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EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing a framework of measures for strengthening the Union innovation ecosystem and amending Regulation (EU) 2017/1001 (European Innovation Act)

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Executive Summary Sheet
Impact Assessment of the European Innovation Act
A. Need for action
What is the problem and why is it a problem at EU level?
The European Union (EU) is a global leader in scientific research, but this strength does not translate into a comparable level of innovation performance and commercial success. Too many innovative ideas developed in Europe fail to reach the market, scale across borders, or generate new growth sectors. Over the past years, the Union has taken significant steps to address these challenges. EU funding programmes, such as Horizon Europe, the Innovation Fund, the Digital Europe Programme and InvestEU, as well as initiatives to deepen capital markets and strengthen the European Research Area, have improved framework conditions for innovation. However, important barriers persist, particularly in the transition from research to market deployment. The EU continues to face difficulties in commercialising and scaling innovation due to fragmented, costly and insufficiently standardised IP valuation practices, which hinder the monetisation of intellectual property and limit access to finance. In addition, R&D procurement remains underused as a tool to support research and innovation. Legal uncertainty regarding the procurement of R&D services, together with divergent national rules and practices, hampers the implementation of cross-border R&D procurement and limits the diffusion of innovative solutions across the Single Market.
What should be achieved?
The general objective is to improve the functioning of the Single Market for innovation by reducing barriers to the development, testing and scale-up of innovative solutions, thereby speeding up their commercialisation in the EU. Specific objectives aim to (i) Lower valuation costs, and increase licensing and transfer of IPRs in the EU in the next 4 years, (ii) Increase spending on procurement of R&D services in the next 5 years, and (iii) Increase the procurement of EU-based R&D solutions in the next five years.
What is the value added of action at the EU level (subsidiarity)?
The problems addressed by this initiative have a strong cross-border dimension and cannot be effectively tackled by Member States acting alone. Innovation ecosystems, markets and value chains are increasingly cross-border, while regulatory and market conditions remain fragmented along national lines. Moreover, increasing the commercialisation and diffusion of innovation requires a critical mass of innovators, investors, buyers and users that individual Member States cannot achieve in isolation. EU action is therefore the most effective way to address the identified problems. In R&D procurement, divergent national rules and practices hinder the participation of innovative firms across borders and limit the implementation of joint cross-border procurements. Only Union action can provide a common framework that opens opportunities across the Single Market and facilitates cross-border procurement activities. Similarly, no Member State can establish an IP valuation framework that is recognised and trusted across the entire Single Market. A common EU approach is therefore necessary to improve the valuation, financing and cross-border use of intellectual property assets.
B. Solutions
What are the various options to achieve the objectives?
In addition to the Baseline, the Impact Assessment examined three potential measures, with each measure having different options/versions.

Measure 1. Establishing IP valuation methodology and facilitating licensing. Several versions of Measure 1 were envisaged, reflecting different levels of ambition and scope. Version A would mandate EUIPO, through the European Innovation Act, to develop an EU-wide IP valuation framework. Version B would focus on establishing an EU-wide digital marketplace functioning as a secondary market for IP transactions. Version C would assign EUIPO the role of an EU-wide IP competence centre providing advice, training and support on IP valuation. Version D would combine the valuation framework and the marketplace, while Version E would integrate all three elements, representing the most comprehensive approach to addressing barriers to IP-backed finance.

Measure 2. Establish procedures for R&D procurement for public buyers, including cross-border R&D procurement and rules to promote the use of innovation-friendly techniques within R&D procurement. Two versions of the measure were considered. Version A would recommend the use of innovation-friendly techniques for R&D procurement by public buyers, while Version B would make the use of such techniques mandatory for R&D procurement carried out by public buyers.

Measure 3. Preference for EU-made solutions in R&D procurement for public buyers. Three versions of the measure were considered. Version A would introduce a non-mandatory preference for EU-made solutions in R&D procurement. Version B would introduce a mandatory preference for EU-made solutions in R&D procurement with flexibility clauses allowing non-EU suppliers to participate where there are no sufficient suitable tenderers within the Union or where compliance would impose disproportionate costs. Version C would introduce a strict mandatory preference for EU-made solutions in R&D procurement, with no exceptions for public buyers.

What are different stakeholders' views? Who supports which option?

Extensive consultation with stakeholders shows a broad consensus for EU action to promote the commercialisation of EU innovative solutions.

