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INFORMATION NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

Subject: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and 2024/795, as regards incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan
- Outcome of the European Parliament's first reading
(Strasbourg, 15 to 18 December 2025)

I. INTRODUCTION

In accordance with the provisions of Article 294 of the TFEU and the Joint declaration on practical arrangements for the codecision procedure¹, a number of informal contacts have taken place between the Council, the European Parliament and the Commission with a view to reaching an agreement on this proposal at first reading.

¹ OJ C 145, 30.6.2007, p. 5.

In this context, the Chair of the Committee on Industry, Research and Energy (ITRE), Borys BUDKA (EPP, PL) presented, on behalf of ITRE, a compromise amendment (amendment number 2) to the abovementioned proposal for a Regulation, for which the rapporteur Rihards KOLS (ECR, LV) had prepared a draft report. This amendment had been agreed during the informal contacts referred to above. In addition, “The Left” political group tabled an amendment to reject the Commission proposal (amendment number 3) and the Europe of Sovereign Nations (ESN) political group tabled two amendments (amendments 4 and 5) to the draft legislative act².

II. VOTE

When it voted on 16 December 2025, the plenary adopted the compromise amendment (amendment number 2) to the abovementioned proposal for a Regulation. No other amendments were adopted. The Commission's proposal as thus amended constitutes the Parliament's first-reading position which is contained in its legislative resolution as set out in the Annex hereto³.

The Parliament's position reflects what had been previously agreed between the institutions. The Council should therefore be in a position to approve the Parliament's position.

The act would then be adopted in the wording which corresponds to the Parliament's position.

² Under Rule 60(3) of the Rules of Procedure of the European Parliament a group or the low threshold may request that plenary vote on amendments to the draft legislative act instead of the provisional agreement.

³ The version of the Parliament's position in the legislative resolution has been marked up to indicate the changes made by the amendments to the Commission's proposal. Additions to the Commission's text are highlighted in ***bold and italics***. The symbol "■" indicates deleted text.

P10_TA(2025)0320

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

European Parliament legislative resolution of 16 December 2025 on the proposal for a regulation of the European Parliament and of the Council amending Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and 2024/795, as regards incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan (COM(2025)0188 – C10-0070/2025 – 2025/0103(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2025)0188),
- having regard to Article 294(2) and Articles 114, 164, 172 and 173, Article 175, third paragraph, Articles 176, 177, 178, 182, 183 and 188 and Article 192(1) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C10-0070/2025),
- having regard to the opinion of the Committee on Legal Affairs on the proposed legal basis,
- having regard to Article 294(3) and Articles 164 and 172, Article 173(3), Article 175, third paragraph, Articles 177 and 178, Article 182(1) and (4), Article 183, Article 188, second paragraph, and Article 192(1) of the Treaty on the Functioning of the European Union,
- having regard to the budgetary assessment by the Committee on Budgets,
- having regard to the opinion of the European Economic and Social Committee of 18 September 2025¹,
- having regard to the opinion of the Committee of the Regions of 15 October 2025²,
- having regard to the provisional agreement approved by the responsible committee under Rule 75(4) of its Rules of Procedure and the undertaking given by the Council representative by letter of 10 November 2025 to approve Parliament's position, in accordance with Article 294(4) of the Treaty on the Functioning of the European Union,
- having regard to Rules 60, 41 and 58 of its Rules of Procedure,

¹ Not yet published in the Official Journal.

² OJ C, C/2025/6325, 3.12.2025, ELI: <http://data.europa.eu/eli/C/2025/6325/oj>.

- having regard to the opinions of the Committee on Security and Defence and the Committee on Transport and Tourism,
 - having regard to the report of the Committee on Industry, Research and Energy (A10-0172/2025),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Position of the European Parliament adopted at first reading on 16 December 2025 with a view to the adoption of Regulation (EU) 2025/... of the European Parliament and of the Council amending Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153 and (EU) 2024/795, as regards incentivising defence-related investment in the EU budget to implement the ReArm Europe Plan

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles *164 and 172, Article 173(3)*, Article 175, third paragraph, Articles **177 and 178, Article 182(1) and (4), Article 183, Article 188, second paragraph, and Article 192(1)** thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Having regard to the opinion of the Committee of the Regions²,

Acting in accordance with the ordinary legislative procedure³,

¹ Opinion of 18 September 2025 (not yet published in the Official Journal).

² OJ C, C/2025/6325, 3.12.2025, ELI: <http://data.europa.eu/eli/C/2025/6325/oj>.

³ Position of the European Parliament of 16 December 2025.

