

# Incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan

2025/0103(COD) - 22/04/2025 - Legislative proposal

**PURPOSE:** to incentivise defence-related investments in the EU budget and strengthen the EU's defence industry and technological base in line with the ReArm Europe Plan.

**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 on an equal footing with Council.

**BACKGROUND:** the unprecedented geopolitical instability and the rapid deterioration of regional and global threat levels require an urgent and significant step up of the Union spending on research and development, industrial capacity and development of infrastructures connected with security and defence. As identified in the Joint White Paper for European Defence Readiness 2030, the Union should do more to support the urgent need to increase European defence-related investments with the Union budget.

The Strategic Technologies for Europe Platform (STEP) established by Regulation (EU) 2024/795 of the European Parliament and of the Council is an initiative aimed at boosting Union competitiveness by mobilising funds from 11 existing Union programmes towards critical technologies in three strategic sectors: digital technologies and deep tech innovation, clean and resource-efficient technologies, and biotechnologies. As such, it is a good vehicle to mobilise, in a coordinated and synergetic manner, Union resources towards defence, including key digital frontier technologies required for the development of defence products and technologies.

While support to technologies having defence implications is possible today under the three existing strategic sectors identified in STEP, it appears necessary to **increase the potentialities of development of research, industry and innovation in the defence area** by setting out a fourth strategic sector in STEP focused on defence technologies. This new strategic sector should ensure that the STEP incentives are used to increase Union funding in defence technologies and contribute to European competitiveness in line with STEP objectives.

**CONTENT:** the Commission proposal aims to address the need for **increased and swift investments in defence** and the development of a strong and competitive European defence technological and industrial base (EDTIB), in line with the ReArm Europe Plan. It aims to introduce changes to existing EU programmes, including STEP, as well as to the regulations of other programmes covered by STEP: the European Defence Fund (EDF), the Digital Europe Programme (DEP) and Horizon Europe (HE). In addition, this proposal will also amend the regulation on supporting ammunition production (ASAP) and the Connecting Europe Facility (CEF) to further channel EU funds towards defence industry and technologies.

More specifically, the proposal aims to:

- enable the extension of the Strategic Technologies for Europe Platform (STEP) to cover **defence-related technologies** and products, and to strengthen the **EU's strategic autonomy** in the defence sector;
- amend the European Defence Fund (EDF) to (i) better exploit **synergies** with other Union programmes by allowing for the combination of EDF contributions with other Union programmes for specific actions;

(ii) allowing for voluntary transfers of resources allocated to Member States in shared management to the EDF; (iii) streamline the evaluation and funding process the development of disruptive technologies for defence;

- amend the Act in Support of Ammunition Production (ASAP) Regulation to (i) introduce the possibility of **voluntary transfers** of resources allocated to Member States in shared management to ASAP, as well as additional voluntary contributions from Member States or other relevant stakeholders; (ii) extend the application of the ASAP Regulation until 31 December 2026 to ensure continued support for the development of new production capacities for ammunition and related products;

- amend the Digital Europe Programme (DEP) to enhance its focus on **strategic autonomy and competitiveness**, and better support dual-use technologies and applications. This includes the deployment of digital infrastructure such as artificial intelligence, high-performance computing, and cybersecurity, e.g. through the development of AI Factories and Gigafactories. The amendment will also ensure that the programme's funding is used in a way that aligns with the EU's strategic interests, including by adapting eligibility rules for dual-use actions;

- amend Horizon Europe to enable support to projects with **potential dual-use applications** under the European Innovation Council (EIC) Accelerator;

- amend the Connecting Europe Facility (CEF) to **extend its digital sector objectives** to include the deployment and provision of digital capacities such as cloud, AI, and AI Gigafactories, and to contribute to the development of projects of common interest relating to efficient, interconnected and multimodal networks and infrastructure for smart, interoperable, sustainable, inclusive, accessible, safe and secure mobility in accordance with the objectives of Regulation (EU) No 1315/2013.

### ***Budgetary implications***

This initiative will be financed by existing resources, within the agreed envelopes of the programmes concerned. The proposal will reinforce the envelop of the EIC by EUR 210 million from the unused amounts and reflows of the EIC pilot of Horizon 2020.