Defence readiness and facilitating defence investments and conditions for the defence industry (Omnibus V)

2025/0176(COD) - 19/12/2025 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Security and Defence, the Committee on Environment, Climate and Food Safety and the Committee on Industry, Research and Energy jointly adopted the report by Sven MIKSER (S&D, EE), Antonio DECARO (S&D, IT) and Aura SALLA (EPP, FI) on the proposal for a regulation of the European Parliament and of the Council amending Regulations (EC) No 1907/2006, (EC) No 1272/2008, (EU) No 528/2012, (EU) 2019/1021 and (EU) 2021/697 as regards defence readiness and facilitating defence investments and conditions for defence industry.

As a reminder, the proposal is part of the omnibus package of measures on defence readiness. It consists of extending existing provisions of defence-specific legislation and the European Defence Fund, as well as non-defence-specific legislation, in order to remove regulatory obstacles and facilitate EU defence readiness and the strengthening of its industry.

The relevant committees recommended that the position adopted at first reading by the European Parliament amend the proposal as follows:

Exemptions from European regulations on chemical substances (REACH, CLP, biocidal products) granted to the defence sector

According to the amended text, exemptions should only be granted where demonstrably **necessary and proportionate** to the specific requirements in the interest of defence. Member States should ensure that requests for derogation demonstrate that the exemption is essential for maintaining defence capability.

Member States retain the competence to decide whether to grant exemptions but these should not compromise the Union’s commitment to **ensuring a high level of protection of health and the environment**. They should be applied in accordance with the **precautionary** principle, be accompanied by monitoring, mitigation and protection measures for workers handling exempted substances (including military personnel, civilian defence workers and contractors), and include, where possible, environmental monitoring programmes, particularly with regard to soil and water contamination, air quality and the integrity of ecosystems near defence installations and training areas.

Certain defence-related industries operate production lines that serve both non-defence and defence purposes, wherein the manufacturing processes cannot be technically segregated or conducted in separate batches owing to objective technical constraints. It is therefore appropriate to afford Member States the discretion to extend the exemption to encompass the entire output of such production lines, provided that the technical inseparability of the production line or the infeasibility of batch-wise operation is substantiated through **comprehensive technical documentation**. Given the exceptional character of this extension, it should **not apply to substances that are classified, or are required to be classified as carcinogenic or toxic for reproduction** and should not be used to incentivise the restructuring or adaptation of production lines for the sole purpose of obtaining an exemption.

Any extension of the exemption should be subject to **regular review** in light of technical progress, the availability of substitutes, and advances in scientific knowledge and production technologies.

Where manufacturing facilities are used for both, non-defence and defence production, the defence exemptions should apply only to operations and output **serving exclusively the interests of defence**, and not to non-defence manufacturing carried out on the same site. Where defence needs require a production line ordinarily dedicated to non-defence use to be temporarily repurposed for defence manufacturing only, the exemption should apply for as long as the line is repurposed for defence production only, within the period and scope notified to the competent authority.

European Defence Fund

The Fund should be open to the participation of the following third countries (associated countries): (a) Members of the European Free Trade Association, which are members of the EEA, in accordance with the conditions laid down in the Agreement on the European Economic Area; (b) **Ukraine**, in accordance with the general principles and general terms and conditions for the participation of Ukraine in Union programmes established in the EU-Ukraine Association Agreement.

Each proposal should be evaluated based on **criteria** such as:

- its contribution to excellence in the defence domain, in particular by showing that the expected results of the proposed action present significant advantages over existing defence products or technologies;

- its quality and efficiency of the implementation of the action;

- its contribution to addressing the needs of the Member States and the associated countries with the highest exposure to the risk of materialisation of conventional military threats.

An action developed in the context of a project of PESCO, as established by Council Decision (CFSP) 2017/2315, or in the context of a Structure for European Armament Programme SEAP, as established by EDIP Regulation, may benefit from a **funding rate increased** by an additional 10 percentage points.

An activity may benefit from an increased funding rate, where at least 10 % of the total eligible costs of the activity are allocated to SMEs established in Member States or in associated countries and which participate in the activity as recipients.

For **SMEs** participating as recipients, administrative requirements should be proportionate to their size and role. The Commission may establish simplified reporting templates and reduced documentation requirements for SMEs.