



European Commission - Speech [Check Against Delivery]



Speech by Executive Vice-President Vestager on the European Chips Act

Brussels, 8 February 2022

Today, we adopted the European Chips Act. It is a strategic initiative to help us deliver our green and digital transition. It is also a central piece to Europe's recovery and long-term competitiveness.

As you well know, in our digitised societies, chips really matter. To put simply, there are no digital and green transformations without chips. Those tiny electronic circuits that power any digital objects around us.

Back in the days, of course chips were core to many "world-firsts": the first space missions, the first remote surgery, the first clean and automated public transportation.

Today, they are in the thousands of objects in our daily lives, cars, phones, even coffee makers. Tomorrow, they will be core to new developments in artificial intelligence and cutting edge computing.

So chips are both making our daily lives easier but they also hold the key to our most pressing challenges: fighting global warming or planning our response to future pandemics. So a lot of promise and a lot of day-to-day convenience.

But we face a problem. A serious and global shortage of chips, which has several explanations. A sudden and strong demand for digital devices, accelerated by the pandemic. A very rigid and concentrated chips market with very high barriers to entry and geopolitical tensions.

This shortage has social consequences, with factories forced to shut down and workers laid off. It also exposes the weaknesses of our European chips production capacity.

With a global semiconductors market share of only 10%, Europe is heavily dependent on a just a handful of foreign suppliers. Our manufacturing capabilities are almost all located in what we call "legacy chips". They are larger chips which we find in many products already – in cars, in radio communications for instance. These chips will continue to be important, they also continue to develop in the future.

But the thing is that we also need smaller, cutting-edge chips in order to drive our green and digital transformation. Those we will need more and more to lead on new innovative products and solutions.

Overall, we expect that Europe's need for chips will double in the next decade.

So we have two ambitions.

- First - prevent new shortages, to make us less vulnerable in case it happens again. This European Chips Act is not about solving the current shortage. That would be impossible due to the time it takes to increase capacities. But it is about expanding our current production to secure the future.
- Second – we want to develop innovative, cutting-edge chips, from fundamental research all the way to final market applications. So that it can benefit Europe as a whole, and all its businesses –big and small, all sectors included.

And we are not starting from scratch.

Europe has important strengths to bring to the table. We are very strong in the design of specific semiconductor components, be it for power electronics or for the automotive industry. We are well-positioned in the production of materials for chips and equipment needed to produce chips. And we are the world's center for chips research.

For example here in Belgium, in Leuven, a research center called IMEC is driving the development of state of the art semiconductors worldwide. Lithuania is a key electronics manufacturing hub in the Baltic region, and that be for telecom, for defense, or for medical devices. It is also an international leader in the production of lasers needed to make microchips. Spain is a European global champion when it comes to the design, development and manufacturing of electronic components for cars'

passive keyless entry, with more than 60% of the global market share. But with all this strength we are still lagging behind when it comes to cutting-edge.

So there are five things to do to change it.

- First things first - make our strengths stronger. Secure the leadership that we have when it comes to research, build next-generation facilities and deliver chips across our industry.
- Second - bring this research to life. Bridge the gap between the research and manufacturing, so that we can have pilot lines, prototyping facilities and testing facilities to close this gap between the laboratory and the production facility.
- Third - for this to happen, we need the right skills. A workforce of qualified engineers. We need to attract more people to the sector, attract new talents and of course make sure that they have the skills they need.
- Four - we need to produce more chips. Both the "legacy chips" I have talked about and of course the new cutting-edge, energy-efficient chips. But this is a thing that Europe cannot do alone.
- And this is why - last but not least - we must develop an in-depth understanding of our international role and build our international relationship with like-minded partners.

And this has been tried before. So what is new this time? Well what is new is that we have some specific resorts on ground to build from:

- We have current and upcoming Important Projects of Common European Interest,
- We have existing investment through the Horizon Europe programme, including through the Joint Undertaking on Key Digital Technologies,
- And we have the Treaty Provision on State Aid to enable first of a kind production facilities.

Starting with IPCEIs - Important Project of Common European Interest we already have one. And that first project brings together companies, research centers and Member States. For every one euro of public support that was invested, private sector has invested three more. So that project is already a 2 billion euros of public money, helping spur 6.5 billion euros of private investment to materialize in the project that is already producing results.

We have a second IPCEI in the pipeline, expected to involve over 100 participants from about 20 Member States. It will focus on chips innovation in areas such as AI processors, edge computing, or electric mobility.

In addition,- we will transform our current Joint Undertaking on Key Digital Technologies into a new 'Chips Joint Undertaking'. And that will enable us both to leverage more investments but also to invest in pilot lines, in the design platform and in the competence centers to enable the workforce to emerge.

This should help everyone, especially SMEs. But there is one thing, and I will end with that.

It deserves a bespoke approach. And that is the funding of those "first-of-a-kind" facilities. They require large investments that private investors cannot fund on their own. It can be as regards the scale of chips – so even smaller than we know them - or other factors such as their environmental footprint. To provide the open facility so that new designers in Europe can have their new design chips produced.

Such facilities would not exist in Europe, if we do not do something. It is important for long-term European security of supply and competitiveness. And this means that it may be justified to cover up to 100% of a proven funding gap with public resources.

This does not require new rules, or changed rules or bended rules. This require us to assess projects directly on the Treaty. To check that all conditions are met to avoid any competition distortions. Also because we want to avoid a subsidy race in Europe and beyond.

- First, it needs to be "first of its kind".
- Second, the aid needs to be targeted and proportionate. Only what is needed, and nothing more.
- And third, the projects will need to benefit Europe as a whole, because this a European Chips strategy, it is for Europe as a whole, without discrimination.

And as said, Europe cannot solve this alone. That is why we must work with trusted partners to build a diverse and resilient supply chains, to avoid single points of failure, and to help each other on a rainy day. We aim for reciprocal openness in our respective efforts. We are already discussing chips

with the US partners within the framework of Trade & Technology Council. And will also do so and with other like-minded partners such as Japan, South Korea and Singapore.

Because one thing is for sure: increasing our production capacity in Europe is not only good for the European industry. It also makes us a better partner to others.

To conclude, the Chips Act is a unique opportunity for many – for SMEs, research organisations, businesses - to come together and benefit Europe as a whole. Because when you think about the scale of what is needed, it is obvious that no country and no company can achieve this on their own.

I see an unprecedented interest, as you see we are the three of us here today. And efforts must start now, continue what is going on the ground to make this happen.

Thank you.

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