Whereas:

- (1) Unprecedented geopolitical instability and the rapid deterioration of regional and global levels of threat *and security, in particular Russia's unprovoked and unjustified war of aggression against Ukraine, which has exposed the Union and its Member States to a high risk of materialisation of conventional military threats, require* an urgent and significant increase in the Union's spending on research, *innovation* and development, industrial capacity and development of infrastructure connected with *resilience*, security and defence. *The European Defence Technological and Industrial Base (EDTIB) faces persistent barriers in accessing finance, in particular private finance for investment, due to the risks that market actors associate with such investment. As a consequence, leveraging public defence-related investment is vital. Therefore,* as identified in the Joint White Paper of the Commission and of the High Representative of the Union for Foreign Affairs and Security Policy of 19 March 2025 for European Defence Readiness 2030 (the 'Joint White Paper'), which provides a framework for the ReArm Europe Plan, the Union should do more to support the urgent need to increase European defence-related investment with the Union budget, *alongside increases in national defence spending by the Member States.*

The leveraging of Union funding programmes to support dual-use and defence-related technologies and products serves as a step towards European defence readiness. Such leveraging is also intended to enhance civil-military cooperation across Member States, in light of mutually beneficial spill-over effects. The actions supported by the Union programmes concerned could duly take into account the relevant activities carried out by the North Atlantic Treaty Organisation (NATO) and other partners where such activities serve the Union's security and defence interests.

- (2) *Investment in the development of cutting-edge dual-use and defence capabilities should be promoted, since such investment contributes to the Union's broader societal resilience, security and competitiveness objectives. The development of dual-use and defence industries throughout the Union, taking into account the risks associated with the increased deterioration of the Union's security context, is essential to ensuring that all Member States contribute to and benefit from a robust and resilient EDTIB.*

- (3) The Strategic Technologies for Europe Platform (STEP), established by Regulation (EU) 2024/795 of the European Parliament and of the Council⁴, is an initiative aiming to boost 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, STEP 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.

⁴ Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP), and amending Directive 2003/87/EC and Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241 (OJ L, 2024/795, 29.2.2024, ELI: <http://data.europa.eu/eli/reg/2024/795/oj>).

- (4) 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 sector by establishing a fourth strategic sector in STEP, ***focused*** on defence technologies without compromising the Union's intended technological leadership in the existing sectors. This fourth strategic sector should ensure that STEP incentives are used to increase Union funding in innovative defence technologies with the aim of responding effectively to current and emerging threats and of contributing to European competitiveness in line with the STEP objectives. Defence technologies should be understood as those embodied in, or ***necessary for the development and manufacturing of, defence products, including defence-related products*** referred to in the Annex to Directive 2009/43/EC of the European Parliament and of the Council⁵. ***Consistent with the approach applied to the other three sectors set out in Article 2(1), point (a), of Regulation (EU) 2024/795, the Commission should update the guidance provided for in that Regulation to cover the fourth strategic sector, including on the interpretation of defence technologies*** ■ . As regards artificial intelligence, AI Gigafactories should become key infrastructure for the purpose of a rapid expansion of the power of AI in defence technologies.

⁵ Directive 2009/43/EC of the European Parliament and of the Council of 6 May 2009 simplifying terms and conditions of transfers of defence-related products within the Community (OJ L 146 10.6.2009, p. 1, ELI: <http://data.europa.eu/eli/dir/2009/43/oj>).

- (5) In addition, in order to optimise the capacity of the programmes covered by STEP to mobilise the Union’s resources towards defence *needs*, it is necessary to clarify that those programmes are able to pursue objectives and activities that are related to improving the competitiveness *and resilience* of the EDTIB as well as research and development activities in the defence area.
- (6) Horizon Europe, which was established by Regulation (EU) 2021/695 of the European Parliament and of the Council⁶, is the Union’s **■** funding programme for research and innovation, *playing a pivotal role in the global scientific and technological leadership of the Union*. The European Innovation Council (EIC) Accelerator established by that Regulation provides support, in particular, for innovations with breakthrough potential, and of a disruptive nature with scale-up potential, which may be too risky for private investors. Small or medium-sized enterprises (SMEs), *start-ups and some small mid-cap enterprises* operating within the defence sector require financing for the commercialisation of innovative products.

⁶ Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013 (OJ L 170 12.5.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/695/oj>).

However, such legal entities face higher barriers for access to finance, compared to legal *entities* in other sectors. *As highlighted in the Joint White Paper, it is necessary to increase European defence readiness, because Europe is currently being affected by war, aggression and other hostile acts. For that purpose, a substantial increase in support to high-impact, defence-related innovation, including much-needed support to SMEs, start-ups and some small mid-caps willing to scale up such high-impact defence-related innovations, is needed. However, the current architecture of Union programmes, including the European Defence Fund (EDF), does not provide the scale, flexibility or speed required to mobilise such support in an effective and timely manner. The current architecture might create uncertainties for the legal entities in the defence sector with regard to the access to support for technologies with potential dual-use applications. Given the severity of the threat in the current environment, extraordinary measures are justified and necessary.*

