



## Questions and Answers: Defence Investment Gaps and measures to address them

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### What is the context of this Joint Communication?

During their meeting in Versailles on 11 March, EU Heads of State or Government committed to “bolster European defence capabilities” in light of the Russian military aggression against Ukraine. They agreed to: 1) increase defence expenditures; 2) step up cooperation through joint projects; 3) close shortfalls and meet capability objectives; 4) boost innovation including through civil/military synergies; and 5) strengthen and develop our defence industry, including SMEs. They invited “the Commission, in coordination with the European Defence Agency, to put forward an analysis of the defence investment gaps by mid-May and to propose any further initiative necessary to strengthen the European defence industrial and technological base.” This was reiterated in the [Strategic Compass](#) on Security and Defence adopted by the Council and endorsed by the European Council in March 2022.

This Joint Communication provides the requested analysis, presenting recommendations that will be discussed by the European Council on 30 and 31 May.

It aims to ensure that the increased defence spending by Member States results in a much stronger EU defence technological and industrial base, ensuring increased conventional deterrence for any kind of potential adversary. Building in particular on the [Communication on Commission contribution to EU defence](#) of 15 February 2022, it offers Member States new ways to step up joint procurement as well as to engage with industry to step up their production capacity to meet the increased needs, based on consolidated and more predictable demand.

### What are the most urgent capability gaps to be addressed?

The Commission and the European Defence Agency (EDA) have analysed the defence investment gaps. Considering the current elevated security threat, Commission and the High Representative propose to focus on capability gaps that were assessed as most urgent, and where the European defence industry can provide solutions. In the short term, three are paramount: replenishing stockpiles, replacing Soviet-era legacy systems, and reinforcing air and missile defence systems.

### What are the capability gaps in the defence sector to be addressed in the medium to long-term?

The Commission and the High Representative propose to work on the following strategic medium- to long-term capabilities:

- **Air domain:** The development and operationalisation of the medium-altitude “Eurodrone” (MALE RPAS) – which forms part of PESCO and EDF projects – gained importance. In the short- to medium- term, upgrading and expanding Air-to-Air Refuelling capabilities, existing aircraft fleets, building multilayer Air Defence capable of integrated management, as well as developing and procuring counter drone-capabilities and weaponised medium-sized drones are priorities. In the medium and longer term, the modernisation of anti-access/area denial systems and the fleet of multi-role fighter aircraft in the EU is another area where Member States intend to make new investments and where a coordinated approach would help optimise resources, also in view of developing the next generation of systems.
- **Land domain:** The upgrade and expansion of the existing inventory of Main Battle Tanks and Armoured Fighting Vehicles, as well as next generation systems has become an urgency for many Member States, in light of the return of large-scale, high intensity warfare in Europe. The reinforcement of land combat capability should include combat support, notably a wide range of anti-tank and artillery systems, with an emphasis on precision strike and counter-artillery.
- **Maritime domain:** Further strengthening Member States' naval forces remains critical in light of increasingly contested Black, Baltic and Mediterranean Seas as well the need to reinforce force and power projection capabilities, and anti-access denial and coastal defence. This includes

frigates, submarines and patrol corvettes to ensure maritime security. In the medium to long-term, ISR capabilities and the protection of sea lines of communication will benefit from high-end inter-connected ships augmented by unmanned platforms for surface and underwater control and electronic warfare.

