

Strategic Technologies for Europe Platform (STEP)

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MFF Mid-term review – Strategic Technologies for Europe Platform (STEP)



- President Von Der Leyen (SOTEU 2023): STEP as a response to the “economic and national security imperative to preserve a European edge on critical and emerging technologies”
- STEP boosts, leverages and steers existing EU instruments to quickly deploy financial support to projects in the following strategic sectors:
 - a) deep and digital technologies,
 - b) clean technologies,
 - c) biotechnologies.

Examples in deep and digital tech:

- Microelectronics
- Quantum, cloud and edge computing
- AI
- Cybersecurity
- Robotics
- 5G and advanced connectivity

Examples in clean tech:

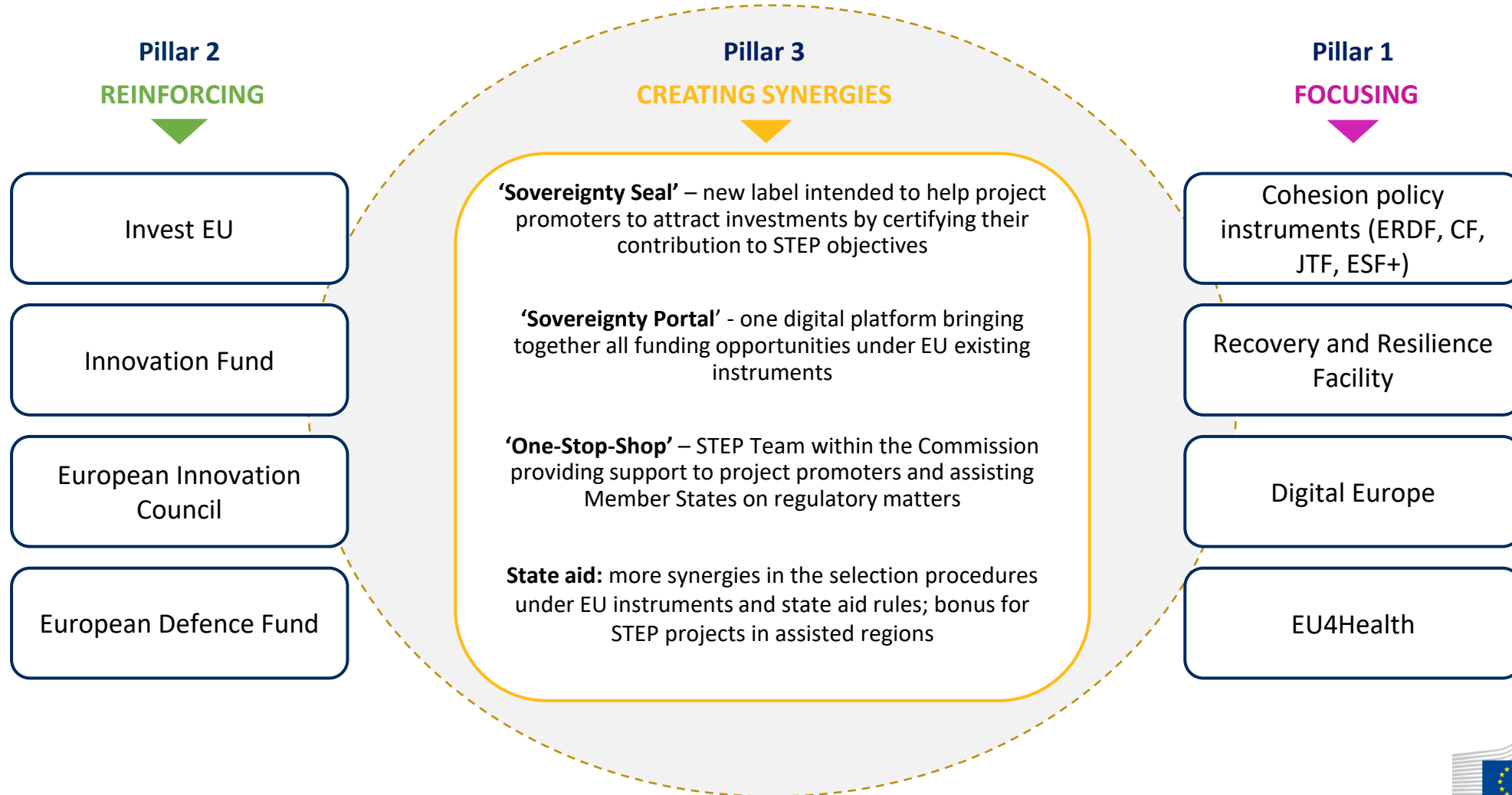
- Renewable energy
- Sustainable alternative fuels
- Water purification and desalination
- Advanced materials
- Sustainable extraction of critical raw materials

