographic scope and, at least, the following elements:

   (a) strategic vision and scope:

      (i) assessment of the existing industrial and semiconductor ecosystem in the region, including existing semiconductor manufacturing facilities; relevant end user sectors; its position in semiconductor value chains, with particular regard to its unique features and its potential contribution to the resilience and growth in the European semiconductor value chain;

      (ii) a strategic vision for the semiconductor-related development of the region over the next ten years, including, where relevant, the transformation or linkage of existing industrial activities towards semiconductor-related activities;

   (b) availability and further development of enabling conditions and infrastructure in the region concerned:

      (i) a description of measures to ensure access to sufficient, reliable and clean energy, including grid capacity and decarbonisation pathways in line with the European Climate's Law climate neutrality objective;

      (ii) a description of availability of suitable land and facilities for semiconductor value chain related activities, including zoning, land-use planning and industrial sites;

      (iii) a description of transport, communication networks and water infrastructure relevant to the semiconductor value chain related activities in the region;

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(iv) a description of measures to simplify and accelerate permit-granting, licensing and administrative procedures, including the link with the one stop shop as referred to in Article 22;

(c) support to innovation and research activities in the region concerned:

(i) a description of the research and innovation activities and their further support related to the semiconductor value chain in the region, including synergies with national and Union research and innovation programmes;

(ii) a description of cooperation with universities, research and technology organisations, including, where relevant links to the activities of pilot lines as referred to in Article 5, point (b) and competence centres as referred to in Article 6;

(d) support to education, skills and workforce and its further development in the region concerned:

(i) a description of measures to ensure the availability of a skilled semiconductor-industry related workforce at all levels, with synergies of benefits provided under the Pact for Skills[71];

(ii) a description of partnerships between industry, education providers and public authorities in the area of semiconductors;

(iii) a description of actions to attract, retain and upskill semiconductor industry-related talent, including international talent where appropriate;

(e) support of industrial and investment attractiveness and its further development in the region concerned:

(i) a description of measures to attract and retain private investments relevant to the semiconductor value chain;

(ii) a description of measures to integrate small and medium-sized enterprises and small mid-caps into the regional ecosystem.

Article 28

Assessment of applications for the European Semiconductor Region of Excellence label

1. The Commission shall assess applications for the European Semiconductor Region of Excellence label on the basis of coherence and credibility of the Semiconductor Region Investment Plan and the level of commitment by the relevant authorities.

2. The Commission shall process applications, adopt its decision referred to in Article 26(1) and notify the region, the Member State concerned and the European Semiconductor Board within three months of receipt of a complete application.

3. Where the Commission considers that the information provided in the application is incomplete, it shall inform the regional authority and Member State concerned without undue delay and provide the opportunity to submit the additional information required to complete the application.

[71] Communication from the Commission to the European Parliament, the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, European Skills Agenda for sustainable competitiveness, social fairness and resilience, COM(2020) 274 final.

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4. The Commission's decision referred to in Article 26(1) shall determine the duration of the European Semiconductor Region of Excellence label, which shall be based on the assessment of the submitted Semiconductor Region Investment Plan.

5. The regional authority and the Member State concerned shall monitor the progress of implementation of the Semiconductor Region Investment Plan and shall inform the Commission and the European Semiconductor Board at least yearly.

6. A summary of the Semiconductor Region Investment Plan, excluding commercially sensitive information and designed to attract investment, shall be made publicly available via both the following means:

   (a) a website of the Commission;

   (b) a website of the Member State, the region and/or relevant authorities concerned.

Article 29
Network of European Semiconductor Regions of Excellence

1. A Network of European Semiconductor Regions of Excellence ('the Network') shall be established.

2. The Network shall organise its work autonomously. It may establish its own working methods, including the organisation of meetings, the designation of a Chair on a rotating basis among participating regions, and the adoption of informal arrangements to facilitate cooperation and exchange of information.

3. The Network shall bring together regions that have been awarded the European Semiconductor Regions of Excellence label pursuant to Article 26.

4. The objectives of the Network shall include the following:

   (a) to facilitate cooperation and exchange of best practices among European Semiconductor Regions of Excellence;

   (b) to promote the Network and its activities among member and non-member regions through outreach, communication and dissemination activities to increase visibility and participation.

   (c) to promote synergies and complementarities between regional semiconductor ecosystems across the Union, including across different segments of the semiconductor value chain;

   (d) to enhance the visibility and attractiveness of European Semiconductor Regions of Excellence for private investment and international partnerships.

5. The Commission may facilitate the functioning of the Network and may organise meetings, workshops or other activities to support the exchange of information and cooperation among participating regions.

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SECTION 4

RESILIENCE IN SUPPLY CHAINS

Article 30
Public procurement

1. For procurement procedures falling within the scope of Directives 2024/23/EU, 2014/24/EU or 2014/25/EU and launched on or after [OJ: insert date one year after entry into force] concerning infrastructures, equipment or systems in sectors of high criticality, as listed in Annex I of Directive (EU) 2022/2555, and in other critical sectors, as listed in Annex II of that Directive, contracting authorities and contracting entities may require economic operators to submit, together with their tender documents, a security of supply declaration relating to the sourcing of semiconductors incorporated into the infrastructures, equipment or systems covered by the contract.

2. The declaration referred to in paragraph 1 shall include the following elements:

   (a) an overview of undertakings involved in the supply of the semiconductors incorporated in the product, including the proportion of domestic undertakings;

   (b) the Union added value, demonstrated by the contribution of the tender to reinforcing the European semiconductor supply chain, such as the inclusion of first-of-a-kind initiatives and strategic projects as suppliers;

   (c) the semiconductor supply chain resilience and diversification strategy of the tenderer, such as the tenderer's dual sourcing strategy, including, where feasible and appropriate, the inclusion of at least one domestic undertaking;

   (d) where applicable, any recommendations or obligations referred to in Article 31;

   (e) where applicable, the security of supply risk assessment performed in accordance with Article 32.

3. Where a security of supply declaration is required from economic operators, contracting authorities and contracting entities may specify, in the procurement documents, requirements relating to security of supply relating to the sourcing of semiconductors incorporated into the infrastructures, equipment or systems covered by the public procurement contract. To that end, contracting authorities and contracting entities may include technical specifications, selection criteria, award criteria or contract performance clauses.

4. Requirements taken under paragraph 3 shall be:

   (a) linked to the subject matter of the contract;

   (b) not conferring unrestricted freedom of choice on the contracting authority or contracting entity;

   (c) expressly set out in the procurement documents or in the contract notice;

   (d) ancillary and non-decisive in the award of the contract;

   (e) designed in line with the Union's international commitments.

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5. Contracting authorities and contracting entities shall notify their national competent authority pursuant to Article 48 of this Regulation with the list of domestic undertakings identified in the security of supply declarations issued by the economic operators.

6. The national competent authority pursuant to Article 48 of this Regulation shall compile a verified list of all the domestic undertakings identified in public procurement procedures within the Member State. The lists may be exchanged partially or in full between Member States following the necessary confidentiality requirements, pursuant to Article 50.

Article 31

Further actions on public procurement

1. Where the Commission identifies a potential supply chain risk in the context of the monitoring carried out pursuant to Article 35, it may, after consulting the European Semiconductor Board, issue recommendations to contracting authorities and contracting entities regarding the supply of semiconductors by domestic undertakings for procurement procedures referred to in Article 30(1).

2. Where the Commission establishes that the supply chain risks as identified in paragraph 1 persist, it may, after consulting the European Semiconductor Board and with regard to the principles of necessity and proportionality, adopt an implementing decision specifying for which specific infrastructures, equipment or systems as referred to in Article 30 contracting authorities and entities shall require a security of supply declaration from economic operators.

3. Contracting authorities and contracting entities may decide not to apply the requirements foreseen by the implementing decision referred to in paragraph 2 of this Article where one of the following conditions is fulfilled:

   (a) the required products or services can be supplied only by specific economic operators, and no reasonable alternative or substitute exists, and the absence of competition is not the result of an artificial narrowing down of the parameters of the procurement procedure;

   (b) no suitable tenders or no suitable requests to participate were submitted, including in response to a similar former procurement procedure launched by the same contracting authority or contracting entity in the two years preceding the start of the planned new procurement procedure;

   (c) taking the elements declared in accordance with Article 31, paragraph 2, point (d) into account would require a contracting authority or contracting entity to acquire goods, services or works having disproportionate costs or would result in technical incompatibility in their operation and maintenance.

   (d) For the purposes of point (c), estimated cost differences exceeding 25% of the value of the tender, based on objective and transparent data, may be presumed by contracting authorities and contracting entities to be disproportionate;

Article 32
Risk-prone sectors

1. After consultation of the European Semiconductor Board, and based on evidence of supply chain risks, the Commission may identify one or more sectors listed in Annex

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V or Annex VI, or their subsectors, as risk-prone by means of an implementing decision.

2. The Commission may issue methodological guidance on how to carry out security of supply risk assessments and recommend possible mitigation measures for those sectors identified as risk-prone. This guidance shall address the following elements:

   (a) dual sourcing strategy, including from at least one domestic undertaking;

   (b) upstream and downstream supply chain mapping;

   (c) vulnerability analysis and sensitivity to supply disruption.

3. The security of supply risk assessments referred to in paragraph 2 of this Article may be requested by contracting authorities or contracting entities in procurement procedures as referred to in Article 30(1).

4. If, after consultation with the European Semiconductor Board, the Commission concludes that the recommended mitigation measures as referred to in paragraph 2 and which are necessary to ensure security of supply of semiconductors or products integrating semiconductors are not adequately taken over by the sector identified as risk-prone, it may adopt an implementing act on specific risk mitigation measures that sectors or subsectors shall take for specified semiconductor products, namely mitigation measures related to:

   (a) performance of a risk assessment;

   (b) procurement of semiconductors;

   (c) dual sourcing;

   (d) stockpiling;

   (e) diversification of supply of semiconductors or related components.

5. After adoption of an implementing act in accordance with paragraph 4, the Commission, based on evidence of the identified supply chain risks having been addressed and after consultation of the European Semiconductor Board, may revoke the risk-prone designation.

6. The Commission shall base its assessments carried out in accordance with this Article on evidence, including publicly available information, information gathered through requests for information pursuant to Article 38, or the existence of repeated supply chain disruptions.

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CHAPTER IV

Monitoring and crisis response

SECTION 1

MONITORING

Article 33
Strategic mapping of the Union's semiconductor sector

1. The Commission shall carry out a strategic mapping of the Union's semiconductor sector in cooperation with the European Semiconductor Board. The strategic mapping shall provide an analysis of the Union's strengths and weaknesses in the global semiconductor sector and identify factors such as:

   (a) key products and critical infrastructures in the internal markets that depend on the supply of semiconductors;

   (b) main user industries in the Union and their current and expected needs and dependencies, including an analysis of the possible risks to security of supply also linked to insufficient investment;

   (c) key segments of the Union's semiconductor supply chain, including design, software for design, materials, manufacturing equipment, semiconductor manufacturing and outsourced back-end manufacturing;

   (d) the technological characteristics, the dependencies on third-country technology and providers, and bottlenecks of the Union's semiconductor sector including access to inputs;

   (e) current and expected needs for skills and effective access to qualified workforce in the semiconductor sector;

   (f) where appropriate, the potential impact of crisis measures referred to in Articles 41, 42, and 43 on the semiconductor sector.

