
Cefic views on designing a European Innovation Council (EIC)

A new strategic framework for EU Innovation Policy

Summary:

The European Commission initiative to create a European Innovation Council (EIC) provides an opportunity to strengthen the overall framework for innovation in Europe. The EIC should be tasked with designing and supporting the implementation of a coherent innovation strategy with a clear impact on instruments, funding schemes, policies and regulations.

The overarching goal of the EIC should be **to improve the framework conditions needed to stimulate an optimal and faster market uptake of innovations**. The key priorities for the EIC should be to **optimise and simplify the instruments and funding schemes related to innovation in the European Union, improve the coordination of policies that impact innovation as well as become the driving force to realise the objectives of the Innovation Principle and reinforce the perception of the benefits of innovation for the whole of European society**.

The EIC, as a high level advisory instrument, should have a clear value-creating role that safeguards a balanced innovation landscape, considering all stakeholders in the innovation chain (from research institutions up to both large and small private companies) and all sectors that are vital to the competitiveness of the European economy (process industries, discrete manufacturing, ICT, Transport etc.).

Background: The chemical sector, a highly innovative industry

As one of the few European industrial sectors to still hold global leadership, innovation is of vital importance to the competitiveness of the European chemical industry. Furthermore, through its products and processes, the chemical industry underpins virtually all sectors of the economy; therefore, innovation from this sector is a major driving force for innovation as a whole in Europe and is essential for smart and sustainable growth across all sectors. Accordingly, Cefic welcomes all initiatives that can strengthen, simplify and increase the efficiency of the European framework for innovation.

The initiative to set up a European Innovation Council (EIC) is an opportunity to create a high level, strategic instrument to provide a strong visible voice and an impactful champion for innovation across European institutions. As an advisory body, the EIC could provide strategic advice (e.g. on regulation, policies and practices) to improve the European innovation framework and promote a pro-innovation environment in Europe.

EIC as new strategic framework for EU innovation policy

New technologies face a number of critical challenges in Europe, such as commercialisation, public acceptance, access to financing and insufficient coherency between innovation and the policy landscape, that slow down innovation and discourage commercialisation and exploitation in Europe.

The EIC, as an advisory body, could be the right instrument to address barriers (technological and non-technological) and accelerate the commercialisation of breakthrough innovations right here in Europe. In so doing, the EIC could ensure that President Junker's highest Commission priority - to boost jobs, growth and investment - is fulfilled through innovation.

Therefore the establishment of an EIC should be seen as an opportunity to improve:

- **Acceleration from innovation to market (commercialisation)** by addressing gaps in EU funding instruments and the innovation chain (valley of death) to ensure that Europe does not lose technology leadership in areas such as the Key Enabling Technologies (KETs) as well as ensuring the necessary support and framework conditions needed to push breakthrough innovations at the lower Technology Readiness Levels (TRLs) [3-5] to higher TRLs and market readiness. The EIC should focus on *improving the framework conditions needed to stimulate an optimal and faster market uptake of innovations*, in order to realise the full potential of innovations to solve critical societal challenges.
- **Integration of EU funding Instruments** by bringing the various instruments (e.g., Horizon 2020, Fast Track to Innovation, EFSI, IPCEI, KICs etc.) together under one innovation umbrella and simplifying access to EU innovation support. The focus of the EIC should be on the integration of existing instruments by *optimising and simplifying instruments and funding schemes related to innovation in the European Union*.
- **Integration of policies and Better Regulation** to ensure that European policies (in areas such as circular economy, energy, water, waste and resource efficiency) are coordinated and systematically take into account the effect of legislation on innovation. There is also the need to provide coherence and long-term policy stability in order to foster innovation-driven industrial and venture capitalist investment and technology leadership at the EU level. The EIC could *improve the coordination of policies that impact innovation and become the driving force to realise the objectives of the Innovation Principle*, by ensuring that whenever legislation is under consideration, the impact on innovation is taken into full account in the policy and legislative process and addresses inconsistencies between different policies and regulations that hamper innovation.
- **Acceptance of innovation** in Europe and promote an improved pro-innovation and entrepreneurial culture in Europe, which can take advantage of the proximity of big and small companies, a highly skilled labour force, first-rate universities and excellent Research and Technology Organizations (RTOs) that are all situated in an unrivalled ecosystem. There is also a need to build a better image and climate for entrepreneurs that celebrates entrepreneurs as heroes when they successfully take risks. The EIC could become the champion for innovation in Europe with its impact cutting across European institutions and a broad cross section of stakeholders and *reinforce the perception of the benefits of innovation for the whole of European society*.

