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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on Competitiveness and Growth (Industry)
Subject:	Proposal on Chips Act 2.0 - Recital-article correlation table

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**This correlation table has been prepared solely as a working document to facilitate discussions within the Working Party. It is of a preliminary and indicative nature only, has no legal status or binding effect, and is without prejudice to the interpretation of the legal proposal*

Correlation table – recitals v articles

RECITALS	**Corresponding Article**
(1) Regulation (EU) 2023/1781 of the European Parliament and of the Council29 establishing a framework of measures for strengthening Europe's semiconductor ecosystem and amending Regulation (EU) 2021/694 (Chips Act) established a comprehensive framework at Union level to support the semiconductor ecosystem, with a view to strengthening the Union's technological capacity, enhancing resilience and ensuring security of supply.	- Not Article-specific - Refers to Chips Act 1.0
(2) The evaluation [footnote 30] of the Regulation (EU) 2023/1781 shows that it has enabled the mobilisation of significant public and private investment, the deployment of advanced infrastructures and the establishment of coordination and crisis preparedness mechanisms, thereby contributing to improved cooperation across Member States and to the functioning of the internal market. The evaluation has shown that Regulation (EU) 2023/1781 has served as a catalyst for a coordinated Union approach to semiconductors, strengthening research and innovation capacities, proving access to technological infrastructures, putting in place a framework for manufacturing capacity, as well as a crisis and response mechanism to anticipate potential disruptions. At the same time, the evaluation has identified structural shortcomings and persisting challenges that limit its effectiveness in addressing evolving industrial and economic needs.	- Not Article-specific - Refers to Chips Act 1.0's evaluation
(3) While the framework established by Regulation (EU) 2023/1781 has proven effective in supporting innovation and early-stage capacity, the transition from technological development to large-scale industrial deployment remains at an early stage. Long investment cycles, structural dependencies in critical segments of the value chain, and constraints in scaling up production	- Not Article-specific - Refers to Chips Act 1.0's evaluation

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continue to affect the Union's capacity to achieve a resilient and competitive semiconductor ecosystem.	
(4) In addition, the evaluation has shown that limited availability of private capital, in particular for later-stage financing, and structural features of financial markets constrain the growth and scaling of Union semiconductor undertakings. At the same time, fragmentation of demand across industrial sectors, limited market scale, and insufficient coordination among purchasers reduce the commercial viability of manufacturing investments and risk underutilisation of emerging capacities.	- Not Article-specific - Refers to Chips Act 1.0's evaluation
(5) Moreover, the semiconductor sector has become a cornerstone of the Union's economic stability, technological sovereignty, and security. The accelerating integration of advanced digital technologies, most notably artificial intelligence (AI), has significantly increased global demand for semiconductors, while simultaneously intensifying competition across international markets. Those developments have exposed structural vulnerabilities in the Union's semiconductor supply chains, including dependencies on limited external suppliers, insufficient domestic production capacity, and fragmentation across Member States.	- Not Article-specific - Refers to Chips Act 1.0/evaluation/IA
(6) The growing prominence of AI applications, in particular, has led to a surge in demand for highly specialized chips, such as advanced logic and memory semiconductors, which are critical for training and deploying complex AI models. This trend is expected to continue, amplifying existing supply-demand imbalances and placing additional strain on already fragile global supply chains. At the same time, geopolitical tensions, export restrictions, and disruptions linked to global crises have further underscored the risks associated with excessive reliance on third country manufacturing and limited diversification.	- Not Article-specific - Refers to Chips Act 1.0/evaluation/IA
(7) In light of those developments, it is necessary to reinforce and complement the framework established by Regulation (EU) 2023/1781 in order to support the transition from innovation to industrial scale, to enhance resilience and economic security, and to ensure the effective functioning of the internal market. Therefore, Regulation (EU) 2023/1781 should be repealed and replaced by this Regulation.	- Not Article-specific - Refers to Chips Act 1.0/evaluation/IA

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(8) Since this Regulation reinforces and complements the framework established by Regulation (EU) 2023/1781 without altering its fundamental objectives, the legal bases underpinning that framework remain unchanged.	- Not Article-specific
(9) Therefore, this Regulation should also be based on Article 173(3) of the Treaty on the Functioning of the European Union (TFEU) in order to allow the Union to take measures to further maintain and build capacity and strengthen its semiconductor ecosystem. Those measures should not entail the harmonisation of national laws and regulations. In that regard, the Union should reinforce the competitiveness and resilience of the semiconductor technological and industrial base, whilst strengthening the innovation capacity of its semiconductor ecosystem across the Union, reducing dependence on a limited number of third-country undertakings and geographies, and strengthening its capacity to design and produce, package, reuse and recycle advanced EN 23 EN semiconductors. The Chips for Europe Initiative first established by Regulation (EU) 2023/1781 should keep supporting those aims under this Regulation by further stepping up efforts beyond bridging the gap between the Union's advanced research and innovation capabilities and their sustainable industrial exploitation, and by ensuring the effective translation of such capabilities into industrial-scale production and market deployment within the Union. The Chips for Europe Initiative 2.0 should continue promoting capacity building to enable design, production and systems integration in next-generation semiconductor technologies, and should continue supporting collaboration among key players across the Union, strengthening the Union's semiconductor supply and value chains, serving key industrial sectors and creating new markets.	- Not Article-specific - Legal basis
(10) In addition, and in order to ensure the effective functioning of the internal market, this Regulation should contribute to establishing a coherent Union framework approximating certain conditions and coordination mechanisms, in accordance with Article 114 TFEU. Such a framework is necessary to prevent obstacles to the functioning of the internal market, reduce fragmentation and ensure a consistent and effective response to supply chain risks, while remaining consistent with Union law and international obligations. This is particularly critical taking into account that	- Not Article-specific - Legal basis

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semiconductors are a foundational technology underpinning a wide range of economic activities and critical infrastructures across the Union. In a context of heightened geopolitical tensions, strategic global competition and increasing economic security considerations, the semiconductor ecosystem has become a key factor for the stability and functioning of the internal market. The semiconductor sector is characterised by complex cross-border interdependencies across the value chain, with highly specialised activities concentrated in different geographies, while downstream user industries are widely distributed across the Union. Those characteristics mean that disruptions, restrictions or distortions affecting semiconductor supply chains are likely to have significant cross-border effects and to impact the functioning of the internal market. Divergent national measures aimed at addressing such risks may create fragmentation, distort competition and undermine the level playing field within the internal market, particularly given the integrated nature of production and distribution networks. Therefore, the objectives of ensuring the resilience, security and proper functioning of semiconductor supply chains within the Union cannot be sufficiently achieved by the Member States acting alone, but can be better achieved at Union level, by reason of their scale and cross-border effects.	
(11) The achievement of those objectives should continue being supported by the European Semiconductor Board, composed of representatives of the Member States and chaired by the Commission, to facilitate a smooth, effective, and harmonised implementation of this Regulation, cooperation, and the exchange of information. The European Semiconductor Board should provide advice to and assist the Commission on specific questions, including the consistent implementation of this Regulation, facilitating cooperation among Member States, and exchanging information on issues relating to this Regulation. The European Semiconductor Board should also advise the Commission on international cooperation related to semiconductors, including strategic partnerships on semiconductors and on information gathering tasks. Meetings may include different subgroups	- Article 44

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(12) Given the globalised nature of the semiconductor supply chain, international cooperation with third countries is an important element to achieve resilience of the Union's semiconductor ecosystem. The actions taken under this Regulation should also enable the Union to play a stronger role, as a centre of excellence, in a better functioning global, interdependent semiconductor ecosystem. Where relevant, the views of the Industrial Alliance for Semiconductors, which takes over the operations of the Industrial Alliance on Processors and Semiconductor Technologies, and of other stakeholders should be considered. In accordance with international obligations, the Union and Member States could engage, including diplomatically, with international strategic partners that have advantages in the semiconductor industry, with a view to seeking solutions to strengthen the security of supply and to address future disruptions of the semiconductor supply chain, such as those resulting from third-country export restrictions, and to identify the availability of raw materials and intermediate products. The Commission and Member States should coordinate their international efforts, notably with support of the European Semiconductor Board. This may involve, where appropriate, coordination in relevant international fora, concluding investment and trade agreements, or other diplomatic efforts or engagement with relevant stakeholders.	- Article 49
(13) Strengthening the Union's critical infrastructure, security, industrial base and technological leadership requires secure and reliable access to both leading-edge and mainstream semiconductor technologies, including processors, memory, analogue, power, sensor, radiofrequency and connectivity chips, which are essential for futureproofing strategic sectors such as energy, defence, automotive, aviation, telecommunications, healthcare, cloud computing, and industrial automation. The Union possesses strong capabilities across a broad range of mature nodes, including in automotive-grade, power-efficient and secure chips, and should continue to reinforce its competitiveness, resilience, and strategic autonomy throughout the semiconductor value chain.	- Not Article-specific
(14) The semiconductor industry entails substantial investment requirements, both for research, development and innovation activities and for the construction of cutting-edge facilities dedicated	- Pillar I

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to testing and validation in support of industrial-scale production. Those cost-intensive characteristics have a direct bearing on the Union's capacity to compete and innovate, and affect the security of supply and overall resilience of its semiconductor ecosystem. At the same time, the Union's competitiveness and resilience depend on the continued availability and development of mainstream and mature semiconductor technologies, including analogue, power, sensor, connectivity, automotive-grade and aeronautical-grade chips, which remain indispensable across strategic industrial value chains and critical infrastructures. In the current context of increased global competition, geopolitical tensions, and structural supply chain vulnerabilities, semiconductors have become a strategic asset underpinning the Union's economic security, technological leadership, and industrial resilience. In light of the lessons learnt from past shortages and supply chain disruptions in the Union and worldwide, as well as export restrictions or regulatory actions by third countries and the rapid evolution of technology challenges and innovation cycles affecting the semiconductor value chain, it is necessary to reinforce the Union's existing strengths, including its leading position in several mainstream semiconductor segments, thus increasing market uptake, competitiveness, resilience, research and innovation capacity by further reinforcing the Chips for Europe Initiative.	- Not Article-specific but related to the Chips for Europe Initiative
(15) The enhanced Chips for Europe Initiative 2.0 should take into account the experience already gained through the implementation of the Chips for Europe Initiative in order to continue and reinforce it with a view to addressing remaining structural weaknesses and to responding to emerging strategic needs. In particular, it is necessary to step up efforts to ensure that the Union's advanced research and innovation capabilities effectively translate into industrial deployment, scale-up and production at commercial scale within the Union.	- Pillar I - Not Article-specific - Related to the Chips for Europe Initiative 2.0
(16) Member States are primarily responsible for sustaining a strong Union industrial, competitive, sustainable and innovative base. However, the nature and scale of the research and innovation challenges in semiconductors requires action to be taken collaboratively at Union level. In order to equip the Union with the semiconductor technology research and innovation capacities needed to	- Pillar I - Main part of the recital not Article-specific