While support for defence research and development is carried out through the EDF, which is a specific programme of Horizon Europe, it is appropriate, ***on the basis of the current strategic context***, to open the EIC Accelerator to actions with potential dual-use applications, ***while advancing civilian application use***. Support to scale-ups under the EIC Accelerator ***STEP Scale-up Scheme*** (the ‘Scheme’) should also be extended to non-bankable SMEs, including start-ups and non-bankable small mid-caps, such as entities which have already received support from the Accelerator carrying out breakthrough and disruptive non-bankable innovation ***in critical defence technologies while fostering, where appropriate, innovations with dual-use potential. Scale-up support in the form of direct equity investment, whereby funding is provided directly to companies, is not available under existing defence-focused funding instruments, in particular the EDF and the Defence Equity Facility deployed under InvestEU.***

The opening of the Scheme to innovation in critical defence technologies is therefore necessary to support legal entities investing in the defence sector, while ensuring complementarity with other existing Union instruments. This justifies establishing a targeted exception *within the current Multiannual Financial Framework (MFF)* to the principle set out in Article 7(1) of Regulation (EU) 2021/695, which provides that research and innovation activities under Horizon Europe have an exclusive focus on civil applications, while avoiding unnecessary duplication. *The targeted exception is without prejudice to the outcome of the upcoming negotiations in the context of the next MFF. The Commission should ensure proper oversight of the application of the targeted exception, including through the collection and reporting of appropriate data in the context of the existing monitoring and evaluation of the EIC, without creating additional administrative burdens for participants.*

(7) *As innovation activities with dual-use applications could affect Union strategic assets, interests, autonomy or security or strategic interests of the Union and its Member States, it may be necessary to adapt, in the relevant work programmes under Horizon Europe, the eligibility rules to enable participation to be limited to legal entities established only in Member States or to legal entities established in specified associated countries in addition to Member States, or to exclude the participation of legal entities that are established in the Union or in associated countries and that are directly or indirectly controlled by non-associated third countries or by legal entities of non-associated third countries. Article 48(2) of Regulation (EU) 2021/695 should therefore be amended to allow for such a possibility. The possibility to adapt the eligibility rules in the relevant work programmes is specific to new innovation activities that have dual-use applications and does not affect the rules governing support to activities with civilian applications under Horizon Europe or the funding of such activities.*

(8) *As innovation activities in critical defence technologies may significantly affect the security and defence interests of the Union and its Member States, it is necessary to establish specific eligibility rules which ensure consistency with other Union instruments in the defence industry sector and which take into account Russia's war of aggression against Ukraine.*

Such specific eligibility rules should limit participation to legal entities established in the Union, in Ukraine, or in a member of the European Free Trade Association (EFTA) which is a member of the European Economic Area (EEA member) and which is associated to Horizon Europe. Those rules should exclude the participation of legal entities that are directly or indirectly controlled by a third country other than Ukraine or an EEA member associated to Horizon Europe, or by legal entities of such a third country. However, a legal entity established in the Union or in an EEA member associated to Horizon Europe and which is controlled by a third country other than Ukraine or an EEA member associated to Horizon Europe, or by a legal entity of a third-country other than Ukraine or an EEA member associated to Horizon Europe should be eligible to be a beneficiary, provided that guarantees approved in accordance with the national procedures of the Member State or the EEA member in which the legal entity is established are made available to the Commission.

(9) ***Recognising the urgent and extraordinary need to further strengthen the Union’s sovereignty and security as provided for in Regulation (EU) 2024/795, and in order to ensure the rapid mobilisation and reinvestment of financial resources in critical sectors, including dual-use and defence projects under the EIC Accelerator under Horizon Europe, it is appropriate to derogate from Article 212(3) of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council⁷ (the ‘Financial Regulation’). Given those circumstances and the need for a rapid availability of funds, it is particularly necessary to allow for repayments, including reimbursed advances, revenues and unused amounts net of the fees and costs of the EIC blended finance investment component of the EIC Pilot under Horizon 2020 to be reinvested in the EIC Fund rather than directed to the Union budget, in order to finance projects with civil applications, as well as projects in dual-use and defence that benefit from the amended scope . The timeframe set out in Article 212(3) of the Financial Regulation should be amended to ensure meaningful implementation under exceptional circumstances To allow for that possibility, it is necessary to introduce a derogation from that provision.***

⁷ Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (OJ L, 2024/2509, 26.9.2024, ELI: <http://data.europa.eu/eli/reg/2024/2509/oj>).

- (10) The EDF, established by Regulation (EU) 2021/697 of the European Parliament and of the Council⁸, is the leading programme for enhancing the competitiveness, innovation, efficiency and technological autonomy of the Union's defence industry. The EDF aims to support actions that are conducive to developing disruptive technologies for defence. In order to better address the specificities of such actions, such as if they have a particularly small scale or particular need for quick support, it is appropriate to ***significantly shorten and*** simplify the procedures to decide on the support for those actions, while at the same time framing the conditions for the decision on such support in the work programme ***and without undermining the principle of excellence.***

⁸ Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092 (OJ L 170 12.5.2021, p. 149, ELI: <http://data.europa.eu/eli/reg/2021/697/oj>).

