



Commissioner Carlos Moedas

**Meeting with Members of the European Round Table of
Industrialists (ERT)**

Berlaymont

12 September 2016

17:00 – 18:00

B1 Contribution





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KEY MESSAGES

- I appreciate the corporate venturing actions by ERT members like incubators, coaching etc. Would you have suggestions on how the European Innovation Council and your initiatives could reinforce each other?
- The Better Regulation Agenda is a priority for this Commission and improving the regulatory framework for innovation is a key priority for me as Commissioner. The inclusion of calls for the application of the Innovation Principle in EU policy by the Competitiveness Council Conclusions in May of this year give an added political impetus to improving the regulatory framework for innovation at EU level. At the moment there is an open call for expressions of interest in Innovation Deals to carry forward the Commission's work on innovation and regulation. How would the ERT envisage an innovation principle being put in to practice?

1. STEERING BRIEF

1.1 Scene setter

EIC

In Dec. 2015, ERT issued a paper on Start-ups and Entrepreneurship, which describes current corporate venturing activities and offers ten recommendations to policy-makers. An **issue to discuss with ERT** would be how the many corporate venturing actions described in the note, like incubators, could be supported by an EIC at EU level. The German Minister for Science, in a position paper on EIC, suggests organising contests between business incubators and accelerators, with an EIC supporting the best ones with a European value added. This would be an issue to look into for FP9, Germany suggests. Others like CERN, EMBL and ESA also favour such a support for ecosystems. However, it would not be easy to delineate a scheme for that (what is the market failure? What additional activity to support from the EU level?). Would ERT favour such an idea? How could that work?

A **question for ERT** could be: 'We share much of the analysis and the policy ideas for boosting start-ups and entrepreneurship. I appreciate the many corporate venturing actions you describe in your note. You know I am considering a European Innovation Council. Would you have suggestions on how EIC and your initiatives could reinforce each other?'

Innovation and Regulation

In June 2015 the ERT issued a joint statement together with Business Europe and the European Risk Forum (See Annex 3.1) calling for an Innovation Principle to fuel EU innovation policies. This statement essentially calls for the embedding of the innovation principle in the EU policy and legislative processes as well as improved use of scientific evidence.

This meeting is an opportunity to update the ERT on recent developments around innovation and regulation at EU level, particularly the inclusion of calls to apply the Innovation Principle in two sets of Conclusions from the Competitiveness Council of May 26 & 27 2016. The Commission is now exploring what an innovation principle would mean in practice and how best to operationalise it. This includes greater use of the R&I tool in impact assessments and the currently open invitation to submit Expressions of Interest for Innovation Deals. ERT may wish to bring this call to the attention of their members – it remains open until the middle of September 2016.

2. BACKGROUND INFORMATION

2.1 Link to ERT paper #3 'Start-ups / entrepreneurship', Dec. 2015

In Dec. 2015, ERT drew up an informative paper which describes current corporate venturing activities and offers ten recommendations to policy-makers. Much of that is in line with the Startup Europe Manifesto of 2015 and with issues in the EIC discussion. Keywords are:

- ecosystems for start-ups and scale-ups and the contribution by corporates (by contracting out innovative work to young suppliers, by coaching them, by investing in them, etc.) and by private-public organisations in the member states like the German Gründerfonds,
- completion of the EU single market, to ease doing business and reaching new consumers
- inno-friendly regulations,
- inno-friendly public procurement,
- public and private funding.

2.2 State of play with EIC

Commissioner Moedas noted in 2015 that Europe can do better on turning innovation into business: we lack a European Google/Apple/Facebook. He felt that Horizon 2020 is good at supporting fine research and incremental innovations but should do better on supporting innovators who combine new technologies, often internet-based, with new business models to grow their company rapidly. He coined this challenge the European Innovation Council, EIC.

DG RTD ran a call for ideas on EIC in spring 2016 which drew over a thousand responses. They confirmed that Europe should do more for market-creating innovation and innovators. On 13 July, a workshop was organised on the outcome of this call. More than a hundred participants from the European research and innovation community offered ideas how to better stimulate innovation with Horizon 2020.

A ten-point list of steps towards an EIC was drawn up. These steps would fit in the current framework of Horizon 2020. These points are influenced by the way of working of venture capitalists who support innovative entrepreneurs. Commissioner Moedas mentioned these points to ITRE on 12 July, to the informal Competitiveness Council on 19 July and to the Katainen Project Team on Innovation on 20 July. In all these fora, EIC in general and the ten points were received positively.

These points are now delegated to five working groups in DG RTD that will report this autumn:

1. Awareness & accessibility: improve the Horizon 2020 website/ participant portal and support services for market-creating innovations.
2. Funding opportunities: make the SME instrument fully bottom-up and continuously open, explore stronger complementarity with other instruments.