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maintain the leading role of its research and industrial investments at the leading edge and building on the experience gained and lessons learnt from the implementation of the Chips for Europe Initiative, it is necessary to further strengthen and extend those capacities to ensure their effective industrial deployment, scale-up, and production at commercial scale within the Union. **To this end, the Union and Member States should continue coordinating their efforts and co-invest**.	- Last **highlighted** part is related to Article 3(2)
(17) In light of increased global competition, geopolitical tensions, and the risk of disruptions of the semiconductor supply chain, including those arising from regulatory measures adopted by third countries that may affect access to critical semiconductor technologies and related inputs, reinforcing the Union's capacity to develop, produce, and deploy such technologies within its territory has become a strategic priority for the Union's competitiveness, economic security, and technological sovereignty, as highlighted in the report by Mario Draghi entitled 'The future of European competitiveness'. These challenges of the Union's semiconductor ecosystem call for the achievement of large-scale capacity and require a collective effort by Member States, with the Union supporting the development and deployment of large-scale capacity across the full innovation and industrial value chain, including pilot lines, manufacturing scale-up, and commercial deployment, thereby ensuring the effective translation of research excellence into industrial leadership and sustainable production capacity within the Union.	- Pillar I - Not Article-specific - Related to the Initiative 2.0
(18) As concluded in the evaluation of Regulation (EU) 2023/1781, the instruments put in place by the Chips for Europe Initiative provided for by that Regulation, namely the design platform, pilot lines, quantum chips pilots, and the diffusion of knowledge, the EU Chips Skills Academy under the Alliances for Sectoral Cooperation on Skills and the Pact for Skills, and competences for the benefit of the entire semiconductor ecosystem are fit for purpose and should continue being supported under this Regulation. Those efforts should also contribute to the Union's broader objective of strengthening its long-term competitiveness, innovation capacity, and industrial base, including through synergies with future Union programmes supporting research and innovation and industrial deployment, such as the proposed successor framework programme to Horizon Europe – the	- Pillar I - not Article-specific - relates to evaluation and future ECF/FP10

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Framework Programme for Research and Innovation established by Regulation (EU) 2021/695 of the European Parliament and of the Council33 (Horizon Europe) (FP10), and the proposed European Competitiveness Fund34, while the Chips for Europe Initiative 2.0 should throughout all components and actions, to the extent possible, mainstream and maximise the benefits of the application of semiconductor technologies as powerful enablers, for instance, for the sustainability transition that can lead to new products and more efficient, effective, clean, and durable use of resources, including energy and materials necessary for the production and whole lifecycle use of semiconductors.	
(19) In order to achieve its general objective and address both the supply and demand side challenges of the current semiconductor ecosystem, and building on the experience gained and lessons learnt from the implementation of Regulation (EU) 2023/1781, which demonstrated the continued need to strengthen the Union's capacity not only in research and innovation but also in industrial deployment and manufacturing scale-up, the Chips for Europe Initiative 2.0 should keep supporting and further enhancing the five operational objectives put in place under Regulation (EU) 2023/1781. It should also introduce a new operational objective aimed at strengthening the Union's capabilities in photonic technologies and support 'grand challenges' as instruments to support large-scale, cross-sectoral initiatives addressing major technological and industrial challenges of strategic relevance for the Union. **The primary implementation of the Chips for Europe Initiative 2.0 should continue being entrusted to the Chips Joint Undertaking and, where applicable, to the joint undertaking or any other similar entity or initiative succeeding it established by Union law under a subsequent Multiannual Financial Framework**.	- Pillar I - Article 3 - **highlighted part:** Article 12(1)
(20) First, the Chips for Europe Initiative 2.0 should reinforce the Union's design capacity. To that end, it should keep supporting the virtual design platform set up under the Chips for Europe Initiative to connect the communities of design houses, start-ups, small and medium-sized enterprises (SMEs) and IP and tool suppliers and research and technology organisations to provide	- Pillar I - Article 4(2)(a) and Article 5(a) - Annex I

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virtual prototype solutions based on co-development of technology, and to facilitate the transition from design to industrial production and commercial deployment within the Union.	
(21) Second, in order to provide the basis for strengthening the security of supply and the Union's semiconductor ecosystem, the Chips for Europe Initiative 2.0 should keep supporting the enhancement of existing and development of new advanced pilot lines to enable development and deployment of cutting-edge semiconductor technologies and next-generation semiconductor technologies. The pilot lines should provide industry with a facility to test, experiment, and validate semiconductor technologies as well as system design concepts, while reducing environmental impacts as much as possible, in order to accelerate their transition to industrial-scale semiconductor manufacturing within the Union. Investments from the Union, alongside with Member States and the private sector, in pilot lines remain necessary to address persistent structural challenges and market failures, including insufficient availability of industrial-scale testing, validation, and semiconductor manufacturing scale-up capacities in the Union, which continue to hinder innovation, industrial deployment, and global competitiveness.	- Pillar I - Article 4(2)(b) and Article 5(b) - Annex I
(22) Third, in order to accelerate the innovative development of quantum chips and associated semiconductor technologies, including those based on semiconductor material or integrated with photonics, conducive to the development of the semiconductor sector, the Chips for Europe Initiative 2.0 should support actions, including on design libraries for quantum chips, pilot lines for building quantum chips and facilities for testing and validating quantum chips produced by the pilot lines with a view to enabling their industrial deployment and strengthening the Union's technological leadership in emerging semiconductor technologies.	- Pillar I - Article 4(2)(c) and Article 5(c) - Annex I
(23) Fourth, in order to promote the use of semiconductor technologies, to provide access to design and pilot line facilities, and to address skills gaps across the Union, the Chips for Europe Initiative 2.0 should continue providing Member States with the possibility to support at least one competence centre on semiconductors in each Member State, by enhancing existing centres or creating new facilities.	- Pillar I - Article 4(2)(d) and Article 5(d) - Annex I

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(24) Fifth, photonics and photonic integrated circuits are key enabling technologies for a wide range of strategic sectors, including telecommunications, data centres, artificial intelligence, sensing, healthcare, automotive, aeronautical and quantum technologies. They enable high-speed data transmission, energy-efficient processing, and advanced sensing capabilities, and are therefore critical to the Union's technological leadership, competitiveness, and security of supply. The Union has established strong research and innovation capabilities and holds leading positions in several segments of the photonics value chain. However, further efforts are needed to strengthen the Union's capacity to design, prototype, industrialise, and manufacture photonic integrated circuits and associated photonic semiconductor technologies at scale. To advance technology development in photonics and photonic integrated circuits, it is therefore necessary to support the development of design libraries and design tools, strengthen production technologies and material platforms, and reinforce pilot lines and openaccess manufacturing facilities across multiple material platforms. Those actions should facilitate prototyping, testing, validation and industrial uptake, including through advanced integration and packaging technologies, and contribute to strengthening the Union's photonics ecosystem, enhancing its technological sovereignty, and accelerating the industrial deployment of innovative photonic technologies across the Union.	- Pillar I - Article 4(2)(e) and Article 5(e) - Annex I
(25) Sixth, the Commission should continue supporting the 'Chips Fund', that is to say, a dedicated semiconductor investment facility designed to strengthen the European semiconductor ecosystem by supporting start-ups, scale-ups, and SMEs proposing both equity and debt solutions, including a blending facility under the InvestEU Fund established by Regulation (EU) 2021/523 of the European Parliament and of the Council35, and, if applicable, any other relevant investment scheme under the Multiannual Financial Framework 2028-2034, in close cooperation with the European Investment Bank Group and together with other implementing partners such as national promotional banks and institutions. The Chips Fund activities should support the development of a dynamic and resilient semiconductor ecosystem by providing opportunities for increased availability of funds to support the growth of start-ups and SMEs as well as investments across the	- Pillar I - Article 4(2)(f) and Article 5(f) - Annex I

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semiconductor value chain, including for other companies in the semiconductor value chain. In this regard, support and clear guidance should be provided, in particular to SMEs, with the aim of assisting them in the application process. In that context, the European Innovation Council is expected to provide further dedicated support through grants and equity investments to high risk, market creating innovators.	
(26) In order to further strengthen the Union's technological leadership and industrial competitiveness in semiconductors, it is appropriate to introduce the concept of 'grand challenges' as part of the Chips for Europe Initiative 2.0. Those grand challenges should focus on the development, integration and industrial deployment of promising and critical semiconductor and related technologies of key importance for the Union. Grand challenges should support advanced research and development activities aimed at enabling the next generation of semiconductor technologies, including those underpinning AI, cloud, data centres and edge infrastructures, with a particular focus on enhancing energy efficiency, securing capacities in leading-edge technologies and reinforcing the Union's manufacturing strengths. They should also address key technological roadblocks, including challenges related to miniaturisation, energy efficiency, sustainability, heterogeneous integration, security, reliability and manufacturability. In order to maximise their impact, grand challenges should contribute to strengthening the semiconductor ecosystem across the Union by fostering collaboration along the semiconductor value chain, including with relevant vertical sectors. In particular, they should support structured cooperation between semiconductor developers and user industries, with a view to achieving a competitive edge in applications critical for the Union's technological sovereignty and industrial base. Finally, grand challenges should further ensure the integration and alignment of efforts across existing infrastructures, including pilot lines, and promote their orientation towards industrial use. They should facilitate the transfer, maturation and uptake of technologies developed under the Chips for Europe Initiative 2.0, including through activities related to prototyping, testing, validation, demonstration, initial industrial deployment and integration into production environments.	- Pillar I - Article 7 - Annex I

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(27) Competence centres should contribute to maintaining the Union's lead with regard to chip research, development and innovation and design capabilities. The promotion of human potential and skills through education in science, technology, engineering and mathematics subjects up to the postdoctoral level is crucial for achieving that objective. In particular, competence centres should provide services to the semiconductor stakeholders, including start-ups and SMEs. Examples include facilitating access to pilot lines and to the virtual design platform, providing training and skills development, support to finding investors, making use of existing local competencies or reaching out to the relevant verticals. The services should be provided on an open, transparent and non-discriminatory basis. Each competence centre should connect and be part of the European network of competence centres in semiconductors and should act as an access point to other nodes of the network. In that regard, synergies with existing similar structures, such as European Digital Innovation Hubs set up under the Digital Europe Programme established by Regulation (EU) 2021/694 of the European Parliament and of the Council36, should be maximised. For example, Member States could designate an existing European Digital Innovation Hub focused on semiconductors as a competence centre for the purposes of this Regulation, provided that the prohibition of double financing is not breached.	- Pillar I - Article 6 - Annex I
(28) To facilitate access to technical expertise and ensure dissemination of knowledge across the Union, as well as support to diverse skills initiatives, the network of competence centres established under the Chips for Europe Initiative should continue being supported under the Chips for Europe Initiative 2.0. To that end, the Chips Joint Undertaking established by Council Regulation (EU) 2021/208537 should establish the procedure for continuing the support for competence centres, including the selection criteria, as well as further details on the implementation of the tasks and functions referred to in this Regulation. The competence centres forming the network should be selected by the Chips Joint Undertaking and should have substantial overall autonomy to lay down their organisation, composition, and working methods. However, their organisation,	- Pillar I - Article 6 - Annex I

