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Chips Act 2.0: From subsidies to European ecosystem competitiveness

The revised Chips Act must move beyond symbolic capacity targets and focus on semiconductor capacities that are (1) economically viable in Europe, (2) strategically significant because they make Europe indispensable in the global value chain, and (3) decisive for the operation of European industrial end-users.¹

1. Make Europe investable by strengthening the semiconductor ecosystem

The revised Chips Act must shift from subsidising individual fabs to creating a strong ecosystem-level business case. Europe will attract the next investment wave only if long-term competitiveness and operating conditions improve. This requires broadening the current supply-driven approach to strengthen the wider ecosystem in a targeted way.

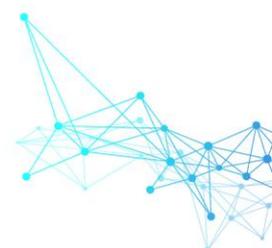
The narrow ‘First-of-a-kind’ (FOAK) concept should be abolished – or at least broadened. Support must extend to upstream and downstream capabilities, including advanced design and the modernisation of existing production facilities.² State aid procedures, in particular stringent counterfactual requirements, must be simplified.

In addition to foundational semiconductors that are critical for major European sectors, the EU must retain some advanced node manufacturing capacity to remain resilient as chip technologies evolve. The EU should secure a meaningful role in selected segments of the global supply chain for AI systems. Neural processing units (NPUs) represent a strong opportunity for the EU, given their importance for energy-efficient edge AI. To ensure critical mass for strategic projects, DIGITALEUROPE recommends establishing a €20bn centralised EU semiconductor budget.

Europe will not attract semiconductor investment unless chip manufacturers’ long-term operating risks are reduced. This includes competitive energy prices, fast permitting, closing skills gaps, promoting talent mobility, accelerating market uptake and coordinating investment tax credits. The EU should also launch vertical semiconductor alliances to boost demand, accelerate joint innovation and facilitate risk sharing between chips designers, manufacturers and end-users.

¹ These recommendations build on DIGITALEUROPE’s detailed position *Chips Act 2.0: From emergency response to strategic industry development*, available at: <https://www.digitaleurope.org/resources/chips-act-2-0-from-emergency-response-to-strategic-industry-development/>

² The Microelectronics Strategy of the German Federal Government already recognises the need to invest to expand existing factories to state-of-the-art standards, available at: [microelectronics-strategy-of-the-german-federal-government.pdf](#), p. 23



2. Better involve industry to set clear priorities and improve supply chain monitoring

The Commission should establish a small, senior steering board hosted within the Alliance on Processors and Semiconductors to help define a clear strategic direction, replace the unrealistic Digital Decade target and maximise the impact of EU and Member State funding. The board should advise on strengthening the competitiveness of the EU semiconductor ecosystem and help identify and prioritise strategic investment projects. Membership should be based on market relevance and technological excellence.

Stronger industry involvement is also essential to make supply chain monitoring more effective. Monitoring must deliver clear value for both public authorities and companies, with mandatory reporting used only as a last resort. The revised Chips Act should prioritise voluntary, industry-led data sharing. It should focus on improving contractual transparency along the value chain rather than imposing broad reporting obligations that would result in data that is hard to interpret out of context. Transparency and resilience are a shared responsibility of all stakeholders across the value chain.

3. Build resilience through international cooperation, not local content requirements

The revised Chips Act should exclude references to local content requirements. Semiconductor value chains are global – there is no such thing as a ‘European chip’. Local content requirements are unworkable because they would fragment supply chains and undermine EU competitiveness, including of downstream industries.

Instead, the revised Chips Act should set out a framework for stronger international partnerships, achieving European indispensability and building resilience jointly. No region has end-to-end semiconductor capabilities and Europe cannot afford to fund the entire value chain alone. This makes cooperation with trusted partners essential.

The EU should support and possibly lead a renewed international semiconductor technology roadmap to foster closer coordination among trusted partners. The Commission and Member States should also deepen engagement in multilateral fora, such as the OECD Semiconductor Informal Exchange Network (SIEN), to identify supply chain chokepoints and develop joint mitigation strategies.

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