2. The Commission shall inform the European Semiconductor Board of the aggregate results of the strategic mapping on a regular basis.

3. The Commission shall, on the basis of the outcome of the strategic mapping carried out pursuant to paragraph 1 and after consulting the European Semiconductor Board, develop a list of early warning indicators. The Commission, after consulting the European Semiconductor Board, shall review the list of early warning indicators on a regular basis.

4. The Commission shall, after consulting the European Semiconductor Board, develop a framework and methodology for a strategic mapping of the semiconductor sector. The Commission shall update the framework and the methodology where necessary.

5. The strategic mapping shall be based, in particular, on publicly and commercially available data and relevant non-confidential information from undertakings, the result of similar analysis performed, as well as the evaluations carried out pursuant to Article 57(1). Where this is not enough to develop the strategic mapping pursuant to paragraph 1 of this Article, the Commission may issue voluntary requests for

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information to actors on the semiconductor value chain in the Union, after consulting the European Semiconductor Board. The Commission shall use the standardised and secure means for the collection and processing of information, referred to in Article 50, for the purposes of such requests for information.

6. Any information obtained pursuant to this Article shall be treated in compliance with the confidentiality obligations set out in Article 50.

7. The Commission shall, after consulting the European Semiconductor Board, adopt guidance for the provision of information pursuant to paragraph 5. The Commission shall update that guidance when necessary.

Article 34
Business-to-Business Semiconductor Supply Chain Platform

1. The Commission shall ensure the setting up of the Business-to-Business Semiconductor Supply Chain Platform ('the Platform'), which shall act as a digital twin of the semiconductor supply chain with the objective of enhancing its transparency and resilience. The Platform shall at least:

   (a) collect market information and aggregated data to serve as a semiconductor market observatory;

   (b) gather data from participating undertakings in an interoperable format;

   (c) provide the participating undertakings with aggregated insights on semiconductor supply chain risks and vulnerabilities across the semiconductor value chain, without those insights being attributable to individual companies;

   (d) include participation by undertakings operating along the semiconductor supply chain and users of semiconductors, in particular in the sectors referred to in Annex VI;

   (e) be capable of conducting stress tests of the semiconductor supply chain;

   (f) issue early warnings and guidance for proactive measures to the participating undertakings to de-risk their semiconductor supply chain;

   (g) develop indicators to assess the resilience of the European semiconductor supply chain and present them as a dashboard;

   (h) offer a secure processing environment.

2. Participation in the Platform shall be open to domestic undertakings only.

3. The legal representative of the Platform shall inform the Commission of current or anticipated disruptions of the semiconductor supply chain without undue delay.

Article 35
Monitoring and anticipation

1. The Commission, in consultation with the European Semiconductor Board shall carry out regular monitoring of the semiconductor value chain with a view to identifying factors that may disrupt, compromise or negatively affect the supply of semiconductors or trade in semiconductors. For the purposes of this Regulation, the monitoring shall consist of the following activities:

   (a) monitoring of early warning indicators identified pursuant to Article 33;

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(b) monitoring by Member States of the integrity of activities carried out by the key market actors identified pursuant to Article 36 and reporting by Member States on major events that may hinder the regular operations of such activities;

(c) identifying best practices for preventive risk mitigation and increased transparency in the semiconductor sector.

The Commission, after consulting the European Semiconductor Board, shall define the frequency of the monitoring on the basis of the needs of the semiconductor sector.

The Commission shall coordinate the activities related to the monitoring of the semiconductor sector, on the basis of information collected pursuant to Article 33, Article 34(3) or from other sources, such as international partners.

2. The Commission shall invite key market actors, a representative set of users of semiconductors from the critical sectors, representative organisations of the semiconductor value chain and other relevant stakeholders to provide information, on a voluntary basis, for the purpose of carrying out monitoring activities in accordance with paragraph 1, point (a).

The Commission shall pay particular attention to SMEs and SMCs to minimise administrative burden resulting from the information collection.

3. For the purposes of paragraph 1, first subparagraph, point (b), Member States may request information, on a voluntary basis, from key market actors where necessary and proportionate.

4. For the purposes of paragraph 3 of this Article national competent authorities designated in accordance with Article 48, shall establish and maintain a list of contacts of all relevant undertakings operating along the semiconductor supply chain established in their territory. That list shall be transmitted to the Commission. The Commission shall provide for a standardised format for the list of contacts with a view to ensuring interoperability.

5. Any acquired information pursuant to this Article shall be handled in accordance with Article 50.

6. On the basis of the information collected through the activities under paragraph 1, the Commission shall provide a report of the aggregated findings to the European Semiconductor Board in the form of regular updates. The European Semiconductor Board shall meet to assess the results of the monitoring. The Commission shall invite representative organisations of the semiconductor sector to such meetings. Where relevant, the Commission may invite key market actors, users of semiconductors from the critical sectors, authorities or representative organisations of partner third countries, and experts from academia and civil society to such meetings.

Article 36
Key market actors

Member States shall, in cooperation with the Commission in accordance with Article 35, identify key market actors along the semiconductor supply chain established in their territory, taking into account the following elements:

(a) the number of Union undertakings relying on the service or good provided by a market actor;

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(b) the Union or global market share of a market actor in the market for such services or goods;

(c) the importance of a market actor in maintaining a sufficient level of supply of a service or good in the Union, taking into account the availability of alternative means for the provision of that service or good;

(d) the impact a disruption of supply of the service or good provided by the market actor may have on the Union's semiconductor supply chain and dependent markets.

SECTION 2

ALERTS AND THE ACTIVATION OF THE CRISIS STAGE

Article 37
Alerts and preventive action

1. Where a national competent authority designated in accordance with Article 48 becomes aware of a risk of serious disruption in the supply of semiconductors or has concrete and reliable information of any other relevant risk factor or event materialising, it shall alert the Commission without undue delay.

2. Where the Commission becomes aware of a risk of serious disruption in the supply of semiconductors or has concrete and reliable information of any other relevant risk factor or event materialising, including on the basis of early warning indicators, upon an alert pursuant to paragraph 1 or from international partners, it shall, without undue delay, carry out the following preventive actions:

(a) convening an extraordinary meeting of the European Semiconductor Board to coordinate the following actions:

(i) discussing the severity of the disruption to the supply of semiconductors;

(ii) discussing whether initiating the procedure referred to in Article 39 may be necessary and proportionate;

(iii) discussing whether it is appropriate, necessary and proportionate for Member States to jointly purchase semiconductors, intermediate products of raw materials as a preventive measure (joint procurement);

(iv) entering into dialogue with stakeholders of the semiconductor value chain with a view to identifying, preparing and possibly coordinating preventive measures;

(v) advising the Commission on whether to issue a request for information to the Platform pursuant to Article 38.

(b) on behalf of the Union, entering into consultations or cooperation with relevant third countries with a view to seeking cooperative solutions to address supply chain disruptions, in compliance with international obligations, which may involve, where appropriate, carrying out coordination in relevant international forums;

(c) asking national competent authorities designated in accordance with Article 48, to assess the state of preparedness of the key market actors.

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3. Any joint procurement carried out following the discussions referred to in paragraph 2, point (a)(iii), shall be carried out by Member States in accordance with the rules set out in Articles 38 and 39 of Directive 2014/24/EU and in Articles 56 and 57 of Directive 2014/25/EU.

Article 38
Preventive information gathering

1. The Commission may issue requests for information, in order to assess the risk of serious disruption in the supply of semiconductors, to the Platform or to individual undertakings operating along the semiconductor value chain that provide services in the Union or offer products on the Union market, if they do not participate in the Platform, after consulting the European Semiconductor Board at the extraordinary meeting referred to in Article 37(2), point (a).

2. Before launching a request for information, the Commission may carry out a voluntary consultation of a representative number of relevant undertakings with a view to identifying the appropriate and proportionate content of that request.

3. A request for information to an individual undertaking shall state the legal basis and purpose of the request, be limited to what is necessary and be proportionate in terms of the volume of the data and frequency of access to the data requested. It shall set out the time limit within which the information is to be provided and the possible penalties for providing incorrect, incomplete or misleading information pursuant to Article 51. Data shall be anonymised and aggregated as appropriate. Where a Union undertaking is the subject of a request for information under paragraph 5 of this Article, the Commission shall inform the Member State in which the individual undertaking is established of that request.

4. A request for information to the Platform's legal representative shall state its legal basis and its purpose, be limited to what is necessary and be proportionate in terms of the volume of the data and frequency of access to the data requested, taking into account the legitimate aims of the Platform. It shall set out the time limit within which the information is to be provided, and include information about possible penalties pursuant to Article 51.

5. The owners of the undertakings or their representatives and, in the case of legal persons or associations having no legal personality, the persons authorised to represent them by law or by their constitution shall supply the information requested on behalf of the undertaking or the association of undertakings concerned.

6. The Commission shall present aggregated information from the responses to requests for information to the European Semiconductor Board.

7. The legal representative of the Platform shall not answer any requests for information that are not issued by the Commission, unless they are under a legal obligation to do so in accordance with Union or national law.

8. Any information acquired pursuant to this Article shall be handled in accordance with Article 50.

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Article 39
Activation of the crisis stage

1. A semiconductor crisis shall be considered to occur where both the following conditions are fulfilled:

   (a) there are serious disruptions in the semiconductor supply chain or serious obstacles to trade in semiconductors within the Union causing significant shortages of semiconductors, intermediate products or raw or processed materials;

   (b) such significant shortages prevent the supply, repair or maintenance of essential products used by critical sectors to the extent that it would have serious detrimental effect on the functioning of the critical sectors due to their impact on society, economy and security of the Union.

2. Where the Commission becomes aware of a potential semiconductor crisis pursuant to Article 37(2), it shall assess whether the conditions of paragraph 1 of this Article are met. That assessment shall take into account the potential positive and negative impacts and consequences of the crisis stage on the Union's semiconductor industry and critical sectors. Where that assessment provides concrete and reliable evidence, the Commission may, after consulting the European Semiconductor Board, propose to the Council to activate the crisis stage.

3. The Council, acting by qualified majority, may activate the crisis stage by means of an implementing act. The duration of the crisis stage shall be specified in the implementing act and shall not exceed 12 months.

   The Commission shall report on a regular basis and in any event at least every three months to the European Semiconductor Board and to the European Parliament on the state of the crisis.

4. Before the expiry of the duration for which the crisis stage was activated, the Commission shall assess whether it is appropriate to prolong the crisis stage. Where such assessment provides concrete and reliable evidence that the conditions for the activation of the crisis are still met, and after consulting the European Semiconductor Board, the Commission may propose to the Council to prolong the crisis stage.

