



**Mr. Jean-Eric Paquet**  
Directorate-General for Research and Innovation  
European Commission  
1049 Brussels  
Belgium

9 June 2021

Dear Director General,

Research and innovation are crucial for shaping a better European future, where success depends on the conversion of knowledge into innovation with market and societal impact. In this context, Horizon Europe is a unique instrument to strengthen Europe's innovation capacities and technological leadership. It is decisive in the promotion and facilitation of a collaborative approach with all actors of the research and innovation value chain / value ecosystems.

European companies stand ready to make of Horizon Europe a success story. Hence, we want to draw your attention to two proposals where we have great concerns, namely R&I international cooperation and the implementation of the Do No Significant Harm (DNSH) principle. The current proposals risk undermining the opportunity to enhance European businesses' capability and technological leadership, and ultimately slowing down the EU's digital and green transitions.

*(a) International cooperation*

Horizon Europe rightly promotes a stronger participation of international partners: excellent projects need the best minds from all over the world to work together. For these reasons, we support the Commission's intentions<sup>1</sup> to lead by example, promote multilateralism, openness, and reciprocity in its R&D collaboration with the rest of the world. Therefore, we follow with great interest the outcome of the discussions on third countries' participation rules in Horizon Europe.

We strongly support the "open by default" principle, as agreed by Member States last week: this would strengthen the international RDI collaboration with countries that have a strong track record on science, research and innovation. To avoid any damage to longstanding international partnerships, we believe that conditions and criteria to be fulfilled by third countries should be clarified as soon as possible. The EU should finalise the association agreement negotiations and start funding excellent projects.

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<sup>1</sup> Communication on the Global Approach to Research and Innovation – Europe's strategy for international cooperation in a changing world



In this context, we stress that the EU must secure reciprocal co-funding or access to funding in the partner country, and similar levels of commitment as the EU to respect and enforce Intellectual Property Rights. We believe that international R&I collaboration should rhyme with the goal of strengthening European competitiveness, notably because associated countries are home to world-class research institutions and excellent research-intensive businesses with whom European companies have long established a mutually beneficial cooperation. Only by working with the best, Europe will excel.

*(b) Implementation of DNSH*

European companies are committed to the Green Deal's objectives and believe that the EU's Sustainable Finance Agenda can be a valuable tool to support their ongoing transition efforts, including in their research and innovation projects. For these reasons, BusinessEurope has been supporting the development of the EU Taxonomy: it can, if well designed and implemented, foster private research and innovation investments and promote innovative and sustainable solutions. In the long-term, the EU Taxonomy may become an important asset to strengthen EU's competitiveness.

The EU Taxonomy has been proposed to develop a common language for the investors and the business community, and to channel private investments into sustainable activities. The EU's policy makers, companies and investors are currently preparing for the implementation of the Taxonomy Regulation. Whilst criteria for climate change objectives have only recently been adopted, the Taxonomy disclosure requirements and future environmental objectives are far from being finalised.

In this delicate phase, we follow with great concern the proposal to use the current Taxonomy framework for public accounting expenditures or as a benchmark for future sectorial legislation (e.g. recovery plans, Horizon Europe or state aid rules). The Commission's apparent intention to integrate the DNSH principle into both the excellence and impact parts of Horizon Europe raises several questions.

Firstly, albeit important, the Taxonomy is a brand-new instrument which is yet to be implemented. It is also an extremely complex tool that still needs to be fully understood by the business and the investor communities. The current approach only provides a classification system for certain economic activities to channel private investments, and criteria are yet to be fully developed. For these reasons, we call on the Commission to firstly draw lessons from the Taxonomy's implementation before considering using it for the public domain.

Secondly, the concrete application of the DNSH principle is unclear. Theoretically, applicants should carry out an environmental assessment of the six environmental objectives set by the Taxonomy Regulation. What this means in practice and at what stage this assessment should be carried out remains subject to discussion. We fear that it would lead to confusion and increase the burdens for any participants in the programme. The DNSH principle may therefore only hinder industries' competitiveness.

Thirdly, we note that the first Taxonomy's delegated act already spells out technical screening criteria for a number of economic activities, but not for all sectors. For those economic activities already covered by the first Taxonomy's delegated act, implementing the DNSH principle may therefore translate into complying with the DNSH criteria; for the



uncovered activities, a project may only need to demonstrate compliance with the more general DNSH principle. This situation would not only be extremely burdensome for certain applicants, but also risk undermining the level playing field between different sectors / calls, depending on the (non-)existence of technical screening criteria.

Lastly, we note that, although the DNSH principle is not implemented yet, the EU has been a global leader of green innovation for years. The Covid-19 pandemic has affected companies' RDI investments, but also accelerated investments in green projects. Hence, we question the timing, the need and proportionality of this additional requirement.

Horizon Europe is an incredible instrument to foster EU's technological leadership and innovation capacities and can effectively support the EU's R&I targets as well as speed up the recovery. Historically, the Commission has worked to make its Framework Programmes more accessible. Hence, we invite the Commission to maintain it open and to continue its simplification efforts. No additional considerations that were not set out by the co-legislators and that would increase the complexity / administrative burden for applicants should be added, as these would not bring any added value for EU's innovation and sustainability agenda.

We remain at your disposal for an effective and efficient start of Horizon Europe.

Yours sincerely,

Markus J. Beyrer