

Position Paper on the Defence Readiness Omnibus

The Union of Entrepreneurs and Employers (ZPP) presents its position on the European Commission's *Defence Readiness Omnibus*. We support the proposed changes and their objectives of removing unnecessary hindrances, accelerating procedures, and improving access to funding. We anticipate that they will lead to further innovation in the European defence field and allow the European Union to face the growing threats around it by ramping up its currently fractured defence industry. However, we would like to see more precision in the proposals and urge the Commission to look beyond the immediate geopolitical threats to lay the groundwork for the long-term industrial and technological transformation of the European defence sector. Strengthening our defence readiness must go hand in hand with promoting dual-use innovation, safeguarding market competitiveness, and ensuring sustainable investment in skills and infrastructure.

Background

On 19 March 2025, the European Commission presented its *White Paper for European Defence – Readiness 2030*, addressing the growing geopolitical threats and outlining areas in which the EU must step up to face them. Three key lines of action were presented: first, the EU needs to close critical capability gaps and provide greater support for the defence industry. Second, the EU must build a European market for defence and push for greater disruptive innovation to transform defence. Third, the Commission aims to reach a state of readiness by 2030 by means of stockpiling equipment and facilitating greater mobility and cooperation throughout the Union.¹

Adopted 17 June 2025, the Omnibus is a package of proposals for reforms to the defence industry programmes and non-defence regulations alike which addresses all three lines of action outlined in the White Paper to varying degrees. Clarification, simplification and

¹ “Introducing the White Paper for European Defence and the ReArm Europe Plan- Readiness 2030,” European Commission, 12 March 2025, https://defence-industry-space.ec.europa.eu/eu-defence-industry/introducing-white-paper-european-defence-and-rearm-europe-plan-readiness-2030_en.

acceleration are the recurring themes throughout the proposals, as the Commission set out to ‘remove regulatory barriers and facilitate EU defence readiness and industrial buildup.’²

Procurement

The Omnibus rightly points to inadequate production capacities across Europe and the need to enhance the Member States’ ability to replenish their stocks. We support this objective and emphasise prioritising ground combat capabilities (particularly armoured vehicles and tanks), advanced aerial warfare equipment, and maritime assets. Additionally, the defence industry faces a great transformation in its use of technologies, and thus we welcome additional assurances from the Commission that they are also showing consideration for the development of cybersecurity systems, cutting edge communications technologies (such as 5G networks and quantum computing), drones, military medicine technologies, hostile action detection systems, and improved training systems.

Currently, the Defence and Sensitive Security Procurement Directive³ – the main piece of EU legislation surrounding defence procurement – is too complicated and restrictive for Member States, causing them unnecessary administrative burdens, delays, and costs. To address this, the Commission proposes raising the threshold for applicable contracts under the Directive from EUR 410 000 to EUR 900 000. The ZPP strongly supports this facilitation, as the current hurdles can result in defence actors being unable to implement urgent investments in time or facing additional costs from the delayed approvals. We predict that this will result in an increase in lower-value procurements, which in turn will provide a healthy boost to innovation for emerging technologies. That said, we do think that the raised limit should still be higher to keep pace with rising prices, and the procedures for those contracts that still exceed the threshold also need to be streamlined. We also urge the Commission to evaluate the possibility of expanding the Directive to also allow for the inclusion of third country-owned enterprises based

² “Defence Readiness Omnibus,” European Commission, 17 June 2025, https://defence-industry-space.ec.europa.eu/eu-defence-industry/defence-readiness-omnibus_en.

³ “Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC,” OJ L 216, 20 August 2009.

and operating in Europe, to be consistent with their permitted inclusion in Security Action for Europe (SAFE) projects.⁴

We wish to express concern that the proposals focus too greatly on addressing the short-term shortages, without showing consideration for the functioning of the European defence industry past the 2030 milestone. We urge the Commission to provide more guarantees for long-term public procurement schedules via demand stabilisation to allow companies in the sector to plan production capacity expansion and investment on a grander scale.