   The Council, acting by qualified majority, may prolong the crisis stage by means of an implementing act. The duration of the prolongation shall be limited and specified in that implementing act.

   The Commission may propose prolonging the crisis stage once or more frequently where duly justified.

5. During the crisis stage, the Commission shall, after consulting the European Semiconductor Board, assess the appropriateness of an early termination of the crisis stage. If the assessment indicates so, the Commission may propose to the Council to terminate the crisis stage.

   The Council may terminate the crisis stage by means of an implementing act.

6. During the crisis stage, the Commission shall, upon request from a Member State or on its own initiative, convene extraordinary meetings of the European Semiconductor Board where necessary.

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Member States shall work closely with the Commission, inform in a timely manner about and coordinate any national measures taken with regard to the semiconductor supply chain within the European Semiconductor Board.

7. Upon expiry of the period for which the crisis stage is activated or in the event of its early termination pursuant to paragraph 5 of this Article, the measures taken in accordance with Articles 41, 42, and 43 shall cease to apply immediately.

8. The Commission shall update the mapping and the monitoring of the semiconductor value chains pursuant to Articles 33 and 35 taking into account the experience from the crisis no later than six months after the expiry of the duration of the crisis stage.

SECTION 3

SHORTAGE RESPONSE

Article 40
Emergency toolbox

1. Where the crisis stage is activated pursuant to Article 39 and where necessary in order to address the semiconductor crisis in the Union, the Commission may take the measure provided for in Articles 41, 42 and 43, under the conditions laid down therein.

2. The Commission shall, after consulting the European Semiconductor Board, restrict the application of the measures provided for in Articles 42 and 43 to the critical sectors the operation of which is disturbed or under threat of disturbance on account of the semiconductor crisis. The use of the measures referred to in paragraph 1 of this Article shall be proportionate and restricted to what is necessary for addressing serious disruptions affecting critical sectors in the Union and must be in the best interest of the Union. The use of those measures shall avoid placing disproportionate administrative burden in particular on SMEs and SMCs.

3. Where the crisis stage is activated pursuant to Article 39 and where appropriate in order to address the semiconductor crisis in the Union, the European Semiconductor Board may:

   (a) assess and advise on appropriate and effective emergency measures;

   (b) assess the expected impact of the possible imposition of protective measures on the Union's semiconductor sector, considering whether the market situation corresponds to a significant shortage of an essential product pursuant to Regulation (EU) 2015/479 and provide an opinion to the Commission.

4. The Commission shall regularly inform the European Parliament and the Council of any measures taken in accordance with paragraph 1 and explain the reasons for its decision.

5. The Commission may, after consulting the European Semiconductor Board, issue guidance on the implementation and the use of the emergency measures.

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Article 41
Information gathering in the crisis stage

1. Where the crisis stage is activated pursuant to Article 39, the Commission may request all undertakings operating along the semiconductor supply chain to provide information about their production capabilities, production capacities and current primary disruptions. The requested information shall be limited to what is necessary to assess the nature of the semiconductor crisis or to identify and assess potential mitigation or emergency measures at Union or national level. The requests for information shall not entail the supply of information the disclosure of which would be contrary to the Member States' national security interests.

2. Before launching a request for information, the Commission may carry out a voluntary consultation of a representative number of relevant undertakings with a view to identifying the appropriate and proportionate content of such a request. The Commission shall develop the request for information in cooperation with the European Semiconductor Board.

3. The Commission shall use the secure means and handle any acquired information in accordance with Article 50 to launch the request for information. For that purpose, national competent authorities designated in accordance with Article 48, shall transmit to the Commission the list of contacts established under Article 35(4).

   The Commission shall without delay forward a copy of the request for information to the national competent authority designated in accordance with Article 48 of the Member State in whose territory the production site of the addressed undertaking is situated. If the national competent authority so requires, the Commission shall transmit the information acquired from the relevant undertaking in accordance with Union law.

4. The request for information shall state its legal basis, be limited to the minimum necessary and be proportionate in terms of the granularity and volume of the data and frequency of access to the data requested, have regard for the legitimate aims of the undertaking and the cost and effort required to make the data available, and set out the time limit within which the information is to be provided. It shall also state the penalties provided for in Article 51.

5. The owners of the undertakings or their representatives and, in the case of legal persons or associations having no legal personality, the persons authorised to represent them by law or by their constitution shall supply the information requested on behalf of the undertaking or the association of undertakings concerned.

6. If an undertaking supplies incorrect, incomplete or misleading information in response to a request made pursuant to this Article, or does not supply the information within the prescribed time limit, it shall be subject to fines set in accordance with Article 51, except where the undertaking has sufficient reasons for not supplying the requested information.

7. If a Union undertaking or a subsidiary owned and controlled by that undertaking is subject to a request for information from a third country, related to its semiconductor activities, it shall share the information requested by and provided to the third country with the Commission without delay. The Commission shall inform the European Semiconductor Board of the existence of such request from a third country and of the information shared by the undertaking.

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Article 42
Priority-rated orders

1. Where the crisis stage is activated pursuant to Article 39, the Commission may require European semiconductor technology initiatives and strategic projects to accept and prioritise an order of crisis-relevant products (priority-rated order). Such an obligation shall take precedence over any performance obligations under private or public law.

2. Where applicable, the obligation under paragraph 1 may be imposed to other semiconductor undertakings which have accepted such possibility in the context of receiving public support.

3. Where a semiconductor undertaking established in the Union is subject to a third country priority-rated order measure, it shall inform the Commission. If that obligation has a significant impact on the operation of certain critical sectors, the Commission may require that undertaking, where necessary and proportionate, to accept and prioritise orders of crisis relevant products in accordance with paragraphs 5, 6, and 7.

4. Priority-rated orders shall be restricted to beneficiaries who are users of semiconductors from critical sectors or undertakings supplying critical sectors whose activities are disrupted or at risk of disruption and who, having implemented appropriate risk mitigation measures, were unable to avoid and to mitigate the impact of the shortage. The Commission may request a beneficiary to submit appropriate evidence thereof.

5. The obligations under paragraphs 1, 2 and 3 of this Article shall be enacted as a last resort measure by the Commission by means of a decision. The Commission shall adopt that decision after consulting the European Semiconductor Board and in accordance with all applicable Union legal obligations, having regard to the circumstance of the case, including the principles of necessity and proportionality. The decision shall, in particular, have regard for the legitimate aims of the undertaking concerned and the cost, effort and technical adjustments required for any change in production sequence. In its decision, the Commission shall state the legal basis of the priority rated order, fix the time limit within which the order is to be performed, and, where applicable, specify the product and quantity, and, where applicable, state the penalties provided for in Article 51 for non-compliance with such an obligation. The priority-rated order shall be placed at fair and reasonable price.

6. Before issuing priority-rated orders in accordance with paragraph 1, the Commission shall give the envisaged recipient of a priority-rated order the opportunity to be heard on the feasibility and details of the order. The Commission shall not issue the priority-rated order when:

   (a) the undertaking is unable to perform the priority-rated order on account of insufficient production capability or production capacity, or on technical grounds, even under preferential treatment of the order;

   (b) acceptance of the order would place an unreasonable economic burden and entail particular hardship for the undertaking, including substantial risks relating to business continuity.

7. Where an undertaking is required to accept and prioritise a priority-rated order, it shall not be liable for any breach of contractual obligations that is required to comply

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with the priority-rated orders. Contractual liability shall be excluded only to the extent the violation of contractual obligations was necessary for compliance with the mandated prioritisation.

8. The Commission shall adopt an implementing act laying down the practical and operational arrangements for the functioning of priority-rated orders. That implementing act shall be adopted in accordance with the examination procedure referred to in Article 55(6).

Article 43
Common purchasing

1. Where the crisis stage is activated pursuant to Article 39, the Commission may, upon the request of two or more Member States, act as a central purchasing body on behalf of all Member States willing to participate (participating Member State) for their public procurement of crisis-relevant products for critical sectors (common purchasing). Participation in the common purchasing shall be without prejudice to other procurement procedures. The request for common purchasing shall set out reasons on which it is based and shall be used exclusively to address supply-chain disruptions of semiconductors leading to the crisis.

2. The Commission shall assess the utility, necessity and proportionality of the request, taking into account the views of the European Semiconductor Board. Where the Commission intends not to follow the request, it shall inform the Member States concerned and the European Semiconductor Board and give reasons for its refusal.

3. The Commission shall draw up a proposal for an agreement to be signed by the participating Member States. Such an agreement shall organise in detail the common purchasing referred to in paragraph 1, including reasons for the use of the common purchasing mechanism and liabilities to be assumed, and establish the mandate for the Commission to act on behalf of the participating Member States.

4. Procurement under this Regulation shall be carried out by the Commission in accordance with the rules set out in Regulation (EU, Euratom) 2024/2509 for its own procurement. The Commission may have the ability and responsibility, on behalf of all participating Member States, to enter into contracts with economic operators, including individual producers of crisis-relevant products, concerning the purchase of such products or concerning the financing of the production or the development of such products in exchange for a priority right to the result.

5. Where the procurement of crisis-relevant products includes financing from the Union budget, specific conditions may be set out in specific agreements with economic operators.

6. The Commission shall carry out the procurement procedures and conclude the contracts with economic operators on behalf of the participating Member States. The Commission shall invite the participating Member States to appoint representatives to take part in the preparation of the procurement procedures. The deployment, use or resale of the purchased products shall remain the responsibility of the participating Member States, in accordance with the agreement referred to in paragraph 3.

7. The deployment of common purchasing pursuant to this Article shall be without prejudice to other instruments provided for in Regulation (EU, Euratom) 2024/2509.

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CHAPTER V

Governance

SECTION 1

EUROPEAN SEMICONDUCTOR BOARD

Article 44
Tasks of the European Semiconductor Board

1. The European Semiconductor Board shall assist the Commission on issues of Union semiconductor policy, in particular by:

   (a) providing advice on the Chips for Europe Initiative 2.0 to the Public Authorities Board of the Chips Joint Undertaking;

   (b) providing advice to the Commission on strategic technological areas within the semiconductor value chain;

   (c) providing advice to the Commission in the assessment of the applications for European semiconductor technology initiatives and strategic projects;

   (d) engaging in a structured dialogue with the Steering Committee of the Industrial Alliance for Semiconductors with a view to defining a common strategy on semiconductors;

   (e) exchanging views with the Commission on the progress of implementation of the Investment Plans of Semiconductor Regions of Excellence;

   (f) exchanging views with the Commission on the best ways to ensure, in accordance with Union and national law, effective protection and enforcement of IP rights, confidential information and trade secrets, with due involvement of stakeholders, in relation to the semiconductor sector;

   (g) discussing and preparing the identification of specific sectors and technologies with potential high social or environmental impact, or security significance, and therefore in need of certification as green, trusted and secure products;

   (h) addressing issues relating to strategic mapping, monitoring, alerting and preventive action and crisis response;

   (i) advising on the crisis stage tools provided for in Articles 40 to 43;

   (j) providing advice and recommendations regarding the consistent implementation of this Regulation, facilitating cooperation among Member States and exchange of information on issues relating to this Regulation;

   (k) advising the Commission on matters concerning international cooperation related to semiconductors.

