

## Eurochambres recommendations to the European Chips Act

### Recommendation 1: on the need to act upon the current chips shortage

The general idea of the whole Commission initiative to make the semiconductor industry more resilient is welcomed, as we notice as well that our European manufacturers are scrambling to set their hands on the chips they need for their production. This results in delays and shortages in the value chain, and affects consumers as well. Most pressingly, our members indicate that the automotive industry needs a solution.

The situation requires short-term crisis management and long-term vision. This is why we call on the European Commission to make greater efforts to implement concrete actions (defining nature, budget, and temporality) to ensure the supply of chips in the short term. We agree that the EU needs to enhance its competences in the area of chip design in order to meet future market needs. This should be a long-term effort.

Leaving the market forces playing out has resulted in a high European dependency towards chips. If no action is taken at the EU level, the dependency of the EU will keep on increasing as the demand for chips will be much higher in the coming years.

Considering the recent shortages encountered by EU industry, there is a need to act at the EU level. Public support can help rebalance our dependence on EU's partners and secure EU supply in chips by leveraging private investments, fostering public-private collaboration and developing innovation for cutting-edge chips.

### Recommendations 2: Investments and budget

More than anything else, the EU should provide a fertile ground for investments for cutting-edge technologies in general. The Commission states that in total, more than €43 billion of policy-driven investments will support the Chips Act until 2030, which will be broadly matched by long-term private investment. It is however unclear how all these funds will be raised and spent.

The Chips Act should result in additional public and private investments of more than €15 billion. The foreseen investments are designed to come on top of existing programmes (Horizon Europe and Digital Europe Programmes) but some funds that will be earmarked for the Chips initiative will also have an opportunity cost, as they can't be spent twice. It should be clearer which areas will lose support as they will be used for R&D in semiconductor solutions.

Eurochambres sees a need to clarify the origins, amounts, and synergies between the different funds, which also include a semiconductor innovation fund to facilitate access to finance for private companies and an equity investment facility dedicated to semiconductor manufacturing under InvestEU.

Moreover, it is so far not clarified what the synergies will be with the forthcoming European

Project of Common Interest (EPCI) which aims to support transnational cooperation projects in the microelectronics sector.

To secure the future EU's competitiveness, investments have to be made in the most advanced chips on EU territory. The creation of European jobs, technological leadership and strategic autonomy will depend on the development of cutting-edge innovation in the chips industry in Europe.

The semiconductor industry requires huge amounts of money. For a TSMC factory in Japan, 14 billion euros are needed: 7 billion from the state and 7 billion from the private sector. Samsung and Intel put the cost of a factory at between 12 and 20 billion.

In Europe, we need public investment via the IPCIs or by other means, mainly for R&D but also for initial industrialization. It is now essential for public money to help with production capacities, because we are facing an explosion of public investment in the sector in all parts of the world<sup>1</sup>, and the private sector cannot bridge the gap alone.

The role of the public authorities is to stimulate the opening of a strategic dialogue with the private sector on open strategic autonomy, even if the latter should not be considered as a final objective. The question is how to build a value chain on a continental scale? A strategy is needed to limit our dependence and strengthen the internal market.

### **Recommendation 3: strategy accompanied by a balanced implementation with stakeholder participation**

Both the Important Projects of Common European Interest on microelectronics and the increased flexibility in the regulatory framework for state aid will enable Member States to invest in the sector by contributing to increasing digital strategic autonomy in the medium and long term.

The European Commission should encourage closer cooperation between member states to boost the chips industry. In this regard, we would like to highlight the importance of the joint work of all European partners in developing a sector that will be key to the economy and growth of other industries in the different European regions.

The European chips act is in this respect a fundamental key to opening up a value chain on a continental scale. Decisions must be taken together in public/private partnership to find the best solutions.

When it comes to European funds, we are concerned about possible disparities between large and small companies and also the distribution key between the regions and member states. Supply chains or consortia should include companies with wide geographical coverage across the EU in the EU-funded projects.

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<sup>1</sup> - USA: 52 billion  
- China: 152 billion over 10 years  
- Korea: 60 billion over 3 years.

**Recommendation 4: making it easier for European companies to catch up with their competitors**

The European Commission stated that the EU should reach 20% of the world production in semiconductor solutions by 2030. One of the best measures the Commission can take, as it does in its proposals, is to ease the construction permit procedures to build new fabs. This should help palliate the shortage in the mid- to long term.

Reporting obligations should be kept to a minimum. We therefore caution against excessively broad obligations that add administrative burden on companies.

**Recommendation 5: the recommendation to enable a short-term immediate response**

The Commission Recommendation on a common Union toolbox to address semiconductor shortages and an EU mechanism for monitoring the semiconductor ecosystem contains a number of initiatives that can be achieved in the short term.

It foresees in the establishment of a European Semiconductor Expert Group, which should be enabled to formulate “potential crisis response measures”. While information exchange can be helpful, the Commission should refrain from intervening too much in a market that is, all in all, already relatively mature and relies on private companies operating in international markets.

For companies active in the chips sector, transparency and predictability is key, especially with regard to what to expect from the policy level. Therefore, we warn against the extensive use of abovementioned crisis response measures. Political overreach will harm the market, innovation, and competitiveness, especially if firms would be forced into accepting production orders based on arbitrary and unpredictable “crisis” criteria.

Supply chain monitoring could help enable companies to gain insights into the severity of problems at hand, such as limited capacity to meet demand and leveraging analytics also might help predict what may lie ahead. Whether such monitoring should be centralized by the European Commission should not be taken for granted and would merit a stand-alone debate.

**Recommendation 6: enhance cooperation with global partners.**

Semiconductors supply chains are global, and supply chain resilience cannot be achieved without ambitious and detailed plans for cooperation with global partners. The EU should work with like-minded partners to stabilize the supply chain, review its functioning and avoid market access barriers.

Transatlantic engagement within the EU-US Trade and Technology Council is an optimal way to coordinate policies and pursue joint R&D initiatives with key partners.

The cooperation with international partners should particularly focus on manufacturing as we have no companies that can manufacture the most innovative chips. This aspect of strategic partnerships with other trade blocs deserves more attention. We encourage the EU to promote transatlantic collaboration and coordination among industry, government, and academia, especially in research. We promote international cooperation with strategic partners instead of ideas of self-sufficiency.

**Recommendation 7: create the right conditions to attract the right talents**

As the chips industry is lacking skills, there is a fight between countries to attract talents. It is of utmost importance that the EU creates the right framework to develop skills and attract foreign talents most needed in the chips sector.

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