

European Defence Industry Reinforcement through common Procurement Act (EDIRPA)

2022/0219(COD) - 19/07/2022 - Legislative proposal

PURPOSE: to establish the European defence industry reinforcement through common procurement 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: the invasion of Ukraine by Russia on 24 February 2022 and the ongoing armed conflict in Ukraine has led to the **return of high-intensity warfare and territorial conflict in Europe**, requiring a significant increase in the capacity of Member States to fill the most urgent and critical gaps, especially those exacerbated by the transfer of defence products to Ukraine.

The EU Heads of State or Government, meeting in Versailles on 11 March, committed to 'bolster European defence capabilities' in light of the Russian military aggression against Ukraine. **The Versailles declaration** notably states that Member States should: (i) increase defence expenditures; (ii) step up cooperation through joint projects; (iii) close shortfalls and meet capability objectives; (iv) boost innovation including through civil/military synergies; (v) strengthen and develop the EU defence industry, including SMEs.

While cooperation presents several obvious advantages (increased interoperability, reduced unit and maintenance costs) **EU Member States continue to procure defence systems in a mostly national manner**. According to European Defence Agency Data for 2020, EU Member States invested only EUR 4.1 billion in collaborative defence equipment procurement (11% of their total spending), a 13% decrease compared to 2019. This is far below the 35% benchmark to which Member States committed. Fragmentation of the demand side of the defence market results into a series of problems and inefficiencies, including on the supply side, while increasing maintenance costs of a plethora of different systems.

Incentivising joint procurement is therefore a necessity. The current situation requires a policy intervention at EU level to improve the level of cooperation by incentivising financial cooperation between Member States in the defence procurement process.

CONTENT: the proposal aims at **establishing a short-term instrument to enhance Member States' collaboration in the defence procurement phase**. It will incentivise Member States to pursue collaborative actions and in particular, when they procure in order to fill these gaps, to do so jointly, increasing the level of interoperability and strengthening and reforming their defence industrial capabilities.

The Instrument will help to **reinforce and develop the Union defence industrial base** to allow it to address the industrial gaps relative to the most urgent and critical defence products needs especially those revealed or exacerbated by the response to the Russian aggression against Ukraine.

The proposed Instrument will complement existing EU programmes such as the European Defence Industrial Development Programme and the **European Defence Fund** as well as EU defence initiatives such as the Permanent Structured Cooperation (PESCO). It will also generate synergies with the

implementation of the Strategic Compass for Security and Defence and other EU programmes. In order to benefit from the instrument, common procurement contracts will need to be placed with legal entities which are established in the Union or in associated countries and are not subject to control by non-associated third countries or by non-associated third-country entities.

The Instrument also takes up the European Defence Fund's approach when it comes to forbidding support for goods or services, which are prohibited by applicable international law, or lethal autonomous weapons without the possibility for meaningful human control over selection and engagement decisions when carrying out strikes against humans.

The financial envelope for the implementation of the Instrument for the period from period from the entry into force to 31 December 2024 shall be **EUR 500 million** in current prices.