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NOTE

From:	Presidency
To:	Permanent Representatives Committee
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Subject:	Commission Defence Package - Guidelines for further work

Delegations will find attached a courtesy translation of the Presidency note on the Commission Defence Package.

Presidency Note

To the Permanent Representatives Committee

Commission Defence Package

Guidelines for further work in the Council

1. On the 15th of February, the Commission puts forward a communication on the *Commission contribution to European Defence* as well as a communication on a *Roadmap on critical technologies for security and defence*.

The Commission recalls that a quantum leap in European defence is an integral and indispensable part of securing the Union and its citizens in the years and decades to come.

2. Initial guidance on the proposals put forward in this Defence Package is awaited, while the Council is working on the Strategic Compass, in view of the Foreign Affairs Council on the 21st March and of the European Council on the 24th and 25th March.

The informal summit of Heads of States and Governments which will take place in France on the 10th and 11th of March will also address the issue of defence industry.

Furthermore, this discussion is taking place in a deteriorated geopolitical context.

3. Given this timeframe, the Presidency suggests a first consideration of this Defence package to be held during Coreper meetings of the 23rd of February and the 2nd March.

The meeting of this Committee on the 23rd of February will be dedicated to a general discussion on the Commission's proposals. The meeting on the 2nd of March will allow to revert to issues that need further consideration.

A summary of work on the Defence package as well as on the REV 2 of the Compass will be made in Coreper on the 7th of March.

The relevant elements will thus be included in the final version of the Strategic Compass. The detailed examination of the upcoming proposals from the Commission will be organised in due time in the preparatory bodies of the Council.

4. The Defence package specifies the outlines and ways forward in several areas, being consistent with the current work on the other hand, notably the Industrial Strategy, the cybersecurity strategy, the Action Plan on synergies between civil, defence and space industries, resilience or the Strategic Compass.

Other dimensions, notably regarding the European Defence Fund, are under examination by the Council (for instance, cooperation to facilitate the transfer of European Union funded defence-related products within the internal market) or among Member States (for instance, on export of capabilities that have been developed in an European framework).

An important work has also been already carried out in the framework of the discussions on the Strategic Compass that have started in June 2020, in particular on the “Secure” and “Invest” parts.

Lastly, it is very important to continue the dialogue with partners, in particular the United States and NATO. Defence cooperation will keep being strengthened within the agreed frameworks (Joint Declarations with NATO, EU-United States dialogue and EU-Canada dialogue on security and defence, etc.), as foreseen in the draft Strategic Compass.

5. The Commission proposes next steps in 6 areas, besides the external dimension:

- i) stepping up investments for defence research and capabilities developed in European Union cooperative frameworks;
- ii) facilitating synergies between civilian and defence research and innovation and reducing strategic dependencies ;
- iii) incentivising the joint procurement of defence capabilities developed in a collaborative way within the European Union;
- iv) calling upon Member States to continue moving towards streamlined and more convergent export control practices, in particular for defence capabilities developed in the European Union framework ;
- v) strengthening the security and defence dimension of space at European Union level ;
- vi) enhancing European resilience inter alia by stepping up cybersecurity and countering cyber and any other hybrid threats, enhancing military mobility and addressing climate challenges for defence.

The Presidency would like to collect orientations regarding the next steps that have been identified by the Commission in these areas, and which are recalled in the annex.

Member States are also invited to share, if applicable, additional measures they might find useful.

Next steps proposed by the Commission in its communication on the Commission contribution to European defence as well as in its communication related to the Roadmap on critical technologies for security and defence.

i) Stepping up investments for defence research and capabilities developed in EU cooperation frameworks.

Next steps:

. With the EDF, the Commission will continue to actively encourage Member States to further define strategic defence capabilities priorities and enablers following the adoption of the Strategic Compass through the revised CDP and the CARD outcomes. It will contribute to align defence planning and collective spending to support their development.

. The Commission will develop further additional incentives to stimulate Member States' collaborative investments in strategic defence capabilities, notably those that are to be developed and/or jointly procured in EU cooperative frameworks, and will report on the developments, barriers and opportunities related to multinational defence capability projects in the Annual Single Market report.

. In 2022, the Commission will continue to work with Member States to further facilitate the transfer of EU-funded defence products within the internal market, in particular by supporting the full exploitation of possibilities offered by the Directive 2009/43/EC.

ii) Facilitating synergies between civilian and defence research and innovation and reducing strategic dependencies

Critical technologies and strategic dependencies for security and defence

Next steps:

. In 2022, the Commission will establish an expert group to facilitate exchanges with Member States on critical technologies, value and supply chains. It will be part of the Observatory of critical technologies for defence, space and related civil industries. The aim would be to:

- Conduct a regular consultation with Member States authorities to prepare the classified report;
- Ensure appropriate handling of sensitive and classified information that may be exchanged in the context of the Observatory of Critical Technologies, related reports and roadmaps.

