Briefing

Commission initiative in preparation

European Parliament

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Boosting research and innovation in the EU

European research and innovation acts

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In this briefing

- Developments and insights – European Commission
- Why is the initiative important?
- Member State positions and interested parties' opinions
- European Parliament views

This European Parliamentary Research Service paper aims to inform Members on issues related to a forthcoming Commission initiative. It highlights the main choices which may shape the initiative and which Members may wish to explore ahead of formal Commission adoption. Based on documentary and other sources, it reflects the information available at the time of writing.

For further information on this topic, Members and staff of the European Parliament may contact the author.

Issues at stake

- The Commission has included two legislative initiatives in its 2026 work programme, both aimed at reviving EU competitiveness through innovation: the EU innovation act and the EU research act.
- While the first initiative is expected to enhance the framework conditions for the creation and scale-up of innovation, the second would focus on encouraging further public and private investment in research and innovation. Given their complementarity in the same policy domain of EU research and innovation, this briefing provides a combined analysis of their expected objectives and provisions, as well as the relevant positions expressed by the other EU institutions and stakeholders.
- These initiatives would address several key challenges to enhance Europe's competitiveness. These include:

- Strengthening investment in research and innovation across the public and private sectors to match the target of an annual volume of investment in R&D equivalent to 3 % of GDP;
- Facilitating access to finance for innovative companies, including small and medium-sized businesses;
- Pooling the research and innovation agenda across Member States, harnessing the relevant EU programmes Horizon Europe and the European Competitiveness Fund;
- Improving the framework conditions for the diffusion of innovation across the single market, including through the development of regulatory schemes supporting the testing of innovative solutions (regulatory sandboxes).

Developments and insights – European Commission

With the publication of its communication on a competitiveness compass for the EU in January 2025, the European Commission has identified innovation as one the three 'transformational imperatives to boost competitiveness' during the 2024-2029 legislative term, together with competitive decarbonisation, and increased security, including through the reduction of excessive dependencies.

The Commission's innovation agenda aims at 'restarting a virtuous innovation cycle', indicating a holistic ambition of incentivising the creation of knowledge, technologies and their subsequent deployment and diffusion across the economy and society. Against this backdrop, the communication refers to two upcoming legislative initiatives scheduled for 2026: a European research act (announced for 2026), and a European innovation act (announced for Quarter 4 2025-Quarter 1 2026). Both initiatives were confirmed in the Commission's 2026 work programme (and announced for Q3 2026 and Q1 2026 respectively).

The proposed European research act would look to ensure a level of research and development (R&D) investment in line with the target to reach research and development (R&D) spending equivalent to 3 % of GDP across the EU Member States, whilst reinforcing alignment between the EU and Member States' funding priorities through greater focus on strategic priorities, and fostering the circulation of knowledge and talent across Europe. The proposal aims at addressing persistent issues undermining the efficiency and overall performance of the EU research and innovation (R&I) ecosystem, such as underinvestment (both private and public sector), investment fragmentation, and the remaining barriers to free circulation of researchers and scientific knowledge. Article 179 Treaty on the Functioning of the European Union (TFEU) and Article 182 TFEU would be the expected legal bases. The Commission organised a public consultation between October 2025 and January 2026.

The European innovation act would aim at enhancing innovation actors' access to finance, talent or infrastructure and markets. While both initiatives focus on the need to strengthen public and private investment in research, the proposed innovation act puts a specific accent on closing the private investment gap in research and innovation. According to the 2025 EU industrial research and development scoreboard, only 308 EU companies featured among the 2 000 global companies with the highest investment in research and development in 2024, against 705 for the United States and 518 for China. The act would also provide framework conditions to improve innovative companies' access to European research and technology infrastructures and intellectual assets generated by publicly funded R&I, and would allow the use of regulatory sandboxes (an experimental policymaking tool for circumscribed development and testing of innovative solutions under public

authority supervision). Such sandboxes would be expected to provide the development of innovative business opportunities while improving the ability and effectiveness of the regulatory authorities. The Commission organised an online public consultation from July 2025 to October 2025, in which it announced that it would assess several legal bases to underpin the proposal, such as Article 114 TFEU on the adoption of measures to ensure the establishment and functioning of the internal market, or Article 173(3) TFEU, which allows the EU to support the Member States' industrial policies aimed at reinforcing the EU's competitiveness and innovation capacity.

Latest development

In April 2026, with the declaration 'One Europe, One Market Roadmap', the European Parliament, the Council of the European Union and the European Commission included the expected European research act as a priority legislative proposal. While the proposal should be published during Q3 2026, the Commission and the co-legislators hope to reach a political agreement by Q4 2027.

Why is the initiative important?

The EU has a growing R&I gap with respect to its global competitors. Both the causes and possible policy options to address them were outlined in the Draghi and Letta high-level reports.

