EREA Position on Multiannual Financial Framework 2028-2034, Horizon Europe and the EU Competitiveness Fund

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Research and innovation (R&I) investment has made European aviation the worldwide leader in civil aviation and air traffic management. Aviation is a major socio-economic contributor to Europe, supporting 15 million jobs and contributing EUR 1.1 trillion to our economies. It is also critical to the EU single market, European integration and global connectivity. It drives innovation and enhances Europe's global influence and security through its combined focus on sustainability and competitiveness. Aviation's importance in achieving these fundamental goals for Europe is underscored by the Draghi report.

The Association of European Research Establishments in Aeronautics (EREA) unites 15 European aviation applied research and technology organisations (RTOs) that create and develop, clean technologies to address today's biggest societal challenges. These include decarbonisation and climate neutral mobility, clean energy (as addressed in the Clean industrial Deal) and safety. EREA members also operate many technology infrastructures (TIs), such as wind tunnels, structural test facilities and research aircraft.

Together, EREA members have engaged for 30 years in collaborative research projects and partnerships (HE pillar 2), addressing challenges that cannot be tackled and implemented adequately at the national level, and not by industry or universities alone. Applied research, including its infrastructures, is crucial in bridging the valley of death. Technologies developed in aviation are used and thus necessary in other sectors. Aviation is an indispensable part of the global transport system and has strong links to the overall energy system. Other sectors will suffer without new technologies coming from aviation.

Regarding the proposed legislation on the Multiannual Financial Framework (MFF) 2028-2034, HE and the EU Competitiveness Fund (ECF), EREA appreciates the European Commission's (EC) focusing on R&I as an indispensable basis for European welfare through combining ambitions for a climate neutral Europe in 2050 with increasing European competitiveness. EREA would also like to raise some concerns and want to address several points organized in 3 parts below as follows: a) positive notes, b) need for improvement, c) need for clarification on these proposals.

a) Positive Notes

EREA values that the EC recognises the importance of the following matters:

1. The EC's proposal to set up Horizon Europe as a ***self-standing*** **programme with its own regulation.**
2. **Increasing the HE budget to roughly €175bn** as it underlines the key role R&I play in the EC's priorities to improve European competitiveness, close the innovation gap, decarbonise and reduce excessive dependencies and improving security. Increased investment in R&I is crucial to Europe's future in an era of heightened global competitiveness, where success increasingly depends on generating and converting knowledge into innovation.
3. **Funding the entire R&I chain** with suitable instruments from basic to applied research with low and medium TRL, demonstration and market readiness.
4. **Continuing collaborative research and partnerships** enhances the value of trustful cooperation between European industry, small and medium-sized enterprises (SME)s, RTOs and universities in a dedicated ecosystem such as aviation, with clear objectives and proven impact, particularly regarding the current and future competitiveness of the European industry.
5. **Facilitating cross-border and cross-disciplinary cooperation** through collaborative research projects and partnerships. This addresses challenges that cannot be tackled and implemented adequately at national level. It requires a long-term focus as the EC shows with continuing such instruments.
6. **Including TIs for the first time under HE's p*illar 4 European Research Area*** is a great sign from the EC on how essential TIs are for Europe's technological sovereignty, strategic autonomy and competitiveness. Any technological breakthrough requires TIs for proving an idea, testing it, validating the technology and demonstrating its effectiveness and impact. Europe needs a large-scale, high-quality TIs landscape covering the whole TRL scale and a network of smaller facilities serving local innovation ecosystems.
7. **Preserving HE's familiar items: excellence as an evaluation criterion, actions and instruments** will smoothen transitioning from one framework programme (FP) to the next one. EREA appreciates that the proposals preserve adhering to the excellence principle in evaluating projects, continuing familiar types of action (Research and Innovation Actions, Innovation Actions, Coordination and Support Actions) and the already known funding schemes in the current HE (2020-2027).
8. **Integrating the structure of HE and the ECF** - The tight connection between HE and the ECF is evident through an integrated structure covering four key policy areas. This joint approach can overcome the fragmentation of individual instruments of previous research FPs and ensure continuous and seamless support for the entire R&I chain, from basic research to the market.
9. **Implementing moonshot projects** will provide valuable impetus for future competitiveness depending on how various European funding sources are combined and on how implementation takes place. EREA appreciates the EC proposing a possible moonshot for developing smart and clean aviation and European leadership in the next generation climate neutral aircraft and automated air traffic management. EREA also sees a need for clarification, under section c below to clarify uncertainties on moonshot design and governance, as the proposals lack details in describing and designing these moonshots.

b) Need for Improvement

EREA highlights the following 10 concerns in the proposed legislation:

1. **Recognise aviation as a strategic sector for Europe**

   EREA emphasises that the EC should recognise aviation as a *strategic sector* for Europe, as per Article 10 of the proposed ECF regulation, given its decisive role in technological and industrial sovereignty. R&I investment has made European aviation the world-wide leader in civil aviation and air traffic management. Aviation is a major socio-economic contributor to Europe; supporting 15 million jobs, and contributing EUR 1.1 trillion to our economies. It is also critical to the EU single market, European integration and global connectivity. It drives innovation and enhances Europe's global influence and security through its combined focus on sustainability and competitiveness.