Dual-Use and Innovation

The Omnibus only briefly addresses dual-use technologies, stating that wherever possible the proposals for the defence sector should also apply to dual-use technologies and materials. We find this to be a missed opportunity, as these technologies have vital advantages in times of crisis. Their existing infrastructure, workforce and supply chains can be swiftly adapted to meet urgent defence needs, ensuring the timely delivery of essential equipment and materials when they are most needed. Furthermore, the economic potential of applying military innovations in the civilian sector can be a major incentive for private companies to get involved in the defence sector. With this in mind, we urge the Commission to place greater emphasis on dual-use developments to strengthen both Europe's defence readiness and its broader industrial base.

Dual-use projects present a strong opportunity to emphasise the critical role of connectivity and mobility infrastructure. Ensuring that transport networks across the EU function seamlessly is essential for Europe's defence capabilities, as it guarantees that military personnel and equipment can be where they are needed without delay. Moreover, investing in such infrastructure for defence readiness would also have wide-ranging positive effects for the civilian society throughout the EU. We therefore hope that the Commission and Member States alike will recognise the value of these projects and prioritise their development accordingly.

⁴ "Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument," OJ L 2025/1106, 28 May 2025.

Finally, we support the Commission's push for accelerated research and production of advanced technologies, recognising their role in securing competitive advantages and cutting-edge battlefield solutions. However, this focus should not be allowed to overshadow essential yet less innovative elements of the production process.

Funding

The Commission intends to simplify access to the funds through the European Defence Fund (EDF) – the EU's only dedicated instrument for supporting industrial cooperation in defence research and development – in order to encourage wider participation. To do so, they propose clarifying rules for accessing funds, speeding up evaluations, reducing award criteria, and allowing EDF funding to be used in testing in Ukraine.

We find these proposals to be encouraging, as simplified EDF procedures should go a long way toward making businesses and member states more likely to be able to effectively utilise the funds in their projects, while eligibility for frontline testing will be of great help in ensuring that European-produced equipment is working effectively. We are particularly hopeful for the effect that clarifying award criteria could have, as this is currently an area which gives rise to a lack of transparency and equal treatment due to the uncertainties in application processes. That being said, we also urge restraint regarding faster evaluations. While streamlining is necessary for meeting the pressing needs, it should not be forgotten that the projects being assessed are highly complex with vast budgets and extensive documentation. As such, diligence and time are essential to ensure their proper handling, and the risks of superficial evaluations conducted in a rush far outweigh their potential benefits.

We welcome the Commission's clarification regarding the applications of state aid, particularly surrounding infrastructure and other dual-use projects. However, it is essential that these initiatives remain consistent with the rules of the Single Market and promote a competitive environment, while improving access to financing for SMEs. Overall, these changes to the legislative landscape, alongside the already extensive improvements that have been brought about through the SAFE instrument, go a long way to ensure that the European defence sector's vital R&D will not be lacking in funding as it ramps back up.

One concern we wish to raise is that the Omnibus does not explicitly address the structure of public-private partnerships, which we believe are crucial to the defence sector's future. Public-private partnerships should prioritise revitalising manufacturing lines for sustained use rather than singular orders, especially in industries operating across civilian and military sectors. This approach would not only advance defence readiness but also boost peacetime competitiveness by maintaining industrial capacity and encouraging innovation.

Competition

One aspect of the Omnibus which requires substantial re-evaluation is the competitiveness within the European defence industry. As it stands, the proposals are insufficiently grounded in empirical analysis of data from within the sector and instead seem to primarily reflect the demands of a limited subsection of stakeholders. This lack of nuance creates a risk for inefficiency in reaching the overall objectives of achieving readiness and threatens the fair competition within the defence industry.