- (11) It is also necessary to exploit synergies between the EDF and other Union programmes. To that end, it should be possible for Member States, Union institutions, bodies and agencies, third countries, international financial institutions or other third parties to provide voluntary contributions to the EDF, as external assigned revenues. Voluntary transfers of resources allocated to Member States in shared management to the EDF and the combination of contributions from the EDF with other Union programmes for specific actions should be possible, provided that cumulative Union support does not exceed the total eligible costs of the action.

(12) *On 23 June 2022, the European Council decided to grant the status of candidate country to Ukraine, which expressed a strong will to link reconstruction with reforms on its European path. On 15 December 2023, the European Council decided to open accession negotiations with Ukraine and declared that the Union and its Member States remain committed to contributing, for the long-term and together with partners, to security commitments to Ukraine which will help the latter to defend itself, resist destabilisation efforts and deter acts of aggression in the future. Strong support to Ukraine is a key priority for the Union and an appropriate response to the Union’s strong political commitment to support Ukraine for as long as necessary.*

On 5 March 2023, the Commission proposed to create an Instrument (the ‘Ukraine Support Instrument’) to address the damage caused by Russia’s war of aggression to the Ukrainian Defence Technological and Industrial Base (the ‘Ukrainian DTIB’) and to support its reconstruction, recovery and modernisation, taking into account its possible future integration into the EDTIB. The Ukrainian DTIB has significantly developed its research, development and innovation capacities since the beginning of the Russian full-scale invasion of Ukraine in order to address the needs of the Ukrainian armed forces. In that context, ensuring a closer cooperation between the EDTIB and the Ukrainian DTIB would allow access by the EDTIB to those capabilities and would contribute to the objective of fostering the competitiveness and innovation of the EDTIB, while being consistent with the continuous support of the Union to the strengthening of the defence manufacturing capacities of Ukraine. Accordingly, in light of the common objectives and goals of the Union and Ukraine in the area of defence research and development and in light of the benefits for both sides which can be expected from a closer integration in that regard, it is appropriate to associate Ukraine to the EDF.

- (13) The Digital Europe Programme (DEP), established by Regulation (EU) 2021/694 of the European Parliament and of the Council⁹, aims to support and accelerate the digital transformation of the European economy, industry and society and to improve the competitiveness of Europe in the global digital economy. In that context, the programme should aim to support, in particular, projects, services and competences with potential dual-use application under all its specific objectives. ***This would contribute to strengthening the Union's societal resilience in the face of ongoing hybrid attacks and foreign interference. Recognising the strategic importance of cross-border cooperation and the facilitation of technology transfers between Member States in dual-use projects in the digital sector, the Commission should take into account the trans-European dimension when awarding dual-use projects. It is therefore appropriate to make this award criterion mandatory for dual-use projects.***

⁹ Regulation (EU) 2021/694 of the European Parliament and of the Council of 29 April 2021 establishing the Digital Europe Programme and repealing Decision (EU) 2015/2240 (OJ L 166 11.5.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/694/oj>).

- (14) To enhance technological sovereignty and competitiveness, the Union needs the computing, cloud and data infrastructure required by AI leadership. As part of the AI Continent strategy, the AI factories and AI Gigafactories are essential to enable the Union to compete at the global level and ensure its strategic autonomy and competitiveness in science, **■** in research *with dual-use potential* and in critical industrial sectors, including the defence industry. Next-generation AI models require extensive connected computing infrastructure for breakthroughs in specific domains including defence. It is therefore appropriate to add, in Specific Objective 1 – High Performance Computing of DEP, a supplementary operational objective dedicated to the deployment and operation of AI Factories and new generation of *AI* Gigafactories specialised in developing, training, and running the most complex, very large, AI models and applications, including hardware and software necessary for such deployment.

- (15) ***The intensifying exposure to cyber and hybrid threats in the Union justifies adding an explicit focus on resilience against cyber and hybrid threats under Specific Objective 3 of DEP.*** In Specific Objective 5 of DEP, Deployment and Best Use of Digital Capacity and Interoperability, it is also necessary to add, in the operational objective defined to support the public sector and areas of public interest, a reference to defence in order to clarify that the financial contribution of the Union under such an objective can be extended to that sector.
- (16) It ***may also be*** necessary to adapt ***the eligibility rules*** in the work programme of DEP for ***specific and duly justified cases***, so that legal entities established in associated countries or established in the Union but controlled from third countries, are not eligible to participate in all or some actions focused on technologies with dual-use potential under any specific objective. ***Provision should therefore be made to allow for such a possibility.*** In such cases, calls for proposals and calls for tenders should be restricted to legal entities established or deemed to be established in the Union and controlled by Member States or by nationals of Member States.

