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MEETING DOCUMENT

From: To:	General Secretariat of the Council Delegations
Subject:	Commission presentation: "EU-UK bilateral agreement - Eligibility conditions applying to UK industry for common procurement under SAFE"

Delegations will find attached the Commission presentation on plans for upcoming negotiations on an EU-UK bilateral agreement under Article 17 of the SAFE Regulation, as displayed during the WPUK meeting on 1 July.

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EU-UK bilateral agreement Eligibility conditions applying to UK industry for common procurement under SAFE

Presentation to Working Party on the United-Kingdom 1 July 2025

1) Political background

19 March - Defence Readiness 2030 Package:

> Joint White Paper for European Defence

- UK: « essential European ally, with which cooperation on security and defence should be enhanced in mutual interest ».
- ➤ The Security Action For Europe (SAFE) Instrument provides a framework for cooperation with third-country and third-country entities
- acceding countries, potential candidate and candidate countries, and other third countries with which the Union has entered into a Security and Defence Partnership.

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Political background

- 19 May 2025 Security and Defence Partnership (SDP) with the UK
 - *"The EU and the UK will conduct regular exchanges on the development of respective security and defence initiatives, including on defence readiness and defence industry.
 - ❖ The UK and the EU will explore possible mutual involvement in respective defence initiatives in accordance with the respective legal frameworks."



- UK to participate in procurement contracts supported by SAFE alongside at least one EU Member States + another Member State, or an EEA/EFTA State, or UA (article 2.3 SAFE regulation)
- Possible conclusion of a bilateral agreement to associate UK industrial entities to SAFE procurement contracts (article 17 SAFE regulation)

2) Zoom-in: The Security Action for Europe Instrument



- Up to **€150B as loans**
- Max duration 45 yy
- 10 yy grace period
- Up to 15% prefinancing



- Support adaptation of EDTIB (production ramp-up)
- Allow faster availability of defence products (reduce delivery lead time and prices)
- Ensure interoperability



- Common procurement (including support to existing contracts, or part of them)
- Derogation if:
 - Contracts signed by 30/05/2026
 - All necessary steps to extend benefit of the contract
- Regulation presented on 19 March 2025 and adopted by the Council on 27
 May
- Member States to communicate their min/max intent for loans request before end July and investment plans before end November





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6) Legal basis



Article 212 TFEU

 The European Parliament and the Council shall adopt economic, financial and technical cooperation measures with third countries

Article 218 TFEU



8) Building blocks

In line with article 17 SAFE regulation, the bilateral agreement shall:

- 1. Lay down how **eligibility** conditions referred to in Article 16 are to be applied
- 2. Ensure a **fair balance** as regards the contributions and benefits of the third country
- Lay down the conditions of any financial contribution to be provided by the third country to the Union

- 4. Lay down any other appropriate measure governing the **security of supply** of the procured product
- 5. Contribute to an increased standardization of defence systems and greater interoperability between Member States and those other third countries' capabilities

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8) Building block Conditions of UK industrial participation Article 17.2 – application of eligibility conditions



- a) Conditions on the **location of the executive management structures** of contractors or subcontractors and on **control by third country**/third-country entities
- b) Rules related to the **location of infrastructure**, **facilities**, **assets and resources** of contractors or subcontractors involved in the common procurement
- c) Rules related to costs of components and their origins
 - Rules related to cost of components originating from UK,
 - Minimum share originating from EU, an EFTA/EEA country or UA,
 - Maximum share originating from a third country other than EFTA/EEA, UA and UK
- d) Rules related to restrictions imposed by third countries (other than EFTA/EEA, UA and UK) or by third-country entities on the definition, adaptation and evolution of the design of the defence product procured with the support of the SAFE instrument

Thank You