3. Proposal evaluation: revise and accelerate the evaluation process including face to face interviews, focus the evaluation criteria and the evaluators on market-creating innovations.
4. Follow up & mentoring: provide access to mentors for project teams, test out new scale-up instruments including blending grants/loans/VC, work with other initiatives.
5. Monitoring & information: develop real time intelligence on running projects, track their performance, feed the results into policy.

These improvements will make their way into the final years of Horizon 2020 and will help to prepare the ground for the next Framework programme. In 2017, steps will be set towards this next FP:

- the interim evaluation of H2020,
- advice by a new High Level Group on maximising the impact of EU Research and Innovation programmes in the future which will formulate a vision for future EU Research and Innovation.

In both, market-creating innovation and how to support that best will be addressed.

2.3 The Innovation Principle and European Roundtable of Industrialists

The Innovation Principle means that impacts on innovation are assessed when policy and regulatory measures are created or updated. In so far as possible, measures are then taken to design the policy measures to be as innovation friendly as possible or to mitigate any negative impacts on innovation.

In June 2015 the ERT issued a joint statement together with Business Europe and the European Risk Forum (See Annex 3.1) calling for an Innovation Principle to fuel EU innovation policies. The paper calls for the Innovation Principle to be integrated fully into the EU policy making process to build on the ideas set out in the May 2015 Better Regulation Guidelines and the science-based policy making agenda.

The statement includes an 'innovation checklist' to be used to evaluate the impact of policy and legislation on innovation and notes the need for robust and credible scientific advice, while acknowledging that other societal factors may influence the outcome of policy decisions.

2.4 Innovation Principle in EU policy and legislation

The Competitiveness Council of May 2016 called for the application of the Innovation Principle 'when considering, developing or updating EU policy or regulatory measures' in two sets of Conclusions.¹ These Conclusions were based 2015 Communication on *Better Regulation for better results, an EU agenda* and the Staff Working Document (SWD) *Better regulation for innovation-driven investment at EU level*, produced by DG RTD in December 2015.

¹ Council conclusions on *Research and Innovation friendly Regulation and Better Regulation to strengthen competitiveness*

The SWD was produced by consulting with a number of stakeholders² about specific sectorial regulatory barriers to innovation that they had encountered. These were then analysed to explore whether addressing such sectorial barriers could contribute to the Growth and Jobs agenda. The SWD included 8 in depth case studies in specific domains³ as well as a general analysis of the interaction of innovation and regulation.

The Council Conclusions give a political impetus to the drive to embed the Innovation Principle across Commission policies and legislation. Thus far the two main tools to implement the Innovation Principle are the Research and Innovation Tool in the Impact Assessment Guidelines and Innovation Deals.

² Including Joint Technology Initiatives, European Innovation partnerships and European Technology Platforms and selected leading innovative companies. Member States were also consulted via the European Research Area Committee.

³ Road vehicle automation; health technology assessment; nanomaterials; aircraft products certification; eco-design for resource efficiency; energy efficient buildings; electrified vehicles; and low carbon hydrogen in transport.

3. ANNEXES

3.1 Better Framework for Innovation: Joint Statement on Innovation Principle – Business Europe, European Risk Forum and European Round Table of Industrialists

Better Framework for Innovation

Fuelling EU policies with an Innovation Principle

BUSINESSEUROPE, the European Risk Forum and the European Round Table of Industrialists

June 2015

Introduction

The EU is lagging behind major competitors in its ability to invest in research and turn these investments into marketable products and services. Economies such as China, South Korea and North America are competing for global innovation leadership and the pace of change is increasing. In these countries, the R&D intensity is up to two times greater than Europe, which will ultimately reduce competitiveness. Europe was once the innovation leader, but it must now compete with other faster moving markets, where capacity to innovate, adapt, and exploit new technologies will be critical for success. Regulation has an important influence on innovation and priorities of innovative companies. Regulatory frameworks can however be managed and influenced by policy-makers, when seeking to improve regional competitiveness.

Recent steps taken by the European Commission to recognise some of the links between innovation and regulation have been well received by the private sector. To build on the ideas set out in the new Better Regulation Guidelines and science based policy making agenda and to shape a more positive and progressive innovation policy, the European business community believes that EU institutions now need to incorporate the **Innovation Principle** as an integral component of the policy-making process.

This joint statement from BUSINESSEUROPE, the European Risk Forum and the European Round Table of Industrialists, indicates how the Better Regulation agenda may be used to stimulate confidence to invest in innovation in Europe. In particular, it discusses what the Innovation Principle should look like in practice and the additional changes that are required to European governance and policy-making to make this possible.

Innovation culture driven by the Innovation Principle

A culture change is required to protect Europe's ability to innovate and to stimulate investment, jobs and growth, for the benefit of Society; including consumers, regulators and producers. Embracing the "Innovation Principle" will help to achieve this objective. Ensuring that,

"Whenever EU institutions consider policy or regulatory proposals, impact on innovation should be fully assessed and addressed".