- **Space (connectivity, surveillance, protection):** The war in Ukraine has further demonstrated the importance of satellite-based secure connectivity, including a highly resilient European ultra-secured connectivity programme including quantum encryption, as well as space-based earth observation as critical enablers. Optimising synergies with the EU's space-based connectivity programme is one of the advantages of working together in this context. Protection of EU space infrastructure against threats (space situational awareness) is also a growing priority. Space based assets can also be a key enabler for a strong early warning system, needed to detect the departure of missiles (e.g., ballistic, hypersonic) and to track them.
- **Cyber defence:** To counter the growing risk of cyber-attacks by state actors in the context of geopolitical competition, the EU and its Member States could launch work towards a full-fledged cyber defence capability (from research, detection, and protection to response, including active defence capabilities). This includes capabilities for cyber situational awareness and information sharing (also building on potential synergies with a European 'Cyber Shield' infrastructure of Security Operation Centres (SOCs)), cyber resilient and interoperable command and control for military-operations and missions, cyber exercise and training, and cyber reserve forces at national level. The EU can offer here a platform for cooperation between EU services and Member States including synergies with relevant EU programmes.
- **Military mobility:** In addition, the war in Ukraine has reaffirmed the importance of effective and efficient logistics including the maintenance, sustainment and movement of forces, equipment and supplies to and across the theatre of operations. The Commission has accelerated the implementation of the military mobility budget under the Connecting Europe Facility (CEF) and stands ready to frontload it.

### **What about the European Defence Fund? Will there be any changes to it?**

In order to safeguard the incentivising power of EDF in the context of increased national defence expenditures, the Commission will consider strengthening its budget within the overall review of priorities in the mid-term review of the MFF. Additionally, as announced in the Communication on the EU contribution to defence of 15 February 2022, the Commission is exploring how to revise the bonuses of EDF in order to support even further joint procurement of the capabilities developed through EDF financial support.

### **What will be the role of Defence Joint Procurement Task Force?**

The Defence Joint Procurement Task Force will be immediately set up by the Commission and the High Representative/Head of EDA to work with Member States. The Task Force would focus on de-confliction and coordination to avoid a race to secure orders, which would result in spiralling prices, over concentration of demands in the same period, shortages of supplies and difficulties for the more exposed Member States to secure indispensable items, thereby preventing potential conflicts between parallel national procurement efforts. This could include centralising collection of information, providing methodological support and coordinating or managing purchases. The Task Force would also establish an aggregate estimate of needs, and map and support the expansion of the EU industrial manufacturing capacities necessary to answer the needs.

### **How will the Commission support the European defence industry in ramping up production?**

The Commission and the High Representative propose to put in place several measures:

- In-depth mapping of EU current and necessary additional industrial manufacturing capabilities, including building on efforts ongoing under the [Industrial Strategy](#) and in other fora (e.g. EDA Key Strategic Activities). The objective would be to have a shared picture of the capacity to produce and the needs to ensure European security of supply to Member States, including the most exposed ones.
- Consider enabling defence industry access to Critical Raw Materials (CRMs) and other key components in time of crisis, including machine tools needed for production. The Commission will table a Critical Raw Materials initiative, including legislative measures, which will aim to strengthen the EU's resilience and security of supply as regards CRMs, including in the field of defence.
- Measures will be considered as regards defence specific skills, including cyber skills, to ensure that defence industry has access to and retains necessary workforce, in particular in the science, technology, engineering, and mathematics (STEM) area as well as in any other area linked with the current extraordinary effort to ramp up production capacities. Specific attention

will be given to attract all talents and skills.

- The Commission will work on further measures (inter alia, coordinated calls among existing EU instruments and EIB loans) to support critical technologies and industrial capacities by developing strategic projects.
- The Commission will consider possible amendments to the framework for dual-use research and innovation to improve synergies between civil and defence instruments.

### **How will the Commission coordinate and incentivise joint procurement of defence equipment?**

The Commission and the High Representative are proposing measures to strengthen European defence demand through joint programming and procurement.

In the immediate term, the Commission and the High Representative/Head of EDA will swiftly establish a Defence Joint Procurement Task Force to work with Member States to support the coordination and de-conflict their very short-term procurement needs to face the new security situation. The Task Force will also coordinate with the Clearing House Cell set up within the EEAS/EU Military Staff to facilitate coordination on military assistance to Ukraine.

A short-term EU instrument will be proposed to incentive Member States who are willing to jointly procure to fill the most urgent and critical gaps in a collaborative way. The Commission is proposing €500 million over two years to support such joint procurement.