Examples in bio tech:

- Biomolecules
- Pharmaceuticals
- Medical technologies
- Crop biotechnology
- Industrial biotechnology

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Three main components



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Reinforcing and reprioritising instruments - Investment potential



| | BUDGETARY REINFORCEMENT & RE-PRIORITISATION | INVESTMENT POTENTIAL |
|-----------------------------------|--|---|
| InvestEU | EUR 3bn provisioning for EUR 7,5bn of EU guarantee | EUR 75bn investments in critical technologies |
| European Innovation Council | EUR 2,13bn redeployment and use of de-commitments EUR 0,5bn top-up | EUR 13bn investments in companies' equity |
| Innovation Fund | EUR 5bn of additional grants | Up to EUR 20bn total financing |
| European Defence Fund | EUR 1,5bn for R&D actions | Up to EUR 2bn total financing |
| Cohesion policy funds | Incentives for STEP projects, sovereignty seal (30% pre-financing, 100% cofinancing) | For 5% re-programming : EUR 18,9bn |
| RRF | Increased transfer possibility to InvestEU STEP investments (up to 10%) up to 10% | Up to EUR 30bn |
| Total investment potential | | Up to EUR 160 billion |

European Innovation Council - main instruments and characteristics

Pathfinder (TRL1-4)

- For consortia
- Early stage research on breakthrough technologies
- Grants up to €3/4 million

Transition (TRL 4-6)

- For consortia and single entities
- Technology maturation from proof of concept to validation
- Business & market readiness
- Grants up to €2.5 million

Accelerator (TRL 6-9)

- For individual SMEs
- Development & scale up of deep-tech/ disruptive innovations by startups/ SMEs
- Blended finance (grants up to €2.5 million; equity investment up to €15 million or above)

- Focus on **breakthrough, market-creating, deep-tech**
- **Mainly bottom up** complemented by targeted funding on strategic technologies/ challenges
- Steered by **EIC Board** of leading innovators (entrepreneurs, investors, researchers, ecosystem)
- **Business Acceleration Services** (coaches/ mentors, corporates, investors, ecosystem)
- **Pro-active management** (roadmaps, reviews, re-orientations, etc) with EIC Programme Managers
- **Fast track access** to Accelerator for results from EIT, EIC Pathfinder,

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Budgetary implication for Horizon Europe & EIC



- The **top-up of EUR 2,3 billion to the EIC FUND will come through a combination of:**
 - **EUR 0.8 billion** from Horizon Europe (HE) Pillar II,
 - **EUR 0.13 billion** from the reflows of the EIC pilot of Horizon 2020,
 - **EUR 1.2 billion** from non-implementation of research projects supported by HE and its predecessors &
 - **EUR 0.5 billion** from the MFF review.

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Implication to EIC Fund



- Creation of a **new sovereignty compartment of the EIC Fund** to support larger investments (above €15million) in individual companies. This is fully in line with the first flagship of the NEIA.
- The new EIC Fund compartment will leverage private investments and may be supplemented with complementary financing provided by the EIB Group and/or Member States, using the ample possibilities to support risk finance under State aid rules
- Clarity that the **EIC Fund can provide equity-only** support in such cases
- **Creation of a Sovereignty Seal**, building on the experience of the Seal of Excellence and to be awarded to projects/ companies selected for EU sovereignty support (including EIC)

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What the top-up to EIC will support