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composition, and working methods should comply with and contribute to the objectives of this Regulation.	
(29) Skills and education related work that is being carried out by the Union is fundamental to further flourishing the Union's semiconductor ecosystem. For that purpose, the STEM Education Strategic Plan38 and its actions should be leveraged, and initiatives like the Pact for Skills39, Skills Academies40 , joint European study programmes41 , the Skills Portability Initiative42 and the European Universities Alliances43 should contribute to the development of specific actions for the semiconductor sector. Similarly, in order to attract external talent to the Union, synergies with initiatives that facilitate international recruitment like the EU Talent Pool44 should be explored.	- Pillar I - Article 6(2)(b), (d), (e) - Annex I
(30) Access to publicly funded infrastructure, such as pilot and testing facilities, and to the competence centres, should be open to a wide range of users and should be granted on a transparent and non-discriminatory basis and on market terms (or cost plus reasonable margin basis) for large undertakings, while SMEs and academic institutes may benefit from preferential access or reduced prices thereby facilitating broader participation in semiconductor innovation and supporting the development and diffusion of industrial capabilities across the Union. Moreover, the research and innovation activities under the Chips for Europe Initiative 2.0, including technology infrastructures, should also be to the benefit of the defence sector, without prejudice to further activities for the development of defence products and technologies that may take place under Regulation (EU) 2025/2643.	- Pillar I - not Article-specific - Applies to all Pillar I infrastructure
(31) The success of the Chips for Europe Initiative 2.0 can only be built on a collective effort of Member States and the Union to support the significant capital costs, to widen the availability of resources for virtual design, testing and piloting, and the diffusion of knowledge, skills and competences. Where appropriate, in view of the specificities of the actions concerned, the objectives of the Chips for Europe Initiative 2.0, in particular the Chips Fund activities, should also be supported through a blending facility under the InvestEU Fund. Support from the Chips for Europe Initiative 2.0 should be used to address, in a proportionate and cost-effective manner,	- Pillar I - Article 4(2)(f) and Article 5(f) - Annex I

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market failures or sub-optimal investment situations as a consequence of high capital intensity, high risk, and complex landscape of the semiconductor ecosystem and actions should not duplicate or crowd out private financing or distort competition in the internal market. Actions should have a clear added value throughout the Union.	
(32) Moreover, the Chips for Europe Initiative 2.0 should continue building upon the strong knowledge base and enhance synergies with actions currently supported by the Union and Member States through programmes and actions in research and innovation in semiconductors and in developments of part of the value chain, in particular Horizon Europe and the Digital Europe Programme with the aim to reinforce the Union as global player in semiconductor technology and its applications, with a growing global share in manufacturing, in accordance with Commission communication entitled '2030 Digital Compass: the European way for the Digital Decade'. Furthermore, private investments are expected to be mobilised to complement the funding of the Chips for Europe Initiative 2.0 contributing to achieving its objectives. Complementing those activities, the Chips for Europe Initiative 2.0 would closely collaborate with other relevant stakeholders, including with the Industrial Alliance for Semiconductors.	- Pillar I - Article 3
(33) Research and development (R&D) within the Union is increasingly exposed to practices aiming to misappropriate confidential information, trade secrets, and protected data, such as IP theft, forced technology transfers and economic espionage. In order to prevent adverse impacts on the interests of the Union and the objectives of the Chips for Europe Initiative 2.0, it is necessary to adopt an approach to ensure that the access to and use of commercially sensitive information or results, including data and know-how, security and transfer of ownership of results as well as content protected by IP rights generated in connection to or as a result of actions supported by the Chips for Europe Initiative 2.0, are protected. To ensure that protection, any actions supported by the Chips for Europe Initiative 2.0 and funded by Horizon Europe and the Digital Europe Programme, as well as their successors under a subsequent Multiannual Financial Framework, should follow the relevant provisions of those programmes, such as on participation of entities established in third	- Pillar I - not Article-specific

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countries associated with the programme, grant agreements, ownership and protection, security, exploitation and dissemination, transfer and licensing, and access rights. It is possible to set specific provisions when implementing those programmes, in particular with regard to limitations to transfers and licensing in accordance with Article 40(4) of Regulation (EU) 2021/695, and limitation of participation of legal entities established in specified associated or other third countries due to reasons based on the Union's and the Member States' strategic assets, interests, autonomy or security, in accordance with Article 22(5) of Regulation (EU) 2021/695 and Article 12(6) of Regulation (EU) 2021/694. Additionally, the handling of commercially sensitive information, security, confidentiality, protection of trade secrets and IP rights should be governed by Union law, including Directives (EU) 2004/48/EC and (EU) 2016/94346 and of the European Parliament and of the Council, and national law. It is possible for the Commission and the Member States to protect technology transfers for reasons related to Union and national security interests in relation to investments made in facilities falling within the scope of this Regulation in accordance with Regulation (EU) 2019/452 of the European Parliament and of the Council.	
(34) In order to strengthen the uptake of semiconductors designed in the Union, manufactured in the Union, or both, across industrial value chains, it is necessary to promote closer linkages between semiconductor supply and downstream industrial demand, while remaining consistent with the Union's international obligations and competition rules. In particular, enhanced coordination between semiconductor technology providers and users should facilitate the identification of aggregate demand, the development of common technical requirements, and the development of solutions tailored to Union industrial needs. Such coordination is especially relevant in key sectors such as cloud computing, automotive, aeronautical, telecommunications, defence and robotics, which are characterised by high-performance, security, reliability, and energy-efficiency requirements, and where semiconductors constitute a critical enabling technology for innovation, digital transformation, and strategic autonomy. In those sectors, early engagement of users in the design and development phase can significantly reduce time-to-market, improve	- Pillar I - Article 8

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system integration, and ensure that semiconductor solutions are fit for purpose and aligned with evolving industrial standards and operational constraints. To that end, the Commission should, in cooperation with Member States and relevant stakeholders, put in place the necessary conditions for the Alliance for Semiconductor to facilitate industrial matchmaking, codesign activities and collaborative initiatives, including through a demand forum, with a view to bridging the gap between supply and demand, fostering innovation ecosystems and accelerating the deployment of semiconductor-based solutions within the Union, in compliance with Union competition rules and in a manner consistent with the Union's international obligations. For semiconductors used in defence and space sectors, which are highly specialised and must operate reliably in extreme and hostile environments, the Commission should continue to coordinate the activities within the EU Observatory of Critical Technologies for space and defence.	
(35) In the space and defence sector, activities aimed at identifying gaps, vulnerabilities and needs will continue within the already established EU Observatory of Critical Technologies (OCT). Specific EU technology roadmaps for space and defence, including semiconductors, responding to the OCT and covering research, innovation and industrialisation, will inform the EU work programme for space and defence development activities.	Not Article-specific
(36) The demand forum should allow potential offtakers of semiconductor technologies to express their needs and expected specifications from an aggregated or industry-wide perspective, while enabling European semiconductor technology initiatives and strategic projects to present their technological capabilities and proposed solutions. Demand accelerator measures should facilitate collaborative platforms, pilot projects and design partnerships, enabling the early validation and deployment of innovative semiconductor solutions within the Union. They can also contribute to growth of innovative ecosystems and facilitate the emergence of lead markets in key sectors, thereby enhancing the Union's industrial competitiveness and technological sovereignty. All activities carried out under the demand forum and demand accelerator measures should be implemented in full compliance with Union competition law and other relevant provisions of Union	- Pillar I - Article 9

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law, ensuring that cooperation between undertakings does not lead to distortions of competition or the exchange of commercially sensitive information.	
(37) In order to foster the widespread deployment of systems integrating advanced semiconductor technologies within the Union, it is necessary to support targeted actions that enhance cooperation and innovation. In particular, facilitating the formation of cross-border joint procurement arrangements between contracting authorities or entities can help aggregate demand, reduce market fragmentation, and enable more efficient investment in complex and costly semiconductor-based systems. At the same time, supporting the integration and deployment of innovative semiconductor technologies is essential to accelerate their uptake in key sectors, including digital infrastructure, artificial intelligence, and industrial applications, thereby strengthening the Union's technological capacity and competitiveness. To ensure the effective implementation of such actions, the Commission should provide technical and legal guidance to contracting authorities. This guidance should support contracting authorities in using security of supply, cybersecurity, resilience, energy efficiency, lifecycle performance, supply-chain transparency and Union added-value criteria when procuring systems integrating innovative semiconductor design and solutions, in compliance with applicable Union law and international obligations. In particular, it should promote pre-commercial procurement, innovation partnerships and joint procurement of procedures capable of creating early demand for trusted semiconductor technologies developed, produced or both, in the Union.	- Pillar I - Article 10
(38) In light of their importance for ensuring the security of supply and enabling a resilient semiconductor ecosystem, European semiconductor technology initiatives and strategic projects should be considered to be in the public interest. Ensuring the security of supply of semiconductors is also important for digitalisation, which enables the green transition of many other sectors. To attract investments to the Union's semiconductor sector and contribute towards security of supply of semiconductors and resilience of the Union's semiconductor ecosystem, Member States may apply support measures, including incentives, and provide for administrative support in national	Pillar II Article 13

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permit-granting procedures for European semiconductor technology initiatives. In the Multiannual Financial Framework 2028-2034, National and Regional Partnership Plans may constitute part of the support, subject to the provisions of those plans. The possibility of support by Member States should be without prejudice to the competence of the Commission in the field of State aid under Articles 107 and 108 TFEU, where relevant. To ensure the correct and efficient application of the State aid rules, in its communication 'A Chips Act for Europe'47, the Commission has already recognised the need for a case-by-case assessment regarding State aid granted to semiconductor production facilities with a view to safeguarding the Union's security of supply and supply-chain resilience while generating significant positive impacts on the wider economy. Furthermore, the procedures for the recognition as European semiconductor technology initiatives and for the authorisation of State aid, where applicable, should be conducted in parallel in order to accelerate the decision-making process. Member States should support the establishment of European semiconductor technology initiatives in accordance with Union law. When providing support measures for European semiconductor technology initiatives, Member States should consider setting non-discriminatory requirements related to intellectual property protection and security, including cyber-security, and confidentiality and could recommend mitigation measures to address specific risks related to the interference, forced technology transfers, and IP theft by entities from third countries.	
(39) In order to encourage the establishment of the necessary related design capabilities, Member States may provide support for such activities in accordance with State aid rules, including under framework for State aid for research and development and innovation48 or Commission Regulation (EU) No 651/201449.	Pillar II Article 13
(40) In order to encourage the establishment of the necessary manufacturing and related design capabilities, and thereby ensure the security of supply and strengthen the resilience of the Union's semiconductor ecosystem, public support may be appropriate, provided that this does not lead to distortions in the internal market. In that respect, it is necessary to harmonise certain conditions for	Pillar II Article 13

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operators to carry out specific projects at Union level that contribute to achieving the objectives of this Regulation and establish a framework for recognising European semiconductor technology initiatives.	
(41) European semiconductor technology initiatives should provide capabilities that are 'first-of-a-kind' in the Union and contribute to the indispensability, resilience, prosperity, competitiveness and security of supply of the Union's semiconductor ecosystem. The qualifying factor for being a 'first-of-a-kind' initiative is to bring an innovative element to the internal market regarding the manufacturing processes or the final product, which could be based on new or existing technology nodes, including mature and cutting-edge ones. An initiative providing an innovation with regard to the manufacturing process or final product which is similar to an innovation which already exists or is already planned in the Union may still be recognised as first-of-a-kind if it can be demonstrated that the initiative is necessary to ensure the Union's resilience and security of supply by reducing excessive strategic dependencies on imports from third countries. Any such initiative should be assessed based on its own merits, taking into account, for instance, relevant market analysis, the degree of concentration of the dependencies and the risk of creating a situation of overcapacity.	Pillar II Article 2(10) - definition of first-of-a-kind
(42) Relevant innovation elements in first-of-a-kind initiatives could relate to the technology node or substrate material, or approaches that lead to improvements in computing power or other performance attributes, energy efficiency, level of security, safety or reliability, as well as integration of new functionalities, such as AI, memory capacity or other. Integration of different processes leading to efficiency gains or packaging and assembly automation are also examples of innovation. With regard to environmental gains, innovation elements would include the reduction in a quantifiable way of the amount of energy, water or chemicals used, or improving recyclability.	Pillar II Article 2(10) - definition of first-of-a-kind
(43) In order to ensure public investments in European semiconductor technology initiatives and strategic projects lead to an actual increase in security of supply and resilience of the Union, undertakings applying for recognition or support under this Regulation should demonstrate that they will articulate their supply chain in a way that reduces supply chain dependence on non-domestic	Pillar II Article 14(2)

