Chips Act

2022/0032(COD) - 09/02/2022 - Legislative proposal

PURPOSE: to establish a framework of measures for strengthening the semiconductor ecosystem in the Union (Chips Act).

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: within the past year, Europe has witnessed disruptions in the supply of chips, causing shortages across multiple economic sectors and potentially serious societal consequences. Many European sectors, including automotive, energy, communication and health as well as strategic sectors such as defence, security, and space are under threat by such supply disruptions.

The current **supply shortage** is a symptom of permanent and serious structural deficiencies in the Union's semiconductor value and supply chain. The global semiconductor shortage has exposed **European dependency** on supply from a limited number of companies and geographies, and its vulnerability to third country export restrictions and other disruptions in the present geopolitical context.

The proposal aims at reaching the strategic objective of **increasing the resilience of Europe's semiconductor ecosystem and increasing its global market share**. It also aims at facilitating early adoption of new chips by European industry and increasing its competitiveness.

The European Chips Strategy is articulated around five strategic objectives. Europe should:

(1) strengthen its research and technology leadership;

(2) build and reinforce its own capacity to innovate in the design, manufacturing and packaging of advanced chips, and turn them into commercial products;

(3) put in place an adequate framework to increase substantially its production capacity by 2030;

(4) address the acute skills shortage, attract new talent and support the emergence of a skilled workforce;

(5) develop an in-depth understanding of global semiconductor supply chains.

CONTENT: the proposed Regulation establishes a **framework for strengthening the semiconductor sector at EU level**, including the following measures:

(1) Set up the Chips for Europe Initiative which is designed to strengthen the Union's competitiveness, resilience and innovation capacity. This initiative aims to support large-scale technological capacity building across the Union in existing, advanced and new generation semiconductor technologies. The initiative will:

- set up an **innovative virtual design platform** to strengthen Europe's design capacity, which will be accessible under open, non-discriminatory and transparent conditions;

- support **pilot lines** that provide third parties with the means to test, validate and further develop the products they design under open, transparent and non-discriminatory conditions;

- contribute to the development of advanced technologies and engineering capacities to accelerate the innovative development of quantum chips;

- support a **network of competence centres** across the EU that will provide expertise to stakeholders and improve their skills;

- support the activities of the **Chips Fund** which will facilitate access to finance for start-ups to help them mature their innovations and attract investors.

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

(2) A new framework to ensure security of supply: to attract investment and enhance production capacity in semiconductor manufacturing, advanced packaging, testing and assembly via first-of-a-kind integrated production facilities and open EU Foundries.

In particular, the proposal sets out criteria to facilitate the implementation of specific projects that contribute to the security of supply of semiconductors in the Union. Facilities that are recognised by the Commission as EU integrated production facilities or EU open foundries will be considered as contributing to the security of supply of semiconductors in the Union and thus as serving the public interest.

(3) The establishment of a coordination mechanism between Member States and the Commission for monitoring semiconductor supply and responding to crisis situations in the event of semiconductor shortages.

This mechanism will strengthen collaboration with and across Member States, monitor the supply of semiconductors, estimate demand, anticipate shortages, trigger the activation of a crisis stage and act through a dedicated toolbox of measures.

Budgetary impact

The EU budget will support the Chips for Europe initiative with a total amount of up to **EUR 3.3 billion**, of which EUR 1.65 billion through the Horizon Europe programme and EUR 1.65 billion through the Digital Europe programme. Of this total, EUR 2.875 billion will be implemented through the Chips Joint Undertaking, EUR 125 million through InvestEU and EUR 300 million through the Connecting Europe Facility (CEF).