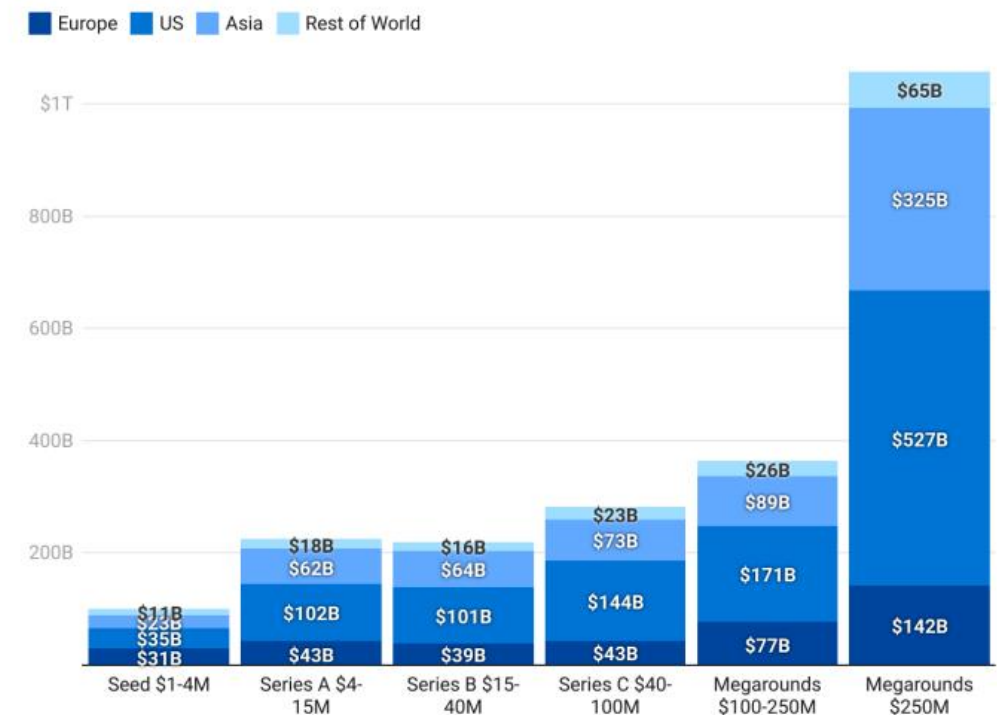
- The top-up will support game-changing innovation, from the early-stage research to start-up and scale-up.
- The EIC Accelerator will provide **equity-only support between EUR 15 and 50 million** to non-bankable high-risk Small and Medium Enterprises (SMEs), including start-ups, and non-bankable high-risk small mid-caps, scaling up breakthrough innovation in the critical technologies supported by the STEP.
- **Complementarity between the EIC Fund and InvestEU** will be ensured, so as the EIC Fund will only invest in companies with an investment risk profile complementary to InvestEU support.



Market demand for larger investments

- Large market demand for **late-stage financing** (EUR 15 to 100 million) for high-risk deep technologies to enable the **scaling and industrialization** of those technologies
- **Capital costs of technology-intensive companies** oftentimes remain too high for private investors alone
- Europe is **lagging behind in larger scale investments**, currently dominated by the US
- Europe faces a **lack of large venture capital funds; fragmented and risk-averse nature of European venture capital market**
- Risk of overseas listings and exits including trade sales

Venture capital by destination and by stage (2020-Q3 2023) – absolute values



Source: Global venture capital – Dealroom Q3 2023 update.

Market demand for larger investments

Need for budgetary reinforcement of the EIC Fund



- Demand for investments in deep tech in Europe remains strong – **Oversubscription** of EIC Fund
- Almost **9000 eligible short proposals** (incl. resubmissions) received in the first two years of EIC operation (Step 1); **more than 6000 eligible full proposals** submitted (Step 2); **1405 (less than 25%)** invited for EIC Jury interview
- **Overall success rate** of EIC accelerator for proposals submitted comes to **5.2%** (475 companies)
- EIC Financing needs would be between EUR 2 and 4 billion for 2024-2027
- The **proposed EUR 2.63 billion** proposed under EIC Step proposal is **in the lower range of estimated financing needs**
- An increasing number of EIC-funded companies require **follow-on financing rounds** (difficult due to lack of budget and the EUR 15 million limitation)

Thank you



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- ◆ [STEP](#)
- ◆ [EU budget today](#)
- ◆ [EU funding programmes](#)
- ◆ [EU budget](#)