

# SEA NAVAL POSITION PAPER

## EU DEFENCE POLICY INITIATIVES

14<sup>th</sup> July 2022

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### Executive Summary

SEA Naval, a working group of SEA Europe, warmly welcomes and stands by the several EU Defence and Security Policy initiatives and documents published over the first half of 2022. SEA Naval and its member companies remind their ambitions and support towards increased cooperation in the defence and security sectors, highlighting the following priorities:

- SEA Naval stands ready and fully committed to **participate in the defence multiannual planning**.
- SEA Naval has **high ambitions to collaborate** and to deliver tangible results and stresses the importance that the budget dedicated to naval must be coherent with the share of naval EDTIB.
- SEA Naval wants to make best use of **existing defence programmes and looks forward to contribute to newly announced EU initiatives in defence**. Also, SEA Naval is willing to work on cross-fertilization between civilian and defence applications.
- SEA Naval supports a better and wider inclusion of the **naval dimension**, for example, towards more effective sea lift and handling of military materiel and personnel carried on ships, as well as safer and more coordinated fleet management and operations.
- SEA Naval encourages increased dialogue and cooperation among **companies and Member States**, fostering further coordination on defence programming. SEA Naval also highlights the need to ensure training and skilling of new workforce, while preserving and upskilling the existing qualified workers, especially engineers, naval architects, scientists, etc.
- SEA Naval is willing to contribute in the process of finding solutions that might help the alignment of requirements of EU Navies.

### I. Introduction

SEA Naval is a working group of SEA Europe, the shipyards' and maritime equipment association of Europe. SEA Naval membership gathers Europe's major naval shipyards' and national shipbuilding associations, encompassing six EU countries (DE, ES, FR, IT, NL, SE). For more than six years, the members of SEA Naval are gathered into this cooperation platform. Grasping the importance of European collaborative projects, SEA Naval members have jointly participated to many projects of the European Commission and for the European Defence Agency. More recently, the cooperation has led SEA Naval and its members to participate into the EDIDP "SEA Defence" feasibility study, setting the scene for the future

naval technologies to support as well as to develop the White Paper “On naval defence trends and European naval industry interests in developing collaborative naval defence projects for EDF work programme”, a living document which intends to set a long-term planning in the framework of the European Defence Fund.

SEA Naval warmly welcomes the coordinated publications of the Council of the European Union and the Commission policy documents regarding defence and security, including the [Commission contribution to European defence](#) and its related [Roadmap on critical technologies for security and defence](#) ; the [Strategic Compass for Security and Defence](#) ; and the [Joint Communication on the Defence Investment Gaps Analysis and Way Forward](#). These overarching publications are milestones for the European Defence and Security sector and mark an unprecedented step towards the rebuilding and the reinforcement of our collective defence and resilience.

## II. State of Play

### 1. Defence Package and Roadmap on critical technologies – A steppingstone

In February 2022, the Commission Contribution to European defence offered a first brick into the development of EU-wide incentives to substantially increase the European capability to defend itself. It offers a first assessment of the actions taken to structure the European Defence and Technological Industrial Base (EDTIB), notably through the European Defence Fund (EDF), and other intended initiatives, such as stimulation of joint procurement of defence capabilities, facilitation of civilian and defence synergies in R&I and the inducement for Member States to make their export control practices converge. SEA Naval welcomed the Commission’s contribution in a [press release](#).

SEA Naval and its members support the creation of the Observatory to monitor and assess critical technologies, their potential application, and their supply chains. In relation to the expert group to be established within the Observatory, the full involvement and consultation of the industry is considered essential.

SEA Naval also welcomes the Commission intention to prepare an approach for encouraging dual-use RTD&I at EU level to be fully implemented across EU programmes and instruments, and emphasises the urgency of this action, including the need of drafting a roadmap to harmonize synergies between the various EU funded programs.