2. The Board shall advise and inform the Commission about the priorities of the Member States in the semiconductor sector, in particular, by regularly providing updates on:

   (a) their national semiconductor policies;

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(b) relevant public and private investments in the territory of the Member State they represent;

(c) international commitments, including R&D, innovation and skills exchange programmes with third countries.

3. The European Semiconductor Board shall ensure coordination, cooperation and information exchange, where appropriate, with the relevant crisis response and crisis preparedness structures established under Union law.

Article 45
Structure of the European Semiconductor Board

1. The European Semiconductor Board shall be composed of representatives from all the Member States. A representative of the Commission shall be the Chair of the European Semiconductor Board.

2. Each Member State shall appoint a high-level representative to the European Semiconductor Board. Where relevant as regards the function and expertise, a Member State may have more than one representative in relation to different tasks of the European Semiconductor Board. Each member of the European Semiconductor Board shall have an alternate. Only Member States shall have voting rights. Each Member State shall have only one vote regardless of the number of representatives that it has.

3. The Chair may establish standing or temporary sub-groups for the purpose of examining specific questions.

Where appropriate, the Chair shall invite representative organisations of the semiconductor value chain, the Steering Committee of the Industrial Alliance for Semiconductors and its relevant working groups, trade unions and users of semiconductors at Union level to provide input to such sub-groups in the capacity of observers.

Article 46
Operation of the European Semiconductor Board

1. The European Semiconductor Board shall hold ordinary meetings at least once a year. It may hold extraordinary meetings at the request of the Commission or a Member State and as referred to in Articles 37 and 39.

2. The European Semiconductor Board shall hold separate meetings for its tasks referred to in Article 44(1).

3. The Chair shall convene the meetings and prepare the agenda, in accordance with the tasks of the European Semiconductor Board pursuant to this Regulation and with its rules of procedure.

The Commission shall provide administrative and analytical support for the activities of the European Semiconductor Board pursuant to Article 44.

4. Where appropriate, the Chair shall involve representative organisations of the semiconductor sector and shall invite experts with specific expertise in the subject matter, including from stakeholder organisations such as the Network of European Semiconductor Regions of Excellence, and appoint observers to take part in the

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meetings, including upon suggestion from members. The Chair may facilitate exchanges between the European Semiconductor Board and other Union bodies, offices, agencies and expert and advisory groups including the Industrial Alliance for Semiconductors. The Chair shall ensure that the Steering Committee of the Industrial Alliance for Semiconductors, is invited to present updates and discuss relevant aspects of the European semiconductor strategic approach at least yearly.

5. The Chair shall invite a representative from the European Parliament as permanent observer to the European Semiconductor Board, in particular to meetings concerning Chapter IV on monitoring and crisis response. The Chair shall ensure the participation of relevant other Union institutions and bodies as observers to the European Semiconductor Board with respect to meetings concerning Chapter IV on monitoring and crisis response.

Observers and experts shall not have voting rights and shall not participate in the formulation of opinions, recommendations or advice of the European Semiconductor Board and its sub-groups. Where appropriate, the European Semiconductor Board may invite those observers and experts to contribute with information and insights.

6. The European Semiconductor Board shall take the necessary measures to ensure the safe handling and processing of confidential information, in accordance with Article 50.

Article 47
International cooperation and strategic partnerships on semiconductors

1. The European Semiconductor Board shall advise the Commission on matters concerning international cooperation related to semiconductors. To that end, the European Semiconductor Board shall periodically discuss the following:

(a) the extent to which the Union's international cooperation on semiconductors including strategic partnerships on semiconductors contribute towards:

– improving the Union's indispensability, resilience and prosperity;

– improving cooperation along the semiconductor value chain between the Union and international partners, including in the field of research and innovation;

– addressing the knowledge and skills shortage and mismatch by attracting, mobilising and retaining new talent to the Union;

(b) the consistency and potential synergies between Member States' bilateral cooperation with relevant international partners, and the actions in the context of its international cooperation on semiconductors including strategic partnerships on semiconductors;

(c) which international partners should be prioritised for the conclusion of strategic partnerships on semiconductors, taking into account the following criteria:

– the potential contribution to security of supply, indispensability, resilience and prosperity, considering a partner's potential capacities related to semiconductors, diversification and dependencies;

– whether a partner's regulatory framework ensures the monitoring and minimisation of environmental impacts, the use of socially responsible practices, the use of transparent business practices and the prevention of

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adverse impacts on the proper functioning of public administration and the rule of law;

– whether there are existing cooperation agreements between a third country or territory and the Union and, for emerging markets and developing economies, the potential for the deployment of Global Gateway[72] investment projects;

– whether the partner's regulatory framework, or the relevant applicable framework, provides for the application of controls on the export of technology that could limit the access to goods and technology necessary for the design, development, production or use of goods in the EU or the export of goods and technology designed, developed or produced in the EU.

2. The Commission shall enable and support the European Semiconductor Board's cooperation with other relevant coordination forum, including those established as part of the Global Gateway[73] framework.

3. Member States shall ensure consistency between in their bilateral cooperation with international partners, and in the Union's international cooperation on semiconductors including non-binding strategic partnerships. They shall also support the Commission in implementing the cooperation measures set out in the Union's international cooperation on semiconductors including strategic partnerships on semiconductors.

SECTION 2

NATIONAL COMPETENT AUTHORITIES

Article 48

Designation of national competent authorities and national single points of contact

1. Each Member State shall designate one or more national competent authorities for the purpose of ensuring the application and implementation of this Regulation at national level.

2. Where a Member State designates more than one national competent authority, it shall clearly set out the respective responsibilities of the authorities concerned and shall ensure that they cooperate effectively and efficiently to fulfil their tasks under this Regulation, including with regard to the designation and activities of the national single point of contact referred to in paragraph 3.

3. Each Member State shall designate one national single point of contact to exercise a liaison function to ensure cross-border cooperation with national competent authorities of other Member States, with the Commission and with the European Semiconductor Board. Where a Member State designates only one national

[72] European Commission: Directorate-General for International Partnerships, The Global Gateway strategy, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2841/5607451.

[73] European Commission: Directorate-General for International Partnerships, The Global Gateway strategy, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2841/5607451.

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competent authority, that national competent authority shall also be the national single point of contact.

4. Each Member State shall notify the Commission of the designation of the national competent authority or more than one national competent authority, and the national single point of contact, including their precise tasks and responsibilities under this Regulation, their contact information and any subsequent changes thereto. The national single point of contact shall provide the Commission with a functional mailbox.

5. Member States shall ensure that national competent authorities, including the national single point of contact designated, exercise their powers impartially, transparently and in a timely manner and that they are provided with the powers and the adequate technical, financial and human resources to fulfil their tasks under this Regulation.

6. Member States shall ensure that national competent authorities, whenever appropriate and in accordance with Union and national law, consult and cooperate with other relevant national authorities, as well as with relevant interested parties.

The Commission shall facilitate the exchange of experience between national competent authorities.

SECTION 3

INDUSTRIAL ALLIANCE

Article 49

Industrial Alliance for Semiconductors

1. An Industrial Alliance for Semiconductors ('the Alliance') is hereby established.

2. The Alliance shall bring together relevant stakeholders to assist the Commission and Member States on issues relevant to the Union's semiconductor industry, including:

(f) current market and industry trends;

(g) the Union's semiconductor design and manufacturing capacity;

(h) emerging semiconductor technologies and their impact;

(i) identification and recommendations for addressing the Union's industrial strengths and weaknesses;

(j) strategies to accelerate industrialisation of innovation;

(k) geopolitical developments affecting industry;

(l) enhancing the Union's global competitiveness;

(m) contribute to the functioning of the demand accelerators;

(n) contribute to the functioning of the demand forum.

3. Members in the Alliance shall be representatives of the Union semiconductor value chain, including enterprises, startups, research and technology organisations and user sectors, which fulfil the following criteria

(a) have demonstrated semiconductor experience, knowledge and capabilities;

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(b) contribute or are committed to contribute to the semiconductor security of supply of the Union;

(c) have a relevant presence in the European market or are committed to build such a presence within the Union.

4. The Commission shall appoint the members of the Alliance, in accordance with the criteria set out in paragraph 4.

5. A representative of the Commission shall be the Chair of the Alliance.

6. The Alliance shall hold a General Assembly at least once per year. It may hold extraordinary meetings at the request of the Chair of the Alliance or any member of the Steering Committee, subject to the approval of the Chair.

7. The Chair shall convene the meetings and prepare the agenda, in accordance with its rules of procedures and with the tasks of the Alliance pursuant to this Regulation.

8. The Commission shall set up a Steering Committee within the Alliance. The Steering Committee shall engage in a strategic dialogue with the European Semiconductor Board at least once per year, as specified in Article 44.

9. The Chair of the Alliance or the Steering Committee, subject to the approval of the Chair, may establish standing or temporary Working Groups for the purpose of examining specific questions.

Chapter VI

Confidentiality and penalties

Article 50
Treatment of confidential information

1. Information acquired in the course of implementing this Regulation shall be used only for the purposes of this Regulation and shall be protected by the relevant Union and national law.

2. Non-confidential information collected pursuant to this Regulation shall be transmitted to national statistical authorities and to Eurostat for the purposes of compiling statistics in accordance with Regulation (EU) 2024/3018 of the European Parliament and Council.

3. Information acquired pursuant to Articles 14, 33, 35, 38, 41, and Article 46 shall be subject to professional secrecy and shall enjoy the protection afforded by the rules applicable to the Union institutions and the relevant national law, including the triggering of the provisions applicable to the violation of those rules.

4. The Commission and the national competent authorities, their officials, servants and other persons working under the supervision of those authorities shall ensure the confidentiality of information and data obtained in carrying out their tasks and in such a manner as to protect in particular IP rights and commercially sensitive information or trade secrets. This obligation shall apply to all representatives of Member States, observers, experts and other participants attending meetings of the

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European Semiconductor Board pursuant to Article 44 and the members of the Semiconductor Committee pursuant to Article 56(1).

5. The Commission shall provide for standardised and secure means for the collection, processing and storage of the information acquired pursuant to this Regulation.

6. The Commission and Member States may exchange, where necessary, information acquired pursuant to Articles 35, 38 and 39 solely in an aggregated form preventing disclosure of any conclusions on the specific situation of a company in a Member State with competent authorities of third countries with which they have agreed on bilateral or multilateral confidentiality arrangements to provide an adequate level of confidentiality. Before the Commission or Member States engage in any exchange of information, they shall notify the European Semiconductor Board of the information to be shared and the relevant confidentiality arrangement.

When exchanging information with the competent authorities of third countries, the Commission shall designate and use a single point of contact in the Union to facilitate the transfer of such information or data in a confidential manner pursuant to relevant Commission procedures.

7. The Commission may adopt implementing acts, as necessary on the basis of the experience acquired in information gathering, to specify the practical arrangements for the treatment of confidential information in the context of exchange of information pursuant to this Regulation. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 56(2).

