SEA Naval Position Paper

Commission's White Paper on the Future of European Defence

On December 1, 2024, the European Commission initiated its new term with President Von der Leyen mandating a White Paper on the Future of European Defence within 100 days. In that context, SEA Naval, representing the eight leading naval shipyards[1] in Europe, seeks to contribute to this initiative by presenting an overview of the sector's current state, its strategic importance, and future priorities. Building on its prior White Papers on Naval Defence Trends (2023) and Underwater & Seabed Warfare (2024), SEA Naval underscores the critical role of the naval industry in Europe's defence capabilities.

Context

- **Technological Excellence:** European naval shipbuilding is a highly competitive sector, boasting a complex supply chain and a global reputation for technological excellence, covering the whole gamut of mission requirements and operational contexts. This allows EU navies to intervene in all seas and oceans across the globe. Simultaneously, European navies experience massive shifts in technological capabilities needed to face current and future threats. The significant accelerated technological advancements need to be tackled in a collaborative approach. European naval industries strength lies in its ability to integrate common cutting-edge technologies into highly specialized naval platforms tailored to meet the specific demands of different operational scenarios and concept of operations provided by European Member States.
- **Collaborative Ecosystem:** Cooperation lies at the very heart of this sector, and SEA Naval members have been successfully collaborating in various bilateral and multilateral defence programmes – most prominently the European Defence Fund. EU-Funded R&D must remain technology-driven, and collaboration on disruptive elements such as AI or unmanned systems, and their integration leads to the consolidation of the EDTIB. The European naval industry also connects to Member States collaborative frameworks like PESCO, ensuring a consistent approach to shared security challenges. Programs such as the Naval Projects managed by OCCAR illustrate an important level of integration. These initiatives align efforts of different national shipyards while harmonizing national needs into an agreed common set of EU requirements.
- **Innovation-driven:** Thanks to those programmes, the European naval industry is striving to provide cutting-edge capabilities in traditional segments, while also working to improve interoperability, standardization, and requirements' harmonization. The relevance of naval industries interacting closely with the main European navies is critical to achieve the building of joint projects which is necessary to deal with several R&D challenges in the most innovative areas.
- **Global competitiveness:** European shipyards have been developing advanced products and technologies which are considered "*superior or at least equivalent in quality to those produced by the US in multiple areas*"[2]. Large contracts for surface combatants and submarines are regularly awarded by several third-country navies to European countries.
- **Adaptability and Responsiveness:** This unique capacity is the result of the flexibility and adaptation capability of the shipbuilding industry to match the diversity of requirements from respective Member States. This is also the result of the diverse European naval ecosystem, which fosters healthy competition, drives innovation, cost-efficiency in advanced technologies, ultimately benefiting the EDTIB. The naval industry in Europe operates with a shared supply chain ecosystem across all countries. Key systems (e.g., propulsion, weapons and sensors) are often sourced from European-wide manufacturers, creating a deeply interconnected ecosystem.

[1] See background Note, p.4

[2] Mario Draghi, "The Future of European competitiveness", Part B| In depth analysis and recommendations, European Commission, 2024, p.159

- **Capability-driven:** The European naval industry integrates in their designs the diverse capability needs, which are specific to the respective MS' defence policies, international responsibilities, selected missions and theatres of operations. This diversity in needs is reflected into a large variety of design solutions, regarding the types of platforms or their inherent features. After meeting the capability needs, the naval industry must translate them into operational needs, covering the whole lifecycle of naval assets. This requires close interaction and geographical proximity with national navies, as well as resilience and great responsiveness ability. Ultimately, it allows to play an important role in the management, integration and revitalization of the supply chain, that allow investments to maintain manufacturing capacities in Europe.
- **Integrators:** More broadly, players in this sector are no longer pure 'shipbuilders', but integrators of high-end technologies and systems which underpin maritime domain awareness and naval combat. As such, they need to keep pace with the increased digitalization of capabilities – including AI and cloud **–** innovative propulsion systems, new effectors and, but not least, automation and the capacity to deploy and to operate unmanned systems. Answering those challenges requires greater investments in R&D, as well as a strong skill base. As the speed of technological developments is currently higher than the replacement rhythm of complex naval platforms, the integrator challenge includes through-life innovation, the fast and timely adoption of latest technology on current naval assets.
- **Export:** Finally, the European naval shipbuilding sector has long been highly dependent on the defence export market. The European defence market does not allow, on its own, the continuation of skills and investments in manufacturing and in technological R&D at the required level. Therefore, it is important to facilitate and support the export of the naval equipment**.**

Way forward

To contribute to the building and strengthening of a real "*European arsenal*", European naval shipbuilders consider the following points – which emphasize complementarity, industrial synergies, and alignment in business models as essential prerequisites to achieve critical mass, sustain the sector's competitiveness on a global scale, and empower the EU with effective capabilities.