. By mid-2022, the Commission will present a study on the EU security market, which will serve to better understand the specific features of the civil security market, to support the identification of critical technologies and strategic dependencies, and to underpin the new capability driven approach for security and other RTD&I activities.

. By mid-2022, Commission services will produce a paper summarising the proposals for fostering the adoption of capability-driven approaches to be applied across security sectors.

Boosting RTD&I on critical technologies for security and defence

Next steps:

. The Commission invites Member States to commit in the Strategic Compass to developing an EU-wide strategic coordinated approach for critical technologies relevant for security and defence from the outset.

. In 2023, the Commission will review existing EU instruments and propose further ways to encourage dual-use RTD&I at EU level.

. The Commission will support innovation and entrepreneurship on critical technologies for security and defence, based on the following tools: (a) dedicated EDF actions; (b) a new defence investment blending facility under InvestEU; (c) a new CASSINI for defence; (d) a new innovation incubator on new technologies and dual-use innovation in 2022; and (e) increased support to innovation networks.

. The Commission, together with the EDA and its Defence Innovation Hub, will set up an EU Defence Innovation Scheme to accelerate security and defence innovation for the EU and its Member States.

Reducing strategic dependencies on critical technologies and value chains for security and defence

Next steps:

The Commission is exploring the possibility of adding defence work strands in initiatives such as the European Alliance for Industrial Data, Edge and Cloud and the Industrial Alliance on Processors and Semiconductor Technologies.

The Commission, together with Member States, will identify and report in 2023 on the need for risk-assessing supply chains of critical infrastructure, in particular in the digital domain, to better protect the EU's security and defence interests.

The Commission encourages all remaining Member States to set up a national FDI screening mechanism.

iii) Incentivising the joint procurement of capabilities developed in a collaborative way within the EU

Next steps:

- . By early 2023, the Commission will make a proposal that will enable a VAT waiver to support the joint procurement and ownership of defence capabilities developed in a collaborative way within the EU, while ensuring compliance with World Trade Organization rules.*
- . By mid-2023, the Commission will build on the work of the Expert Group on the Financial Toolbox with a view to propose new financing solutions to facilitate Member States' joint procurement of EU strategic defence capabilities relying on already available expertise.*
- . Following the interim evaluation of the EDF, the Commission will explore a possible amendment to Article 13 of Regulation (EU) 2021/697 establishing the European Defence Fund, in order to reinforce the EDF bonus system when Member States commit to jointly acquire and/or won the defence capabilities under development.*

iv) Calling upon Member States to continue moving towards streamlined and more convergent export control practices

Next steps:

- . The Commission invites Member States to explore ways towards the streamlining and gradual further convergence of their arms export control practices, especially for those defence capabilities that are jointly developed in particular in an EU framework, thus ensuring EDF-funded products will profit from adequate and competitive access to international markets without prejudice to Member States' sovereign decisions.*

v) Strengthening the security and defence dimension of space at European Union level

Next steps:

- . Following the adoption of the Strategic Compass, the Commission and the High Representative will propose a joint EU space strategy for security and defence.*
- . By the end of 2022, the Commission will explore how to further enhance the protection of EU space assets, notably through additional SST services, improved performance of EU SST and by making full use of the potential of EU industry.*
- . As of 2022, the Commission will promote a "dual-use by design" approach for EU space infrastructure, with a view to offering new resilient services that address governmental needs. In this context, the Commission encourages the co-legislators to swiftly adopt the proposal for a regulation establishing the Union Secure Connectivity Programme for 2022-2027.*
- . The Commission will intensify work towards reducing strategic technological dependencies and enhancing the resilience of space infrastructure related supply chains, notably through EU funding instruments, as well as the Observatory of critical technologies.*

. The Commission will set-up adequate governance for EU space infrastructure, in close cooperation with Member States, building on the model of Galileo PRS. It will assess the feasibility to develop and deploy a more resilient and secured Copernicus service for governmental purposes, taking into account defence requirements to the extent possible.

. By the end of 2022, the Commission and the High Representative will explore the possibility of activation of solidarity, mutual assistance and crisis response mechanisms in case of attacks originating from space or threats to space-based assets.

vi) Enhancing European resilience

Countering hybrid threats

Next steps:

. By 2023, the Commission, in cooperation with the High Representative and Member States, will assess the sectoral resilience baselines to identify gaps and needs as well as steps to address them.