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undertakings. Such information should include, where applicable to the initiative's activities, the origin of the essential semiconductor manufacturing equipment and substrates and the extent to which procurement from third country undertakings is necessary due to technical performance considerations. In the case of front-end or back-end semiconductor manufacturing, undertakings should also indicate the other relevant front-end or backend manufacturing processes beforehand or afterwards linked to the investment taking place within and outside the Union.	
(44) In order to facilitate semiconductor manufacturing investments, public authorities should take into account the necessary enabling conditions for the sustainable operation of such facilities, including access to energy, water and other critical infrastructure resources. To support the long-term resilience and sustainability of the semiconductor ecosystem in the Union, appropriate consideration should be given to the expected resource needs and environmental impacts associated with such investments	Pillar II Article 14
(45) Where a European semiconductor technology initiative offers production capacity to undertakings not related to the operator of the facility, it should establish, implement and maintain adequate and effective functional separation in order to prevent the exchange of confidential information between internal and external production. This should apply to any information obtained in the design and in the front-end or backend manufacturing processes	P illar II Article 14(8)
(46) In order to qualify as a European semiconductor technology initiative, the establishment of the initiative by a domestic undertaking should have a clear positive impact with spill-over effects beyond the undertaking or the Member State concerned on the Union's semiconductor value chain in the medium to long term with a view to strengthening resilience, competitiveness and innovation of the semiconductor ecosystem, including the growth of start-ups and SMEs, and contributing to the Union's twin green and digital transitions. Moreover, following the same reasoning, participation in the Business-to-Business Semiconductor Supply Chain Platform ('the Platform') should be obligatory for production facilities – such as front-end and backend production facilities, but also other production facilities like for the production of semiconductor manufacturing equipment,	Pillar II Article 14(6)

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substrates or materials. This commitment serves the strengthening of the resilience, competitiveness and innovation of the semiconductor ecosystem's supply chains. Various activities of domestic undertakings aiming to create positive spill-over effects may be considered for the purpose of qualifying as European semiconductor technology initiatives. Examples include giving access to manufacturing facilities against a market fee; giving process design kits to smaller design companies or to the virtual design platform; disseminating results from their R&D activities; engaging in research collaboration with European universities and research institutes; cooperating with national authorities or educational and vocational institutions to contribute to skills development; contributing to Union-wide research projects; or offering dedicated support opportunities for start-ups and SMEs. The impact on several Member States, including with regard to cohesion objectives, should be considered as one of the indicators of a clear positive impact of a European semiconductor technology initiative on the semiconductor value chain in the Union.	
(47) In order to ensure legal clarity and consistent application of this Regulation, it is necessary to clarify the conditions under which an undertaking may be recognised as a European semiconductor technology initiative. Experience with the implementation of the framework for integrated production facilities and open EU foundries under Regulation (EU) 2023/1781 has shown that uncertainties have arisen among undertakings and Member States as to whether the status of a semiconductor technology facility is conditional upon the receipt of public support. It should therefore be explicitly clarified that, while an application for such status should relate to a first-of-a-kind initiative, the granting of the status should not be dependent on the receipt of support measures or administrative assistance. Consequently, first-of-a-kind initiatives may obtain the status of a European semiconductor technology initiative irrespective of whether they benefit from public funding, provided that they comply with the relevant requirements set out in this Regulation.	Pillar II Article 14(5)
(48) It is important that European semiconductor technology initiatives are not subject to extraterritorial application of public service obligations imposed by third countries that could undermine their ability to use or re-export the final product stemming from their infrastructure,	Pillar II Article 14(6)(b)

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software, services, facilities, assets, resources, IP or know-how needed to fulfil their obligations under this Regulation, in particular those related to security of supply.	
(49) In light of the fast development of semiconductor technologies and to strengthen the future industrial competitiveness of the Union, European semiconductor technology initiatives should invest in the Union in continued innovation with a view to achieving concrete advances in semiconductor technology or preparing next-generation technologies. Such initiatives should be able to test and experiment new developments through preferential access to the pilot lines established under the Chips for Europe Initiative in Regulation (EU) 2023/1781 and the Chips for Europe Initiative 2.0 through fast-tracked applications. Any such preferential access should neither exclude nor prevent effective access on fair terms to the pilot lines by other interested undertakings, in particular start-ups and SMEs. Taking into account the importance of a qualified and skilled workforce to achieve the objectives of this Regulation, European semiconductor technology initiatives should support the Union talent pipeline by developing and deploying educational and skills training and by increasing the pool of qualified and skilled workforce.	Pillar II Article 14(6)(c)
(50) To allow for a uniform and transparent procedure to attain the status as a European semiconductor technology initiative, the decision to grant this status should be adopted by the Commission following the application by an individual undertaking or a consortium of several undertakings. The status should be open for both the installation of a new semiconductor manufacturing initiative and the significant scale-up or innovative transformation of an existing semiconductor manufacturing initiative. To account for the importance of a coordinated and cooperated implementation of the planned facility, where relevant, the Commission should take into account in its assessment the readiness of one or more Member States where the applicant intends to establish its initiatives to support the establishment of such initiatives. Furthermore, when assessing the viability of the business plan, the Commission could take into account the overall record of the applicant as well as the existence of appropriate measures to protect intellectual property and commercially sensitive information.	Pillar II Article 15

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(51) In light of the rights attached to recognition as a European semiconductor technology initiative, the Commission should monitor whether initiatives that have been granted that status continue to comply with the requirements set out in this Regulation. If this is no longer the case, the Commission should have the right to re-examine and, if necessary, repeal the status and, accordingly, the rights attached to that status. Any decision to repeal that status should be taken only after consulting the European Semiconductor Board and should be properly reasoned. Correspondingly, the undertaking operating a European semiconductor technology initiative should have the possibility to proactively request a review of the duration of the status or implementation plans where unforeseen external circumstances, such as serious disturbances with a direct economic impact on the recognised initiative, could have an impact on its ability to comply with the applicable criteria.	Pillar II Article 15
(52) In order to strengthen the Union's technological sovereignty, resilience, indispensability, competitiveness and prosperity in the semiconductor sector, it is necessary to identify and support projects of strategic importance by domestic undertakings across the semiconductor value chain. Strategic projects on semiconductors should be granted support from Union programmes, funds and financial instruments, in accordance with the objectives set out in the regulation establishing those funds and programmes and without prejudice to the next (2028- 2034) multiannual financial framework. In particular, those strategic projects should be granted the competitiveness seal where they fulfil the conditions set out in Regulation (EU) 2026/XXX [on establishing the European Competitiveness Fund] (ECF') ([1]), as high-quality projects that contribute to the objective of the European Competitiveness Fund. Strategic projects should contribute to objectives of common Union interest and reinforce the Union's capacity to design, manufacture and integrate advanced semiconductor technologies and demonstrate clear Union added value and a cross-border dimension, in particular through cooperation between Member States or through coordinated public support. They should contribute to strengthening the resilience and robustness of the Union's semiconductor ecosystem, including by addressing bottlenecks, reinforcing semiconductor supply	Pillar II Article 16

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chains and enhancing innovation and industrial deployment. The participation of innovative SMEs and SMCs in strategic projects shall be encouraged.	
(53) Both strategic projects and European semiconductor technology initiatives should be able to focus not only on cutting-edge semiconductor nodes, but also on innovative existing and mature technology nodes where this is necessary to preserve and strengthen the Union's competitiveness, resilience and security of supply across strategically important semiconductor technologies and industrial applications. In order to ensure that strategic projects effectively contribute to the Union's long-term competitiveness, such projects should support the development or deployment of critical capacities, technologies or capabilities within the Union. This should include, in particular, activities that reduce strategic dependencies and enhance the Union's technological leadership in key segments of the semiconductor value chain, including by enabling, advancing or securing critical technologies and capabilities within the Union.	Pillar II Articles 14 and 16
(54) Where strategic projects are implemented across multiple sites, they should be carried out by a single consortium and function as an integrated entity, in order to ensure coherence, efficiency and effective coordination of activities.	Pillar II Article 16(2)
(55) In light of the strategic nature of the semiconductor sector and its relevance for security, participation in strategic projects should be subject to appropriate conditions. In accordance with Article 136 of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council50, it would be possible to restrict or exclude the participation of certain entities where this would be contrary to the Union's strategic assets, interests, autonomy or security. As a general rule, participation in strategic projects should be limited to legal entities established in the Union. However, by way of derogation and where duly justified, participation may be extended to entities established in third countries, provided that such participation complies with the applicable conditions and safeguards and does not undermine the Union's strategic assets, interests, autonomy or security.	Pillar II Article 16(3)

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(56) To ensure flexibility and to reflect technological developments and evolving market needs, this Regulation should set out a list of indicative technological areas for strategic projects. The power to amend that list should be delegated to the Commission in accordance with Article 290 TFEU in order to update those areas in light of technological change and market developments relevant to the semiconductor sector. In order to ensure a coherent and efficient identification and selection of strategic projects, the Commission, taking into account the opinion of the European Semiconductor Board, should identify priority areas and establish a list of topics of potential projects. The implementation of actions supporting such projects should be carried out, where appropriate, through the Chips Joint Undertaking, in accordance with its governing Regulation and work programmes. To strengthen the Union's sovereignty and ensure security of supply in leading-edge semiconductors, it is appropriate to prioritise the establishment of an open foundry for advanced semiconductor manufacturing capabilities within the Union, which should operate, where relevant, on the basis of open access for different users. That strategic project could be complemented by other strategic projects on for instance memory, design, and other semiconductor technologies.	Pillar II Article 17
(57) The Chips Joint Undertaking should implement actions supporting strategic projects through its work programme, including through calls for proposals in accordance with its applicable rules. Proposals should be evaluated in accordance with the procedures and criteria set out in the governing framework of the Chips Joint Undertaking. In order to ensure efficiency and avoid duplication of assessments, the Commission should rely on the outcome of the evaluation carried out by the Chips Joint Undertaking when designating strategic projects. Projects selected for funding by the Chips Joint Undertaking and complying with the criteria laid down in this Regulation should be eligible for designation as strategic projects.	Pillar II Article 18
(58) The designation of a project as a strategic project should be without prejudice to the outcome of funding decisions taken under the Chips Joint Undertaking. Projects not selected for Union funding should nevertheless be able to obtain the status of strategic project, subject to the consent of the applicant, in order to benefit from the rights and obligations attached to that status under this	Pillar II Article 18

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Regulation. Rights include strategic projects' inclusion in the demand forum, the possible receipt of public support and administrative support and the receipt of status of overriding public interest and possibly status of highest national significance relevant to permit-granting procedures, and obligations also applicable to European semiconductor technology initiatives, such as participation in the Business-to-Business Semiconductor Supply Chain Platform and the obligation to accept priority-rated orders. Strategic projects should benefit from the same rights and be subject to the same obligations as European semiconductor technology initiatives, where they comply with the relevant requirements, in order to ensure a coherent regulatory framework and to maximise their contribution to the Union's objectives in the semiconductor sector. Where relevant, such designation should also confirm their status as first-of-a-kind initiatives and define the duration of that status based on the expected lifetime of the project.	
(59) In order to ensure that strategic projects continue to fulfil the criteria laid down in this Regulation, the Commission should be able to withdraw the designation of a project where those criteria are no longer met or where the designation was based on incorrect information. Before adopting such a decision, the Commission should ensure that the undertakings concerned are given the opportunity to be heard, in accordance with the principle of good administration, and should take into account the opinion of the European Semiconductor Board. Where the designation of a strategic project is withdrawn, that project should lose all rights and obligations associated with that status under this Regulation. However, such projects should remain subject, for a limited period, to specific obligations linked to security of supply, where provided for in this Regulation.	Pillar II Article 17(7)
(60) In order to guarantee simple and rapid permit-granting, Member States should ensure that permit-granting procedures for European semiconductor technology initiatives and strategic projects are organised through a single procedure based on a single application. Additionally, Member States should designate a one-stop shop acting as a single point of contact for the project, in order to facilitate and coordinate the processing of applications in an efficient, transparent and timely manner.	Pillar II Article 21