Though the Commission acknowledges how the market dynamics for the defence sector are distinct from civilian industries, it lacks consideration for the differences between different segments of the sector, which require tailored legislative approaches to address their unique qualities and demands. This is particularly true for the development of innovative autonomous and unmanned technologies that make use of artificial intelligence and highly advanced communication and jamming systems, which are a vital part of modern defence. Despite its significance, this segment's structure of entities involved, ownership models, supply chains and products offered have not been sufficiently analysed by the Commission, resulting in misconceptions about its functioning.

One consequence of this is the overreliance on startups in the defence industry. Though we support the Commission's efforts to provide support for these enterprises, this should not come at the expense of more mature and established companies being sidelined. While startups play an important role in conducting research and development, it is not a safe assumption to believe

that they would be able to scale up their own productions to meet the operational needs of the industry – on the contrary, these younger enterprises notoriously carry a high risk of market failure.

To address this, a pragmatic approach showing greater support for mid-caps and other established companies is needed. These enterprises already possess and sell the technologies being used on frontlines and are better equipped to ramp up these pre-existing manufacturing systems to meet Europe's defence needs. Ultimately, the most effective path forward is to promote stronger collaboration between these two groups of companies. Leveraging the innovation of startups alongside the operational expertise of established enterprises fosters a complementary relationship that benefits both and drives sustainable progress.

Intra-EU Transfers and Third Countries

The lack of harmonised national control systems impedes cross-border transfers of defence products within the EU, with untimely processes and unnecessary complexities causing compounding delays which, in turn, create bottlenecks. While the Commission's tools and mandate for implementing European-level policies are limited in this regard, it does seek to help by working with Member States to simplify their national legislations, encouraging them to make greater use of General Transfer Licences – which can lower the time it takes to process transfers from 6-7 weeks to 1-3 days – and asking them to give more lenience to transfers of components which will be integrated into the recipients' defence systems.

We support efforts to reduce complexity and improve resource sharing but are concerned by the cases of overinterpretation of inharmonious national policies that currently plague Europe which the Commission's proposals may not sufficiently address. In instances where a certain nation's legislation is more restrictive than that of another, unequal competition between companies based on their country of origin may arise, which is in clear defiance of the principles of the Single Market.

There also needs to be greater consideration shown for the practical elements of cross-border trade within the EU. While the Omnibus addresses the big picture issues of ownership transfer procedures, inharmonious practices in areas such as transportation licensing are just as likely to cause delays yet are not shown any consideration. Therefore, we strongly urge the Commission to make further efforts to encourage harmonisation among Member States in this regard.

On third countries, we appreciate the Omnibus' pragmatic approach. Though we support the EU's long-term goals of strategic autonomy – which call for an eventual disentanglement from exporters outside the Union to instead be self-reliant on local producers – we also expect that an immediate and drastic shift in trade policy would not be conducive to current rearmament goals and would put undue strain on the European defence sector. Furthermore, our manufacturing lines are dependent on materials from outside the EU and it is therefore essential that we ensure safe and stable supply chains. We therefore look favourably upon the Commission's encouragement of waiving import duties, as while we recognise that this is likely to have a negative impact on the competitiveness of European businesses in the short-term, it is a necessary step to be able to meet the current defence demands. That being said, we hope to see these measures and the overall imports of third country defence materials substantially reduced once EU suppliers have raised their capacity for meeting the industry's needs in a timely manner.

In cases of multinational partnerships both within the EU and with third countries, the ZPP stresses that the Commission has a responsibility to ensure that these are beneficial for all parties involved. To achieve this, we recommend further legislation establishing mandatory offset obligations, minimum thresholds for technology transfers, and clearer regulations for intellectual property management in international contexts.

Chemical and Energy Needs

One area in which we would have wished to see more efforts being taken is addressing the environmental and energy challenges faced by the European defence industry. While the Omnibus does promise to present simplifications on the Regulation on Registration,

Evaluation, Authorisation and Restriction of Chemicals (REACH) in the near future which would allow further exemptions for the defence industry, this may neither be sufficiently impactful nor timely enough for an efficient ramping up of our readiness.