. Following the adoption of the strategic compass, the Commission will contribute to the future EU hybrid toolbox by ensuring that Member States have a full overview of existing internal instruments and measures to counter hybrid threats affecting the EU and its Member States. This will take into account the measures included in the 2020 mapping on countering hybrid threats and recent Commission's and High Representative's proposals in areas such as critical infrastructure and disinformation.

. Following the adoption of the Strategic Compass, the Commission will consider identifying experts in relevant policy areas, who could be deployed upon request as part of Hybrid Rapid Response Team upon request, in synergy with the proposed JCU rapid response teams.

. In parallel, Commission services and the EEAS will jointly review the EU Playbook on Countering Hybrid Threats.

. By the end of 2022, the Commission, in cooperation with the High Representative, will define a comprehensive vision regarding its rapid alert mechanisms and, in particular the possibility to create a better situational awareness picture, in coordination and in complementarity with other EU existing mechanisms. This will strengthen the Union's capability for monitoring and early detection, prevention and preparedness, including resilience, and response to hybrid threats.

. Drawing on its expertise and instruments, the Commission will contribute to the EU effort to build resilience in partner countries.

Enhancing cybersecurity and cyber-defence

Next steps:

. By the third quarter of 2022, the Commission will propose the Cyber Resilience Act, which will aim to increase the cybersecurity of products and associated services in the internal market.

. To set up the new "EU SOCs" platforms for sharing of cyber threat intelligence and tools, by the second quarter of 2022, the Commission will publish a Call for expression of interest to select

hosting entities for EU SOCs accompanied by dedicated Roadmap. This should pave the way for the building an EU strategic capability for detecting and sharing information about cyber threats.

. The Commission will work with Member States on stepping up preparedness for large scale cyber-incidents through enhanced coordination, including identifying potential needs and resources to manage response.

. In 2022, a Strategic Agenda for the Cybersecurity Competence Centre will be proposed, including on dual use technology and civil-military synergies to be enshrined in a coordinated manner with relevant actors.

. The Commission, together with the High Representative, will continue to support Member States in setting up the JCU, in particular its mutual assistance mechanism, and will encourage civilian military cooperation to facilitate information exchanges and coordination between defence experts and other communities (i.e. civilian, law enforcement and diplomacy).

. The Commission will request the European Standardisation Organisations to develop harmonised standards in support of the recently adopted delegated act of the Radio Equipment Directive as regards cybersecurity and privacy.

. The Commission will work together with the High Representative to further develop the EU cyber defence policy, to be presented to Member States by the end of 2022.

. The Commission invites Member States to consider joint cyber defence trainings and exercises, in cooperation with existing civilian and defence training and exercises frameworks.

Enhancing military mobility

Next steps

By the end of 2022, the Commission together with the High Representative will propose an update of the joint Action Plan on Military Mobility, which may cover identifiable needs in relation to digitalisation in transport, cyber resilience of transport infrastructure and artificial intelligence.

Addressing climate change challenges for defence

Next steps:

. In the first half of 2022, Commission services, EEAS and EDA will present the first progress report on the implementation of the Climate Change and Defence Roadmap.

. During 2022, the Commission will assess climate/defence related initiatives implemented under the existing Commission-led instruments (including EDF, Horizon Europe, Horizon 2020, CEF, and LIFE) in order to enhance potential synergies.

. By the end of 2022, the Commission will establish a policy framework, drawing on the climate/defence aspects of Commission-led instruments to contribute to reduced energy demand and increasing energy resilience of critical technologies used by civilian security actors and armed forces, and develop concrete climate resilient solutions in this context.

. During 2022, the Commission will explore the potential of enhancing the impact of energy-related directives on military infrastructure (such as offices, headquarters, barracks, hospitals, academies), including the Green Public Procurement options, as part of the European Green Deal (i.e. the new energy efficiency action 'the Renovation Wave', the revision of the Energy Efficiency Directive and the Energy Performance of Buildings directive).

. In 2022, the Commission and the High Representative will increase and intensify staff-to-staff work on climate-security-defence nexus with NATO, the UN and relevant bilateral partners such as the United States and Canada.

vii) External dimension

Next steps:

The Commission and the High Representative will explore in the context of the EU-US TTC and the recently launched EU-US dialogue on Security and Defence how to advance supply chain resilience and secure the protection of our citizens.

The Commission and the High Representative will explore with NATO, in the framework of the Joint Declarations on EU-NATO cooperation and in full transparency with Member States, how to promote a mutually agreeable and beneficial interactions between their respective relevant initiatives.