2. **FP10 needs a dedicated independent funding stream for aviation**.

   This would ensure a continuous pipeline of new technologies that boost competitiveness amidst fast rising global competition that challenges our prosperity and security. Aviation is an indispensable part of the global transport system and has strong links to the overall energy system. Other sectors will suffer without new technologies coming from aviation

3. **Clarify the relation between HE and the ECF**

   The HE proposal envisages a tight connection between the ECF and HE is, but it needs to become clearer what this would look like. Particularly how the envisaged work programmes for ECF and HE will be co-created, designed and approved.

   The current co-creation processes should be maintained and improved (e.g. via European technology platforms, industrial alliances and associations). Approving Work Programmes needs to be managed by a clear comitology process, as done in the current HE.

4. **Ensure that no diversion of HE funding takes place**

   Ring-fenced R&I funding in HE is needed to ensure Europe's competitiveness and technological sovereignty. EREA warns against reducing or reallocating HE funds, which could be made possible by the ECF's structure to quickly respond to new challenges and priorities, and in EC statements indicating that parts of HE's budget could be used for other purposes. Any reduction or reallocation of HE funds under the 2028-34 MFF would seriously compromise Europe's competitiveness and technological sovereignty.

5. **Avoid reducing the collaborative research budget in HE**

   Compared to previous R&I FPs, the HE budget allocated to partnerships and collaborative research (pillar 2) is at risk of further eroding in favour of individual research and other instruments. This approach should be reconsidered as reducing this budget and share dedicated to collaborative research risks to:

   a) diminish cross-border, cross-sector and cross-disciplinary cooperation, which lies at the core of European research FPs

b) disrupt the essential balance between bottom-up collaborative research, driving long-term vision, and top-down partnerships, addressing short- and medium-term needs. It used to be primarily up to the partnerships to develop and scale up technologies in line with the industry's needs. However, without sufficient funding for bottom-up research, innovation will dry up in 10-15 years, it is therefore crucial to balance bottom up and top-down approaches.

6. Rebalance pillar II Funding in HE

Pillar 2's share should substantially increase, to at least 60% of the HE budget, compared to the current HE proposal. In the HE proposal, the increases foreseen for pillars 1 and 3 (in % compared to 2021-2027) are significantly higher than those for pillar 2. However, given the specific added value of pillar 2, EREA considers it essential that its budget grows more strongly than that of pillars 1and 3.

A direct transfer from European Research Council results (pillar I) to European Innovation Council (EIC) (pillar 3) may be attractive idea, but is much harder in practice. Experience shows that it is essential to go through several research and development steps within pillar 2 to transform the scientific results into concrete market applications. Low-mid-TRL activities on EU level are critical for bridging scientific discovery and market uptake, and should not run the risk to be structurally underfunded.

7. Strengthen RTO's position within the EIC funding architecture

Because of their recognised role in Europe's innovation ecosystem, strengthening the RTOs position within the EIC funding architecture would help unlock their full potential in supporting high-risk innovation.

8. Avoid adding burden for stakeholders through simplification efforts

The EC's simplification efforts should benefit all involved parties and not weaken European cooperation. EREA welcomes simplifying administrative and organisational conditions for participation in calls/FPs, especially when such measures encourage the participation of smaller R&I actors like RTOs, universities and SMEs.

However, EREA wants to warn against lump sum as the default form of EU funding in HE. This approach risks shifting the administrative burden from the accounting to the project preparation phase, thereby undermining the objective of simplification. Moreover, lump sum financing can become counterproductive if it leads to less collaboration within an EU project, as the number of partners in the work packages tends to decrease due to higher uncertainties.

9. Address concerns over more open and less prescriptive calls in HE for the sake of simplification

EREA calls for a proper balance in work programmes, between strategic research funding and programme openness. This goes particularly for pillar 2 with its policy-oriented programme approach in order to achieve the goals laid down for the four policy windows.

EREA is concerned about reducing the number of calls and their content becoming more open and less prescriptive. If the call's objective is not clear, the volume of submitted proposals will increase, leading to a further decline in the success rate. This approach will lead to higher frustration amongst applicants, as they will use more resources than today in order to prepare unsuccessful proposals, being unable to contribute to actual important R&I actions. On top of that, very different proposals in scope will be submitted, leading to a very difficult evaluation.

10. **Ensure that funding dual use R&I does not to come at the cost of civil aviation and define clear boundary conditions**

EREA emphasises the importance of maintaining clear sources of funding for civil and defence-related research, maintaining the current approach of exclusive focus on either civil R&I through HE, or defence R&I through the European Defence Fund (EDF). Hereby, the early stages of research are funded separately for their own purposes and through existing schemes. This enables developing technologies with specific civil or military applications, and to then considering how these can develop dual-use implications and applications. In any case, the current enhanced attention for military should not be at the cost of civil aviation.

