

VCI POSITION

10th European Framework Program for Research & Innovation (FP10)

In view of the current geopolitical situation and the need to safeguard the EU as a location for R&D and production on the one hand and to establish the EU as an international leader in key technologies on the other hand, the German Chemical Industry Association (VCI) is advocating for a substantial increase in R&D funding in Europe and the member states in the discussions on the multiannual financial framework (MFF). In this context, it is important that funds of FP10 remain on top of national Research and Development budgets and not replacing them. Member states have a responsibility to sufficiently allocate own means, particularly in future and key technologies, and by tapping on Cohesion and Structural funds, to strengthen their innovation system.

Funding of Innovative and Critical Technologies

It is fundamentally important that funding instruments should have a larger focus on innovative technologies as well as materials to deliver on the goals of the Green Deal and to facilitate the industrial transformation.

With the STEP Initiative the European Commission stated its focus on digitalization, cleantech and biotechnologies, as critical/strategic technologies. This, however, does not adequately cover the innovative performance of the European chemical industry with respect to global challenges, i.e. climate change and environmental protection. Therefore, VCI appreciates i.e. the new Initiative “Advanced Materials for Industrial Leadership” by which the Commission expands its view to technologies such as, nanotechnology, new materials, and catalysis. We strongly recommend to also exploit the potential chemical-based production technologies fully. This includes funding for substitution research e.g. for PFAS, SVHC, etc. - especially as molecules continue to be restricted.

Furthermore, funding of dual-use research should not be at the expense of civil R&D funding. An example is the decision of Member States to reduce the size of the STEP platform from an initial €10 to €1.5 billion and shift the money only to the European Defense Fund. Regarding the current discussion about a “dual use flagging mechanism” for any kind of technology, we believe that such a system would be detrimental to R&I. Dual use depends on the intended type of use and the will of the actor, whether an innovation is used for beneficial or harmful purposes. One step in the right direction is to raise awareness of this issue in all areas of research.

Expand funding of Higher Technology Readiness Levels (TRL)

Many projects lose their momentum, due to the general funding gap for projects with higher TRLs (TRL 5 - 7). Some of this gap is due to the fact, that it is difficult to get follow-up projects from Research and Innovation Action (RIA) zur Innovation Action (IA). Thus, the system of RIA and IA is not sufficient to provide enough support towards implementation of successful projects. Projects frequently stop at TRL 7 and cannot be scaled up, because there is insufficient support to invest in demonstration plants and to close technological gaps of scale up. For demonstration plants only depreciation is funded. Therefore, demonstration facilities practically get close to no funding at all, as they are in best case built at the end of the project, so too late to declare much of the cost. Thus, the investments are not adequately covered by funding projects in Horizon Europe. This hinders large demonstrations of promising innovations.

Furthermore, access to co-funding for commercialization (TRL 8, 9), especially for first of its kind facilities and deployment of innovation is needed.

The European Innovation Council is one instrument that attempts to close this funding gap and foster a collaborative and market-oriented innovation ecosystem. Unfortunately, the EIC does not support innovative companies of all sizes (i.e. start-ups, small-medium enterprises, mid-caps and large enterprises). Thus, there is a need of additional “fast track”, small, agile and dedicated project formats to overcome the funding gap for most promising technologies. In addition, synergies to other funding sources must be established and strengthened, i.e. Innovation Fund, LIFE, NextGenEU, InvestEU, ECBF, Initiatives out of GDIP and State Aid Tools (i. e. IPCEI).

New value chains often must be established simultaneously through sector coupling (e.g. recycling and bio-based feedstocks). It is therefore necessary to align funding with such new value chains so that all players can reach market maturity at the same time.

Additionally, multiple calls of the same type are required, as value chains are material-specific and not always ready at the time of a specific call. For example, different recycling technologies work for different materials – so individual material specific value chains need to be built one by one. To become fully circular and close to zero waste as well as independent of fossil-based feedstocks, we need a bunch of technologies and variety of different value chains. Thereby, the calls should not be too prescriptive on which value chains are eligible. They should be open to proposals that will be evaluated for highest/fastest impact.

