Industry statement

"Europe's challenge and ambition are straightforward: step up investment in its knowledge assets and turn the high volume and quality of its science and research results faster and deeper into innovations which generate value for economy and society. We have an asset for achieving these ambitions: Horizon 2020."

With the current speed of technological change and global political developments the above statement from the Lamy report on Horizon 2020 clearly summarises the challenge Europe is facing. The EU framework program for research and innovation (R&I), Horizon 2020 and its successor (often called Framework Program 9 ("FP9")) , play an important role in Europe's continued economic development.

Dutch industry actively participates in and highly values Horizon 2020 and herewith would *like to strongly express its support both for Horizon 2020 and FP9* (see annex for some key figures of Dutch participation). For instance, the ECSEL Joint Undertaking, that is part of Horizon 2020, has contributed significantly to the competitiveness of Europe's high-tech industry and has helped build competitive ecosystems in the field of key (enabling) technologies like nano-electronics and embedded systems. The Bio-Based Industries Joint Undertaking, with the aim to significantly reduce Europe's dependency on fossil-based products, helps the EU meet climate change targets, and lead to greener and more environmentally friendly growth.

Key assets of Horizon 2020 are its *three-pillar structure* (with science, societal challenges and key enabling technologies as focus points), *building strong public-private partnerships* which enable new, innovative networks and *excellence as a central criterion*.

Our key messages:
The recommendations in the Lamy report point in the right direction. Dutch Industry has the following three key messages to the European Parliament, the Commission and member states, on the Lamy report, Horizon 2020 and FP9.

1. <u>Both EU and member states should step up investments in R&I</u>, create more impact from the funding instrument, make it more transparent and easier to use. In addition to extra budget, to address the current low success rate for proposals (overall success rates have declined from 22.4% in 2007 to 11.8% in 2016), it would also be appreciated if ways can be found to avoid high efforts in the early phase of the process.
2. <u>Maintain attractive innovation investment climate in EU</u>: In FP9, even more than in Horizon 2020, emphases should be put on an *industry friendly design of the instrument*. In this respect we would like to stress the importance of a holistic approach for FP9 which means that:
    a. *All types of innovation from companies of all sizes bring value to Europe's competitiveness and should be supported*. Especially, considering that a successful and responsive ecosystem needs companies of different sizes and which focus on different parts of the value chain. To be more specific this means that the EU and member states should (continue to) invest:
        i. in both disruptive and incremental R&I;
        ii. in companies of all sizes, i.e. large companies, existing SMEs, and start- and scale- ups; and
        iii. in fundamental research as well as close to market instruments (bridging the so-called "valley of death").
    b. Next to the introduction of a missions-oriented approach, FP9 should *continue to focus on and support both disruptive and incremental R&I regarding Europe's key enabling technologies*. It is important to note that key enabling technologies are crucial for new innovations that address societal challenges.
    c. *Improve the possibilities of innovation & deployment* for instance by also allowing funding for demo's and flagships to validate technology. This is key to generate economic value from Europe's knowledge.

   d. *The Commission should consider a yardstick for business participation* in FP9 of at least one third. Over the years, large company and SME funding has declined in the framework programs from 37% (FP3) to 26.5% (Horizon 2020) while the private sector (large companies and SMEs) account for 64% of all R&D expenditure in the EU thus contributing greatly to the European economy and regional/local innovation ecosystems.

3. <u>Keep FP9 grant based</u>: Investments in R&I are often significant and risky. One of the reasons that industry participates in EU funded R&D is because of their desire to share the risks and the substantial costs involved. Another key element of Horizon 2020, as stated above, is that it stimulates public-private partnerships which create new innovations. These are difficult, if not impossible, to build with loans, thereby raising the threshold for collaborative R&I. Grants and loans do not fulfil the same goals and are therefore not interchangeable.

Another hurdle for disruptive innovation in EU is the lack of a true internal market. This leads to higher return on R&I investments in other parts of the world. Next to investing in Horizon 2020 and FP9, the Commission should thus continue to work on the (digital) internal market and step up its efforts to make the innovation principle operational.

Horizon 2020 and FP9 should be the cornerstone of (the modernization of) the EU's Industrial Policy Strategy. Dutch industry will continue to invest in innovation to maintain its global industrial and/or technology leadership positions, to address the grand societal challenges and to offer quality jobs to Europeans. In light hereof, Dutch industry very much welcomes the efforts made by the EU, particularly under Horizon 2020 and looks forward to the continued support in FP9 for the industry's innovative efforts in the EU.

<u>This industry statement is supported by:</u>

AIRBUS, ASML, AkzoNobel, Bronkhorst, CRV, DAF, DAMEN, DSM, ELSEVIER, Fokker, IBM, kpn, NTS, NXP, PHILIPS, TATA STEEL, TENCATE, THALES, Unilever, VDL, nlr, TNO, TU/e

Annex KEY FIGURES on Dutch Participation in Horizon 2020

In providing some key facts for The Netherlands specifically, it can be concluded that Horizon 2020 clearly has an impact (all figures until Feb. 2017 – source DG RTD and EZ/RVO; figures include JUs results):

- In total Horizon2020 has spent € 24 billion; 13.582 projects have been approved. For the Netherlands, € 1,8 billion in funding has been provided for 2.311 projects;
- Of the € 1,8 billion € 526 million (28%) has been earmarked for companies: € 181 million for large companies (34%) and € 345 million (66%) for SMEs;
- 767 companies have participated, of which 80% SME and 20% large companies;
- The success rate has been higher than the average (16.4% vs. 12.7% overall).