Article 51
Penalties

1. The Commission may, where it deems it to be necessary and proportionate, adopt a decision to:

(a) impose fines, where an undertaking, intentionally or through gross negligence, supplies incorrect, incomplete or misleading information in response to a request made pursuant to Articles 38 or 41, or does not supply the information within the prescribed time limit;

(b) impose fines, where an undertaking, intentionally or through gross negligence, does not comply with the obligation to inform the Commission of a third country obligation pursuant to Articles 38(8), 41(7) and Article 42(3);

(c) impose periodic penalty payments, where an undertaking, intentionally or through gross negligence, does not comply with an obligation to prioritise the production of crisis-relevant products pursuant to Article 42.

2. Before taking a decision pursuant to paragraph 1 of this Article, the Commission shall provide an opportunity for undertakings to be heard in accordance with Article 54. It shall take into account any duly reasoned justification presented by such undertakings for the purpose of determining whether fines or periodic penalty payments are deemed necessary and proportionate.

3. Fines imposed in the cases referred to in paragraph 1, point (a), shall not exceed EUR 300 000.

Fines imposed in the cases referred to in paragraph 1, point (b), shall not exceed EUR 150 000.

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Where the undertaking concerned is an SME, the fines imposed shall not exceed EUR 50 000.

4. Periodic penalty payments imposed in the case referred to in paragraph 1, point (c), shall not exceed 1,5% of the current daily turnover for each working day of non-compliance with the obligation pursuant to Article 43 calculated from the date established in the decision in which the priority-rated order was issued.

Where the undertaking concerned is an SME, the periodic penalty payments imposed shall not exceed 0,5% of the current daily turnover.

5. In fixing the amount of the fine or periodic penalty payment, the Commission shall take into consideration the nature, gravity and duration of the infringement, including in cases of non-compliance with the obligation to accept and prioritise a priority-rated order set out in Article 43, and whether the undertaking has partially complied with the priority-rated order, taking due account of the principles of proportionality and appropriateness.

6. Where the undertaking has fulfilled the requirements which the periodic penalty payment was intended to enforce, the Commission may fix the definitive amount of period penalty payment at a figure lower than that which would arise under the original decision.

7. The Court of Justice shall have unlimited jurisdiction to review decisions whereby the Commission has fixed a fine or a periodic penalty payment. It may cancel, reduce or increase the fine or periodic payment imposed.

Article 52
Limitation period for the imposition of penalties

1. The powers conferred on the Commission by Article 51 shall be subject to the following limitation periods:

   (a) two years in the case of infringements of provisions concerning requests of information pursuant to Articles 38 or 41;

   (b) two years in the case of infringements of provisions concerning information obligation pursuant to Article 38(8), Article 41(7) and Article 42(3);

   (c) three years in the case infringements of provisions concerning the obligation to prioritise the production of crisis-relevant products pursuant to Article 42.

2. The limitation periods referred to in paragraph 1 shall begin to run on the day on which the infringement is committed. Where there are continuous or repeated infringements, the limitation periods shall begin to run on the day on which the last infringement was committed.

3. Any action taken by the Commission or the national competent authorities of the Member States for the purpose of ensuring compliance with this Regulation shall interrupt the limitation period.

4. The interruption of the limitation period shall apply for all the parties which are held responsible for the participation in the infringement.

5. Each interruption shall start the time running afresh. However, the limitation period shall expire at the latest on the day on which a period equal to or twice the limitation period has elapsed without the Commission having imposed a fine or a periodic penalty payment. That period shall be extended by the time during which the

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limitation period is suspended because the decision of the Commission is subject of proceedings pending before the Court of Justice.

Article 53
Limitation period for the enforcement of penalties

1. The power of the Commission to enforce decisions taken pursuant to Article 51 shall be subject to a limitation period of three years.

2. Time shall begin to run on the day on which the decision becomes final.

3. The limitation period for the enforcement of fines and periodic penalty payments shall be interrupted:

   (a) by notification of a decision varying the original amount of the fine or periodic penalty payment or refusing an application for variation

   (b) by any action of the Commission or of a Member State, acting at the request of the Commission, designed to enforce payment of the fine or periodic penalty payment.

4. Each interruption shall start time running afresh.

5. The limitation period for the enforcement of fines and periodic penalty payments shall be suspended for as long as:

   (a) time to pay is allowed;

   (b) enforcement of payment is suspended pursuant to a decision of the Court of Justice.

Article 54
Right to be heard before the imposition of penalties

1. Before adopting a decision pursuant to Article 51, the Commission shall give the undertaking concerned the opportunity of being heard on:

   (a) preliminary findings of the Commission, including any matter to which the Commission has taken objections;

   (b) measures that the Commission may intend to take in view of the preliminary findings referred to in point (a).

2. Undertakings concerned may submit their observations on the Commission's preliminary findings pursuant to paragraph 1, point (a), within a time limit which shall be fixed by the Commission in its preliminary findings and which may not be less than 14 days.

3. The Commission shall base its decisions only on objections on which undertakings concerned have been able to comment.

4. The rights of defence of the undertaking concerned shall be fully respected in any proceedings. The undertaking concerned shall be entitled to have access to the Commission's file under the terms of a negotiated disclosure, subject to the legitimate interest of undertakings in the protection of their business secrets. The right of access to the file shall not extend to confidential information and internal documents of the Commission or the authorities of the Member States. In particular, the right of access shall not extend to correspondence between the Commission and

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the authorities of the Member States. Nothing in this paragraph shall prevent the Commission from disclosing and using information necessary to prove an infringement.

CHAPTER VII

Delegation of power and committee procedure

Article 55
Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. The power to adopt delegated acts referred to in Article 12 and Article 17 shall be conferred on the Commission for an indeterminate period of time from [OP: insert date of entry into force].

3. The delegation of power referred to Article 12 and Article 17 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.

5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

6. A delegated act adopted pursuant to Article 12 or Article 17 shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of the notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 56
Committee procedure

1. The Commission shall be assisted by the committee (the 'Semiconductor Committee'). That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

3. Where reference is made to this paragraph, Article 8 of Regulation (EU) No 182/2011, in conjunction with Article 5 thereof, shall apply.

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CHAPTER VIII

Final provisions

Article 57
Evaluation and review

1. By [OP: insert date for four years after date of entry into force] and every four years thereafter, the Commission shall submit a report on the evaluation and review of this Regulation to the European Parliament and to the Council. The reports shall be made public.

2. For the purposes of the evaluation and review of this Regulation, the European Semiconductor Board, the Member States and national competent authorities shall provide the Commission with information on its request.

3. In carrying out the evaluation and review of this Regulation the Commission shall take into account the positions and findings of the European Semiconductor Board, of the European Parliament, of the Council, and of other relevant bodies or sources.

Article 58
Repeal

1. Regulation (EU) 2023/1781 is repealed. 2. References to Regulation (EU) 2023/1781, shall be construed as references to this Regulation and shall be read in accordance with the correlation table set out in Annex VII.

Article 59

Transitional provisions

1. Regulation (EU) 2023/1781 shall continue to apply to integrated production facilities and open EU foundries referred to in Articles 13 and 14 of that Regulation respectively who were granted such status in accordance with Article 15(3) of that Regulation, for the period of duration of the status or the time period applicable pursuant to Article 15(8), second sentence, of that Regulation.

Article 60
Entry into force

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

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Done at Brussels,

For the European Parliament
The President

For the Council
The President

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1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Regulation of the European Parliament and of the Council on a framework of measures for strengthening Europe's semiconductor ecosystem, repealing Regulation (EU) 2023/1781 (Chips Act 2)

1.2. Policy area(s) concerned

A new plan for Europe's sustainable prosperity and competitiveness

1.3. Objective(s)

1.3.1. General objective(s)

The Chips Act 2.0 has two general objectives, as specified in the Explanatory Memorandum:

1. Increase the competitiveness of the European semiconductor value chain to improve its technological sovereignty and resilience by accelerating the industrial deployment of research and innovation, ensuring security of supply and reducing strategic dependencies in cutting-edge and mature semiconductor technologies.

2. Enhance crisis preparedness to ensure EU's security of supply by increasing the resilience of the European semiconductors supply chain and protecting EU's economic security.

1.3.2. Specific objective(s)

Specific objective No 1

Enhance the capacity, security of supply and competitiveness of the EU semiconductor industry across the value chain, including leading-edge AI chips

Specific objective No 2

Develop a strong user market across key industry sectors

Specific objective No 3

Increase intelligence capabilities for crisis preparedness and response

1.3.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The Union's semiconductor industry should benefit from support to large-scale technological capacity building in cutting-edge and next-generation semiconductor technologies that will reinforce the EU's advanced design, systems integration, and chips production capabilities. Industry should benefit as well from strategic projects in design and manufacturing. Semiconductor facilities will benefit from more effective permit-granting processes.

The Union's semiconductor users in all sectors should benefit from increased security of supply of semiconductors without disruptions and from efforts to promote closer relations with the semiconductor industry. In addition, critical sectors should benefit from enhanced security of supply of semiconductors.

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End-users of products with semiconductors should benefit from increased security of supply, against more attractive market prices.

The competitiveness of the European semiconductor ecosystem will improve.

1.3.4. Indicators of performance

Specify the indicators for monitoring progress and achievements.

Performance indicators are mostly relevant for the Chips for Europe Initiative 2.0. Annex III gives first versions of measurable indicators to monitor the implementation and to report on the progress of the Chips for Europe Initiative 2.0 towards the achievement of its general objectives:

1. Total semiconductor-related FDI inflows into the EU.
2. Skilled workforce in semiconductor and photonics, including workforce trained/reskilled through the national chips competence centres' initiatives.
3. Public support to start-ups and scale-ups.
4. Scale-up funding via private equity and Venture Capital.

1.4. The proposal/initiative relates to:

☒ a new action

☐ a new action following a pilot project / preparatory action[74]

☒ the extension of an existing action

☐ a merger or redirection of one or more actions towards another/a new action

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

The Regulation should be fully applicable shortly after its adoption, i.e. the day following that of its publication in the Official Journal of the European Union.

The Regulation builds on the provisions currently in place under EU Regulation 2023/1781 (Chips Act).

1.5.2. Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting from EU action, that is additional to the value that would have been otherwise created by Member States alone.

The objectives of strengthening the EU's semiconductor design and manufacturing capacity and improving crisis preparedness can be achieved more effectively at Union level because the scale and systemic nature of the challenges exceed the capacity of individual Member States acting alone. Significant economies of scale

[74] As referred to in Article 58(2), point (a) or (b) of the Financial Regulation.

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arise when coordinating investment in large-scale manufacturing facilities, shared R&D infrastructure, and cross-border early-warning and monitoring systems, meaning that EU-level action can pool resources, reduce duplication, and deliver outcomes more efficiently than fragmented national efforts. Measures such as the ramping up of production capacities, the speeding up of permitting, priority-rated orders and common purchasing aim to ensure a coherent response to future crises.

