VDMA

PRODUCTRONICS DEPARTMENT

POSITION PAPER

EU Chips Act 2.0: Learnings from Chips Act 1.0, revised strategic targets aiming for international cooperation and efficient implementation

November 2025

The VDMA represents 3600 German and European mechanical and plant engineering companies. The industry stands for innovation, export orientation and SMEs. The companies employ around 3 million people in the EU-27, more than 1.2 million of them in Germany alone. VDMA Sector Group Productronics comprises member companies manufacturing a broad spectrum of machines- and equipment for front- and back end of electronics- and semiconductor manufacturing.

Review of Chips Act 1.0 – What is needed or must be improved?

The EU Chips Act was enacted in September 2023. VDMA welcomed this milestone to strengthen the European Semiconductor value chain. However, we must recognize that the European machinery and equipment industry has so far not benefited much from its implementation, especially with respect to Pillar 2 for the establishment of new, first-of-a-kind (FOAK)semiconductor production facilities for front-end manufacturing. €43 billion have been set aside for public and private investments with the goal of achieving a 20% share of global semiconductor production by 2030. **Six FOAK investment projects were approved**, at nearly €24 billion (as of October 2025). The EU Commission has so far released around 10% of the €43 billion.

While these projects target chip production for key end-user sectors such as automotive, medical devices, renewable energy, and consumer products, they **focus only on front-end manufacturing of chips from SiC wafers. Only one project is dedicated to expanding back-end capacity for embedding these chips in functional circuit boards**. One project under discussion will provide additional front-end SiC wafer manufacturing. Several projects under the EU Chips Act were cancelled or postponed despite significant subsidy commitments. Other projects, in turn, got by without subsidies. This is the ideal case and must become the standard case. The right location conditions cannot be reduced to public funding. There are additional factors to achieve a business case: Progress is needed regarding the internal market for energy. A simplification of regulation and an acceleration of permitting procedures is urgent. The availability of venture capital needs to be improved, i.a., by moving forward on the capital markets union. A skilled workforce must be secured by strengthening the talent pool and skills base required within the semiconductor value chain. International cooperation must be intensified.

Furthermore, additional supply chain dependencies for raw materials, and other structural industry issues such as energy, skilled workforce, and geopolitical developments are difficult to address within this focused investment Act.

Moving forward - what is needed for a Chips Act 2.0

Analyze and acknowledge industrial demands, trends and EU weaknesses in the value chain.

An increase in the demand for “leading edge” chips can only originate in user industries, such as in artificial intelligence, quantum sensors or power electronics. A requirement analysis in the main user industries is needed to focus investments on specific chip types/designs, packaging, testing and to avoid potential overcapacities.

Expand European strengths and advantages

The EU should reinforce its leading market position in manufacturing equipment and raw materials (such as substrates and gases) for semiconductor production, in the design of chips for automotive, industrial equipment, and power electronics, as well as in research and development. Comparative advantages in these parts of the semiconductor value chain ensure international competitiveness. Key to technological sovereignty of the EU in the semiconductor value chain are mutual dependencies and the indispensability of European technology.

Maintain State Aid rules to avoid local subsidy races and boost European value added

The EU Chips Act 1.0 supports state aid to finance up to 100% of local funding gaps. A subsidy race within the internal market could occur if this funding leads to a frenzy in constructing new factories. The EU State Aid law is the central pillar for preventing subsidy races among member states. VDMA supports that operational aid is only paid under strict conditions, especially only if profitability without such subsidies can be assumed within a clearly specified time frame. We also advocate for a degressive design of state aid and appropriate private copayments. Funding should be allocated competitively based on excellence and potential for global leadership, ensuring that only the most promising projects receive support and avoiding permanent subsidization.

We appreciate that ‘**electronic manufacturing equipment**’ is explicitly recognized as a critical part of the semiconductor supply chain. However, local suppliers should receive greater consideration in subsidized production facilities in the semiconductor sector and in **Advanced Assembly**. The scope of “First of a Kind” projects should be broadened to the full value chain. Many innovative medium-sized companies are ready to develop the manufacturing technologies of tomorrow together with large companies and Startups. This brings competitive advantages for new products, creates strategic independence from established US and Asian manufacturers, and promotes the competitiveness of European companies in the global market.

Improve international cooperation to avoid global subsidy races
Self-sufficiency in the European semiconductor value chain is not an achievable target, and a global subsidy race is neither fundable nor expedient.The global division of labor is the foundation for an efficient allocation of resources and prosperity. The EU Chips Act must therefore be viewed within the context of „Open Strategic Autonomy“ that is a foundation of the EU’s industrial strategy. The EU Commission strives for an „open“ international collaboration in the sourcing of strategic products. The geographical concentration of supply chains is a necessary but insufficient condition for defining strategic products and strategic supply dependencies. The reliability of the respective suppliers is another critical factor. More emphasis must be put on international alliances with like-minded partners, beyond the mere exchange of information on semiconductor supply chains, by concluding trade agreements.

Crisis management as announced in the Chips Act must not undermine free trade. The determination of a semiconductor crisis must be based on distinct and transparent criteria. Primary responsibility for finding ways out of such a crisis lies with the industry. Priority rated orders and export controls should in any case be targeted to companies that obtained substantial state aid and thereby were locally prioritized. Reporting requirements for semiconductor manufacturers must not lead to administrative burden among equipment manufacturers.

Conclusion

A Chips Act 2.0 will only bring a strategic impact on the European industry if it considers the **needs and development along the whole semiconductor value chain**, expanding European strengths, and promoting new local technology and innovation through Startups, Scaleups, and SMEs. When it come to inecnting new and expanded production capacities, a **focus on international competitiveness is imperative**, while maintaining strict EU state aid rules and avoiding a global subsidy race by means of international partnerships.
We appreciate ‘**electronic manufacturing equipment**’ **is explicitly recognized as a critical part of the semiconductor supply chain**, However, local suppliers should receive greater consideration in subsidized production facilities in the semiconductor sector and in **Advanced Assembly**. **VDMA calls for strengthening location factors and framework conditions for industrial competitiveness across the board:**

- Reduce bureaucracy, simplify and harmonize regulation, accelerate permitting procedures
- Improve access to venture capital by moving forward on the capital markets union
- Strengthening workforce skills
- Coordinate EU approaches to export controls and FDI screening
- Deepen partnerships with reliable international partners
- Competitive electricity and energy prices by completing the internal market for energy

Contact:
Dr. Sandra Engle
Sector Group Leader Productronics
Phone: +49 69 6603-1128
E-Mail: sandra.engle@vdma.eu

Katharina Breden-Hetzel
Electronics, Solar and Battery Production
Phone: +49 175 7326191
E-Mail: katharina.breden-hetzel@vdma.eu

Responsible:
Thilo Brückner
Managing Director VDMA Electronics, Solar and Battery Production

Lobby Register: R000802
EU Transparency Register ID: 9765362691-45

vdma.eu