The 2024 Draghi report identifies a 'scaleup gap' as the key weakness in the European innovation system preventing innovation from translating into commercial outcomes. Fewer world-class innovation clusters than in the US or China limit private investment in innovative projects, while scaling up is constrained by regulatory burdens and insufficient support infrastructure. The concentration of EU R&I funding at the national level further limits the emergence of projects of sufficient scale to compete globally (according to Eurostat data, in 2024 the EU R&I investment amounted to 2.24 % of EU GDP, with only 6 Member States at an investment level above 3 % of their GDP: Austria, Belgium, Denmark, Finland, Germany and Sweden). At EU level, Horizon Europe funding represents only a fraction of the combined EU public investment in research and innovation (circa 7 %). Draghi's report also points to Horizon's lack of focus, with investment being spread too thinly across priorities. For instance, the 2026 budget for the European Innovation Council, which supports early-stage breakthrough technologies and the scale-up of innovative companies (€782 million) is modest compared with (the US$6.1 billion the US spends annually on the Defense Advanced Research Projects Agency (DARPA), Advanced Research Projects Agency for Health (ARPA-H) and Advanced Research Projects Agency–Energy (ARPA-E). The difficulty in scaling up is compounded by unequal access to private finance; about 13 % of EU companies with 250 or more employees obtained equity funding, compared with 5 % of companies with between 10 and 49 employees. If we consider the proportion of companies that financed innovation activity with equity funding, the shares are 6 % and 2 % respectively.

In his 2024 report on the single market, Enrico Letta diagnoses incomplete European integration as a central constraint on innovation. The report highlights the importance of cross-border knowledge-sharing as a driver of competitiveness. In this context, the author formulates the concept of a 'fifth freedom': the free movement of researchers, knowledge, and technology. Strengthening mobility, promoting large-scale cross-border projects, and integrating innovation into procurement systems are presented as key to restoring competitiveness. According to a 2025 International Monetary Fund paper quoted in an analysis by the European Central Bank, the persistence of several kinds of barriers (such

as administrative and regulatory) create a tariff equivalent of 110 % for services traded across the single market.

The 2024 report by Manuel Heitor entitled 'Align Act Accelerate. Research, Technology and Innovation to boost European Competitiveness' prepared by the Commission Expert Group on the interim evaluation of Horizon Europe draws attention to a decline in European research performance, noting that its share of global research output, highly cited scientific publications, and patent applications has fallen significantly over the past 25 years. Measured by the top 1 % most-cited scientific publications worldwide, the EU ranks third, behind China and the US, with its share of the total declining from 21 % in 2000 to 18 % in 2020. While Europe performs relatively well in generating patents, only around a third are commercialised. To address this trend, the report recommends clarifying and streamlining the EU's research and innovation funding architecture.

Member State positions and interested parties' opinions

European Council and the Council of the European Union

With its March 2026 conclusions, the European Council invited Member States and the Commission to 'improve the conditions throughout the Union for businesses to achieve the scale needed to invest, innovate and compete at global level'.

The Council of the EU's conclusions on the importance of research and innovation for the EU startup and scale-up strategy of 30 September 2025 encourages the development of rules on Union-wide regulatory sandboxes in the forthcoming proposal for a European innovation act. Such rules should be clear and 'unbureaucratic'. It recommends developing a methodology and processes for the rapid and effective implementation of such regulatory sandboxes.

Member States

In early 2025, the French authorities conveyed their views on aspects of the expected European innovation act in a paper on simplification. They praised the creation of a legal framework for EU innovative businesses aimed at unifying access to finance for such businesses and complementary to the proposed 28th regime.

A January 2026 joint paper from Germany and Italy communicated their strategy to close the innovation gap centred on the need to restore EU productivity. In terms of innovation measures, while noting the relevance of the 28th regime for innovative companies, the two countries also support the establishment of a framework on regulatory sandboxes to facilitate the activities of 'highly innovative companies'. The joint paper also suggests improving the rules on venture capital, such as by providing stronger exit options for investors, and increasing access to finance options for startups and scale-ups.

In February 2026, six Member States (Estonia, Finland, Latvia, Lithuania, the Netherlands and Sweden) also expressed their views on innovation in a non-paper on European strategic competitiveness, outlining possible approaches to spur innovation through simplification. In particular, they noted that the EU should focus on reforms targeting tangible simplification to facilitate innovation, attract investment and realise EU technological leadership, notably by enhancing legal predictability and efficiency in the digital domain while safeguarding core values. They also stressed that EU legislation should enable cross-use of data between EU and national databases in the digital domain.

Spain also published a non-paper on European competitiveness, entitled 'a sustainable growth strategy for an EU that leaves no one behind' in February 2026, which is relevant to both the planned European innovation act and the European research act. The paper tackles the need to improve access to finance for innovative companies, particularly those working across Member States, notably with a proposal to establish a 'European venture fund' alongside the European Investment Bank and the European Investment Fund. The paper shares the objective of achieving the 'fifth freedom' on research, and turning EU scientific excellence into economic edge. Noting the value of research and innovation as a truly European public good, it calls for better coordination of national effort at EU level, notably through a mission-driven approach.