A common framework also brings clear benefits, as it replaces divergent national incentives, crisis-response protocols, and reporting with common approaches that ensure coherence, reduce administrative burdens, and avoid subsidy races or inconsistent regulatory requirements. The functioning of the internal market is improved as coordinated EU action minimises distortions, ensures fair competition for attracting semiconductor projects, facilitates the smooth circulation of critical inputs and chips, and strengthens the resilience of cross-border supply chains that depend on seamless integration across Member States.

1.5.3. Lessons learned from similar experiences in the past

Several lessons emerge from the evaluation of the current Chips Act[75]. First, turning innovation into industrial capacity requires policy mechanisms that explicitly bridge pilot line infrastructures and manufacturing investments. While the Chips Act successfully created world-class research and validation facilities, experience shows that market-scale production does not emerge automatically from technological capability alone. Future initiatives would benefit from embedding transition mechanisms that facilitate movement from pilot lines into industrial deployment more systematically.

Second, demand orientation should be built into industrial policy instruments. The evaluation highlights that supply-side investment alone does not necessarily generate scale or competitiveness in the absence of reliable market uptake. Instruments that support deployment should therefore be accompanied by measures that increase demand, such as procurement coordination or consumption incentives.

Third, access to finance must remain central to industrial policy. The evaluation shows that the first-of-a-kind framework improved legal certainty for major investments, but stakeholders still face delays from State aid rules, lengthy notifications, and project-level uncertainty. Late-stage venture capital and institutional investment constraints similarly limit scale-up funding. These factors weaken Europe's competitiveness and slow the growth of globally competitive firms.

Finally, crisis preparedness depends on high-quality system intelligence. The evaluation shows that effective monitoring requires up-to-date visibility across the entire value chain, covering not only fabrication, but also materials, packaging, design tools and downstream users. Future frameworks could prioritise improved data collection, shared data infrastructures, and integrated reporting in order to enable timely risk detection and coordinated responses.

1.5.4. Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments

In order to maximise its positive impacts, the Chips for Europe Initiative 2.0 (pillar I) will continue to build upon the strong knowledge base and enhance synergies with

[75] Staff Working Document

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actions currently supported by the Union and Member States through programmes and actions in research and innovation in semiconductors and in developments of part of the supply chain. These include, in particular, the Horizon Europe Framework Programme and the Digital Europe Programme, with the aim to reinforce Europe as global player in semiconductor technology and its applications, with a growing global share in manufacturing by 2030. Complementing those activities, the Chips for Europe Initiative 2.0 will more closely collaborate with the Industrial Alliance for Semiconductors.

1.5.5. Assessment of the different available financing options, including scope for redeployment

Without prejudice to the outcome of negotiations on the next MFF, the appropriations foreseen from 2028 onwards are strictly indicative.

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1.6. Duration of the proposal/initiative and of its financial impact

☒ **limited duration**

– ☒ in effect from the date of adoption of the proposal for a Regulation of the European Parliament and of the Council establishing a framework of measures for strengthening Europe's semiconductor ecosystem (Chips Act 2)

– ☒ financial impact from 2028 to 2034 for commitment appropriations and from 2028 to 2038 for payment appropriations.

☐ **unlimited duration**

– ☐ Implementation with a start-up period from YYYY to YYYY,

– ☐ followed by full-scale operation.

1.7. Method(s) of budget implementation planned

☒ **Direct management** by the Commission

– ☒ by its departments, including by its staff in the Union delegations;

– ☐ by the executive agencies

☐ **Shared management** with the Member States

☒ **Indirect management** by entrusting budget implementation tasks to:

– ☐ third countries or the bodies they have designated

– ☐ international organisations and their agencies (to be specified)

– ☐ the European Investment Bank and the European Investment Fund

– ☒ bodies referred to in Articles 70 and 71 of the Financial Regulation

– ☐ public law bodies

– ☐ bodies governed by private law with a public service mission to the extent that they are provided with adequate financial guarantees

– ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that are provided with adequate financial guarantees

– ☐ bodies or persons entrusted with the implementation of specific actions in the common foreign and security policy pursuant to Title V of the Treaty on European Union, and identified in the relevant basic act

– ☐ bodies established in a Member State, governed by the private law of a Member State or Union law and eligible to be entrusted, in accordance with sector-specific rules, with the implementation of Union funds or budgetary guarantees, to the extent that such bodies are controlled by public law bodies or by bodies governed by private law with a public service mission, and are provided with adequate financial guarantees in the form of joint and several liability by the controlling bodies or equivalent financial guarantees and which may be, for each action, limited to the maximum amount of the Union support.

Comments

With the exception of a) activities and budgets related to the Chips Fund and b) activities and budgets earmarked under the European Innovation Council, the Chips for Europe Initiative

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2.0 will continue to be implemented under indirect management by entrusting the implementation of tasks to the Chips Joint Undertaking and, where applicable, to the joint undertaking or any other similar entity or initiative succeeding it established by Union law under a subsequent Multiannual Financial Framework. Member States and other Participating States are co-funding indirect actions.

Other parts, such as the activities under pillar 2 and 3, are under direct management. These concern tasks entrusted to the Commission to supervise the Chips JU, to review and decide on applications for Semiconductor Technology Facilities, to support the European Semiconductor Board, to support a Business-to-Business Semiconductor Supply Chain Platform, and – together with Member States – to monitor semiconductor supply chains and decide on actions, where appropriate.

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2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

This Statement includes expenditures for Commission staff. Standard rules for this type of expenditure apply. The Commission will evaluate the output, results and impact of this proposal every 4 years after the date on which it becomes applicable.

Additionally, as a Union body, the Chips Joint Undertaking functions under strict monitoring rules. Monitoring is performed through:

- its own internal audit capacity and the audit service of the Commission;
- the supervision of the Governing Board. The Executive Director will supervise the Joint Undertaking's operations internally;
- a set of quantitative and qualitative performance indicators which are established to monitor the implementation of the programme and to measure its impact;
- mid-term and final evaluations of the programme by external experts, under the supervision of the Commission;
- the Joint Undertaking's Work Programme and its Annual Activity Report.

2.2. Management and control system(s)

2.2.1. Justification of the budget implementation method(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed

The Regulation introduces a revised policy framework with regard to attracting investment in and enhancing advanced semiconductor manufacturing in the Union as well as to stimulate demand, and introduces revised rules for a coordinated approach to monitoring and preparedness for semiconductor shortages. The instruments of Grand Challenges, strategic projects, Demand Forum, Demand Accelerators, and the Business-to-Business Semiconductor Supply Chain Platform are new elements, as well as the recognition of European Semiconductor Regions of Excellence.

These rules require a consistency mechanism for the cross-border application of the obligations under this Regulation and coordination of the activities of national authorities and of the Commission through the European Semiconductor Board.

In order to face the tasks to be performed by the Commission, it is necessary to appropriately resource the Commission's services.

For other parts, indirect management is justified because the Chips Joint Undertaking is a public-private partnership with part of the co-financing brought in via contributions from Participating States and via in-kind contributions by private members.

Each year, the decision on the EU contribution to the Chips Joint Undertaking will be taken by virtue of the EU Budget adopted for that year.

A Framework Financial Partnership Agreement signed between the European Commission and the Chips Joint Undertaking will indicate that for the tasks to be carried out each year the Commission will pay a contribution upon conclusion of a contribution agreement with the Chips Joint Undertaking, and the issuing, by the

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Joint Undertaking, of corresponding payment requests to the members other than the Union.

The Commission will ensure that the rules applicable to the Chips Joint Undertaking fully comply with the requirements of the Financial Regulation. In compliance with Article 71 of Regulation (EU, Euratom) 2024/2509, the Joint Undertaking will respect the principle of sound financial management. The Chips Joint Undertaking shall also comply with the provisions of the Model Financial Regulation applicable to the Joint Undertaking. Any departure from this Model Financial Regulation, required for the purpose of the Joint Undertaking's specific needs, shall be subject to the Commission's prior consent.

Monitoring arrangements, including through the Union representation in the Governing Board and Public Authorities Board of the Chips Joint Undertaking, as well as reporting arrangements will ensure that the Commission services can meet the accountability requirements both to the College and to the Budgetary Authority.

The internal control framework for the Chips Joint Undertaking is built on:

- the implementation of the Internal Control Standards offering at least equivalent guarantees to those of the Commission;
- procedures for selecting the best projects through independent evaluation, and for translating them into legal instruments;
- project and contract management throughout the lifetime of every project;
- *ex ante* checks on 100% of claims, including receipt of audit certificates and ex-ante certification of cost methodologies;
- *ex post* audits on a sample of claims as part of the Horizon Europe ex-post audits;
- scientific evaluation of project results.

2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them

This proposal is accompanied by an impact assessment report, which provides the analytics underpinning the chosen policy approach. The preparation of the initiative also drew on a public consultation as well as targeted consultations with industry stakeholders, Member States and trade associations, which ensured the collection of relevant data, information, and feedback. Nonetheless, unintentional consequences or unforeseen impacts may still occur during implementation. These will be identified through the monitoring procedures set out in the Regulation, allowing the Commission to address them in an appropriate and timely manner.

Additionally, various measures have been established to mitigate the inherent risk of conflict of interest within the Chips Joint Undertaking, especially:

- for standard decision-making, equal votes (one third) for the Commission, Participating States (collectively) and for private members (collectively) in the Governing Board; equal votes (one half) for the Commission and Participating States (collectively) in the Public Authorities Board;
- high-level decisions on the activities/budgets dedicated to the activities of the Chips for Europe Initiative 2.0 (capacity building in upcoming work

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programmes) are taken by the Public Authorities Board with Member States only,

- the part of the work programme dealing with capacity-building activities is adopted by the Public Authorities Board with Member States only,
- selection of the Executive Director by the Governing Board based on a proposal by the Commission,
- independence of staff,
- evaluations by independent experts based on published evaluation criteria together with appeal mechanisms and full declarations of any interests,
- a requirement for the Governing Board to adopt rules for the prevention, avoidance and management of conflicts of interest in the Joint Undertaking in accordance with the financial rules of the Joint Undertaking and with the Staff Regulations in respect of staff.

The continuation of existing ethical and organisational values will be one of the key roles of the Joint Undertaking, and will be monitored by the Commission.

The Executive Director of the Chips Joint Undertaking, as Authorising Officer, is required to introduce a cost-effective system of internal control and management. They JU Office is required to report to the Commission on the internal control framework adopted.

The Commission will monitor the risk of non-compliance through the reporting system that it will develop, as well as by following the results of *ex post* audits on the recipients of EU funds from the Chips Joint Undertaking, as part of *ex post* audits covering the whole of Horizon Europe and Digital Europe.

There is a clear need to manage the budget in an efficient and effective manner, and to prevent fraud and waste. However, the control system needs to strike a fair balance between attaining an acceptable error rate and the control burden required and avoid lowering the attractiveness of the Union's programmes.