### 2. Strategic Compass – Setting the scene

In March 2022, closely following the European Commission contribution to European Defence, the Strategic Compass for Security and Defence was published. It offers a structured approach to make a quantum leap forward to coordinate and strengthen the European Defence through detailed policy objectives and ambitions. The Strategic Compass sets the stage to develop a joint and shared understanding of the “threats and challenges that the EU will face in the near future”. SEA Naval fully shares this approach, as a well-built strategy is necessarily based on a thorough and comprehensive situational awareness evaluation – especially at sea -, both at regional and global levels. Then, based on the four areas of action within the Strategic Compass : “**Act** more

quickly and decisively when facing crises ; **Secure** citizens against fast-changing threats ; **Invest** in the capabilities and technologies we need ; and **Partner** with others to achieve our goals”, SEA Naval has identified the following priorities :

- Within the “Act” action area, and especially regarding the revision of the Action Plan on Military Mobility by 2022, **SEA Naval would like to highlight and support a better and wider inclusion of the naval dimension.**
- Within the “Invest” action area, and with regards to the identification of future strategic enablers and technologies, **SEA Naval reminds the importance of the EDIDP SEA Defence feasibility study to anticipate a wide range of solutions in the naval domain which could become future EDF projects.**
- Also, SEA Naval remains fully committed to PESCO and EDF projects. With two proposals submitted in the framework of the EDF 2021, SEA Naval wishes to participate with its member companies in the research and development of future naval assets, and to develop its know-how and experience.
- Finally, SEA Naval strongly supports the need to secure a naval dimension in the newly created Hub for EU Defence Innovation (HEDI).

To conclude, SEA Naval is strongly committed to organize collaborative activities to support the many initiatives of the Strategic Compass, thus helping to meet its targets.

### 3. Defence Investment Gaps – Acting forward

In May 2022, in response to a mandate from the European Council’s Versailles Summit, the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy (HR/VP) published a Joint Communication on the Defence Investment Gaps Analysis and Way Forward in order to increase the resilience and strength of the EDTIB. Based on the observation of the huge gap in defence spending between the EU, the US, Russia and China, but also on the lack of European collaborative defence expenditure, it aims to take concrete steps towards the reinforcement of European Defence. Identifying precise steps to address and tackle European investments gaps, it is an unprecedented effort to rebuild and boost the aforesaid defence capabilities.

While SEA Naval and its members welcome the €500M EU instrument to reinforce defence industrial capabilities through joint procurement as a first step towards further interlinking of the European Defence, they underline the sense of urgency in finding financial instruments to fill such gaps. Though, SEA Naval would like to underline the need for a very careful and precise definition of the expected regulation on European Defence Investment Programme (EDIP), to guarantee that funding will only be allocated to support the acquisition of EU defence capabilities from eligible EU companies. It is indeed recommended to strengthen the eligibility rules compared to the EDF.

SEA Naval and its members deeply share the observations and concerns emerged in the analysis of investment gaps, especially regarding the defence industrial gaps, and the fragmentation of the EDTIB and its long-standing under-financing over the past years. Likewise, the capability gaps identified need to be filled. SEA Naval acknowledges the role of PESCO and EDF programmes in

providing a good basis for innovation and R&D development. Though, we also feel that these programmes need to make a quantum leap towards better planning, coordination and procurement. Especially, we fully concur to the need to increase European presence and capabilities at sea, both to protect our maritime areas in the Black, Baltic and Mediterranean Seas and to increase the international naval presence.

SEA Naval and its members fully agree and welcome the proposal to establish different instruments, from immediate to long-term. Though, these instruments need to be implemented in a coherent and linear way to avoid any duplication from EU projects/programs, to increase efficiency of the entire set of tools that have been developed over the past few years. Further, based on the positive outcome of the EDF until now, the R&D dimension must be strengthened. Furthermore, the proposed enhanced support of the European Investment Bank to the EU defence industry and joint procurement beyond its ongoing support to dual-use could contribute to improve our collective defence and security.

In view of the development of an acquisition programme by the Commission, SEA Naval welcomes the proposal for a short term EU investment instrument for joint procurement and the long term European Defence Investment Programme (EDIP).

In line with the principle of the EDF regulation, SEA Naval supports the European Commission's ambition to propose a tool that will co-fund acquisition of Defence capabilities. Some aspects should be carefully taken into consideration for the drafting of the regulation, so that equipment benefiting from the programme contribute to the EDTIB consolidation, as it is the case within our allies defence procurement systems. These aspects should include:

- Eligibility and IPR criteria should be in line with EDF regulation,
- Assembly lines and the Maintenance, Repair and Overhaul (MRO) should be located on EU territory,
- There should be no third-party restriction or authorisation required for operational use or supply chain,
- In case of IPR belonging to third countries, sufficient use-rights should be granted to enable MRO of procured equipment on EU territory.
- These criteria should be applied both to the short-term instruments and to the EDIP, thus channelling EU budget for EU benefit.