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(61) It is necessary that European semiconductor technology initiatives and strategic projects are established as quickly as possible, while keeping the administrative burden to a minimum. For that reason, Member States should process applications related to the planning, construction and operation of such facilities in the most rapid manner possible. In order to further accelerate the deployment of European semiconductor technology initiatives and strategic projects, clear and binding time limits should be established for permit-granting procedures. In particular, the overall duration of such procedures should not exceed the defined period of 12 months from the submission of a complete application, without prejudice to shorter time limits set by Member States.	Pillar II Article 21
(62) Given the potential cross-border nature of European semiconductor technology initiatives and strategic projects, Member States should make best efforts to effectively cooperate and coordinate at the level of relevant authorities, including between designated one-stop shops, in order to facilitate coherent and timely decision-making processes.	Pillar II Article 22(6)
(63) Digitalisation of permit-granting procedures is essential to enhance transparency, efficiency and legal certainty. Member States should therefore establish single access portals at national level enabling applicants to submit and manage their applications in a fully digital environment. The use of interoperable digital solutions, including European Business Wallets, should facilitate secure data exchange, re-use of existing information and seamless interaction between applicants and competent authorities, while ensuring a high level of cybersecurity and data integrity. To improve transparency and predictability for applicants, the single access portal should provide up-to-date information on the status of applications, applicable procedures and deadlines, as well as notifications of decisions taken by the competent authorities.	Pillar II Article 24
(64) Similarly, in order to support investment decisions and reduce information asymmetries, Member States should make relevant information on permit-granting procedures, financing opportunities, business support services and applicable regulatory requirements available online in a centralised and easily accessible manner. They should also ensure appropriate use of existing	Pillar II Article 25

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studies, permits and authorisations related to the planning, construction and operation of European semiconductor technology initiatives and strategic projects, where compatible with Union and national law, in order to avoid duplication of administrative procedures and reduce delays. Given the strategic importance and time sensitivity of European semiconductor technology initiatives and strategic projects, Member States should ensure that administrative and judicial proceedings related to permit-granting are treated as urgent, where and to the extent provided for under national law, while fully respecting the rights of defence and the rights of affected individuals and communities.	
(65) Regulation (EU) [202X/XX] of [...]51 establishes a common acceleration framework for environmental assessments in order to boost the Union's roll out of key technologies, reduce dependencies and strengthen competitiveness. Procedures linked to environmental assessments should be accelerated and streamlined for plans, programmes and projects across all sectors of the economy while maintaining high levels of protection of human health and of the environment. Some sectors may, however, require yet faster environmental assessments. Therefore, and in order to safeguard the coherence of the legal framework of environmental assessments, while allowing for the additional needs for acceleration in certain strategic sectors, Regulation (EU) [202X/XX] establishes a dedicated toolbox that should therefore be used in the context of this Regulation. Given the essential role of semiconductor technologies in ensuring the achievement of the Union's climate objectives by the introduction of novel, more sustainable technologies, production processes, the integration of semiconductors in net-zero technologies, and their contribution to the Union's resilience and economic security, European semiconductor technology initiatives and strategic projects in the meaning of this Regulation should also be considered strategic projects within the meaning of Regulation (EU) [202X/XX] and therefore benefit from the dedicated toolbox established under that Regulation.	Pillar II Article 23
(66) In the semiconductor sector, undertakings thrive in specialised local districts that can attract investment, foster innovation, and build resilient industrial ecosystems. Regions and regional	Pillar II Article 26

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industrial clusters are instrumental in developing and facilitating the establishment of such ecosystems. A European Semiconductor Region of Excellence label should be established with the objective of identifying, recognising and fostering regions in the Union that demonstrate a long-term, coordinated strategy to host, attract and expand semiconductor-related investments and semiconductor value chains. International investors should be able to find in a European Semiconductor Region of Excellence the ideal environment to develop semiconductor-related business. Such label should be awarded by the Commission following applications by regional authorities, on the basis of coherence and credibility of a Semiconductor Region Investment Plan and the level of commitment by the relevant authorities, and the application should be endorsed by the relevant Member State in order to ensure political coordination between different levels of government	
(67) Applying regions should develop a Semiconductor Region Investment Plan. Measures proposed in that plan should address in particular framework conditions to strengthen semiconductor manufacturing, R&D collaboration, skills development, or sustainable infrastructure and signal their readiness to host semiconductor investments.	Pillar II Article 27
(68) On receiving the label, a region should gain access to opportunities, including stronger partnerships with industry and research institutions, and increased attractiveness to international investors seeking reliable, high-potential locations. Recognised regions should be able to join a Network of European Semiconductor Regions of Excellence, enabling them to share knowledge, forge alliances, and amplify their impact across the Union, while international recognition of their strategies would reinforce their reputation as prime destinations for semiconductor innovation and investment.	Pillar II Article 29
(69) Semiconductors are essential components embedded in infrastructures, equipment and systems used by critical entities, including those covered by Directive (EU) 2022/2555 of the European Parliament and of the Council52. The functioning, security and continuity of such critical entities depend increasingly on the availability, integrity and trustworthiness of semiconductor	Pillar II Article 30

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components and of their suppliers. In order to reduce the Union's exposure to supply chain shocks and dependencies on a limited number of third-country suppliers, it is necessary to strengthen transparency and resilience in the sourcing of semiconductors used in public procurement for critical infrastructures and services. Public procurement governed by Directives 2014/23/EU53 , 2014/24/EU54 , 2014/25/EU55, of the European Parliament and of the Council represents a significant share of Union demand and can play a strategic role in promoting reliable and resilient semiconductor supply chains. Contracting authorities or contracting entities procuring critical infrastructure should integrate security of supply considerations throughout the procurement process, and should also consider how the semiconductors incorporated into the procured equipment or systems add value to the Union semiconductor supply chain resilience with their design and manufacturing steps. Such considerations are without prejudice to the Union cybersecurity legislation.	
(70) Encouraging contracting authorities and contracting entities to require economic operators to provide a security of supply declaration concerning the sourcing of semiconductors would enhance transparency across supply chains and enables informed decision-making in procurement procedures, without imposing disproportionate administrative burdens and leaving discretion to contracting authorities and contracting entities as to whether to request such declaration in all procurement procedures. Such declaration should, where required, contain key elements enabling an assessment of supply chain robustness, including the identification of undertakings involved, the diversity of suppliers, added value to the Union's semiconductor supply chain resilience, strategies to increase resilience such as through dual sourcing from domestic undertakings, and vulnerability assessments to potential disruptions, as well as, where applicable, relevant risk assessments carried out pursuant to this Regulation. To ensure that considerations of resilience, security and European supply chain added value are effectively integrated into procurement decisions, contracting authorities and contracting entities may specify in the procurement documents requirements relating to security of supply relating to the sourcing of semiconductors incorporated	Pillar II Article 30

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into the infrastructures, equipment or systems covered by the public procurement contract. To that end, they may include technical specifications, selection criteria, award criteria or contract performance clauses. The public procurement framework established by Directives 2014/24/EU, 2014/25/EU and 2009/81/EC contains provisions enabling contracting authorities to exclude economic operators that have been guilty of serious misrepresentation, have withheld relevant information, or have supplied false or misleading information in the context of participation in a procurement procedure. Those provisions remain applicable to procurement procedures carried out by national contracting authorities covered by this Regulation.	
(71) In this context, given that free trade agreements, custom unions, the WTO Agreement on Government Procurement56 contain commitments on access to public procurement, undertakings from third countries which have concluded such international agreements with the Union guaranteeing such access should be deemed to fall under the definition of domestic undertakings. Furthermore, these international agreements, as well as strategic partnerships on semiconductors, reflect a mutual commitment between the Union and its partners to secure international semiconductor supply chains, which is why undertakings from these Union partners are granted equivalence to domestic undertakings.	Article 2(31)
(72) For the purposes of this Regulation, the assessment for whether an undertaking is domestic or equivalent, or not, should look into the ownership structure and the control of such undertaking. For assessing control, undertakings should be considered to be controlled by a third country or by a third-country legal entity, where that third country or legal entity is able to exercise decisive influence over its strategic decisions, whether directly or indirectly, including in particular, by having the right or exercising the power to appoint or remove a majority of the members of the administrative, management or supervisory body of the undertaking being assessed; by having appointed solely as a result of the exercise of one's voting rights a majority of the members of the	Article 2(31)

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administrative, management or supervisory bodies of the undertaking being assessed who have held office during the present and previous financial year; by controlling alone, pursuant to an agreement with other shareholders in or members of the undertaking being assessed, a majority of shareholders' or members' voting rights in that undertaking being assessed; by having the right to exercise a dominant influence over the undertaking being assessed, pursuant to an agreement entered into with that undertaking being assessed or to a provision in its Memorandum or Articles of Association, where the law governing that undertaking being assessed permits its being subject to such agreement or provision; by having the power to de facto exercise the right to exercise a dominant influence over the undertaking being assessed, without being the holder of that right; by having the right to use all or part of the assets of the undertaking being assessed; by managing the business of the undertaking being assessed on a unified basis, while publishing consolidated accounts; or by sharing jointly and severally the financial liabilities of the undertaking being assessed, or guaranteeing them.	
(73) Regulation (EU) No 654/2014 of the European Parliament and of the Council57 enables the Union to suspend or withdraw concessions or other obligations under international trade agreements in order to respond to breaches by third countries of international trade rules that affect the Union's commercial interests. Any exercise of the Union's rights under Regulation (EU) 2021/167 should also be reflected in the interpretation of the definition of domestic undertaking under this Regulation.	Article 2(31)
(74) In addition to challenges relating to the security of supply of semiconductors, increasing attention has been drawn to cybersecurity risks associated with sourcing from certain suppliers for critical infrastructures, equipment or systems. Such cybersecurity risks should not fall within the scope of this declaration submitted by economic operators in procurement procedures involving the provision or use of semiconductors and are governed by the applicable Union cybersecurity legal framework. Notwithstanding, economic operators are to ensure compliance with, and act in accordance with, relevant Union cybersecurity legislation.	Pillar II Article 30