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- (17) The Connecting Europe Facility (CEF), established by Regulation (EU) 2021/1153 of the European Parliament and of the Council ¹⁰, aims to accelerate investment in the field of trans-European networks, enabling synergies between the transport, energy and digital sectors. In order to support the connected computing infrastructure required by defence products and technologies and beyond those areas, the objectives of the CEF digital sector within that Regulation should be extended to the deployment and provision of digital capacities such as cloud, AI, *AI factories* and AI Gigafactories.

¹⁰ Regulation (EU) 2021/1153 of the European Parliament and of the Council of 7 July 2021 establishing the Connecting Europe Facility and repealing Regulations (EU) No 1316/2013 and (EU) No 283/2014 (OJ L 249 14.7.2021, p. 38, ELI: <http://data.europa.eu/eli/reg/2021/1153/oj>).

- (18) ■ The Joint White Paper recognised military mobility as an essential enabler for European security and defence and stressed the Union added-value in supporting dual-use infrastructure for mobility. *In the context of the Joint White Paper, the Commission and the High Representative recognised the importance of identifying military mobility hot spot projects and of removing key gaps and bottlenecks along the four EU Priority Military Mobility Corridors. Military mobility is also one of the objectives of the CEF. The Trans-European Transport Network (TEN-T) policy serves as a key strategic instrument in building the Union’s cross-border transport infrastructure. Although originally intended for civilian purposes, it also holds a remarkable potential for civilian-defence dual use. Moreover, the Niinistö report of 30 October 2024 on Strengthening Europe’s Civilian and Military Preparedness and Readiness specifically refers to the need to intensify further work on priority dual-use transport corridors for military movements and the extension of fuel-supply chains for the armed forces along those corridors. Given the importance of strengthening the dual-use transport infrastructure ■ in light of the deteriorating security context of the Union, it is appropriate to clarify that specific activities within actions under Specific Objective 3(2) of the CEF may, where relevant, include measures to safeguard the dual-use transport infrastructure with regard to military counter-mobility or to provide fuel infrastructure for civilian-defence dual use.*

(19) *The mid-term review of the European Regional Development Fund (ERDF) and the Cohesion Fund, both established by Regulation (EU) 2021/1058 of the European Parliament and of the Council¹¹, introduced the possibility to invest in defence or dual-use infrastructure to foster military mobility benefiting from a pre-financing of 20 % of the amounts programmed and the possibility to apply a Union financing increased by 10 percentage points above the co-financing rate applicable, not exceeding 100 %. Where Member States transfer resources allocated to them in shared management to the CEF, they should benefit from the same conditions on pre-financing and co-financing rates for dual-use transport infrastructure projects as introduced in the ERDF and the Cohesion Fund. In such a case, those amounts should be reserved to projects developing the EU Priority Military Mobility Corridors identified by the Member States in Annex II to the Military Requirements for Military Mobility within and beyond the EU, as approved by the Council on 17 March 2025, or any later version of that annex approved by the Council, as well as digital connectivity and capacities, including logistics hubs and cross-border sections of those corridors. The Financial Regulation provides for a possibility to introduce conditions for participation in specific award procedures which affect security and public order.*

¹¹ ***Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund (OJ L 231 30.6.2021, p. 60, ELI: <http://data.europa.eu/eli/reg/2021/1058/oj>).***

Accordingly, it should be possible to provide for such specific conditions in relation to actions located on one or more of the EU Priority Military Mobility Corridors, including conditions relating to the country of origin of the equipment, goods, supplies or service.

- (20) Since the objectives of this Regulation, namely to strengthen research and development activities in *dual-use* and defence, improve the competitiveness of the Union's defence industry and therefore contribute to the Union's defence *readiness* by refocusing investment of these critical priorities, cannot be sufficiently achieved by the Member States, but can rather be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary to achieve those objectives.
- (21) Given the urgent need to enable crucial investment in defence in the context of pressing geopolitical challenges, this Regulation should enter into force on the day following that of its publication in the *Official Journal of the European Union*.
- (22) Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153 ■ and (EU) 2024/795 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EU) 2021/694 is amended as follows:

(1) in Article 3(1), second subparagraph, the following point is added:

‘(c) *to support **and accelerate** dual-use projects, services, competences and applications, **strengthening societal resilience.***’;

(2) in Article 4(1) the following point is added:

‘(d) *deploy and operate AI Factories and new-generation AI Gigafactories specialised in developing, training, and running the most complex, very large AI models and applications, including hardware and software necessary for such deployment.*’;

(3) *Article 6 is amended as follows:*

(a) *in paragraph 1, points (e) and (f) are replaced by the following:*

'(e) improve resilience against cyber and hybrid threats against critical digital infrastructure and cyberattacks, contribute towards increasing risk-awareness and knowledge of cybersecurity processes, support public and private organisations in achieving basic levels of cybersecurity, for example by deploying end-to-end encryption of data and software updates;