The short-term instrument will pave the way to an EU framework for defence joint procurement: In the third quarter of 2022 the Commission will propose a European Defence Investment Programme (EDIP) regulation. It will establish the conditions for Member States to form European Defence Capability Consortia (EDCC). Within an EDCC, Member States will jointly procure, for the use of participating Member States, defence capabilities that are developed in a collaborative way within the EU and will benefit from a VAT exemption. Associated Union financial intervention for the reinforcement of the EDTIB for projects going beyond what a Member States could develop or procure alone, will be considered, along the same logic of the short-term instrument.

### **How will this initiative complement the measures on defence adopted in February?**

In light of the new security situation in Europe, several Member States have announced an increase in their defence spending. This new Joint Communication aims at ensuring that the increased defence spending by Member States results in a much stronger EU defence technological and industrial base that will deliver on the key capability priorities identified.

EU Member States must therefore not only spend more but also invest better, together.

It builds on the Communication on Commission contribution on EU defence of 15 February 2022, which already contained measures to support joint procurement of defence systems, and offers Member States new ways to step up joint procurement as well as to engage with industry, while it ramps up its production capacity to meet the increased needs, based on consolidated and more predictable demand.

### **What flexibility does the Defence procurement directive offer in case of urgency?**

The [Defence Procurement Directive](#), similarly to civil procurement, contains provisions relating to emergency situations. The Directive allows for shortened time-limits in case of urgency. When even the reduced time-limits cannot be complied with, due to an extreme urgency, the Directive allows for the use of the negotiated procedure without prior publication of a contract notice.

Significant additional flexibility is added through the possibility to use the negotiated procedure without publication for cases of urgency resulting from a crisis. Urgencies arising from armed conflicts and war are specifically targeted by this provision. Procurement contracts to implement military support to Ukraine can for instance benefit from the provisions allowing the use of the negotiated procedure without publication in view of the urgency involved.

The use of the negotiated procedure without publication allows contracting authorities to negotiate directly with potential contractors, while considering the Treaty principle of non-discrimination. Each contracting authority will have to evaluate whether the conditions for using such a negotiated procedure without prior publication are met on a case-by-case basis.

### **What will the Commission undertake to support Research and Development in the defence sector?**

The EDF is the EU defence R&D programme through which the EU has a strong instrument to incentivise joint and collective R&D in defence up to the prototype level. It is paramount to define a

careful planning to support collaborative R&D, preparing the ground for future joint procurements and capabilities.

To that end, the Commission will speed up the establishment of the CASSINI for defence, announced in the February 2022 Defence Package as part of the EU Defence Innovation Scheme. A blending facility under InvestEU, supporting innovation and targeting SMEs and Mid-Caps developing defence technologies, in cooperation with the EIF, will be part of it.

### **What is the relationship between this investment gap analysis, CARD and the Strategic Compass?**

The Strategic Compass identified the EU's overall ambition as further developing "full spectrum forces that are agile and mobile, interoperable, technologically advanced, energy efficient and resilient". It has also recalled already identified critical capability shortfalls indispensable to enable the Union to undertake the full range of Common Security and Defence Policy (CSDP) tasks set out in the Treaty, specifically those in the higher spectrum of intensity. These shortfalls are included in the priorities set by the Member States in the Capability Development Plan of 2018, which will be reviewed in light of the Strategic Compass and remain a key reference for coherence among EU defence initiatives.

The Commission and EDA have analysed the defence investment gaps based on EU agreed capability priorities and informed by CARD. In light of the elevated security threat and building on the coordinated analysis of the Commission and EDA, the Commission and the High Representative proposed to focus on most urgent capability gaps.

### **How will these new measures influence the relations between the EU and NATO?**

NATO remains the foundation of the collective defence of its members. EU initiatives to foster defence cooperation also help reinforce a more effective European contribution within NATO. EU's capability development priorities are coherent with those agreed within NATO, while taking into account the difference in nature and responsibilities between the two organisations and ensuring mutual reinforcement. Defence capability development is a key pillar of the enhanced EU-NATO dialogue and cooperation agreed under the Joint Declarations of 2016 and 2018.

### **For More Information**

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