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(75) Given the complexity and evolving nature of semiconductor supply chains, the Commission, in consultation with the European Semiconductor Board and relevant industrial stakeholders, should, where necessary, issue recommendations identifying specific infrastructures, equipment or systems for which supply chain resilience is particularly important seeing potential supply chain risks, and such recommendations should be considered by contracting authorities and contracting entities in the preparation and conduct of procurement procedures, thereby supporting consistent implementation across the Union.	Pillar II Article 31
(76) In order to preserve flexibility and avoid undue constraints on procurement procedures, contracting authorities and contracting entities should be allowed not to apply the requirement, including those relating to dual sourcing involving domestic undertakings in duly justified cases, including where there is a lack of competition, absence of suitable tenderers, or where their application would lead to disproportionate costs or technical incompatibilities. Such derogations should be interpreted narrowly and applied in a transparent manner, ensuring that the objectives of strengthening semiconductor supply chain resilience and safeguarding the functioning of critical entities are not undermined.	Pillar II Articles 30 and 31
(77) In order to ensure the effective and consistent application of measures aimed at strengthening the resilience and security of semiconductor supply in public procurement, the Commission may provide guidance and facilitate coordination among relevant actors. Such guidance should support the use of recommendations identifying infrastructures, equipment or systems for which semiconductor supply by domestic undertakings is particularly relevant, as well as the preparation and assessment of security of supply declarations, including elements related to supply chain mapping, the proportion of domestic undertakings involved, resilience strategies such as dual sourcing, and vulnerability and risk assessments. The guidance should also facilitate the application of common methodologies for assessing supply chain risks, in particular in sectors exposed to heightened vulnerabilities, and promote the exchange of best practices and relevant	Pillar II Article 32

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information, with a view to ensuring a coherent approach across the Union and supporting the effective functioning of the internal market.	
(78) In order to increase the transparency and safeguard the security of supply of semiconductors for critical sectors, it is necessary to provide for the possibility of further Union action where the identified risks are not adequately addressed. Where, following consultation with the European Semiconductor Board, the Commission concludes that the measures recommended to contracting authorities or contracting entities to address such risks are insufficient, it should be empowered to adopt implementing decisions regarding which public authorities shall require economic operators to submit a security of supply declaration and for which procedures and products.	Pillar II Article 32
(79) The semiconductor supply chain experiences disruptions that may damage certain downstream sectors economically. Critical sectors linked to public security, such as energy, defence or public administration, and those sectors where semiconductors represent a large percentage of the value of the final product, such as automotive, datacentres or industrial automation, are particularly exposed to disruptions in semiconductor supply chains. Therefore, the Commission should have the possibility to identify them as risk-prone sectors.	Pillar II Article 32(1)
(80) In order to clarify the necessary information to include, the Commission should, where appropriate, issue methodological guidance on how to carry out risk assessments that address the creation of a dual sourcing strategy, upstream and downstream supply chain mapping, and vulnerability analysis and sensitivity to supply disruption. For that purpose, the Commission may issue methodological recommendations on how to carry out risk assessments for those sectors.	Pillar II Article 32(1)
(81) In order to ensure a high level of resilience of the Union's semiconductor supply chain, it is necessary to provide for the possibility of further Union action where the identified risks are not adequately addressed. Where, following consultation with the European Semiconductor Board, the Commission concludes that the measures recommended to address such risks are insufficient, it should be empowered to adopt implementing decisions specifying appropriate risk mitigation measures. Such measures may include, where justified and proportionate, requirements for	Pillar II Article 32

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diversification of supply sources, including dual sourcing, or the building-up of strategic stocks. Those measures should be targeted, proportionate, and take into account the specificities of the sectors and companies concerned, as well as the need to preserve the functioning of the internal market and avoid undue administrative burden. The assessment of risks to the semiconductor supply chain should be based on objective and reliable evidence. For that purpose, the Commission should take into account, inter alia, publicly available information, data collected through requests for information, as well as indications of repeated or persistent supply chain disruptions. The use of such evidence should ensure that any measures adopted are well-founded, transparent, and proportionate to the identified risks, while safeguarding the confidentiality of sensitive business information.	
(82) With the interest of continuity of supply and reliability in mind, contracting authorities and contracting entities are empowered to request risk assessments on the semiconductor supply chains of economic operators participating in public procurement or other public funding procedures that concern risk-prone sectors.	Pillar II Article 32(3)
(83) The objective of a strategic mapping of the semiconductor sector should be to provide an analysis of the Union's strengths and weaknesses in the global semiconductor sectors with a view to providing a basis for measures to ensure security of supply and resilience of the Union's semiconductor ecosystem. To that end, the strategic mapping should identify factors such as key products and critical infrastructures in the internal market that depend on the supply of semiconductors, main user industries and their current and expected needs, key segments of the Union's semiconductor supply chain, technological characteristics, dependencies on third-country technology and providers, and bottlenecks of the Union's semiconductor sector, current and expected needs for skills and access to qualified workforce building on the work of the European Skills Observatory established under the Union of Skills and, where appropriate, the potential impact of the measures of the emergency toolbox. The strategic mapping should be based on publicly and commercially available data.	Pillar III Article 33 – strategic mapping of the Union's semiconductor sector (untouched)

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(84) In order to prepare for future disruptions of the different stages of the semiconductor value chain in the Union and of trade within the Union, the Commission, assisted by the European Semiconductor Board should and on the basis of the outcome of the strategic mapping, identify and develop a list of early warning indicators. Such indicators could include atypical increases in lead time, the availability of raw materials, intermediate products and human capital needed for semiconductor manufacturing, or appropriate manufacturing equipment, the forecasted demand for semiconductors on the Union and global markets, price surges exceeding normal price fluctuation, the effect of accidents, attacks, natural disasters or other serious events, the effect of trade policies, tariffs, export restrictions, trade barriers and other trade related measures, and the effect of business closures, offshoring or acquisitions of key market actors. Monitoring activities of the Commission should focus on those early warning indicators.	Pillar III Article 33(3) (untouched)
(85) Due to the complex, quickly evolving and interlinked semiconductor value chains with various actors, a coordinated approach to monitoring is necessary to increase the ability to mitigate risks that may negatively affect the supply of semiconductors and to enhance the understanding of the dynamics of the semiconductor value chain. The Commission, in consultation with the European Semiconductor Board, should monitor the semiconductor value chain focusing on early warning indicators and identifying best practices for risk mitigation and increased transparency in the semiconductor value chain, in such a way that it would not represent an excessive administrative burden for undertakings, in particular SMEs and SMCs. Relevant findings, including information provided by relevant stakeholders and industry associations, should be provided to the European Semiconductor Board to allow for a regular exchange of information with the Board and for integration of the information into a monitoring overview of the semiconductor value chains.	Pillar III Article 33(4) (untouched)
(86) The Business-to-Business Semiconductor Supply Chain Platform ('the Platform') should be a digital twin of the semiconductor supply chain with the objective of increasing supply chain transparency and better informing undertakings to increase their resilience. It should be an industry-led action that benefits participating undertakings by enhancing their resilience to	Pillar III Article 34 – B2B Semiconductor Supply Chain Platform

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semiconductor supply chain disruptions and reducing their market-intelligence costs. The incentive for undertakings to join the Platform and provide high quality input data should be the added value that they will obtain from the Platform's output. Such output may include guidance by an independent third party based on market analysis, aggregated insights on semiconductor supply chain risks, results of stress tests of the semiconductor supply chain, early warnings and guidance on proactive measures with the sole purpose of enhancing the de-risking of the semiconductor supply chain. Participation in the Platform should encourage undertakings to take proactive actions to enhance their supply chain resilience without public sector intervention. For the Commission, a proactive and resilient private sector would ensure a lower risk of activation of the crisis stage and deployment of the emergency toolbox.	
(87) The Commission should provide through a call for proposal the initial funding for the Platform, supporting its establishment and covering set-up costs. The call should only lay down a minimum set of requirements without prescribing specific technical solutions or exact data collection requirements. It should be up to the beneficiary of the call for proposal and the participating undertakings to implement a financing model based on a business case that allows the Platform to become self-sustaining in the medium term. The merit and usefulness of this type of platform can be measured by the success of similar initiatives that already exist either regionally, internationally or in other sectors.	Pillar III Article 34 – B2B Semiconductor Supply Chain Platform
(88) The Platform should be designed in such a way that it ensures the utmost confidentiality of commercially sensitive information and compliance [of the Platform] with Union competition law. In particular, the Platform should put in place adequate safeguards to ensure that the exchange of information amongst participating undertakings is strictly limited to what is objectively necessary and proportionate to achieve the objectives set out in this Regulation and to avoid anticompetitive exchange of commercially sensitive information amongst competitors. To that extent, participating undertakings should only have access to their own data and anonymised aggregated reports.	Pillar III Article 34 – B2B Semiconductor Supply Chain Platform

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(89) Meetings, discussions or information exchanges between participating undertakings within the framework of the Platform should be limited to what is indispensable to achieve the Platform's objectives and should be appropriately documented. The exchange of commercially sensitive information between participants – including information relating to individual undertakings' current or future prices, costs, margins, sales volumes, production levels, capacities, or market shares – should be excluded58 . The Platform should operate in a manner that preserves the independence of participating undertakings in their commercial decision-making. Participating undertakings should remain responsible for ensuring compliance with Union and national competition rules, including Article 101 TFEU.	Pillar III Article 34 – B2B Semiconductor Supply Chain Platform
(90) The Platform should strongly encourage the participation of the main end-user sectors of semiconductors based on the significant added value that participation will bring them. The benefits for participating end-user sector undertakings could include becoming increasingly knowledgeable of their own semiconductor supply chain risks and therefore, being empowered to take proactive semiconductor supply chain management measures. The list of main end-user sectors of semiconductors should reflect the current sectors that are purchasing semiconductors in order to produce their products either directly or indirectly via their components. Electronic manufacturing service providers and distributors should be included the list because of the important role they play in the Union's semiconductor ecosystem.	Pillar III Article 34(1)(d) – B2B Semiconductor Supply Chain Platform
(91) From the public sector perspective and in order to ensure the swift flow of information in case of disruptions to the supply chain, the national competent authorities of Member States should keep an updated contact list of relevant undertakings operating along the semiconductor supply chain established in their national territory. That list should allow for the identification of appropriate respondents to voluntary requests for information. The list should not be required to be exhaustive, and it should be handled in a manner that fully respects the applicable confidentiality rules.	Pillar III Article 35(4) – Monitoring and Anticipation (untouched)

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(92) A number of undertakings providing semiconductor services or goods are assumed to be essential for an effective semiconductor supply chain in the Union's semiconductor ecosystem, due to the number of Union undertakings relying on their products, their Union or global market share, their importance to ensure a sufficient level of supply or the possible impact of the disruption of supply of their products or services. The Member States, in cooperation with the Commission, should identify and keep an updated list of those key market actors in their territories. As part of the monitoring, Member States should specifically consider the integrity of the activities carried out by key market actors. Such issues could be brought to the attention of the European Semiconductor Board by the Member State concerned.	Pillar III Article 36 – Key market actors (untouched)
(93) To enable anticipation of potential shortages, national competent authorities should alert the Commission if they become aware of a risk of serious disruption in the supply of semiconductors or have concrete and reliable information of any other relevant risk factor or event materialising. In order to ensure a coordinated approach, the Commission should, where it learns of a risk of serious disruption in the supply of semiconductors or has concrete or reliable information of any other relevant risk factor or event materialising, upon alert or from international partners, convene an extraordinary meeting of the European Semiconductor Board to discuss the severity of the disruptions and possible initiating of the procedure for activating the crisis stage, and whether it may be appropriate, necessary and proportionate for Member States to carry out coordinated joint procurement as a preventive measure, as well as to enter into dialogue with stakeholders, with a view to identifying, preparing and possibly coordinating such preventive measures. The European Semiconductor Board and the Commission should, within that dialogue, take into account the views of stakeholders of the semiconductor value chain. The European Semiconductor Board should advise the Commission on whether to issue a preventive request for information to the Platform. The Commission should consult and cooperate with relevant third countries with a view to jointly addressing semiconductor supply chain disruptions, in compliance with international obligations.	Pillar III Article 37 – Alerts and preventive action (untouched)