Create innovation friendly regulatory framework

The rising geopolitical and competitive pressure requires clear legal frameworks and intellectual property protection instruments, which do not force an “Open to the World”-approach for scientific data. Intellectual Property (IP) protection for commercial valorization of research by the European industry should have priority over Open Access to project data. Legislative schemes should support the Innovation Principle and address the high regulatory burdens in the case of market entry, especially of chemistry and life science-related products.

Boost industry participation in FP10

Industry-led cross-sectorial Public-Private-Partnerships (PPP), such as Processes4Planet, Circular Bio-based Europe and Innovative Material for the EU (IM4EU), which are closely linked to the Technology Platform for Sustainable Chemistry (SusChem), substantially increase knowledge transfer and innovation in the value chain. To increase the participation of the chemical and life science industry in the R&I Framework Program an early inclusion of industry expertise in the topic-finding and project-execution phase of Public-Private-Partnerships are crucial. This will also aid the generation of European added value.

Research & Innovation (R&I) Missions can help giving Europe’s innovation potential a clear focus and more momentum. Also, the public acceptance of Europe’s strong investment in Research and Innovation can be improved by the implementation of R&I Missions, by emphasizing its benefits and value to the European society. Until now the involvement of industry is low. Yet, needed to facilitate and accelerate the market entry of project results of FP10 and other R&I-Programs. Thus, the commission needs to facilitate and foster industry participation. Furthermore, it remains important that R&I Missions are

technologically neutral and cover the whole innovation process from breakthrough research through the key/critical/strategic technologies and application development to market availability.

Simplify Participation Rules and reduce administrative burden

To ensure the participation of the European chemical and life science industry and particularly technology-oriented small enterprises and mid-caps, in EU-funded innovation projects, the European Commission should:

- substantially simplify the Rules for Participation (size and structure of consortia, nationalities of partners, smaller projects, flexible entrance in consortia and projects)
- considerably speed up the procedures (i.e. time-to-grant)
- lower the administrative burden (i.e. reporting via paper documentation and auditing).

Small enterprises and mid-caps are often above the threshold values given in the European Commission's recommendation on a definition of a small and medium-sized enterprise (SME). This creates a gap that excludes these companies from some funding programs. Yet, the involvement of companies just beyond the small and medium-sized enterprise threshold is especially important in the EU R&D policy areas.

A higher flexibility in collaboration forms is needed. Although it generally makes sense to have a wide range of different research partners on board, the partner selection should be driven by the idea and the mission, rather than a need to fulfil application criteria. To do so, it would be advisable to make use of "smaller" tenders and link the criteria for consortia to the TRL-Level of the project. The role as coordinator of a project involves a lot of responsibility and additional workload, i.e. via the duty to distribute the payments received from the granting authority to the other beneficiaries and is responsible for financial management. This makes many potential project partners (especially SMEs) reluctant to become coordinators. In the tenth framework program, the EU Commission should shape the role of the coordinator without being financially liable for the entire project. Furthermore, coordinators could be aligned with the position of the project along the development chain (TRL), e.g. TRL 3-5 rather academy, TRL 5-7 rather industry, TRL 8 and higher, necessarily industry. The financial effort for coordinating should be equally supported.

Contact: Dr. Denise Schütz-Kurz

Manager, Science and Research | Science, technology and environment

P +49 (69) 2556-1482 | **E** schuetz@vci.de

German Chemical Industry Association

Mainzer Landstraße 55
60329 Frankfurt, Germany

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- The VCI is registered with registration no. R000476 in the Lobbying Register for the Representation of Special Interests vis-à-vis the German Bundestag and the Federal Government.

The VCI and its sector associations represent the interests of around 2,300 companies from the chemical-pharmaceutical industry and areas related to chemistry vis-à-vis politicians, public authorities, other industries, science and media. In 2023, the VCI member companies realised sales of ca. 245 billion euros and employed over 560,000 staff.