

## **Non paper – call for an action plan on the integration of Ukraine’s Defence Technological and Industrial Base in the European Defence Technological and Industrial Base by [...]**

Ukraine is continuously fighting for the security of all of Europe. As a follow-up to the joint ministerial letter on the integration of Ukraine’s Defence Technological and Industrial Base (UA DTIB) in the European Defence Technological and Industrial Base (EDTIB) from May 2024, we must further step up our efforts in this regard to ensure the full integration of the UA DTIB in the EDTIB.

Ukraine has a defence industry that delivers and which has significantly scaled up production capacity since Russia’s full-scale invasion. We all have a lot to learn from Ukraine’s defence industry. At the same time, we should accelerate our support to and cooperation with the industry, which is key to the delivery of critical capabilities in the short term as well as contributing to ensuring a sustainable, long-term security for Ukraine against Russia’s illegal aggression. This effort would simultaneously contribute to the modernization and consolidation of the Ukrainian defence industry, while boosting Ukraine’s economic recovery. The integration of the UA DTIB in the EDTIB should aim to enable the innovative, interoperable and interchangeable joint developments on defence capabilities, contributing to Ukraine’s path towards EU accession and enable the EU to tap into UA experience and other lessons-learned from the conduct of war, including contributing to innovation in the EU. Reciprocal and mutually beneficial EU-UA defence-industrial partnership presents a strategic opportunity.

Furthermore, we view the integration of the UA DTIB in the EDTIB as one of the main priorities for the Commissioner[-designate] for Defence and Space and the High Representative[-designate] for Foreign Affairs and Security Policy. The EU should step up its role in coordinating and harmonizing all of the initiatives related to this goal in order to maximize their effectiveness, moving this agenda forward in concert and gaining added value.

[...] therefore call on the Commission to implement the vision set out in the European Defence Industrial Strategy (EDIS) from March 2024 by presenting a **dedicated, comprehensive and long-term action plan** on a **swift, effective** and **sustainable** integration and strengthening of the UA DTIB **based on Ukrainian needs**. We agree that such an action plan should set out concrete avenues of action along three pillars: 1) joint development and procurement of innovative and interoperable defence capabilities through existing programs/instruments 2) opportunities of investments/financing through existing programs/instruments and 3) sustainable integration through strategic partnerships.

We also invite the Commissioner[-designate] for Defence and Space and the High Representative[-designate] for Foreign Affairs and Security Policy to take note of the avenues of action presented in this paper in the work on the upcoming white paper on the future of European Defence and during the next policy cycle.

### **1. Joint development and procurement of innovative and interoperable defence capabilities through existing programs/instruments**

By integrating Ukraine in the EDTIB, R&D, capability development etc., we aim to secure a higher level of interoperability between the Ukrainian and EU MS defence capabilities. In order to secure a swift and effective integration of UA DTIB in EDTIB, we should utilize the existing frameworks

for cooperation, such as the European Defence Agency (EDA), the Permanent Structured Cooperation (PESCO) and the European Defence Fund (EDF) as well as future instruments such as the European Defence Industry Programme (EDIP).

- **The European Defence Fund (EDF):** Ukraine faces increasingly damaged research infrastructure and logistical and financial difficulties in carrying out research and development activities in the area of defence. At the same time we have witnessed a substantial number of Ukrainian startups developing new and innovative technologies based on practical battlefield expertise developed in recent years. We recognize the Commission's swift efforts to identify possibilities to involve Ukrainian entities in EDF projects and appreciate the significant work already undertaken. At the same time, we suggest a deeper integration and call upon the Commission to propose a specific amendment to the current regulation that would allow Ukraine entities to participate under the same rules and conditions as EU Member States or other associated countries, similar to the agreement of associating Ukraine to Horizon Europe.
- **The European Defence Agency:** We encourage the European Defence Agency (EDA) to accelerate the dialogue with Ukraine and explore options to cooperate on matters related to the exchange of classified information and revising the administrative arrangement as soon as conditions allow. It is essential that Ukraine is able to participate in the work related to joint capability development and defence planning as well as in the identification of shared needs and priorities. We also urge the EDA to engage with Ukraine and Ukrainian entities on matters of innovation, where possible, and support the Commission and the EEAS in matters hereof, such as via the establishment of the EU Defence Innovation Office in Kyiv. We furthermore encourage the EDA to assist in conveying lessons learned from the ongoing war in Ukraine to MS in order to address operational, industrial and strategic implications.
- **The Permanent Structured Cooperation (PESCO):** We encourage the integration of Ukraine and Ukrainian entities in PESCO-projects on the basis of Ukrainian needs and requests. This will furthermore to a larger extent contribute to the activation of capabilities developed in a PESCO context for the benefit of Ukraine.

## 2. Opportunities of investments/financing through existing programs/instruments

The Ukrainian defence industry has a vast production capacity and is able to swiftly produce relevant defence products at competitive prices. Strengthening integration and cooperation with the Ukrainian defence industry can contribute to strengthening Ukrainian defence, foster economic development and allow Ukraine to respond faster to the needs on the battleground and to quickly adapt the production of defence equipment to the requirements and needs of combat operations.