1. **Funding, continuity, and new instruments:** since 2021, the EDF has been allocating €600m to R&D calls related to naval and underwater topics, proving that the Commission recognizes the importance of strengthening cooperation in this vital sector. Complementarily, it will also be important to provide continuity under an ambitious EDIP – eventually linking up all stages of EU capability planning and development (PESCO, EDF, and EDIP). In this case, the size and relevance of naval projects could provide a tangible testbed and the blueprint for a more comprehensive EU defence framework under the next MFF. The White Paper must also further address how the Commission foresees the cooperation and alignment with NATO. Besides, it is also paramount to ensure an appropriate inclusion of the naval and underwater flagships into the Commission's European Defence Projects of Common Interest (EDPCIs). Globally, particular attention must be given to the naval industry's access to the most open and wide financing tools.
2. **EU Priorities fit for new challenges**: the European naval shipbuilding industry strives to technologically meet the strategic and geopolitical challenges. As a striking example, recent events from the Red Sea to the Baltic Sea have demonstrated how the boundaries between conventional and hybrid warfare have virtually disappeared, making seabed operations and the protection of Sea Lines of Communication and Critical Underwater Infrastructures a key priority, as identified in the SEA Naval White Paper on Underwater and Seabed Warfare. Europe's critical maritime infrastructure and their protection above and below the surface, near shore, offshore and on high seas is leading to cooperation opportunities as well as an alignment with NATO and other national authorities and civil industries dealing with maritime issues. Given the diversity of operational needs and requirements that currently lead to high performing specialized solutions, priority should be given to standardized and interoperable high-tech systems and mission equipment. Convergence of requirements and

concepts of operation leading to convergence of ship designs will then be a logical result instead of an initial policy driven requirement at a cost of naval mission performance.

3. **Promoting a European Preference**: The White Paper should emphasize the importance of including a European preference principle for a company or project to qualify for EU financial support. This is crucial to support the objectives of the European Defence Industrial Strategy and necessary to reverse the current predominance of non-European suppliers on the European defence market.

4. **Dual-use and civil-military cross-fertilization:** Shipbuilding industries, due to their inherent nature of technological integrators, facilitate and push for the spin-in of civil technologies adapted to the military requirements, while connection between civil industries and naval industry also benefits possible spin-off of technologies developed for the naval sector with a potential civil use. Due to the double nature – military and civil – of many naval actors, the sector is uniquely positioned to develop and integrate innovative technologies in areas such as digital and energy. However, competing with global players will require EU support in the form, for example, of programmes funding the research of dual-use technologies with military applications.

5. **Commercial and military shipbuilding ties:** Therefore, a structured approach is needed to protect the commercial sector from foreign competition, in order to complement Europe's naval industrial base and foster an open strategic autonomy. The strong proximity between the naval shipbuilding industry and the commercial one calls for an ambitious maritime strategy, in order to take full advantage of this duality in terms of skills, infrastructure, local community and supply chain. Europe still has successful commercial shipbuilding capabilities, but it is urgent to act to protect and maintain this expertise from foreign competition in order to sustain Europe's military shipbuilding industrial base and foster its strategic autonomy. Thus, as urged by the maritime industry represented by SEA Europe, the European Commission has committed to implement an ambitious Industrial European Maritime Industrial Strategy, which will be coordinated by Commissioner Apóstolos Tzitzikóstas[3].