Academic and industrial stakeholder views

Academic and research institutions (Coimbra Group, LERU, Science Europe) agree that both acts would represent an opportunity to strengthen Europe's research ecosystem but diverge on how ambitious the legislation should be. LERU and Science Europe are more cautious, with Science Europe favouring a minimum-standards directive that avoids duplicating existing frameworks and legislating only where necessary. LERU proposes an enforcement mechanism allowing citizens and institutions to legally challenge non-compliant Member States. On funding, all support stronger commitments toward the 3 % GDP R&D target, while LERU demands a legally binding 4 % target backed by a burden-sharing agreement. On researcher mobility, there is strong consensus: fragmented national rules, barriers to permanent contracts, and insufficient social security portability hinder cross-border research careers and international collaboration. The Coimbra Group calls for greater integration of researchers into national social security systems, while Science Europe additionally calls for automatic recognition of academic qualifications and simplified visa processes for non-EU researchers. On the European innovation act, Science Europe stresses that commercialisation goals must rest on excellent and independent research, protecting Horizon Europe's autonomous R&I governance. It opposes a single commercial rulebook subordinating research to industrial priorities. Stakeholders are cautious about AI regulation, preferring harmonised guidance to binding rules, and warning against over-securitisation that could undermine academic freedom and international openness.

The European Association of Research and Technology Organisations (EARTO), argues that research and technology organisations are an undervalued part of the European innovation ecosystem that should be reinforced. On the European research act, EARTO supports binding commitments towards a 3 % of GDP investment target, moving to 4 %, better EU-national coordination, and reduced administrative burden, while opposing the re-regulation of European Partnerships. It also calls for mobility measures covering research transfer organisations and safeguards against foreign interference. On the innovation act, EARTO welcomes investment in technology infrastructure but considers the proposed €10.9 billion budget insufficient. It calls for the incorporation of research transfer organisations into the EU's startup network, a deep-tech venture fund, and a broader understanding of project success beyond commercial outcomes. It highlights innovation procurement as an underused driver of innovation. EARTO identifies specific regulatory barriers needing reform: insufficient R&D exemptions in EU export control and dual-use regulation, compliance obligations placed on early-stage prototypes, and strict liability applied to non-commercial prototypes.

DigitalEurope, a trade association representing the information technology industry, argues that Europe's weakness lies in commercialisation rather than idea generation, framing both acts around industrial scale-up and market deployment. It calls for €250 billion in public funds to crowd-in

€500 billion in private capital, allocating 25 % of the next EU multiannual financial framework to critical and digital technologies, and a streamlined €450 billion European competitiveness fund. It also calls for an EU-wide harmonised definition of startup, expanding cross-border regulatory sandboxes, and an update to EU funding rules to cover specific sensitive expenditures, such as cloud services and cybersecurity. On talent, it proposes fast-track tech visas, an EU-wide stock option regime, and a digital skills passport, alongside stronger incentives for innovation procurement and joint EU purchasing of strategic technologies.

European Parliament views

In January 2026, the European Parliament adopted a resolution on European technological sovereignty and digital infrastructure, in which it outlined key tenets to underpin EU initiatives on initiatives. Among other elements, it identified new public procurement methods and the development of regulatory sandboxes and test beds as relevant components of an EU innovation-friendly framework.

In March 2026, the European Parliament adopted a resolution on the expected European research area act, in which it called for a two-track approach combining voluntary cooperation with legally binding measures. Parliament expressed a preference for the European research area to take the form of a regulation to ensure direct applicability across Member States, while considering that the freedom of scientific research should be addressed in a separate legislative proposal. The resolution further called for improved coordination between transnational R&D initiatives, notably by facilitating researcher mobility. In this context, Parliament recognised the need for simplification and mutual recognition of research careers, development and implementation of better monitoring tools to lower costs and improve coordination, and a legally binding target of 3 % of Union GDP to be spent on R&D by 2030. Parliament also stressed the importance of tackling gender imbalances and the gender pay gap in research.

During the structured dialogue with the Commissioner responsible for startups, research and innovation, Ekaterina Zaharieva at a meeting of the Committee on Industry, Research and Energy (ITRE), some Members indicated that they considered the European research area and the European innovation act to be interconnected. Members expressed concern about EU-funded innovative companies relocating outside the Union as they scale up. Regarding mobility, Members underscored the tension between facilitating researcher mobility and preventing brain drain, identifying difficulties faced by researchers returning to their home countries as a major impediment. Some Members also stated that EU innovation funding programmes should extend their scope to cover dual-use technology.

In its interim report on the proposal for the multiannual financial framework for 2028-2034, adopted in April 2026, the Parliament notes that while EU research and innovation investment cannot substitute national public investment, there is a need to support increased investment in EU research and innovation, including a much greater private contribution to close the innovation gap with EU global competitors and thereby return Europe to sustainable growth and competitiveness.

Main references

Horizon Europe 2028-2034: 10th EU research and innovation framework programme

The 28th regime corporate legal framework

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