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(94) After receiving advice from the European Semiconductor Board, the Commission should be able to issue requests for information to undertakings and to the Platform. As experience with several supply chain disruptions in the past and with the difficulties in obtaining the necessary information to deal with those disruptions has shown, the purpose of preventive requests for information at the stage of alert is to adequately deal with supply chain disruptions before the crisis stage is activated and to provide input for precise assessments of a possible semiconductor crisis.	Pillar III Article 38 – Preventive information gathering
(95) Undertakings actively participating in the Platform should be considered to have fulfilled their obligation to share information with the Commission in cases of supply chain disruptions, and therefore should be exempted from receiving directly a request for information before the crisis stage. By actively participating in the Platform, those undertakings are demonstrating a strong commitment to proactively de-risking their supply chain. Undertakings actively participating in the Platform should therefore be shielded from the potential added administrative burden of having to respond to the Commission's requests for information. The Commission should report the key findings of responses to requests for information before the crisis stage to the European Semiconductor Board without undue delay. To protect participating undertakings in the Platform from undue foreign influence and safeguard trade secrets, the Platform should be prohibited from answering any requests for information, other than those issued by the Commission, without prejudice to its obligations under Union or national law.	Pillar III Article 38 – Preventive information gathering
(96) The semiconductor crisis stage should be activated in the presence of concrete, serious and reliable evidence of such a crisis. A semiconductor crisis occurs where there are serious disruptions to the supply of semiconductors or serious obstacles to trade in semiconductors within the Union causing significant shortages of semiconductors, intermediate products or raw or processed materials, and such significant shortages prevent the supply, repair and maintenance of essential products used by critical sectors, for instance medical and diagnostic equipment, to the extent that such a crisis would have serious detrimental effects on the functioning of the critical sectors due to their impact on society, economy and security of the Union.	Pillar III Article 39 – activation of the crisis stage (untouched)

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(97) In order to ensure an agile and effective response to such a semiconductor crisis, where the Commission becomes aware of a potential semiconductor crisis, it should assess whether the conditions for activating the crisis stage are met. If this assessment produces concrete, serious and reliable evidence of a semiconductor crisis, the Commission should be able to present to the Council a proposal to activate the crisis stage for a predetermined duration period of maximum 12 months, taking into account the opinion of the European Semiconductor Board. The Commission should assess the need for prolongation or early termination of the crisis stage and initiate such procedure, should such a necessity be ascertained, taking into account the opinion of the European Semiconductor Board.	Pillar III Article 39 – activation of the crisis stage (untouched)
(98) The synergies between the security of supply mechanisms established under Chapter VII of Regulation (EU) 2025/2643 and this Regulation should provide the Union's defence sector with the necessary flexibility and breadth of action to react and ensure security of supply. In particular, the possibility for the Commission under this Regulation and under Chapter VII of Regulation (EU) 2025/2643 to prioritise defence production under the priority-rated orders provisions of both regulations, should minimise supply chain disruptions in the defence sector in time of crisis.	Pillar III – crisis stage NOT Article -specific Relationship with EDIP security of supply mechanism
(99) Due to the sensitive nature of the crisis stage activation and of the potential measures that may be taken in response thereof, including the significant impact which such measures might have on private undertakings in the Union, the power to adopt an implementing act as regards activating, prolonging and terminating the crisis stage in a semiconductor crisis should be conferred on the Council.	Pillar III Article 39 – activation of the crisis stage (untouched)
(100) Close cooperation between the Commission and the Member States and coordination of any national measures taken with regard to the semiconductor supply chain is indispensable during the crisis stage with a view to addressing disruptions with the necessary coherence, resiliency and effectiveness. To that end, the European Semiconductor Board should hold extraordinary meetings as necessary. Any measures taken should be strictly limited to the duration period of the crisis stage.	Pillar III Article 40 – emergency toolbox (untouched)

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(101) For a rapid, efficient and coordinated Union response to a semiconductor crisis, it is necessary to provide timely and up-to-date information to the Commission and to the Member States through the European Semiconductor Board on the unfolding operational situation as well as to ensure that effective measures to secure the supply of semiconductors to affected critical sectors can be taken. Appropriate, effective and proportionate measures should be identified and implemented when the crisis stage is activated, without prejudice to possible continued international engagement with relevant partners with a view to mitigating the evolving crisis situation. Where appropriate, the Commission should request information from undertakings along the semiconductor supply chain. Furthermore, the Commission should be able to, where necessary and proportionate, require European semiconductor technology initiatives to accept and prioritise an order of the production of crisis-relevant products, and to act as a central purchasing body when mandated by Member States. The Commission should limit those measures to certain critical sectors. The European Semiconductor Board may also assess and advise on appropriate and effective measures. In addition, the European Semiconductor Board may advise on the necessity of introducing protective measures pursuant to Regulation (EU) 2015/479 of the European Parliament and of the Council59. The use of all emergency measures should be proportionate and restricted to what is necessary to address the semiconductor crisis in the best interest of the Union. The Commission should regularly inform the European Parliament and the Council of the measures taken and the underlying reasons. The Commission may, after consulting the European Semiconductor Board, issue further guidance on the implementation and use of the emergency measures.	Pillar III Article 40 – emergency toolbox (untouched)
(102) A number of sectors are critical for the proper functioning of the internal market. For the purposes of this Regulation, those critical sectors should be listed in an Annex to this Regulation. That list should be limited to the sectors and subsectors listed in the Annex to Directive (EU) 2022/2557 of the European Parliament and of the Council60 , with the addition of the sectors of defence and security, on the basis of their important role in ensuring vital societal functions. Certain	Pillar III Annex V – critical sectors (untouched)

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measures should be taken only for the purpose of securing supply to critical sectors. The Commission may limit the emergency measures to certain of those sectors or to certain parts of them when the semiconductor crisis has disturbed or is threatening to disturb their operation.	
(103) The purpose of requests for information from undertakings along the semiconductor supply chain established in the Union in the crisis stage is to enable precise assessments of the semiconductor crisis or to identify and prepare potential mitigation or emergency measures at Union or national level. Such information may include production capability, production capacity and current primary disruptions and bottlenecks. Those aspects could include the typical and current actual stock of crisisrelevant products in production facilities located in the Union as well as production facilities which are located in third countries where those undertakings operate, with which they contract or from which they purchase supplies, the typical and current actual average lead time for the most common products produced, the expected production output for the following three months for each Union production facility, or reasons that prevent the filling of production capacity. Such information should be limited to what is necessary to assess the nature of the semiconductor crisis or potential mitigation or emergency measures at Union or national level. Requests for information should not entail the supply of information the disclosure of which is contrary to Member States' national security interests. The concrete information to be asked may be developed on the basis of prior responses to requests for information before the crisis stage, or advice from a representative number of relevant undertakings through voluntary consultation, in cooperation with the European Semiconductor Board. Any request should be proportionate, have regard for the legitimate aims of the undertaking and the cost and effort required to make the data available, as well as set out appropriate time limits for providing the requested information. Undertakings should be required to comply with the request and may be subject to penalties if they fail to comply or provide incorrect information. Any information acquired should be used only for the purposes of this Regulation and be subject to confidentiality rules. To ensure full involvement of the Member State where the undertaking has its production site, the Commission should forward,	Pillar III Article 41 – information gathering in the crisis stage (untouched)

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without delay, a copy of the request for information to the national competent authority and, where the national competent authority so requests, share the acquired information with that national competent authority through secure means. If an undertaking receives a request for information related to its semiconductor activities from a third country, it should inform the Commission so as to enable the Commission to assess whether a request for information by the Commission is warranted.	
(104) As an instrument of last resort to ensure that critical sectors can continue to operate in a time of crisis and only when necessary and proportionate for that purpose, European semiconductor technology initiatives may be required by the Commission to accept and prioritise orders of crisis-relevant products. Potential beneficiaries of priority-rated orders should be entities from critical sectors or undertakings supplying to critical sectors whose activities are disrupted or at risk of disruption on account of the shortage. To ensure that priority-rated orders are used only when necessary, they should be restricted to beneficiaries who, having implemented risk mitigation measures, were unable to avoid, for instance through their procurement practices, and to mitigate the impact of the shortage through other means, such as using existing stockpiles. The obligation of accepting and prioritising orders of crisis-relevant products may also be extended to strategic projects and semiconductor manufacturing facilities which have accepted such possibility in the context of receiving public support, if such public support aims to foster the ability to increase production capacity. The decision on a priority-rated order should be taken in accordance with all applicable Union legal obligations, having regard to the circumstances of the case. The priority rating obligation should take precedence over any performance obligation under private or public law while it should have regard for the legitimate aims of the undertakings and the cost and effort required for any change in production sequence. Each priority-rated order should be placed at a fair and reasonable price. The calculation of such price may be carried out on the basis of average market prices over recent years, subject to reasons being given for any increase, for example taking	Pillar III Article 42 – Priority rated orders (untouched)

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into account inflation or rise in energy costs. Undertakings may be subject to penalties if they fail to comply with the obligation for priority-rated orders.	
(105) For facilities carrying out a priority-rated order, it may be beneficial for the Commission, assisted by the European Semiconductor Board, and the Member States to exchange best practices concerning the execution of those orders, including best administrative practices.	Pillar III Article 42 – Priority rated orders (untouched)
(106) The undertaking concerned should be required to accept and prioritise a priority-rated order. With a view to ensuring that priority-rated orders align with the capacities and the production portfolio of a facility, the Commission should provide the facility concerned with the opportunity to be heard on the feasibility and details of the priority-rated order. The Commission should not issue the priority-rated order where the facility is unable to fulfil the order even if prioritised, be it due to insufficient production capability or production capacity or on technical grounds, or where the product is not supplied or the service is not performed by the facility or because that would place an unreasonable economic burden and entail particular hardship on the undertaking, including substantial risk relating to business continuity.	Pillar III Article 42 – Priority rated orders (untouched)
(107) To ensure a transparent and clear framework for the implementation of priority-rated orders, the Commission should be empowered to adopt an implementing act laying down the practical and operational arrangements for the implementation of priority rated orders. That implementing act should contain safeguards to ensure that priority-rated orders are implemented in compliance with the principles of necessity and proportionality, such as a mechanism that takes into account existing orders and a mechanism to ensure that volumes of priority-rated orders do not exceed what is necessary.	Pillar III Article 42 – Priority rated orders (untouched)
(108) Under the exceptional circumstance that an undertaking operating along the semiconductor supply chain in the Union receives a priority-rated order request from a third country, it should inform the Commission of such a request, so as to inform an assessment of whether, where there is a significant impact on the security of supply to critical sectors, and the other requirements of	Pillar III Article 42 – Priority rated orders (untouched)