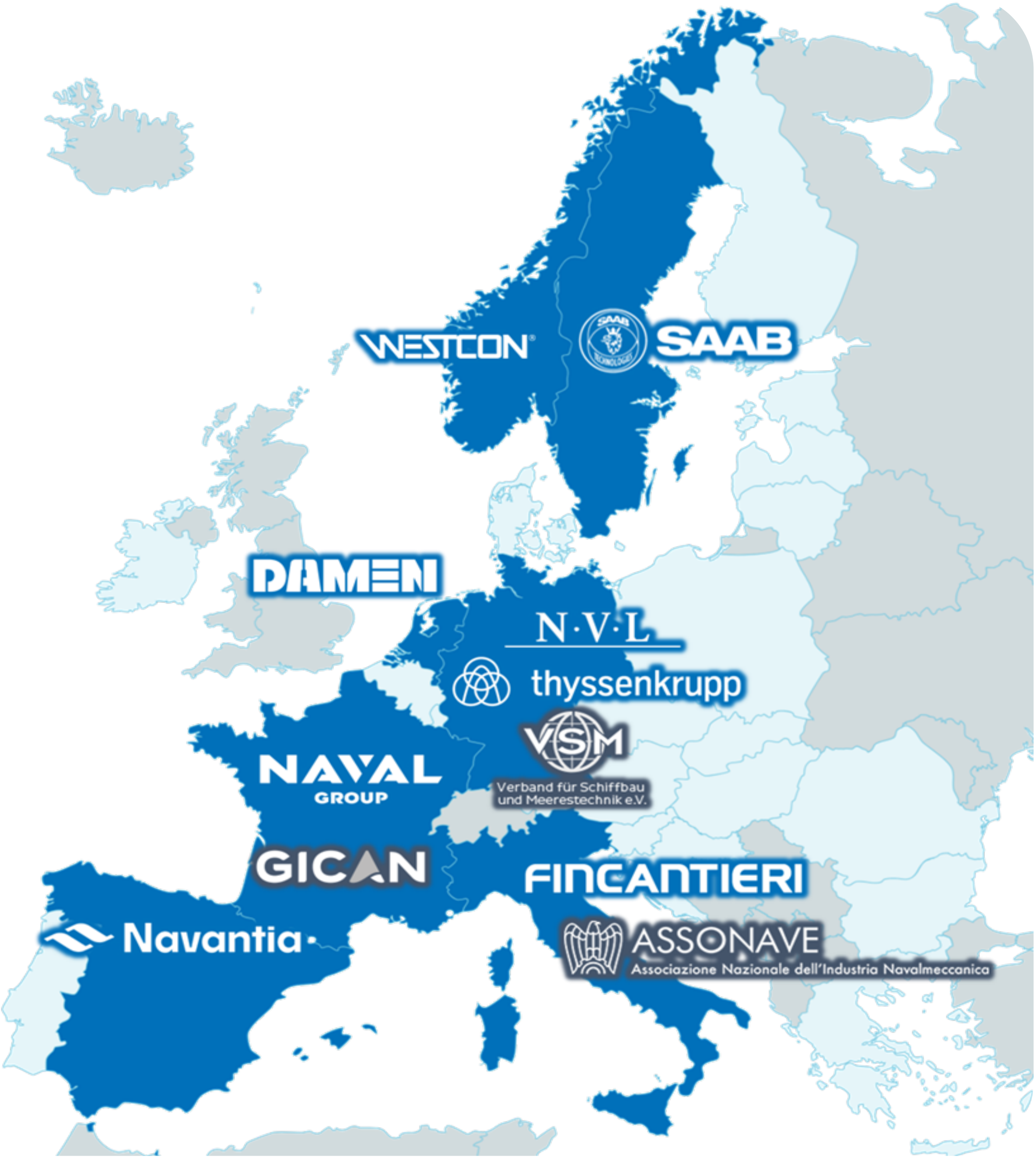
6. **Balancing consolidation and diversity:** while one can argue that "*in the naval domain, Member States are still affected by the over-fragmentation of their industrial base due to the desire of many national navies to maintain a significant level of autonomy*"[4] – as the recent Draghi reports details – the picture is a lot more nuanced. Accommodating heterogeneous capability requirements, operational needs (e.g., different environmental conditions) and doctrines is a demanding task, particularly considering that the capabilities' main purpose is to fulfill the end-users' needs. In this respect, consolidation and rationalization could go hand-to-hand, depending on the case, with a gradual horizontal integration and interoperability of systems that respects national sovereignty, offering a more flexible alternative to merge on a case-by-case approach. In any case consolidation must be driven by sound business rationale that aligns with organizational goals, market dynamics and concrete projects. Forcing consolidation without a clear value proposition risks inefficiency. Working on a common technological R&D base in which European shipyards would develop design solutions adapted to Navy needs and warfare requirements will foster competitiveness in the sector and allows diversifying solutions oriented to very different national needs.

[3] Ursula von der Leyen, Mission Letter to Commissioner for Sustainable Transport and Tourism Apóstolos Tzitzikóstas, European Commission, 2024. https://commission.europa.eu/document/download/de676935-f28c-41c1-bbd2-e54646c82941_en?filename=Mission%20letter%20-%20TZITZIKOSTAS.pdf)

[4] Mario Draghi, "The Future of European competitiveness", Part B| In depth analysis and recommendations, European Commission, 2024, p.167

Background Note

SEA Naval is a permanent working group of SEA Europe representing the interests of the European naval shipyards under the umbrella of SEA Europe. SEA Naval provides a forum for the European Naval industry to discuss matters of common interest to the naval sector. Thereupon, the Group supports European institutions and its Member States with expertise when needed and organises joint participation in EU-funded projects. SEA Naval members represent nearly 90% of naval systems integrators and shipyards in Europe.



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