



REPLIES OF THE EUROPEAN COMMISSION

TO THE EUROPEAN COURT OF AUDITORS' SPECIAL REPORT

on the EU's strategy for microchips

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This document presents the replies of the European Commission to observations of a Special Report of the European Court of Auditors, in line with Article 265 of the [Financial Regulation](#) and to be published together with the Special Report.

I. THE COMMISSION REPLIES IN BRIEF

The Chips Act¹ is a cornerstone initiative within the broader strategy to strengthen Europe's semiconductor ecosystem. Introduced by the European Commission in 2022 and building on the foundations laid by the Commission's 2013 strategy on micro- and nano-electronic components and systems, the Chips Act provided new momentum and impetus. In fact, the Chips Act has catalysed more than EUR 80 billion in investments in chip manufacturing capacity, thereby contributing to maintaining or maybe even increasing the EU's market share – meaning the EU semiconductor industry is increasing its competitive position vis-à-vis competitors.

The main goal of the Chips Act is to strike a balance between Europe's ambition to enhance its semiconductor ecosystem and the need to ensure effective collaboration with global partners, while addressing dependency on external suppliers, and fostering a competitive and innovation-friendly market environment. This balance is reflected in several key aspects of the Act, including its focus on research and innovation, capacity building, and the establishment of a framework to address supply chain vulnerabilities. Because of the urgency created by the COVID-19 pandemic and its disruptive impact on global supply chains, and in line with the Better Regulation guidelines, the Chips Act was adopted without a formal impact assessment, reflecting the pressing need for swift action. The Commission proposal for the Act was complemented three months after its publication by a Staff Working Document² that provided in-depth background on the rationale behind the Chips Act.

In less than one year following the entry into force of the Chips Act, implementation of all activities under the three pillars had already started.

- Under Pillar I (which is implemented by the Chips Joint Undertaking, InvestEU and the European Innovation Council), calls for proposals addressing all the components of the Pillar had already been launched and projects selected. It is expected that the baseline of all components will be operational at the end of 2025.
- Under Pillar II, tens of investments have already been announced in the EU since the Chips Act's proposal, and as of 20 February 2025 six had already been cleared by the Commission.
- Finally, under Pillar III, the European Semiconductor Board became fully operational as soon as the Chips Act entered into force, thereby continuing the work of the European Semiconductor Expert Group on the strategic mapping to provide an analysis of the EU's strengths and weaknesses in the global semiconductor sector.

The Chips Act is very clear in that strengthening the EU's critical infrastructure and security as well as its technological leadership requires both leading-edge and mature chips, in particular for future-proofing strategic sectors. However, considering the observation from the European Court of Auditors (ECA) that "it is difficult to judge whether the Chips Act gives sufficient consideration to industry's needs in mainstream microchips"³, the Commission will put more emphasis on communication outreach on this aspect in the short term. Moreover, the ECA observes that the Commission is responsible for a small part of the EUR 43 billion public funding expected to be mobilised by the Chips Act⁴. This is mainly due to the fact that while the current "first-of-a-kind" (FOAK) framework incentivises industrial investments in semiconductor facilities, these rely on Member States'

¹ Regulation (EU) 2023/1781 of the European Parliament and of the Council of 13 September 2023 establishing a framework of measures for strengthening Europe's semiconductor ecosystem and amending Regulation (EU) 2021/694 (Chips Act).

² SWD(2022) 147 final.

³ See ECA observation 9.

⁴ See ECA observation 10.

resources (i.e., State aid), which can vary over time. In this context, Important Projects of Common European Interest (IPCEIs) are a crucial tool.

Drawing lessons from the implementation of the Chips Act, without prejudging the content, scope or timing of future legislative proposals, the Commission will in due course start preparing the next semiconductor strategy that would be the opportunity to address the main challenges of the Union's semiconductor ecosystem that the Chips Act has brought to light.

II. REPLIES TO THE RECOMMENDATIONS

Recommendation 1 - Carry out an urgent reality check of the strategy and take the necessary short-term corrective actions

Target implementation date: 2025

The Commission should, in close cooperation with both the member states and the industry:

- o ***urgently carry out a reality check on the Chips Act to assess whether the ambitions and targets that it contributes to remain realistic in view of the resources available to achieve them, global competition, as well as other crucial factors, such as energy cost and dependence on raw materials;***

The Commission **partially accepts** this sub-recommendation.

The Commission will perform this 'reality check' as part of the formal evaluation and review of the Chips Act, which is planned for September 2026, and for which the Commission is already procuring supporting studies. These studies will focus on different aspects, such as the needs (volumes, etc.) of the EU's most relevant vertical markets (security, defence, telecoms, edge-AI, etc.) or on how to measure the investment gap for the 20% Digital Decade Policy Programme target. On this basis, the Commission will reassess the feasibility of reaching the 20% digital target laid down in the Digital Decade Policy Programme with a view to potentially revising it in its next evaluation due by June 2026.

However, the Commission cannot commit to perform this reality check by the end of 2025, as recommended by ECA.

- o ***where applicable, take appropriate short-term corrective action needed to help achieve the strategic objectives;***

The Commission **accepts** this sub-recommendation.

The Commission is planning to propose to the Chips Joint Undertaking to speed up the launch of calls on quantum chips and the design platform. Likewise, the Commission aims to support Member States in proposing a possible third IPCEI on Advanced Semiconductor Technologies. Finally, the Commission intends to continue and possibly increase promoting Europe as a potential place for setting up semiconductor manufacturing facilities to European and non-European industry, Member States, and

representatives of countries with which the Union has in place digital partnerships or Trade and Technology Councils.

- o ***introduce systematic monitoring to identify as early as possible any impediments to achieving the objectives of the current (and any future) microchip strategy, as well as mechanisms for prompt remedial action.***

The Commission **accepts** this sub-recommendation.

The Commission is constantly monitoring and adapting ongoing activities of the three pillars of the Chips Act. However, more systematic monitoring could be implemented via regular, well-defined checks and fact finding with main stakeholders, e.g. the Chips JU Governing Board, industry associations such as the European Semiconductor Industry Association and SEMI, and the Member States represented via the European Semiconductor Board.

Recommendation 2 - Start preparing the next semiconductor strategy

Target implementation date: 2026

The Commission should, in close cooperation with both member states and the industry, start preparing the next semiconductor strategy. This strategy should:

- o ***build on the result of the above review and the successes and failures of the previous strategies;***
- o ***set clear, timebound and realistic objectives taking into account the state of play of the EU's microchip sector, EU industry's short- and long-term needs, global competition, and other crucial factors, such as energy cost and raw material supply;***
- o ***propose appropriate actions and funding, including if deemed necessary proposals to adapt the legal framework;***
- o ***include a coordinated approach at EU level, including interactions with competing economies on a global scale.***

The Commission **partially accepts** this recommendation, as it cannot prejudge the content, scope or timing of future legislative proposals.

Nevertheless, the Commission acknowledges the merit of this recommendation. On the basis of the studies to be procured in 2025, the Commission will take all the necessary preparatory steps for the upcoming Chips Act's formal evaluation and review due to take place by September 2026. The information gathered via these studies, but also the feedback gathered by means of public consultations, workshops and direct discussions with industry, research and technology organisations, researchers and the Member States, will feed into a potential revision of the 2023 Chips Act regulation before the end of 2026. This potential revision will take into account the abovementioned recommendation.