Stakeholders broadly supported measures to improve the valuation and monetisation of intellectual property (IP). Respondents highlighted the lack of trusted and widely accepted IP valuation standards, limited experience with IP valuation among startups and scaleups, and the resulting difficulties in accessing finance. Industry representatives, startups and business associations identified the valuation of intangible assets as a major barrier to raising capital, while most stakeholders supported the development of an EU-wide IP valuation methodology to enhance comparability, trust and cross-border use of IP assets.

Stakeholders also expressed strong support for measures to strengthen innovation procurement. Respondents considered current procurement procedures to be overly complex, slow and fragmented across Member States, limiting participation by innovative firms and startups. Public authorities, business associations, SMEs and startup representatives supported a dedicated framework for R&D procurement that would provide greater legal certainty, facilitate cross-border procurement, promote innovation-friendly purchasing practices, and reduce barriers for innovative companies. Many stakeholders also supported greater use of quality- and performance-based criteria rather than an exclusive focus on the lowest price.

Finally, many stakeholders supported providing greater clarity on how procurement can contribute to strengthening Europe's technological sovereignty and reducing strategic dependencies, including through procurement practices that support the development and deployment of innovative European solutions.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise of main ones)?

Compared to the baseline, the preferred option is expected to support the Commission's simplification agenda by reducing administrative burdens and legal fragmentation across the Single Market. It is estimated to generate net administrative cost savings of around EUR 1.1 billion in the first year of implementation, even after having accounted for adjustment costs.

The preferred option is also expected to generate significant economic benefits by improving access to finance for innovative firms and strengthening demand for innovative solutions. More harmonised IP valuation practices are estimated to mobilise an additional EUR 10.2 billion in IP-backed finance annually, while improved R&D procurement frameworks are expected to increase market opportunities for innovative firms, generating an estimated EUR 25.9 billion in additional annual profits.

At the macroeconomic level, the European Innovation Act is estimated to increase EU GDP by around 0.25–0.42% over a ten-year horizon compared with the baseline scenario. This corresponds to a cumulative GDP gain of up to EUR 452 billion and around 507 000 additional jobs ten years after implementation.

What are the costs of the preferred option (if any, otherwise of main ones)?

The costs of the preferred option are limited and consist mainly of one-off adjustment costs for public authorities and contracting bodies associated with the implementation of the new frameworks for IP valuation and pre-commercial procurement. These costs are estimated to be significantly outweighed by the administrative cost savings generated through greater harmonisation, legal clarity and simplification across the innovation ecosystem.

In addition, the preferred option is expected to generate limited indirect economic costs associated with measures promoting the uptake of EU-based innovative solutions. These costs are estimated at approximately EUR 464 million. Overall, the benefits of the preferred option are expected to substantially exceed its costs.

What are the impacts on SMEs and competitiveness?

The preferred option is expected to strengthen the competitiveness of the European economy by improving access to finance for innovative firms, increasing opportunities to bring innovative solutions to market, and supporting the diffusion of innovation across the Single Market. It is also expected to contribute to the EU's technological competitiveness and strategic autonomy by facilitating the development and uptake of innovative European solutions.

SMEs and startups are expected to benefit in particular from more harmonised IP valuation practices, which will reduce costs, improve access to IP-backed finance, and facilitate the commercialisation of intellectual property. They are also expected to benefit from innovation-friendly R&D procurement procedures that reduce barriers to participation and create new market opportunities for innovative firms.

Will there be significant impacts on national budgets and administrations?

No significant negative impacts on national budgets or administrations are expected. While public authorities and public buyers will incur limited one-off adjustment costs to implement the new frameworks, these costs are expected to be more than offset by administrative cost savings resulting from the harmonisation and simplification of pre-commercial procurement procedures.

The costs associated with the development and operation of the EU-wide IP valuation framework will be borne by the European Union Intellectual Property Office (EUIPO) and financed from its own budget. No additional transfers from the EU budget or Member States are expected to be required.

Will there be other significant impacts?

Beyond impacts on GDP and employment, the European Innovation Act is expected to generate

wider societal benefits by strengthening research-to-market pathways for technologies addressing climate change and environmental degradation

Proportionality?

The preferred option would achieve the objectives of the initiative while remaining proportionate to the problems identified. A fragmented approach across Member States would be unable to provide sufficient legal certainty for the use of R&D procurement across the Union and would continue to hinder cross-border procurement activities. Similarly, without a common EU framework, IP valuation practices would remain fragmented, reducing comparability, trust and the effective use of intellectual property assets across the Single Market.

D. Follow up

By the fourth year from the entry into force and every five years thereafter, the Commission shall carry out an evaluation of this Regulation in light of the objectives that it pursues, and shall present a report thereon to the European Parliament, to the Council and to the European Economic and Social Committee.