(f) enhance cooperation between the civil and defence spheres with regard to dual-use projects, services, competences and applications in cybersecurity, including the development of cybersecurity technologies tailored to defence-related infrastructure, in accordance with Regulation (EU) 2021/887 of the European Parliament and of the Council;*

* Regulation (EU) 2021/887 of the European Parliament and of the Council of 20 May 2021 establishing the European Cybersecurity Industrial, Technology and Research Competence Centre and the Network of National Coordination Centres (OJ L 202, 8.6.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/887/oj>).';

(b) *paragraph 2 is replaced by the following:*

'2. The actions under Specific Objective 3 shall be implemented primarily through the European Cybersecurity Industrial, Technology and Research Competence Centre and the Network of National Coordination Centres in accordance with Regulation (EU) 2021/887. However, the EU Cybersecurity Reserve shall be implemented by the Commission and, in accordance with Article 14(6) of Regulation (EU) 2025/38, by ENISA.';

(4) in Article 8(1), point (a) is replaced by the following:

‘(a) support the public sector and areas of public interest, such as health and care, education, judiciary, customs, ***civil protection***, defence, transport, mobility, energy, environment, cultural and creative sectors, including relevant businesses established within the Union, to effectively deploy and access state-of-the-art digital technologies, such as HPC, quantum, AI and cybersecurity;’;

(5) in Article 12, paragraph 5 is replaced by the following:

‘5. The work programme may also provide that legal entities established in associated countries and legal entities that are established in the Union but are controlled from third countries are not eligible to participate in all or some actions under Specific Objective 3 ■ and in actions focused on technologies with dual-use potential under any specific objective *for duly justified security reasons*. In such cases, calls for proposals and calls for tenders shall be restricted to legal entities established or deemed to be established in Member States and controlled by Member States or by nationals of Member States. Such restrictions may be applied to access to the capacities deployed under such calls. *Those restrictions shall be proportionate and applied only where strictly necessary.*’;

(6) *in Article 20(1), the following point is added:*

'(d) for calls for proposals intended to support dual-use technologies, services, competences or applications, the trans-European dimension of the project.';

(7) *in Specific Objective 5, point I of Annex I, point 4 is replaced by the following:*

‘4. Transport, mobility, energy and environment

Deploy decentralised solutions and infrastructure required for large-scale digital applications such as connected automated driving, unmanned aerial, ground, surface and underwater vehicles, smart mobility concepts, smart cities, smart rural areas or outermost regions, in support of transport, energy and environmental policies and in coordination with the actions for digitalising the transport and energy sectors under Connecting Europe Facility.’.

Article 2

Regulation (EU) 2021/695 is amended as follows:

(1) in Article 46, the following paragraph is inserted:

‘4a. By way of derogation from Article 212(3) of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council*, repayments, including reimbursed advances, revenues and unused amounts net of fees and costs, of EIC blended finance of the EIC Pilot under Horizon 2020, shall be considered to be internal assigned revenues in accordance with Article 21(3), point (f), and Article 21(4) and (5) of Regulation (EU, Euratom) 2024/2509 and the time restriction of two years set out in Article 212(3), second subparagraph, of Regulation (EU, Euratom) 2024/2509 shall apply from ... [OJ: please insert the date of entry into force of this amending Regulation].

* ***Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (OJ L, 2024/2509, 26.9.2024, ELI: <http://data.europa.eu/eli/reg/2024/2509/oj>).***’;

(2) Article 48 is amended as follows:

(a) ***in paragraph 1, the*** following subparagraphs are inserted after the second subparagraph:

‘By way of derogation from Article 7(1), the support referred to in points (a), (b) and (c), of the second subparagraph of this paragraph may include potential dual-use applications, ***while advancing civilian application use.***

By way of derogation from Article 7(1), the support referred to in point (d) of the second subparagraph of this paragraph may include innovation in critical ***defence*** technologies ***referred to in Article 2(1), point (a)(iv), of the STEP Regulation, while fostering, where appropriate, innovations with dual-use potential.***’;

(b) the following paragraph is inserted:

'1a. The application of the derogations to Article 7(1) provided for in paragraph 1 of this Article shall be included in the Commission's monitoring of the Programme pursuant to Article 50.'

(c) *paragraph 2 is replaced by the following:*

- ‘2. The beneficiary of the Accelerator shall be a legal entity qualifying as a start-up, an SME or, in exceptional cases, as a small mid-cap intending to scale up, established in a Member State or in an associated country.*

With regard to support for innovation in critical defence technologies under paragraph 1, second subparagraph, point (d), of this Article, participation shall be limited to legal entities established in the Union, in Ukraine or in an EEA member associated to Horizon Europe. Legal entities directly or indirectly controlled by a third country other than Ukraine or an EEA member associated to Horizon Europe, or by legal entities of such a third country shall be excluded from participation.