Challenges for the EIC to consider and Cefic recommendations

There are several challenges for the EIC to consider; chiefly among them is to avoid the replication of existing EC instruments. Rather, it should have an additional and value-creating role.

In order for the EIC to be effective and bring an added value to the EU policy landscape, full consideration should be given to the following issues:

- **Plethora of funding and advising EU instruments:** The large number of funding mechanisms and the complexity involved with accessing funds, which magnifies when one attempts to combine different funding instruments, limits funding for the scaling up of research and innovation. Although Horizon 2020 has introduced major improvements in the simplification of the previous framework funding programme (FP7), combining various funding schemes (e.g., Structural funds, EFSI, IPCEI etc.) still remains a challenge for both SMEs and large businesses alike.
 - **Cefic recommendation:** The EIC should evaluate existing instruments and groups (both funding and advisory) to ensure that the EIC does not duplicate existing instruments such as the KICs or advisory bodies such as European Political Strategy Center (EPSC) and the Scientific Advice Mechanism (SAM). The EIC should simplify the complexity of EU funding and primarily focus on enhancing the effectiveness of existing innovation instruments.
- **A strong industrial basis is a necessary condition for growth and jobs:** There is a strong link between industrial competitiveness and innovation. Important strides have been made towards the target of a 20% share for industrial activities in Europe's GDP by 2020 that was put forward by the Commission in 2012. Horizon 2020 made an important step towards increasing industrial competitiveness in Europe by increasing innovation funding and the establishment of new Private Public Partnerships (PPPs) such as SPIRE.
 - **Cefic recommendation:** The EIC should not divert funding away from the industrial pillars of Horizon 2020. Doing so will take away funding from important innovation support streams that are attempting to bridge the gap between innovation and market. The EIC, in close coordination with the European Competitiveness Council, would be better positioned to advise on where the various funding schemes can be leveraged to fund key projects.
- **Bottom up vs. top-down funding:** Whereas fundamental research is at its best from a bottom-up approach, for innovation, especially where society co-funds projects together with the private sector, top down strategic decisions on where, what and how much to fund also have an important role to play.
 - **Cefic recommendation:** The EIC should consider providing strategic advice on both bottom-up and top-down innovation funding and support. For instance, the EIC could build on the recommendations of various advisory bodies, such as KETs and FET, who have already identified key technology areas of strategic interest to Europe.
- **The collaboration between large companies and SMEs is a critical stimulus driving innovation in Europe:** Many SME's create their business by working with large enterprises. Therefore, a successful innovation ecosystem should support the preservation of market knowledge as well as the promotion of disruptive ideas.
 - **Cefic recommendation:** The EIC, as an advisory body, should not be limited to only promoting disruptive innovation; rather it should embrace the preservation of market knowledge (derived primarily from traditional industries, such as the Chemical sector, which underpin innovation, jobs and growth in virtually all other sectors) along with the promotion of disruptive ideas.

Challenges for the EIC to consider and Cefic recommendations (continued)

- **Digital innovation extends far beyond ICT:** Digitisation will continue to have a high impact on industry and society, enabling breakthroughs in production, supply chain management, business models and global connectivity across sectors and across the whole of society. The EIC could promote the uptake of digital technologies in all industrial sectors and by all companies, small and large, to ensure that European industry can maintain its global competitiveness, including for traditional manufacturing sectors.
 - **Cefic recommendation:** The EIC should develop a far-reaching strategy to support digital innovation in all industrial sectors to ensure that entire value chains can reap the benefits of digitalisation as a pre-condition for a competitive European economy.

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About Cefic

Cefic, the European Chemical Industry Council, founded in 1972, is the voice of 29,000 large, medium and small chemical companies in Europe, which provide 1.2 million jobs and account for 17% of world chemicals production.