2.2.3. Estimation and justification of the cost-effectiveness of the controls (ratio between the control costs and the value of the related funds managed), and assessment of the expected levels of risk of error (at payment & at closure)

As the rules for participation of Horizon Europe and the Digital Europe programme applicable to the Chips Joint Undertaking are similar to those that the Commission will use in its work programmes, and with a population of beneficiaries with a similar risk profile to those of programmes under direct management, it can be expected that the error margin will be similar to that foreseen by the Commission for Horizon Europe and the Digital Europe programme, i.e. to give reasonable assurance that the risk of error over the course of the multiannual expenditure period is, on an annual basis, within a range of 2-5 %, with the ultimate aim to achieve a residual error rate as close as possible to 2 % at the closure of the multiannual programmes, once the financial impact of all audits, correction and recovery measures have been taken into account.

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2.3. Measures to prevent fraud and irregularities

The Commission will ensure that procedures to fight against fraud at all stages of the management process are applied by the Chips Joint Undertaking.

The Commission will ensure that appropriate measures are in place to ensure that, when actions financed under this Regulation are implemented, the financial interest of the Union is protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and, if irregularities are detected, by the recovery of the amounts wrongly paid and, where appropriate, by effective, proportionate and deterrent penalties.

The Court of Auditors shall have the power of audit, on the basis of documents and on-the-spot checks, over all grant beneficiaries, contractors and subcontractors who have received Union funds under the Programme.

The European Anti-fraud Office (OLAF) may carry out on-the-spot checks and inspections on economic operators concerned directly or indirectly by such funding in accordance with the procedures laid down in Regulation (Euratom, EC) No 2185/96 with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with a grant agreement or grant decision or a contract concerning Union funding. The Joint Undertakings will also need to accede to the Interinstitutional Agreement of 25 May 1999 between the European Parliament, the Council of the European Union and the Commission of the European Communities concerning internal investigations by the European Anti-fraud Office (OLAF).

The European Public Prosecutor's Office may carry out investigations in accordance with the provisions and procedures laid down in Council Regulation (EU) 2017/193923, with a view to investigating criminal offences affecting the financial interests of the Union.

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3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.[76]	from EFTA countries [77]	from candidate countries and potential candidates [78]	From other third countries	other assigned revenue
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.	from EFTA countries	from candidate countries and potential candidates	from other third countries	other assigned revenue
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO

[76] Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.
[77] EFTA: European Free Trade Association.
[78] Candidate countries and, where applicable, potential candidates from the Western Balkans.

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3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

– ☐ The proposal/initiative does not require the use of operational appropriations

– ☒ The proposal/initiative requires the use of operational appropriations, as explained below

3.2.1.1. Appropriations from voted budget

EUR million (to three decimal places)

Heading of multiannual financial framework	Number	2

DG CNECT			Year **2028**	Year **2029**	Year **2030**	Year **2031**	Year **2032**	Year **2033**	Year **2034**	Post **2034**	**TOTAL MFF 2028-2034**
	Operational appropriations										
Budget line [ECF]	Commitments	(1a)	30.000		20.000		10.000		10.000		**70.000**
	Payments	(2a)	18.000	6.000	15.000	7.000	8.000	4.000	7.000	5.000	**70.000**
	Appropriations of an administrative nature financed from the envelope of specific programmes[79]										
Budget line		(3)									**0**
TOTAL appropriations for DG CNECT	Commitments	=1a+1b+3	**30.000**		**20.000**		**10.000**		**10.000**		**70.000**
	Payments	=2a+2b+3	**18.000**	**6.000**	**15.000**	**7.000**	**8.000**	**4.000**	**7.000**	**5.000**	**70.000**

	Year **2028**	Year **2029**	Year **2030**	Year **2031**	Year **2032**	Year **2033**	Year **2034**	Post **2034**	**TOTAL**

[79] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

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											MFF 2028-2034
TOTAL operational appropriations	Commitments	(4)	30.000		20.000		10.000		10.000		**70.000**
	Payments	(5)	18.000	6.000	15.000	7.000	8.000	4.000	7.000	5.000	**70.000**
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)									**0**
TOTAL appropriations under HEADING 2	Commitments	=4+6	**30.000**		**20.000**		**10.000**		**10.000**		**70.000**

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of the multiannual financial framework	Payments	=5+6	**18.000**	**6.000**	**15.000**	**7.000**	**8.000**	**4.000**	**7.000**	**5.000**	**70.000**

			Year **2028**	Year **2029**	Year **2030**	Year **2031**	Year **2032**	Year **2033**	Year **2034**	Post **2034**	**TOTAL MFF 2028-2034**
TOTAL operational appropriations	Commitments	(4)	30.000	0.000	20.000	0.000	10.000	0.000	10.000		**70.000**
	Payments	(5)	18.000	6.000	15.000	7.000	8.000	4.000	7.000	5.000	**70.000**
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)									
TOTAL appropriations under HEADING 2 of the multiannual financial framework	Commitments	=4+6	30.000	0.000	20.000	0. 000	10.000	0.000	10.000		**70.000**
	Payments	=5+6	18. 000	6.000	15.000	7.000	8.000	4.000	7.000	5.000	**70.000**

	Year **2028**	Year **2029**	Year **2030**	Year **2031**	Year **2032**	Year **2033**	Year **2034**	Post **2034**	**TOTA**

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											L M F 2028-2034
• TOTAL operational appropriations (all operational headings)	Commitments	(4)	30.000	0.000	20.000	0.000	10.000	0.000	10.000	0.000	**70.000**
	Payments	(5)	18.000	6.000	15.000	7.000	8.000	4.000	7.000	5.000	**70.000**
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
TOTAL appropriations Under Heading 1 to 3	Commitments	=4+6	30.000	0.000	20.000	0. 000	10.000	0.000	10.000		**70.00**

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											0
of the multiannual financial framework (Reference amount)	Payments	=5+6	18.000	6.000	15.000	7.000	8.000	4.000	7.000	5.000	**70.000**

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Heading of multiannual financial framework	4	'Administrative expenditure'[80]							
DG: CNECT		Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	TOTAL MFF 2028-2034
• Human resources		1.972	1.972	1.972	1.972	1.972	1.972	1.972	**13.804**
• Other administrative expenditure									
TOTAL DG CNECT		1.972	1.972	1.972	1.972	1.972	1.972	1.972	**13.804**

DG: COMP		Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	TOTAL MFF 2028-2034
• Human resources		0.881	0.881	0.881	0.881	0.881	0.881	0.881	**6.167**
• Other administrative expenditure									
TOTAL DG COMP	Appropriations	**0.881**	**0.881**	**0.881**	**0.881**	**0.881**	**0.881**	**0.881**	**6.167**

TOTAL appropriations under HEADING 4 of the multiannual financial framework	(Total commitments = Total payments)	**2.853**	**2.853**	**2.853**	**2.853**	**2.853**	**2.853**	**2.853**	**19.971**

EUR million (to three decimal places)

80 The necessary appropriations should be determined using the annual average cost figures available on the appropriate BUDGpedia webpage.

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		Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Post 2034	TOTAL MFF 2028-2034
TOTAL appropriations under HEADINGS 1 to 4	Commitments	**32.853**	**2.853**	**22.853**	**2.853**	**12.853**	**2.853**	**12.853**	**0.000**	**89.971**
of the multiannual financial framework	Payments	**20.853**	**8.853**	**17.853**	**9.853**	**10.853**	**6.853**	**9.853**	**5.000**	**89.971**

The estimated impact on expenditure and staffing for 2028 and beyond is added for illustrative purposes only and does not pre-judge the next Multiannual Financial Framework. The source of financing and scope of Union financial commitment in the post-2027 period remain subject to the outcome of interinstitutional negotiations on the MFF 2028-2034 and thereafter shall be determined through the annual budgetary procedure. All appropriations and staffing allocations as of 2028 are indicative.

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3.2.2. Estimated output funded from operational appropriations (not to be completed for decentralised agencies)

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ⇩			Year **2028**		Year **2029**		Year **2030**		Year **2031**		Enter as many years as necessary to show the duration of the impact (see Section1.6)						**TOTAL**	
			OUTPUTS															
	Type[81]	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE No 1[82]…																		
- Output																		
- Output																		
- Output																		
Subtotal for specific objective No 1																		
SPECIFIC OBJECTIVE No 2 ...																		
- Output																		
Subtotal for specific objective No 2																		
TOTALS																		

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81 Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).

82 As described in Section 1.3.2. 'Specific objective(s)'

3.2.3. Summary of estimated impact on administrative appropriations

– ☐ The proposal/initiative does not require the use of appropriations of an administrative nature

– ☒ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below

3.2.3.1. Appropriations from voted budget

VOTED APPROPRIATIONS	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	TOTAL 2028 - 2034
HEADING 4								
Human resources	2.853	2.853	2.853	2.853	2.853	2.853	2.853	**19.971**
Other administrative expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Subtotal HEADING 4	**2.853**	**2.853**	**2.853**	**2.853**	**2.853**	**2.853**	**2.853**	**19.971**
Outside HEADING 4								
Human resources	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Subtotal outside HEADING 4	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
TOTAL	**2.853**	**2.853**	**2.853**	**2.853**	**2.853**	**2.853**	**2.853**	**19.971**

In order to support the work on monitoring and crisis management, DG CNECT may conclude an Administrative Agreement with the JRC for roughly 2 FTEs (CA), subject to the availability of resources and expertise. This LFDS does not contain budget for such possible Administrative Agreement.

The estimated impact on expenditure and staffing for 2028 and beyond is added for illustrative purposes only and does not pre-judge the next Multiannual Financial Framework. The source of financing and scope of Union financial commitment in the post-2027 period remain subject to the outcome of interinstitutional negotiations on the MFF 2028-2034 and thereafter shall be determined through the annual budgetary procedure. All appropriations and staffing allocations as of 2028 are indicative.

3.2.4. Estimated requirements of human resources

– ☐ The proposal/initiative does not require the use of human resources

– ☒ The proposal/initiative requires the use of human resources, as explained below

3.2.4.1. Financed from voted budget

Estimate to be expressed in full-time equivalent units (FTEs)[83]

VOTED APPROPRIATIONS	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034
• Establishment plan posts (officials and temporary staff)							

[83] Please specify below the table how many FTEs within the number indicated are already assigned to the management of the action and/or can be redeployed within your DG and what are your net needs.

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20 01 02 01 (Headquarters and Commission's Representation Offices)		12	12	12	12	12	12	12
20 01 02 03 (EU Delegations)		0	0	0	0	0	0	0
(Indirect research)		0	0	0	0	0	0	0
(Direct research)		0	0	0	0	0	0	0
Other budget lines (specify)		0	0	0	0	0	0	0
• External staff (in FTEs)								
20 02 01 (AC, END from the 'global envelope')		5	5	5	5	5	5	5
20 02 03 (AC, AL, END and JPD in the EU Delegations)		0	0	0	0	0	0	0
Admin. Support line [XX.01.YY.YY]	• at Headquarters	0	0	0	0	0	0	0
	• in EU Delegations	0	0	0	0	0	0	0
(AC, END - Indirect research)		0	0	0	0	0	0	0
(AC, END - Direct research)		0	0	0	0	0	0	0
Other budget lines (specify) - Heading 4		0	0	0	0	0	0	0
Other budget lines (specify) - Outside Heading 4		0	0	0	0	0	0	0
TOTAL		**17**	**17**	**17**	**17**	**17**	**17**	**17**

The estimated impact on expenditure and staffing for 2028 and beyond is added for illustrative purposes only and does not pre-judge the next Multiannual Financial Framework. The source of financing and scope of Union financial commitment in the post-2027 period remain subject to the outcome of interinstitutional negotiations on the MFF 2028-2034 and thereafter shall be determined through the annual budgetary procedure. All appropriations and staffing allocations as of 2028 are indicative.