By way of derogation from the second subparagraph, a legal entity established in the Union, or in an EEA member associated to Horizon Europe and which is controlled by a third country other than Ukraine or an EEA member associated to Horizon Europe, or by a legal entity of a third-country other than Ukraine or an EEA member associated to Horizon Europe shall be eligible to be a beneficiary under paragraph 1 of this Article, provided that guarantees are made available to the Commission. Such guarantees shall be approved in accordance with the national procedures of the Member State or the EEA member associated to Horizon Europe in which the legal entity is established, such as adequate measures pursuant to screenings, as defined in Article 2, point (3), of Regulation (EU) 2019/452 of the European Parliament and of the Council.*

The guarantees shall provide assurances that support for the legal entity would not contravene the security and defence interests of the Union and its Member States, as established in the framework of the common foreign and security policy pursuant to Title V of the TEU, including respect for the principle of good neighbourly relations.

With regard to support under paragraph 1, second subparagraph, point (a), (b) or (c), of this Article with potential dual-use applications, the work programme may provide that it is possible to limit participation to legal entities established only in Member States or to legal entities established in specified associated countries in addition to Member States. Any limitation on participation of legal entities established in associated countries which are EEA members shall comply with the terms and conditions of the Agreement on the European Economic Area. For duly justified and exceptional reasons, in order to guarantee the protection of the strategic interests of the Union and its Member States, the work programme may also exclude the participation of legal entities established in the Union or in associated countries directly or indirectly controlled by non-associated third countries or by legal entities of non-associated third countries from individual calls for proposals, or make their participation subject to conditions set out in the work programme.

The proposal may be submitted either by the beneficiary or, subject to the prior agreement by the beneficiary, by one or more natural persons or legal entities intending to establish or support that beneficiary. In the latter case, the funding agreement shall be signed only with the beneficiary.

* *Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union (OJ L 79I 21.3.2019, p. 1, ELI: <http://data.europa.eu/eli/reg/2019/452/oj>).’*

Article 3

Regulation (EU) 2021/697 is amended as follows:

(1) Article 5 is replaced by the following:

‘Article 5

Associated countries

The Fund shall 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 conditions laid down in the EU-Ukraine Association Agreement.’;

(2) Article 6 is replaced by the following:

‘Article 6

Support for disruptive technologies for defence

1. The **Fund** shall support actions that are conducive to developing disruptive technologies for defence in the areas of intervention defined in the work programmes referred to in Article 24.
2. The work programmes shall lay down the most appropriate forms of funding, selection and award criteria and procedures, and implementation for disruptive technologies for defence.’;

(3) the following article is inserted:

‘Article 8a

Cumulative funding and transfers of resources

1. An action that has received a contribution from another Union programme may also receive a contribution under the **Fund**, provided that the contributions do not cover the same costs. The rules of the relevant Union programme shall apply to the corresponding contribution to the action. The support from the different Union programmes may be calculated on a pro-rata basis in accordance with the documents setting out the conditions for support.
2. Resources allocated to Member States under shared management may, at the request of the Member State concerned, be transferred to the **Fund**, subject to the conditions set out in the relevant provisions of Regulation (EU) 2021/1060 of the European Parliament and of the Council*¹. The Commission shall implement those resources directly in accordance with point (a) of the first subparagraph of Article 62(1) of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council** or indirectly in accordance with point (c) of that subparagraph. Such resources shall be **implemented** for the benefit of the Member State concerned **and in accordance with the rules of the Fund**.

3. Resources transferred in accordance to paragraph 2 of this Article may, by way of derogation from Article 13(2), be used for the purpose of contributing to the funding of eligible actions *referred to in Article 10(3), points (e) to (h)*, up to 100 % of the eligible costs.
4. Where the Commission has not entered into a legal commitment under direct or indirect management for resources transferred in accordance with paragraph 2 of this Article and in any event by 30 September 2027, the corresponding uncommitted resources may be transferred back to one or more respective source programmes, at the request of the Member State concerned, in accordance with the conditions set out in the relevant provisions of Regulation (EU) 2021/1060.
5. Member States, Union institutions, bodies and agencies, third countries, international organisations, international financial institutions or other third parties, may provide additional financial contributions to the **Fund**. Such financial contributions shall constitute external assigned revenue within the meaning of Article 21(2), point (a), (d), or (e) or Article 21(5) of Regulation (EU, Euratom) 2024/2509.

* Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (OJ L 231 30.6.2021, p. 159, ELI: <http://data.europa.eu/eli/reg/2021/1060/oj>).

** Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (OJ L, 2024/2509, 26.9.2024, ELI: <http://data.europa.eu/eli/reg/2024/2509/oj>).

