



European Defense. The Commission's proposal for a more flexible budget

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📌 EU LAW, DEFENSE, PERSPECTIVES

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On 22 April 2025, the Commission proposed a [new Regulation](#)¹ amending several funding programmes in order to enhance the EU's ability to develop and innovate in key defence capabilities and support faster, more flexible and coordinated investments in the European Defence Technology and Industrial Base (EDTIB)², thereby implementing the [ReArm Europe Plan](#)³.

The Regulation finds its rationale in the severe underinvestment and lack of

efficient spending in the EU's military capabilities, affecting the EDTIB's production capacities and its innovation potential as well as fragmenting the defence market. In line with the [White Paper](#), and in order to develop the necessary capabilities and military readiness to secure the future of the EU, therefore, the Proposal highlights the need for a massive increase in European defence spending over a prolonged period, and introduces modifications to the so-called "[STEP Regulation](#)"⁴ as well

¹ Com. Comm. COM(2025) 188 final of 22.04.2025, *Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and 2024/795, as regards incentivizing defence-related investments in the EU budget to implement the ReArm Europe Plan.*

² Comm. Com. COM(2013) 542 final of 24.07.2013, *Towards a more competitive and efficient defence and security sector.*

³ For further information see our previous article, available at the following [LINK](#).

⁴ Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP), and amending Directive 2003/87/EC and Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241, OJ L, 2024/795 of 29.02.2024.



as to those of other programmes covered by the latter.

More particularly, the Proposal extends the scope of the STEP Regulation by introducing a fourth strategic sector covering all defence-related technologies and products, including those falling under the priority capability areas identified in the White Paper. This way, the STEP could be leveraged to direct additional resources into the defence sector, supporting the development of cutting-edge technologies essential for the EU's defence preparedness and boosting investments in critical technologies for defence under cohesion policies funded by the EU budget.

Second, the Proposal amends the EDF⁵ and the ASAP Regulations⁶, on the one hand, to enable cumulation of funding with other Union programmes for the same action and, on the other hand, to allow Member States, on a fully voluntary basis, to transfer resources allocated to them under cohesion policy funds to these two programmes. The ASAP's duration, furthermore, is extended until 31st December 2026.

Third, the Digital Europe Programme (DEP)⁷ is expanded to include dual-use applications amongst its objectives and to use its budget flexibility to support additional investments for the competitiveness and strategic autonomy of the EU. This, in turn, will offer crucial

support for defence products such as connecting cloud and AI factories, which are vital to increase the production of advanced technologies with dual-use capabilities that are relevant to both civilian and defence sectors.

Fourth, the reach of the European Innovation Council (EIC) introduced by the Horizon Europe Regulation⁸ will be expanded to start-ups working on dual-use and defence-related innovations, in order to speed up the development and deployment of cutting-edge technologies. Unused amounts and potential returns from investments made by the EIC Fund during the pilot phase under Horizon 2020, furthermore, should be made available in order to finance additional projects in dual-use and defence.

Finally, the Connecting Europe Facility (CEF)⁹ was also amended to enhance military mobility and dual-use digital infrastructure, which will entail more favorable conditions for Member States to transfer cohesion funds to the Programme.

The Regulation will now be discussed by the Parliament and by the Council, and will complement the Omnibus Defence Simplification Package expected to be presented in June 2025 in order to further enable faster and more efficient defence investment and cooperation across Member States.

⁵ Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092, OJ L 170 of 12.05.2021.

⁶ Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on supporting ammunition production, OJ L 185 of 24.07.2023.

⁷ Regulation (EU) 2021/694 of the European Parliament and of the Council of 29 April 2021 establishing the Digital Europe Programme and repealing Decision (EU) 2015/2240, OJ L 166 of 11.05.2021.

⁸ Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013, OJ L 170 of 12.05.2021.

⁹ Regulation (EU) 2021/1153 of the European Parliament and of the Council of 7 July 2021 establishing the Connecting Europe Facility and repealing Regulations (EU) No 1316/2013 and (EU) No 283/2014, OJ L 24 of 14.07.2021.



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