One of the main hindrances to scaling up and making effective use of the already available, but unused production capacity in Ukraine, is a lack of coordinated investments and demand. Therefore it is urgent to secure a viable plan with the following:

**Mobilizing private investments, including through the European Investment Bank:** Mobilizing and attracting private investments and enabling easier access to private capital and know-how is essential. Not only for strengthening the EDTIB, but also on contributing to the integration of the UA DTIB in EDTIB. We are also committed to exploring the possibility of expanding the European Investments Bank's (EIB) mandate to include "core defence" whilst taking into account the impact on EIB's risk profile and safeguarding its financing basis.

- **Supporting the Ukrainian defence industry:** Funding and donating military capabilities produced by the Ukrainian defence industry, in close cooperation with Ukraine, is in line with the UA priorities and present an opportunity to reach swift and effective results in both the military support for Ukraine and the modernization and strengthening of the Ukraine defence industry. We thus encourage all MS to consider their possibilities of involvement in the initiative on supporting UA defence industry through voluntary financial donations. Denmark has already achieved successful results, and is preparing more donations to the Ukrainian defense industry. On behalf of the EU, Denmark currently administers approximately 400 million euro through the European Peace Facility (EPF) stemming from the extraordinary profits from immobilization of Russian sovereign assets to the benefit of Ukraine's defence industry in 2024.
- **Creating conditions and incentives for cooperation with Ukrainian entities:** Establishment of joint ventures and technological transfer between EU and Ukrainian companies should be encouraged. Specifically targeting technologies where the Ukrainian industry is competitive and innovative. We therefore call on the Commission and other relevant EU institutions to explore possible measures in this regard, particularly focusing on:
  - Enabling easier access to and mobilise further private investments in the defence industry, including towards common projects between EU and UA entities.
  - Simplifying and accelerating administrative measures regarding planning, construction and operation of joint UA-EU MS venture facilities across the EU.
  - Accelerating testing and adjusting excessively strict rules for certification in certain areas, particularly as a short term and timely limited measure. Creating conditions to test certain prototypes directly on battlefield.
  - Creating conditions for streamlining and deepening cross-border cooperation regarding maintenance, repair and overhaul (MRO) of UA equipment.
- Also, it is important that any upcoming EU defence industrial initiatives include suitable incentives for cooperation with Ukrainian entities.
- **Securing an effective 'Ukraine Support Instrument' in EDIP:** We should ensure that EDIP delivers tangible results in relation to the integration, modernization and reinforcement of the UA DTIB. The EDIP proposal is an opportunity to bring Ukrainian partners closer on the defence industrial agenda. Securing an effective instrument includes securing synergies with other EU-initiatives and efforts in NATO.
- **Role of the Ukraine Assistance Fund/European Peace Facility:** The Ukraine Assistance Fund (UAF)/European Peace Facility (EPF) should serve as a strategic tool to incentivize MS to provide the fastest and most effective military support to Ukraine. To this end, the UAF/EPF should continue to provide reimbursements or pre-financing for procurement also from the Ukrainian defence industry. Hence, in accordance with Council Decision 2024/890 of 18 March 2024, initiatives that bring together European and Ukrainian defence industry partners, including through joint ventures, should be promoted in the context of UAF/EPF. In this regard, joint procurement to Ukraine in the context of the UAF/EPF should also refer to 1) contracts set and orders placed by at least one Member State and Ukraine, or 2) through procurement by one Member State involving the defence industries of at least one Member State and Ukraine, or 3) through procurement by Ukraine financed by at least one Member State. This might be supported by marking a share of the UAF, or corresponding voluntary EPF contributions to such joint procurements in the Ukrainian defence industry e.g. through 1) reimbursement of MS' initiatives, or 2) direct support from the EPF to Ukraine, potentially through

one or several implementing actors, as was the case for the use of extraordinary revenues stemming from the immobilization of Russian sovereign assets through the EPF.

### 3. Sustainable integration through a structured dialogue and strategic partnerships

In order to succeed with the implementation of the above-mentioned initiatives, it is important to engage in the necessary strategic partnerships and establish governance structures supportive of the integration.

- **Defence industrial office in Kyiv:** With regards to the practical implementation of the initiatives, we propose to expand the role of the recently established EU Defence Innovation Office in Kyiv in order to secure a more extensive effort in the integration of the UA DTIB in EDTIB ranging from R&D to procurement. By expanding the role, the office should be able to support the Ukrainian authorities and defence industry in the entire life cycle of defence products (research, development, production and procurement). Examples could be facilitating advice on application procedures for access to relevant EU programs and projects, facilitation of information exchange regarding opportunities for collaboration between industries etc. Also, the office could serve a role in terms of informing European defence industry companies about opportunities, stakeholders and regulations in Ukraine. A potential expansion of the role of the office could benefit from insights of similar, bilateral initiatives.
- **Governance:** In order to deliver tangible and realistic results, the integration of UA DTIB in EDTIB needs to be viable for our Ukrainian partners. Therefore, regular and structured dialogue with Ukrainian partners should underpin any new initiative, including the called-for action plan.
  - **EU-Ukraine Defence Industry Forum:** We encourage that the EU-Ukraine Defence Industry Forum will be a reoccurring event that can be used as a platform for dialogue between authorities and industry. Moreover, this will be an opportunity to take note of and secure progress in the initiatives established in an action plan as well as securing increased coordination across the board.
  - **Increased dialogue and coordination:** We encourage a structured dialogue and coordination with Ukrainian partners – e.g. in relation to the forums established under the European Defence Industrial Strategy (EDIS). Furthermore, we propose to invite Ukrainian partners to discussions in the relevant EU fora.