Article 4

Regulation (EU) 2021/1153 is amended as follows:

(1) *Article 3 is amended as follows:*

(a) *paragraph 1 is replaced by the following:*

‘1. The general objectives of the CEF are to build, develop, modernise, complete and make resilient the trans-European networks in the transport, energy and digital sectors and to facilitate cross-border cooperation in the field of renewable energy, taking into account the long-term decarbonisation commitments and the goals of increasing European competitiveness; smart, sustainable and inclusive growth; territorial, social and economic cohesion; and the access to and integration of the internal market, with an emphasis on facilitating the synergies among the transport, energy and digital sectors.’;

(b) *in paragraph 2, point (c) is replaced by the following:*

■

‘(c) in the digital sector: to contribute to the development of projects of common interest relating to the deployment of and access to safe and secure very high capacity networks, including 5G systems, to the setting up and deployment of digital capacities such as cloud, AI, **AI factories** and AI Gigafactories, to the increased resilience and capacity of digital backbone networks on Union territories by linking them to neighbouring territories, as well as to the digitalisation of transport and energy networks.’;

(2) in Article 8(4), the following point is added:

‘(f) projects of common interest contributing to the setting up and deployment or significant upgrade of digital capacities, including cloud, AI, **AI factories** and AI Gigafactories shall be prioritised according to the extent they significantly contribute to improve the performance, resilience and security of transport, energy and digital infrastructure that are critical for the **proper functioning** of the internal market.’;

(3) *Article 9 is amended as follows:*

(a) *in paragraph 2, the following subparagraph is added:*

'Specific activities within an action pursuant to point (c) of the first subparagraph may include, where relevant, measures to safeguard the infrastructure for civilian-defence dual use with regard to military counter-mobility or to provide fuel infrastructure for civilian-defence dual use transport activities.'

(b) paragraph 4 is amended as follows:

(i) point (d) is replaced by the following:

‘(d) actions supporting the protection, deployment of new or the significant upgrading of existing backbone networks or their repair, including submarine cables, within and between Member States and between the Union and third countries, such as the actions listed in Part V, point 3, of the Annex, as well as other actions supporting the deployment of backbone networks referred to in that point;’;

(ii) the following point is added:

‘(f) actions supporting the setting up and deployment of digital capacities in cloud, AI, **AI factories** and AI Gigafactories;’;

(4) in Article 15(2), the following point is inserted:

‘(ba) subject to the transfer of the necessary resources to the CEF in the context of the mid-term review of programmes pursuant to Regulations (EU) 2021/1058* and (EU) 2021/1056** of the European Parliament and of the Council and pursuant to Article 4(13) of this Regulation, for works relating to the specific objectives referred to in Article 3(2), point (a)(ii), of this Regulation, the following conditions apply:

- (i) co-financing rates may be increased ***by 10 percentage points above the co-financing rate referred to in point (b)***;
- (ii) actions are entitled to a pre-financing payment representing at least **20%** of the amount allocated in the grant agreement;

- (iii) actions shall be located on one or more of the four EU Priority Military Mobility Corridors identified by Member States in Annex II to the Military Requirements for Military Mobility within and beyond the EU, ***including logistic hubs and cross-border sections of those corridors***, and shall comply with the infrastructure requirements as set out in Commission Implementing Regulation (EU) 2021/1328^{***}, and ***specific conditions for participation in the award procedure for such actions may be set in accordance with Article 136 of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council^{****}***;

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- * ***Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund (OJ L 231, 30.6.2021, p. 60, ELI: <http://data.europa.eu/eli/reg/2021/1058/oj>).***
- ** ***Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund (OJ L 231, 30.6.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/1056/oj>).***
- *** ***Commission Implementing Regulation (EU) 2021/1328 of 10 August 2021 specifying the infrastructure requirements applicable to certain categories of dual-use infrastructure actions pursuant to Regulation (EU) 2021/1153 of the European Parliament and of the Council (OJ L 288, 11.8.2021, p. 37., ELI: http://data.europa.eu/eli/reg_impl/2021/1328/oj).***
- **** ***Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (OJ L, 2024/2509, 26.9.2024, ELI: <http://data.europa.eu/eli/reg/2024/2509/oj>).***



Article 5

Article 2 of Regulation (EU) 2024/795 is amended as follows:

(1) in paragraph 1, point (a) **■**, the following point is added:

‘(iv) defence technologies.’;

(2) *paragraph 2, point (b), is replaced by the following:*

‘(b) they contribute to reducing or preventing strategic dependencies and vulnerabilities of the Union.’;

(3) *paragraph 7 is replaced by the following:*

‘7. By 2 May 2024, the Commission shall issue guidance on how the technologies in the sectors referred to in paragraph 1, point (a), of this Article can be considered critical as well as on how to meet the conditions set out in paragraph 2 of this Article. In that guidance, the Commission shall clarify the notion of value chain and associated services critical for and specific to the development or manufacturing of the final products referred to in paragraph 3 of this Article. By ... [OJ: please insert date: two months after the entry into force of this amending Regulation], the Commission shall update that guidance to cover the sector set out in Article 2(1), point (a)(iv). That guidance shall be reviewed, where appropriate, in light of the interim evaluation report referred to in Article 8.’

Article 6

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at ...,

For the European Parliament
The President

For the Council
The President
