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From: Presidency

To: Permanent Representatives Committee/Council

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Subject: *Preparation of the Competitiveness Council of 27-28 September 2018*
Horizon Europe package: Framework Programme for Research and Innovation 2021-2027

a) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing Horizon Europe - the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination

b) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on establishing the specific programme implementing Horizon Europe - the Framework Programme for Research and Innovation

- *Progress report*

I. INTRODUCTION

1. On 7 June 2018 the Commission submitted to the Council the 'Horizon Europe (HEU) package'¹.
2. Compared to the current Framework Programme (Horizon 2020), the Regulation establishing Horizon Europe merges two legal acts (the Framework Programme and the Rules for Participation and Dissemination) into a single legal act. The programme will be based on a three-pillar structure: The first pillar on Open Science will ensure strong continuity with Horizon 2020 in supporting excellent science and the mobility of researchers and research infrastructures. To a large extent, this will entail a bottom-up approach. The second pillar on Global Challenges and Industrial Competitiveness will take forward the societal challenges and industrial technologies in a more 'top down' approach addressing Union as well as global policy and competitiveness challenges and opportunities. Alongside the regular calls for proposals, a limited set of highly visible missions will be introduced. The third pillar on Open Innovation will essentially focus on scaling up breakthrough and market-creating innovation by establishing a European Innovation Council. Measures in this pillar will also support the enhancement of European ecosystems of innovation and will continue the Union support given to the European Institute of Innovation and Technology (EIT).
3. This progress report covers:
 - a) The Horizon Europe **Regulation** (including the Rules for participation and dissemination) which covers all central elements of the programme from its structure and objectives to the proposed budget and funding mechanisms, European partnerships, missions, open access as well as the potential association of countries to Horizon Europe; and

1 9865/18 + ADD 1-6, 9870/18 + ADD 1-6 + ADD 6 COR 1, 9868/18 + ADD 1-2, 9871/18 + ADD 1-6

- b) The **Specific Programme**, which defines and develops the rationale of the activities envisaged, the related areas of intervention and the broad lines of intervention which are specific to each of the priorities of the Framework Proposal. This places emphasis, too, on the implementation and implementation structures (ERC, EIC, EIT,) designed to meet the objectives set and deliver the actions envisaged.

II. STATE OF PLAY

Under the Bulgarian (3 meetings) and Austrian Presidencies (11 meetings until 13.9.2018), the Council Research Working Party (RECH WP) started to examine the Commission's proposals based on thematic packages.

While the meetings in June and July focused on the presentation of the various Horizon Europe elements (including its Impact Assessment) by the European Commission as well as related comments and questions from Member States, the meetings in September have so far involved discussion on specific issues (Legal Bases, Strategic Planning, Synergies with the ERDF, Rules for Participation).

On 17 July 2018, Research Ministers met for a first exchange of views regarding the Horizon Europe Proposal at the Informal Meeting of the Council Competitiveness (Research) in Vienna.

Moreover, Member States have had the opportunity to provide written feedback on the thematic packages of the Horizon Europe proposal, which were discussed throughout July at technical level. Based on the input delivered by the Member States, the Presidency has drafted a first Presidency text. This text will be subject to further examination and negotiations in the coming weeks.

Although most delegations have welcomed the above Commission proposals in general terms, a number of issues have been raised by delegations during the discussions and in the written comments. The main issues and the relevant rationale are outlined below.

1. GENERAL

- Legal Bases: Horizon Europe is based on the TFEU Titles “Industry” and “Research and technological development and space” (Articles 173, 182, 183 and 188). Owing to its strong support for innovation, the Commission has proposed basing the specific programme implementing Horizon Europe on the TFEU Titles “Industry” and “Research and technological development and space” (Articles 173 and 182). The European Institute for Innovation and Technology (EIT) was established under the “Industry” title and will continue to be funded by a financial contribution from Horizon Europe. The proposal for the Euratom research and training programme is based on Article 7 of the Euratom Treaty.

As this constitutes a departure from the legal bases proposed for Horizon 2020, on June 2018, during the course of discussions in the Research Working Party, the Council Legal Service (CLS) was asked by a number of Member States to give its opinion on the legal bases proposed by the Commission for the SP Decision proposal (Articles 173(3) and 182(4) TFEU) and, in particular, on the use of Article 173(3) TFEU as one of the two legal bases for that proposal.