The staff required to implement the proposal (in FTEs):

	To be covered by current staff available in the Commission services	**Exceptional additional staff***		
		To be financed under Heading 4 or Research	**To be financed from BA line**	**To be financed from fees**
Establishment plan posts	5	7	N/A	
External staff (CA, SNEs, INT)	2	3		

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Description of tasks to be carried out by:

Officials and temporary staff	Some tasks can be executed by redeployment of staff working currently on similar tasks, e.g. related to programme supervision, stakeholder liaison, and reporting for research & development and capacity-building activities under Pillar I. Additional tasks under the proposal should be carried out by additional staff, e.g. definition and supervision of Strategic Projects, including monitoring of milestones and deliverables; compliance checks (State aid, procurement); cross-border coordination with Member States; defining grand challenges and supervising their implementation; coordinating administrative (non-fiscal) oversight; assessment of regional investment plans; assessment of ownership and control of domestic undertakings; consultation of the European Semiconductor Board on strategic projects, recommendations of chips from domestic undertakings in public procurement, consultations with the Alliance with a view to defining a common strategy on semiconductor technologies, advice on risk-prone sectors; setting up strategic partnerships with third countries; providing guidance on public procurement to Member States and to contracting authorities; providing methodological recommendations on carrying out security of supply risk assessments; executing crisis preparedness exercises; setting up and facilitating demand forums; supporting co-design activities between semiconductor manufacturers and downstream industrial users; providing technical and legal guidance for procurement of systems integrating innovative semiconductor design and solutions; ensuring coherence between the Initiative 2.0 and national/regional strategies; supervising organisation and reporting to Council / Parliament. In addition, the proposal implies additional tasks related to the Business-to-Business Semiconductor Supply Chain Platform, e.g. monitoring of semiconductor supply chains; analysis and crisis preparedness functions; issuing and handling of Requests for Information (RFIs) and checking and aggregating data during pre-crisis stage; and cross-sector coordination with industry stakeholders. A considerable part of the above additional tasks can be implemented via the redeployment of existing staff.
External staff	Idem

3.2.5. Overview of estimated impact on digital technology-related investments

Compulsory: the best estimate of the digital technology-related investments entailed by the proposal/initiative should be included in the table below.

Exceptionally, when required for the implementation of the proposal/initiative, the appropriations under Heading 4 should be presented in the designated line.

The appropriations under Headings 1-3 should be reflected as "Policy IT expenditure on operational programmes". This expenditure refers to the operational budget to be used to reuse/ buy/ develop IT platforms/ tools directly linked to the implementation of the initiative and their associated investments (e.g. licences, studies, data storage etc). The information provided in this table should be consistent with details presented under Section 4 "Digital dimensions".

TOTAL Digital and IT appropriations	Year **2028**	Year **2029**	Year **2030**	Year **2031**	Year **2032**	Year **2033**	Year **2034**	**TOTAL MFF 2028 - 2034**
HEADING 4								

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IT expenditure (corporate)	0	0	0	0	0	0	0	**0**
Subtotal HEADING 4	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Outside HEADING 4								
Policy IT expenditure on operational programmes	0	0	0	0	0	0	0	**0**
Subtotal outside HEADING 4	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

3.2.6. Compatibility with the current multiannual financial framework

The proposal/initiative:

– ☒ can be fully financed through redeployment within the relevant heading of the multiannual financial framework (MFF)

– ☐ requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation

– ☐ requires a revision of the MFF

The estimated impact on expenditure and staffing for 2028 and beyond is added for illustrative purposes only and does not pre-judge the next Multiannual Financial Framework. The source of financing and scope of Union financial commitment in the post-2027 period remain subject to the outcome of interinstitutional negotiations on the MFF 2028-2034 and thereafter shall be determined through the annual budgetary procedure. All appropriations and staffing allocations as of 2028 are indicative.

3.2.7. Third-party contributions

The proposal/initiative:

– ☒ does not provide for co-financing by third parties

– ☐ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

	Year **2028**	Year **2029**	Year **2030**	Year **2031**	Year **2032**	Year **2033**	Year **2034**	Total
Specify the co-financing body								

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TOTAL appropriations co-financed								

3.3. Estimated impact on revenue

– ☒ The proposal/initiative has no financial impact on revenue.

– ☐ The proposal/initiative has the following financial impact:

  – ☐ on own resources

  – ☐ on other revenue

  – ☐ please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative[84]						
		Year **2028**	Year **2029**	Year **2030**	Year **2031**	Year **2032**	Year **2033**	Year **2034**
Article …….								

For assigned revenue, specify the budget expenditure line(s) affected.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

4. DIGITAL DIMENSIONS

This Section considers trans-European digital public services and their cross-border interoperability requirements.

4.1. Requirements of digital relevance

High-level description of the requirements of digital relevance and related categories (data, process digitalisation & automation, digital solutions and/or digital public services):

Reference to the requirement	**Requirement description**	**Actor(s) affected or concerned by the requirement**	**High-level Processes**	**Categories**
Article 15	Application for the status as European semiconductor	European Commission	Application	Data

[84] As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20% for collection costs.

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Reference to the requirement	Requirement description	Actor(s) affected or concerned by the requirement	High-level Processes	Categories
	technology initiative			
Article 22	Member States shall establish a single permit-granting procedure based on a single application covering all permits required for European semiconductor technology initiatives and strategic projects	Member States National competent authorities	Permit granting	Data Digital Solution Process digitalisation and automation
Article 24	Member States shall set up a single access poirtal at national level, , for the submission of the single permit application for European semiconductor technology facilities and strategic projects	Member States National competent authorities	Permit granting	Process digitalisation and automation
Article 33	Strategic mapping of the Union's semiconductor sector	European Commission	Monitoring	Data
Article 34	Set up of the Business-to-Business Semiconductor Supply Chain Platform	Private operators	Data sharing	Digital Solution Data
Article 35	The Commission, in consultation with the European Semiconductors Board shall carry out regular monitoring of the semiconductor value chain with a view to identifying factors that may disrupt, compromise or negatively affect the	European Commission	Monitoring	Data

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Reference to the requirement	Requirement description	Actor(s) affected or concerned by the requirement	High-level Processes	Categories
	supply of semiconductors or trade in semiconductors			
Article 38	Preventive information gathering	European Commission	Reporting	Data
Article 41	Information gathering in the crisis stage	European Commission	Reporting	Data

4.2. Data

High-level description of the data in scope.

Type of data	Reference to the requirement(s)	Standard and/or specification (if applicable)
Data in the context of the application for status of a European semiconductor technology initiative	Article 15	N/A
Permit-granting applications	Article 22	N/A
Data needed for a strategic mapping of the Union's semiconductor sector	Article 33	N/A
Data in the context of the Business-to-Business Semiconductor Supply Chain Platform	Article 34	N/A
Data needed for the monitoring of the semiconductor value chain	Article 35	N/A
Preventive information gathering	Article 38	N/A
Information gathering in the crisis stage	Article 41	N/A

Data flows

High-level description of the data flows

Type of data	Reference(s) to the document	Actors who provide the data	Actors who receive the data	Trigger for the data exchange	Frequency (if applicable)
Data in the	Article 15	Industry	European	N/A	N/A

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context of the application for status of a European semiconductor technology initiative			Commission		
Permit-granting applications	Article 22	Industry	Member States	N/A	N/A
Data needed for a strategic mapping of the Union's semiconductor sector	Article 33	Industry	European Commission	N/A	N/A
Data in the context of the Business-to-Business Semiconductor Supply Chain Platform	Article 34	Industry	European Commission	N/A	N/A
Data needed for the monitoring of the semiconductor value chain	Article 35	Industry	European Commission	N/A	N/A
Preventive information gathering	Article 38	Industry	European Commission	Pre-Crisis stage	N/A
Information gathering in the crisis stage	Article 41	Industry	European Commission	Crisis stage	N/A

Alignment with the European Data Strategy

Explanation of how the requirement(s) are aligned with the European Data Strategy:

This legislative initiative is in line with the use of privately-held data by government authorities (business-to-government – B2G) in order to ensure evidence-driven policy decisions. The digital permitting system shall be designed to ensure interoperability and automated data exchange between competent authorities, the reuse of data and documents

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already held by public authorities, a high level of cybersecurity and information integrity, as well as transparency and accountability in the permit-granting procedure.

Alignment with the once-only principle

Article 22 provides for the establishment of a single permit-granting procedure, based on a single application to cover all permits required for European semiconductor technology initiatives and strategic projects.

4.3. Digital solutions

For each digital solution, please provide the reference to the requirement(s) of digital relevance concerning it, a description of the digital solution's mandated functionality, the body that will be responsible for it, and other relevant aspects such as reusability and accessibility. Finally, explain whether the digital solution intends to make use of AI technologies.

Digital solution	Reference to the requirement(s)	Main mandated functionalities	Responsible body	How is accessibility catered for?	How is reusability considered?	Use of AI technologies
Digital Permitting System	Article 22 and Article 24	Permit-granting procedures are carried out through fully digital means. The system shall provide a single user interface enabling interaction with the relevant public services. The digital permitting system shall enable the paperless submission, tracking,	Member States National Competent Authorities	The digital permitting system should be designed to ensure user-friendliness and accessibility for all applicants, including persons with disabilities	The digital permitting system should be designed to ensure reuse of data and documents already held by public authorities	//

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Digital solution	Reference to the requirement(s)	Main mandated functionalities	Responsible body	How is accessibility catered for?	How is reusability considered?	Use of AI technologies
		and decision-making of permit applications.				
Business-to-Business Semiconductor Supply Chain Platform	Article 34	The Platform should gather data from participating undertakings to increase transparency and resilience of the semi–conductor supply chain	Private operators	The Platform should be designed to ensure user-friendliness and accessibility for all applicants, including persons with disabilities.		//

Digital Permitting System

Digital and/or sectoral policy (when these are applicable)	Explanation on how it aligns
EU Cybersecurity framework	The national Digital Permitting System should be designed to ensure a high level of data protection, cybersecurity, and integrity of information.
European Business Wallets	A national Digital Permitting System's single access point shall use the European Business Wallets.

Business-to-Business Semiconductor Supply Chain Platform

Digital and/or sectoral policy (when these are applicable)	Explanation on how it aligns

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EU Cybersecurity framework	The Business-to-Business Semiconductor Supply Chain Platform should be designed to ensure a high level of data protection, cybersecurity, and integrity of information.

4.4. Interoperability assessment

N/A

4.5. Measures to support digital implementation

N/A

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