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necessity, proportionality and legality are satisfied in the circumstances of the case, the Commission should likewise impose a priority-rated order obligation.	
(109) In light of the importance to ensure the security of supply to critical sectors that perform vital societal functions, compliance with the obligation to perform a priority rated order should not entail liability for damages towards third parties for any breach of contractual obligations that may result from the necessary temporary changes of the operational processes of the concerned manufacturer, limited to the extent to which the violation of contractual obligations was necessary for compliance with the mandated prioritisation. Undertakings potentially within scope of a priority-rated order should anticipate that possibility in the conditions of their commercial contracts. Without prejudice to the applicability of other provisions, the liability for defective products, provided for by Council Directive 85/374/EEC61 , should not be affected by this liability exemption. In accordance with Article 52(1) of the Charter of Fundamental Rights of the European Union (the 'Charter'), the obligation to prioritise the production of certain products respects the essence of and does not disproportionately affect the freedom to conduct a business and the freedom of contract laid down in Article 16 and the right to property laid down in Article 17 of the Charter.	Pillar III Article 42 – Priority rated orders (untouched)
(110) When the crisis stage is activated and to ensure the security of supply to critical sectors that perform vital societal functions, two or more Member States may mandate the Commission to aggregate demand and act on their behalf for their public procurement in the public interest, in accordance with existing Union rules and procedures, leveraging its purchasing power. Common purchasing should be used only to address supply-chain disruptions of semiconductors during a crisis. The mandate may authorise the Commission to enter into agreements concerning the purchase of crisis-relevant products for certain critical sectors. The Commission should assess for each request the utility, necessity and proportionality in consultation with the European Semiconductor Board. Where the Commission intends to not follow the request, it should inform the Member States concerned and the European Semiconductor Board and give its reasons. The procedural details should be set out in an agreement between the Commission and the	Pillar III Article 43 – Common purchasing (untouched)

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participating Member States, including reasons for the use of the common purchasing mechanism and liabilities to be assumed. Such an agreement may include the number of contracts to be concluded and the conditions of the common purchasing, such as prices, delivery timeframes, quantities and opt-in or opt-out clauses. The common purchasing may result in the signature of one contract covering the needs of all Member States or several contracts each covering the needs of one or more Member States. Furthermore, the participating Member States should be entitled to appoint representatives to provide guidance and advice during the procurement procedures and in the negotiation of the purchasing agreements. The deployment, use or resale of purchased products should remain within the remit of the participating Member States.	
(111) During a semiconductor shortage crisis, it might become necessary that the Union considers protective measures. The European Semiconductor Board should be able to express its views to inform the Commission's assessment of whether the market situation amounts to a significant shortage of essential products pursuant to Regulation (EU)2015/479.	Pillar III Article 43 – Common purchasing (untouched)
(112) The institutional framework for expert groups, including the rules on transparency for the entity and its sub-groups, should apply to the European Semiconductor Board, without prejudice to this Regulation. The European Semiconductor Board should provide advice to and assist the Commission on developing a comprehensive semiconductor policy and on specific technical questions. Those questions may include providing advice on the Chips for Europe Initiative 2.0 to the Public Authorities Board of the Chips Joint Undertaking, exchanging information on the functioning of European semiconductor technology initiatives and strategic projects, discussing and preparing the identification of specific sectors and technologies with potential high social impact and security significance in need of certification for trusted products and addressing coordinated monitoring and crisis response. Furthermore, the European Semiconductor Board should ensure the consistent application of this Regulation, facilitate cooperation between Member States as well as exchange of information on issues relating to this Regulation. The European Semiconductor Board should also exchange views with the Commission on the best ways to ensure effective	Pillar III – Governance Article 44 – Tasks of the ESB (untouched)

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protection and enforcement of IP rights, confidential information and trade secrets with due involvement of stakeholders in relation to the semiconductor sector. The European Semiconductor Board should support the Commission in international cooperation in accordance with international obligations. It should serve as a forum for coordinating national semiconductor policies and relevant investments, international engagement, how to enhance cooperation along the global semiconductor value chain, in particular with a focus on research, development and innovation (R&D&I) and skills exchange programmes, without prejudice to the prerogatives of the European Parliament and of the Council in accordance with the Treaties. For that purpose, the European Semiconductor Board should take into account the views of the Industrial Alliance for Semiconductors and of other stakeholders. In addition, the European Semiconductor Board should coordinate, cooperate and exchange information with other Union crisis response and crisis preparedness structures with a view to ensuring a coherent and coordinated Union approach as regards crisis response and crisis preparedness measures for semiconductor crises.	
(113) A representative of the Commission should chair the European Semiconductor Board. Each Member State should appoint one high-level representative and one alternate to the European Semiconductor Board. They could also appoint up to three technical representatives in relation to different tasks of the European Semiconductor Board, for example, depending on which part of this Regulation is discussed in the meetings of the European Semiconductor Board. Member States should endeavour to ensure effective and efficient cooperation in the European Semiconductor Board. Member States should indicate a single contact point to ensure the reliable and timely exchange of information on the operation of the European Semiconductor Board. To receive important advice on the activities of the European Semiconductor Board and allow appropriate participation of stakeholders, the Chair should be able to establish subgroups and should be entitled to establish working arrangements by inviting experts and observers to take part in the meetings on an ad hoc basis or to invite stakeholders, in particular organisations representing the	Pillar III – Governance Article 45 – Structure of the ESB (untouched)

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interests of the Union semiconductors industry, such as the Industrial Alliance for Semiconductors, to its sub-groups as observers.	
(114) The Chair should be able to facilitate exchanges between the European Semiconductor Board and other Union bodies, offices, agencies and expert and advisory groups. In light of the importance of the supply of semiconductors for other sectors and the resulting need for coordination, the Chair should ensure participation by other Union institutions and bodies as observers in meetings of the European Semiconductor Board where relevant and appropriate in relation to the monitoring and crisis response mechanism established in this Regulation.	Pillar III – Governance Article 46 – Operation of the ESB (untouched)
(115) Member States should hold a key role in the application and enforcement of this Regulation. In that respect, each Member State should designate one or more national competent authorities responsible for the effective implementation of this Regulation and ensure that those authorities are adequately empowered and resourced. Member States may designate an existing authority or authorities. In order to increase organisation efficiency in the Member States and to set an official point of contact visa-vis the public and other counterparts at Union and Member State level, including the Commission and the European Semiconductor Board, each Member State should designate, within one of the authorities it designates as competent authority under this Regulation, one national single point of contact responsible for coordinating issues related to this Regulation and cross-border cooperation with competent authorities of other Member States.	Pillar III – Governance Article 48 – Designation of national competent authorities and national single points of contact (untouched)
(116) The Union should strive to conclude strategic partnerships on semiconductors with established or emerging international partners in order to improve the Union's security of supply and cooperation along the semiconductor value chain. Those partnerships should also strive to address the semiconductor-related knowledge and skills shortage existing in the Union by attracting, mobilising and retaining new talent to the Union. For partners with which the Union has cooperation on semiconductors established through a Digital Partnership, Trade and Technology Council or Digital Dialogue, the strategic partnership on semiconductors should reflect the political steer and priorities agreed at those fora.	Pillar III – Governance Article 47 – International Partnerships (order with recital above should be reversed)

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(117) To develop and ensure a coherent framework for the conclusion of future strategic partnerships on semiconductors, the Member States and the Commission should, as part of their interaction on the European Semiconductor Board, discuss, among other things, whether existing partnerships achieve their intended aims, the prioritisation of partners for new partnerships, the content of such partnerships and their consistency and potential synergies with other Commission international cooperation frameworks and with Member States' bilateral cooperation with relevant international strategic partners. This should be done without prejudice to the prerogatives of the Council in accordance with the Treaties. The Union should seek mutually beneficial partnerships with emerging markets and developing economies, in coherence with its Global Gateway strategy62 and its International Digital Strategy63, which contribute to the diversification of its semiconductor supply chain as well as add value to those international strategic partners.	Pillar III – Governance Article 47 – International Partnerships (order with recital above should be reversed)
(118) To strengthen the Union's strategic autonomy and leadership in semiconductor technologies, the Industrial Alliance on Processors and Semiconductor Technologies should cease to exist and its operations should be taken over by the Industrial Alliance for Semiconductors (the 'Alliance'), established by this Regulation, under the Commission's oversight. All members and participants of the existing Industrial Alliance on Processors and Semiconductor Technologies should automatically become members and participants of the Alliance. The terms of reference under which the functioning, tasks and composition of the Alliance are detailed, should be published in a Commission website for clarification64 . The Alliance should bring together stakeholders from across the value chain, including industry, SMEs, research organisations, and key user sectors, to identify critical gaps in the Union's capabilities and drive the technological and industrial advancements needed to enhance competitiveness. By fostering collaboration and innovation, the Alliance should help reduce dependencies, reinforce supply chain resilience and support the scaling of smaller Union actors. To ensure coherence with the Union's semiconductor strategy and priorities, and to facilitate a smooth and effective implementation of this Regulation, the Alliance's Steering Committee should maintain a regular dialogue with the European Semiconductor Board,	Pillar III - Governance Article 49 – Industrial Alliance for Semiconductors

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while its working groups may present updates upon request. This structured engagement should enable the Board to integrate industry insights into policy decisions, ensuring that public and private efforts remain aligned in advancing the Union's technological sovereignty.	
(119) In order to ensure trustful and constructive cooperation of competent authorities at Union and national level, all parties involved in the application of this Regulation should respect the confidentiality of information and data obtained in carrying out their tasks to protect in particular IP rights, sensitive business information and trade secrets. Any information acquired in the application for recognition as a European semiconductor technology initiative, in the context of requests for information or notification obligations under this Regulation, should be used only for the purposes of this Regulation and should be covered by the obligation of professional secrecy in accordance with Article 339 TFEU, as well as internal Commission rules on the secure handling of data, in particular Commission Decision (EU, Euratom) 2015/44365. The Commission and the national competent authorities, their officials, servants and other persons working under the supervision of those authorities as well as officials and civil servants of other authorities of the Member States should ensure the confidentiality of information obtained in carrying out their tasks and activities. This should also apply to the European Semiconductor Board and the Semiconductor Committee. Where appropriate, the Commission should be able to adopt implementing acts to specify the practical arrangements for the treatment of confidential information in the context of information gathering.	GENERAL PROVISIONS Article 50 – treatment of confidential information (untouched)
(120) Compliance with the obligations imposed under this Regulation should be enforceable by means of fines and periodic penalty payments. To that end, appropriate levels of fines for non-compliance with requests for information and notification obligations under this Regulation should be laid down, taking into account the different levels of gravity of the non-compliance between both obligations and with different ceilings for SMEs. Furthermore, periodic penalty payments should be laid down for noncompliance with the obligation to accept and perform priority-rated orders, which should be proportionate and reflect the price levels on the market during the last 90 days, with	GENERAL PROVISIONS Article 51 – Penalties (untouched)

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different ceilings for SMEs. Limitation periods should apply for the impositions of fines and periodic penalty payments, in addition to limitation periods for the enforcement of penalties. In addition, the Commission should give the concerned undertaking or representative organisations of undertakings the right to be heard.	
(121) In order to reflect technological change and market developments relevant to the semiconductor sector, to ensure effective implementation and evaluation of the Chips for Europe Initiative 2.0, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission with a view to amending this Regulation with regard to the actions supported by the Chips for Europe Initiative 2.0 in a manner consistent with its objectives and with regard to the measurable indicators for monitoring the implementation of the Chips for Europe Initiative 2.0 and for reporting on its progress towards the achievement of its objectives, and with a view to supplementing this Regulation by establishing the procedure for applications and the requirements and conditions for the granting, monitoring and withdrawal of the label of design centres of excellence. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making66. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.	GENERAL PROVISIONS Article 55 – exercise of the delegation (untouched)
(122) Without prejudice to the budgetary procedure and to its administrative autonomy, the Commission should make optimal use of resources to ensure that it can effectively perform its duties and exercise its powers under this Regulation.	GENERAL PROVISION
(123) Since the objective of this Regulation, namely to establish a framework for strengthening the semiconductor ecosystem at Union level, cannot be sufficiently achieved by the Member States but can rather, by reason of the scale or effects of the action, be better achieved at Union level, the	LEGAL BASIS/ JUSTIFICATION

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 in order to achieve that objective.	
(124) Regulation (EU) 2023/1781 should therefore be repealed.	

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