A key element of this approach would be to routinely evaluate and address potential impact of EU legislation and policies on innovation, during policy formulation, co-decision, implementation and when reviewing or reforming established legislation. Such a systematic focus would make an important contribution to better innovation policy. It would provide a powerful stimulus to invest in innovation and it would set the basis for more inclusive and sustainable growth, and prosperity for all. Conversely, hasty or poorly advised legislation and policies, which fail to address these concerns, are likely to result in disproportionate impact on European innovation and longer-term competitiveness.

Avoiding damaging decisions: The “innovation checklist”

The Innovation Principle initiative calls for culture change, not just a formulaic regulatory procedure. However, evaluating the impact of policies and regulations on innovation may be a complex process, as different interventions can generate different types of impact on innovation. This impact can be sector specific or it may have more profound and far-reaching implications, over short or longer-term horizons. However, it is nonetheless recommended that EU policy and legislative initiatives should be systematically evaluated against an “innovation checklist” of selected criteria, to avoid unnecessary, unforeseen and unintended consequences. This should for example include:

Improving implementation of existing legislation: Embracing the spirit of the Innovation Principle at both member state and regional level would help to avoid unnecessary regulatory burden and uncertainty for those who wish to invest in innovation. Member states have a tendency to “goldplate” EU legislation at national level, making compliance by companies more arduous and costly, undermining one of the core benefits of the Common Market.

Keeping pace with a changing world: To keep pace with rapid scientific and technological progress, better innovation policy requires a shift of emphasis from prescriptive regulation to a more dynamic and adaptive model. A predictable, regular and timely review of existing regulation is therefore required. Too frequent and far-reaching reviews of regulations may also increase uncertainties and as a result reduce willingness to invest in innovation. A pragmatic and balanced approach, which keeps pace with rapidly evolving technologies but also provides predictability is therefore required.

Creating space for innovators to measure and manage technological risk: Regulation which solely concentrates on risk avoidance and removal of scientific uncertainty and fails to consider both risks and benefits, stifles technological innovation. This type of regulation tends to result in companies directing limited budgets towards “defensive R&D”, for compliance, at the expense of more innovative and discovery oriented research.

Without compromising safety, legislation should seek to provide frameworks which encourage investment in innovation while minimising loss of limited resources to unnecessary defensive R&D. Achieving this objective will be required to unblock Europe’s full innovative potential and to improve competitiveness in the longer-term.

Weighing risks of alternative solutions in comparison: Regulation which solely concentrates on the downsides of a single approach or solution may result in de-facto accepting an even bigger penalty for society due to either the acceptance of the status quo (i.e. not innovating) or the application of other approaches that carry different risks. Comparison with other available options should always be part of the analysis.

Risk governance for innovation-friendly EU decision-making

Generation and use of scientific evidence plays an essential role in stimulating confidence to invest in innovation. In order to justify investing substantial sums of money in technological innovation, investors need to believe that it will be possible to demonstrate sufficient safety to justify approval for market access. This type of credible and relevant scientific evidence provides an objective basis for both policy makers and investors to decide whether or not to invest in new technologies. Governance procedures are therefore required to ensure that scientific evidence is generated and used as a reliable basis for policy making, across the EU institutions, and that it is not used as a tool with which to manipulate or justify the policy making process.

Credible and independent scientific advice should be established within EU institutions, with power to go beyond interests of any single establishment, directorate general or interest group, to ensure scientific method and standards are upheld.

However, it is also important to recognise that scientific evidence alone may not be sufficient. Other societal factors may need to be taken into consideration, but these legitimate needs should not be confused with the need for robust, credible and unbiased scientific evidence.

A new stimulus to drive innovation

The spirit of the Innovation Principle applied at key stages throughout the legislative process would send a powerful and positive message to innovative organisations. It would build confidence to invest in innovation and as a result would help to create jobs, growth, economic recovery and longer-term competitiveness.

To succeed, better innovation policy must be placed at the centre of EU policy-making, along with appropriate structures and processes to ensure good governance. This should for example include:

- provision of credible and independent scientific advice to the European Commission, the European Parliament and Council, to ensure high scientific standards and transparency,
- routine evaluation of impact on innovation, within the EU Commission's revised impact assessment procedures, including implementation of legislation and delegated acts,
- routine consultation with innovative organisations, from both public and private sectors, spanning the full range from university spin offs and SMEs to large multinationals,
- establishment of a law of administrative procedure to ensure appropriate quality, governance, and predictability when drafting and implementing legislation,
- development of a more holistic understanding of what it takes to succeed as an innovator and which barriers to entrepreneurship are encountered, and
- gathering of best practices in innovation policy to stimulate adoption at both member state and European levels.

Pledge

BUSINESSEUROPE, the European Risk Forum and the European Round Table of Industrialists look forward to a constructive dialogue with the EU Commission and relevant stakeholders, to stimulate investment in European innovation, through cooperation and development of better innovation policy.