According to the CLS, the legal bases proposed by the European Commission for the Framework Programme Regulation are appropriate, but the Specific Programme Decision should be based on Article 182 (4) alone. Accordingly, the Specific Programme Decision should be adopted pursuant to a special legislative procedure (adoption after consulting the EP and EESC).

On 11 September 2018, the European Commission submitted a Non-Paper confirming its choice of a double legal basis for its proposal for the Specific Programme Decision. It explained the reasoning for this choice and responded to the arguments presented by the CLS. The RECH WP discussed the opinion of the CLS and potential ways forward² in its meetings on 3 and 13 September 2018 where a clear majority of MS has expressed that they would like to follow the CLS advice.

2 Based on WK 9744/2018 INIT: Presidency Note of 27 August 2018 – Potential ways forward in view of the Council Legal Service (CLS) Opinion on the Legal Bases of Horizon Europe

- Strategic Planning: To implement the objectives of HEU in an integrated manner and in order to allow for a certain degree of flexibility in the implementation, the HEU proposal foresees a strategic planning process that seeks to identify common objectives and common areas for activities such as areas for partnerships and missions. MS have raised concerns about the maturity of the strategic planning concept, especially regarding the formal role of Member States in the process and the elements covered. The issue was on the agenda of the Informal Meeting of the Council Competitiveness (Research) in Vienna in Vienna on 17 July 2018. For further elaborations on this topic see ST 12071/18, Background Note on Strategic Planning.
- Titles of the pillars: A number of delegations have asked for a renaming of the pillar titles, especially of pillars 1 “Open Science” and pillar 3 “Open Innovation”. The reason is that they can easily be confused with other open science concepts (making scientific research, data and dissemination accessible as soon as they are available using digital and collaborative technology) as well as open innovation (opening up the innovation process to people with experience in fields other than academia and science). These are also used by the European Commission in the R&I context and are essential features of Horizon Europe.
- Role of SMEs: With the establishment of the European Innovation Council, the HEU proposal seeks to integrate a number of H2020 activities into the European Innovation Council. Within the EIC, the Commission wants to focus activities on disruptive/breakthrough innovations. Delegations expressed their concerns firstly about the fact that incremental innovation is not explicitly mentioned: for many SMEs incremental innovation is an important method used to innovate and create new markets. Secondly they expressed concerns about the lack of a targeted SME instrument, which has benefited thousands of SMEs across Europe in Horizon 2020.
- Role of European industry and key enabling technologies: The revised arrangements for activities within HEU do not provide for specific activities for industry in general, and key enabling technologies (KETs) specifically. MS want to see a more visible role of industry and KETs, taking into account their fundamental role for European competitiveness.

- Collaborative research: There is broad consensus among delegations that cross-border collaborative projects funded by the Framework Programme create important added value. Accordingly, these types of collaborative projects have to stay at the heart of HEU, too.
- Synergies: The HEU proposal attaches great importance to the issue of synergies both within the different elements of HEU and, even more prominently, with other Programmes of the MFF. Delegations have confirmed the importance of synergies. However, they are concerned about increasing complexity and the impact that this has on effective policy coordination, implementation and the research communities seeking to participate in the programmes. Synergies with the ERDF are of utmost importance for many MS, which is why a dedicated Technical Seminar was held by the Presidency on 6 September 2018.

2. REGULATION

- Defence Research: Within the post-2020 MFF Programmes, the Commission has proposed the establishment of a European Defence Fund, which includes investments in research (in addition to a window for capacity building). As the TFEU states that all of the Union's R&T activities should be covered by the framework programme, defence research has been anchored in HEU (Article 5). While the majority of Member States insist on a clear separation between these two programmes and stress the importance and need to maintain the civil character of Horizon Europe, the Council Service Legal Opinion advises the Council to strengthen the references regarding the Defence Fund in the HEU regulation to make a clearer link between the programmes. This was addressed by the CLS in its oral presentation in the RECH WP on 3 September 2018.