If dual use capabilities (which are strongly linked to the TRL level of products and services) are considered in the EU programmes, only EDF eligible countries should be included in each discussion, in order to safeguard EU interests and strategic autonomy. This implies excluding non-EDF eligible countries from such discussions and respecting the boundary conditions already established at national level.

c) Need for Clarification

EREA finds that the following 5 issues need to be clarified in the legislation

1. **Demonstrate how the full R&I Chain with TRL schemes is supported**

The proposals should become clearer on how they support the entire R&I chain seamlessly with appropriate instruments: from basic research, application-oriented research, technology demonstration and validation up to innovation. This requires appropriate and dedicated instruments so that the innovation pipeline is continuously filled with new ideas and technologies. We need to balance bottom-up and top-down approaches, with a level playing field for all instruments.

A consistent funding scheme with support from basic research to market uptake will increase and maintain sustainable European competitiveness. Since there is no one-size-fits-all solution, the following different TRL schemes are required:

- Low TRL regime (1-4) needs a more open bottom-up approach for technology development. Starting on the basis of new ideas from fundamental research, a number of promising technologies and procedures needs to be developed, knowing that only a small number of them will lead to actually successful innovations. For such projects, RTOs and/or Universities should be in the lead.
- Medium TRL regime (4-6) will need a mixed top-down – bottom-up approach, to further develop and verify promising technologies. For such projects, industry and RTOs should be in the lead.
- Higher TRL (>5) regime needs a top-down approach, addressing system demonstrations, verification, and market development under industrial leadership.

In the proposed HE regulation such a systemic approach is missing and needs to be developed and included.

2. **Simplify access for RTOs, universities and SMEs, including deep-tech start- and scale-ups**

Access to funding must be significantly simplified for smaller R&I actors than industry ones (e.g., RTOs, universities and SMEs). Experience, e.g. from the 3rd Clean Aviation call, shows that smaller players have little

chance of obtaining a fair share of funding in a system with a purely industry-led top-down approach. A simplified access to Pillar III, fostering innovation ecosystems and the knowledge triangle, could facilitate this.

3. Clarify uncertainties on moonshot design, governance and long-term R&D orientation

EREA calls for moonshot projects that have a decisive share of R&I and do not focus solely on short-term market launches. Successfully implementing moonshots requires resolving uncertainties on their design, funding, governance, and their relationship to, or synergies with, other European instruments. A one-sided focus on rapid implementation neglecting the strategic long-term research and development processes should be avoided.

In our opinion, moonshots will be successful if they meaningfully combine partnership and mission approaches, bringing together HE and ECF funding sources under a single governance structure. The impact could yet be further increased if additional sources of European funding from the entire financial toolbox (e.g. Innovation Fund, CEF, IPCEI) are provided appropriately, i.e. according to the respective maturity of some technologies or systems.

If done wisely, the moonshot projects will ensure the continuity of research activities along the entire R&I chain, bridge the often-cited valley of *death* (TRL 6-8) often cited as a barrier to innovation, and thus close the innovation gap in Europe by ensuring a seamless investment journey from idea to market. Focusing on the competitiveness of European industry is understandable and indispensable in these times of geopolitical challenges. However, if the R&I pipeline dries up, industry will no longer be able to bring new products to market in a few years.

4. Ensure stakeholder involvement in governance

EREA is concerned about the EC's intended governance approach for the integrated WPs for ECF and FP10 pillar 2 Competitiveness through delegated acts. The statements in the proposed regulations suggest that comitology and the possibility of involving stakeholders (such as RTOs) will at least be restricted, if not circumvented.

EREA calls for directly involving the Member States and all stakeholders in co-creating a multi-year Strategic Research and Innovation Agenda (SRIA) and in the design of the annual work programmes. For aviation this can be done via the relevant European Technology Platform (ETP): Advisory Council for Aeronautics Research and Innovation in Europe (ACARE), via industrial alliances (e.g. Alliance for Zero Emission Aviation - AZEA - and Renewable and Low-Carbon Fuels Value Chain Industrial Alliance - RLCF). In case an ECF strategic stakeholders board will be set up, RTOs would like to be considered as members.

5. Use lessons from European Technology Platforms

A coherent overall strategy is needed, involving all aviation sector stakeholders in preparing a SRIA, as previously done by ACARE. EREA would like to recall the successful experience with ETPs like ACARE, to jointly prepare and agree visions and SRIAs with industry, research, academia, SMEs, operators and Member States. These SRIAs, used by EC, Member States and even regions as basis for their R&I programmes, have been an excellent tool to improve coordination between the various players while maintaining the individual budget responsibilities.

EREA at a glance

The Association of European Research Establishments in Aeronautics (EREA) brings together Europe's key aeronautics and aerospace applied research organisations. EREA promotes joint strategies, coordinates activities, and strengthens the collective voice of European RTOs in aeronautics. By fostering collaboration, EREA contributes to Europe's scientific excellence, industrial leadership, and technological sovereignty.

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