



Council of the
European Union

Brussels, 23 May 2022
(OR. fr)

9178/22

**Interinstitutional File:
2022/0032(COD)**

**COMPET 343
IND 175
MI 398
RC 31
RECH 246
TELECOM 226
FIN 554
CADREFIN 84
CODEC 714**

NOTE

From: Presidency
To: Permanent Representatives Committee/Council

Subject: *Preparation of the Competitiveness Council on 9 and 10 June 2022*
Regulation establishing a framework of measures for strengthening
Europe's semiconductor ecosystem (Chips Act)
Policy debate

Delegations will find attached a note from the Presidency on the Regulation establishing a framework of measures for strengthening Europe's semiconductor ecosystem (Chips Act) with a view to the policy debate at the Competitiveness Council on 9 June 2022.

Regulation establishing a framework of measures for strengthening Europe's semiconductor ecosystem (Chips Act)*Policy debate***Presidency note****Introduction**

Following the conclusions of the European Council of June 2019¹, calling in particular for the Union's digital sovereignty to be guaranteed, the European Commission has made the digital transition one of the key pillars of its mandate. The Commission also presented an industrial strategy in March 2020 and updated it in May 2021. The different tools proposed aim to strengthen resilience, to enable European industry to lead the green and digital transformation, and to boost the EU's competitiveness. To achieve these ambitions, the Commission also proposed on 15 September 2021 a draft Decision of the European Parliament and of the Council establishing the 2030 Policy Programme entitled 'Path to the Digital Decade'². In this draft it sets in particular the target of producing 20 % of the value of global semiconductor production in the EU by 2030. The Council adopted its negotiating mandate³ on this draft on 11 May and reiterated this target.

In this respect, the Commission presented an initiative on semiconductors on 8 February 2022 consisting of:

- a Commission communication entitled 'A Chips Act for Europe'⁴;

¹ EUCO 9/19

² 11900/21

³ 9011/22

⁴ 6169/22

- a proposal for a Regulation of the European Parliament and of the Council establishing a framework of measures for strengthening Europe’s semiconductor ecosystem⁵;
- a proposal for a Council Regulation amending Regulation (EU) 2021/2085 establishing the Joint Undertakings under Horizon Europe, as regards the Chips Joint Undertaking⁶;
- a Commission recommendation to Member States to advance the implementation of some of the package’s measures.

It also published a Commission Staff Working Document⁷ on 11 May, summarising the objective of the proposal and the methods, criteria and policy options chosen by the Commission.

Strengthening the semiconductor value chain

The supply of semiconductors is essential for a very wide range of industries, including some with strategic activities such as the automotive, industrial equipment, health, embedded artificial intelligence and defence industries. The current global shortage of electronic components and its impact on supplies of various goods such as vehicles, medical devices, payment cards and consumer electronics highlights the critical importance of these components for our value chains. In addition, mastering the technical advances made possible by electronic technologies, such as improving the performance of electric vehicles, is a growing geo-strategic challenge for Europe. European industry manufactures many types of high-tech products, of which electronic components are essential components. As the digital transformation speeds up and enters every part of society, the need for electronic components is set to increase and become more widespread in more and more sectors, opening up new market opportunities but also greater sensitivity to disruptions to supply in sufficient quality and quantity.

⁵ 6170/22 + ADD 1

⁶ 6171/22

⁷ 8799/22

At the same time, the Union, which accounts for more than 20 % of global GDP, holds a share of the global semiconductor production market of less than 10 % and is highly dependent on suppliers established in third countries. The COVID-19 pandemic has also highlighted the fragility of the ecosystem in its ability to respond to demand, both in Europe and in other parts of the world with significant shortages of electronic components. Global semiconductor shortages have forced the closure of factories in a wide range of sectors, from cars to healthcare devices. In the automotive sector, for example, production fell by one third in some Member States in 2021. This has made the global dependence of the semiconductor value chain on a very limited number of actors in a complex geopolitical context more evident.

The draft Chips Act

The aim of the draft Chips Act is to strengthen the European ecosystem, including production, to increase the EU's security of supply of semiconductors and to develop new markets for cutting-edge European technologies. It aims in particular to limit the risks of future shortages or tensions in supplies of semiconductors in Europe and to limit the consequences where necessary. The initiative is intended to cover the whole value chain from design to manufacturing capacities, which will contribute to European industrial resilience. Finally, the draft regulation aims to structure a European approach to this issue, which should contribute to strengthening the internal market.

In order to achieve these objectives, the proposal is based on three pillars:

- pillar 1: setting up the Chips for Europe Initiative to support technology capacity building and large-scale innovation across the EU to enable the development and deployment of cutting-edge and next generation semiconductor and quantum technologies that will strengthen the EU's capabilities and competences in advanced design, systems integration and component production;

- pillar 2: creating a framework to ensure security of supply by attracting increased investment and production capacity in semiconductor manufacturing as well as in packaging and advanced testing and assembly through first-of-a-kind integrated production facilities and European open foundries;
- pillar 3: establishing a mechanism for coordinating surveillance and crisis response between Member States and the Commission to strengthen collaboration with and between Member States, monitor the supply of semiconductors, estimate demand, anticipate shortages, trigger the activation of a crisis phase and deploy a dedicated toolbox.

Progress of work in the Council

In addition to presenting the initiative at the Competitiveness Council on 24 February 2022, the Presidency started the examination of the draft Chips Act during the semester. It reported on the progress made in the progress report⁸ it presented to Ministers. Given the importance of the proposal, it is necessary to obtain guidance from Ministers on this draft regulation with a view to facilitating further work in the Council's preparatory bodies.

⁸ 9177/22

Points for discussion

On this basis, Ministers are invited to an exchange of views on the following questions:

- *Do you consider that coordinated and rapid European action is needed to address current supply difficulties for semiconductors and anticipate future difficulties?*
 - *Do you think that the actions proposed by the European Commission on semiconductors offer relevant levers to strengthen short- and long-term production capacities in Europe and increase the resilience of its supplies? Furthermore, do you consider that they provide solutions to boost the transfer of innovations from the European research ecosystem to industry?*
-