- Missions: Although the idea of introducing a limited number of targeted missions was been welcomed by most delegations, there were a number of concerns about the process of the selection of these missions and the respective involvement of Member States (via the Strategic Planning Process). MS have also raised questions about the budget allocation from the overall cluster envelope, the proposed portfolio approach and the new implementation structure via mission boards and mission managers and their respective roles, authority and obligations, also in the context of comitology.
- Partnerships: The HEU proposal anticipates a streamlined approach towards partnerships in which there are three categories of partnerships, namely *co-programmed*, *co-funded* and *institutionalised partnerships*. This streamlining and rationalisation of the partnership landscape is widely welcomed by MS, as this is considered as being in line with the Council Conclusions adopted on 1 December 2017. To date, discussions have focussed on the inclusion of partnerships as a strategic planning issue, the relationship between missions and partnerships and the inclusion of the results of the ERAC ad-hoc Working Group on partnerships in the HEU text. In relation to financial aspects, concerns have been voiced regarding i) the unclear overall budgetary envelope of the partnerships, ii) the unclear definition of central management, as MS have made it clear that they do not want to create common pots, iii) the difficulties in assessing in-kind contributions, especially of industry partners, iv) the challenge of providing long-term legally binding financial commitments from MS on account of their national budgetary cycles, v) the difficulties in cumulative funding from different EU programme sources, vi) the minimum threshold of 50% of the MS participating in institutionalised partnerships.
- Budget: No detailed budget discussion has taken place so far. This is also the case for the early stage of the overall MFF negotiations. However, a number of delegations have asked for a more detailed breakdown of the budget due to the introduction of missions and the future inclusion of the partnerships.

- International Cooperation / Association: Delegations have asked for a strategic approach to international cooperation throughout HEU, a role for MS in deciding which countries to associate and more emphasis on reciprocity. Moreover the minimum eligibility criteria as well as restrictions on participation in mono-beneficiary instruments have been brought up by delegations.
- Rules for participation: The Commission proposal for the rules for participation and dissemination shows a lot of continuity of practices established in previous framework programmes, especially Horizon 2020. Discussions in the RECH WP have started with an overall presentation on 3 September 2018, and the first written comments by Member States are expected by the end of September 2018.

3. SPECIFIC PROGRAMME

- Pillar I: There is broad agreement regarding the activities and measures proposed within pillar I, as they are to a large degree (with the exception of FET) a continuation of Horizon 2020 activities and have received substantial budget increases. There are some countries, however, that would like to see a higher budget share of Marie Skłodowska-Curie actions and some concerns have been raised about the relative decline of the budget for Research Infrastructures. In addition to this, some MS suggested introducing incentives/grants for researchers returning from outside the EU as well as introducing a “pre-ERC phase” funding young researchers.
- Pillar II: While MS, in general, welcomed the introduction of transdisciplinary “clusters” in Pillar II, two of these clusters, (b) “Inclusive and Secure Society” and (d) “Climate, Energy and Mobility” were criticised as being too broad. Another issue raised is the importance of including all Technology Readiness Levels (TRLs) in the activities of the second pillar.

- Pillar III: Member States welcomed the establishment of the European Innovation Council. At the same time, they emphasised the point that they still have a number of questions regarding governance and implementation. Requests were made for definitions of different kinds of innovation in Article 2 of the regulation. In addition, MS called for appropriate coordination with the EIT activities.

Member States welcomed the idea of that support for European innovation ecosystems should be funded within this pillar. At the same time they requested further clarification of the specific measures and target groups.

- Strengthening the European Research Area:

With regard to measures for “*Sharing excellence*”, delegations questioned whether the proposed budget is adequate and whether activities in this area are sufficient. A number of delegations have requested additional measures of a ”horizontal” nature e.g. those related to evaluation procedures, the opening-up of networks to new partners or the creation of specific activities, for instance, within the ERC. A number of delegations also made comments on the composition, timely application and regular update of arrangements in relation to the submission of proposals under this part of the HEU. Finally, the issue of researchers’ salaries was given consideration.

With view to the part “*Reforming and enhancing the EU research and innovation system*”, several delegations were concerned about the lack of a separate area “Science & Society” as implemented in Horizon 2020, and the budget reduction for these aspects in relation to Horizon 2020. There is widespread support for improved synergies between the European Research Area and the European Higher Education Area. However, the actual implementation of the European Universities Initiative (EUI) and the role of HEU in this context would need to be defined in more detail.