Finally, SEA Naval proposes to further increase the level of tripartite interactions between industries, Member States, and the EU. Indeed, industries can contribute with valuable information to priority setting, products technology readiness level, manufacturing capacity, technology dependence identification, etc. It has to be noted however that the level of integration will be largely dependent on the alignment of requirements and operations, since these determine the integrated system of systems design. Until such convergence has been reached, cooperation is necessarily limited to technology and system RD&I. Even with this limitation, valuable and important advances can be made with regard to interoperability and standardisation.

### III. Conclusions

The capacities of naval shipyards represent a strategic asset of the European defence and security and to be preserved and strengthened. In this respect, the following elements should be highlighted :

- The indicative multiannual perspective of the EDF recently published by the Commission is essential to ensure solid, coherent, and coordinated programming to set priorities and workload continuity.

SEA Naval, through its living **White Paper**<sup>1</sup>, stands ready to fully commit to participate in this multiannual planning.

- While we work towards common requirements for EU Navies, it's necessary to invest more and concentrate resources in large flagship programmes, including frigates, submarines, patrol corvettes, but also service ships to ensure replenishment at sea. In this regard, the naval shipbuilding industry, in close collaboration with Member States, is building a common understanding on how the EU Navies face new challenges, such as geopolitical tensions in key maritime areas threatening European sealine of communication, increased pressure from non-allied navies and technological leaps, such as high-speed missiles, unmanned vehicles, etc. The objective is to build a joint vision on EU-wide scale gathering the technologies, which best fit a joint set of required capabilities to fulfil the EU Member States challenges. This enables the naval yards and their supply chains to provide dedicated new generation naval vessel solutions to their national defence organizations, and as such, increase the competitiveness of the entire naval EDTIB. Other capabilities must be developed and integrated in a coordinated manner, including: collaborative engagement, integration of UxVs and development of Large-USV and Large-UUV, high energy weapons integration, ISR capabilities, etc. It is also necessary that naval use cases are considered in transversal topics such as cyber, energy, digitalisation, sensors, etc.

SEA Naval has **high ambitions to collaborate** and to deliver tangible results and stresses the importance that the budget dedicated to naval must be coherent with the share of naval EDTIB.

- Assess Defence considerations when implementing and reviewing existing - or designing new - EU instruments, and also the preparation of an approach for encouraging dual-use RTD&I is very welcome. In this sense, practical aspects should be defined, for example the possibility to include dual-use aspects within the scope of Horizon Europe or other EU programmes, together with the possibility for EDF to fund complementary development to adapt civilian solutions to military requirements.

SEA Naval wants to make best use of existing defence programmes and looks forward to contribute to newly announced EU initiatives in defence. Also, SEA Naval is willing to work on

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<sup>1</sup> White Paper "On naval defence trends and European naval industry interests in developing collaborative naval defence projects for EDF work programme"

cross-fertilization between civilian and defence applications, such as technologies related to alternative fuels, handling and storage, as well as novel energy conversion technologies.

- By the end of 2022, the Commission, together with the High Representative, will propose an update of the joint Action Plan on Military Mobility. The naval sector can play an important role in the deployment of an enhanced military mobility.

SEA Naval would like to support a better and wider inclusion of the **naval dimension**, for example, towards more effective sea lift and handling of military materiel and personnel carried on ships, as well as safer and more coordinated fleet management and operations.

- The diversity and quality of European Naval industries and value chain is to be maintained. EU initiatives must be channelled into cooperative frameworks at very early stages, from Research, Development, and Innovation to Prototyping, Testing and Certifying. The EDF initiative must be strengthened and should pave the way to go above and beyond the R&D engagement.

SEA Naval encourages increased dialogue and cooperation among companies and Member States, fostering further coordination on defence programming. SEA Naval also highlights the need to ensure training and skilling of new workforce, while preserving and upskilling the existing qualified workers, especially engineers, naval architects, scientists, etc.

- The development of common requirements from EU navies (common concepts of operations, common design requirements...) is the starting point for an effective and coordinated approach for industries across the EU to align.

SEA Naval is willing to contribute in the process of finding solutions that might help the alignment of requirements of EU Navies, for instance through the implementation of a common infrastructure as a Modelling, Simulation and Training Centre.