The defence sector is inherently energy-intensive and does not meet current EU environmental legislation. These policies were designed during and for peacetime conditions, and do not adequately reflect the extraordinary demands and urgency involved in preparing for potential conflicts. As a result, defence manufacturers face significant economic and regulatory burdens that put them at a disadvantage compared to international competitors who are not subject to the same stringent restrictions. To ensure that Europe's defence industry maintains its competitiveness and capacity for meeting urgent security needs, we call for further deliberations from the Commission. In particular, we wish to see more meaningful exemptions, flexible regulatory frameworks, and tailored energy policies that recognise the unique requirements of defence production without compromising environmental objectives.

Management of Sensitive Information

By its nature, the defence industry deals with information of a confidential nature, which requires special procedures to ensure its safe handling. To address this, the Commission promises to roll out a new system for the exchange of confidential information across EU institutions and Member States while also exploring the possible establishment of a secure cloud storage solution for the same purposes. Though these are promising measures, the ZPP wishes to raise two concerns. Firstly, the proposed systems would only apply to information accredited as “RESTREINT UE/EU RESTRICTED”, which is the lowest level of sensitivity in the EU classified information categories – we would welcome clarification as to how information in the three higher categories would be handled.⁵ Second, while the implementation of systems that can be used across intra-EU borders is helpful, their effectiveness will still largely depend on national legislations, as some Member States do not permit the transfer of classified information to cloud servers or external services. We therefore

⁵ “Protection of European Union classified information (EUCI),” European Council, 10 January 2024, <https://www.consilium.europa.eu/en/general-secretariat/corporate-policies/classified-information/>.

urge the Commission to aid in the harmonisation of such policies, and to be prepared to adjust the legislation to ensure its functionality.

We also wish to raise a concern with the Commission's overarching objectives for the Omnibus, which could have serious ramifications for security. While cooperation and research partnerships are invaluable for keeping up with the pace of innovation, the required exchange of information opens businesses up to security risks. Therefore, we believe that there also needs to be greater support for independent initiatives in certain areas of the defence sector, as these are better suited for protecting the sensitive information fundamentally tied to technologies where their unauthorised disclosure could have severe security implications.

Workforce

The Commission highlights the need for a skilled defence workforce, calling for a greater share of Science, Technology, Engineering and Mathematics (STEM) graduates and the use of the Union of Skills programme to re-skill the workers to better serve the defence industry. However, we find the Commission's emphasis on the workforce to be insufficient. Current legislation falls short in supporting updated education and retraining programmes, leaving STEM training outdated and unable to keep pace with rapid technological advancements. If these issues are not urgently addressed, the European defence industry may face a severe shortage of qualified personnel, undermining all other readiness efforts. We call on the Commission to prioritise workforce development with robust reforms to education, training, and skills adaptation. Additionally, we would also like to see a greater degree of financial incentives in the shape of scholarships and grants, to ensure that students are motivated to take part in education that can lead to a defence-related career.

Conclusion

The Defence Readiness Omnibus marks a crucial step towards enhancing Europe's defence capabilities by streamlining regulations and addressing immediate industry challenges. The ZPP welcomes these efforts and recognises their potential to accelerate innovation and revitalise Europe's defence readiness by 2030. However, to secure a truly resilient and

competitive European defence sector, the Commission must also address long-term industrial sustainability, promote dual-use technologies, and strengthen workforce development.

We urge the Commission to acknowledge that the defence sector is made up of different segments, each with its own specific needs. It is important to have tailored legislation, especially for new autonomous and unmanned technologies that use AI and advanced communication systems, which are vital for modern defence. We also wish to see the short-term solutions in the Omnibus complemented by strategic, forward-looking policies that balance urgent security needs with market fairness and pragmatic policies. Only through such a comprehensive approach can the European Union build a defence industry that is robust, adaptable, and globally competitive.

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