

# INNOVATION

## Contents

EU innovation institute hosts crucial meeting amidst funding questions.....p.1

European tech innovators face becoming rivals' meal.....p.2

EIT chief: 'We will be able to satisfy Parliament' .....p.3

EIT woos Juncker Plan money to make up for lost EU budget .....p.5

Europe looks to laser-technology to blaze innovation .....p.6



With the support of



European Institute of Innovation & Technology



*José Manuel Barroso, President of the European Commission, visits the EIT in September 2014. The EIT is Barroso's brainchild. [European Commission]*

## EU innovation institute hosts crucial meeting amidst funding questions

The European Institute of Innovation & Technology (EIT)'s annual forum will seek this week to address concerns over the body's management of its flagship Knowledge and Innovation Communities (KICS).

Together with the private sector, the KICS seeks to foster manufacturing industry and entrepreneurship.

The Innoveit 2015 – EIT Innovation Forum taking place in Budapest (5th-7th May) – where the EIT is based – is designed to give researchers from the varied projects backed by the body a chance to exchange views and know-how.

This year's meeting will be under scrutiny since it closely follows a decision last week (29 April) by the European Parliament to postpone approving the EIT's spending of EU funds in 2013.

The decision reaffirmed strong criticism of expenditure of EU money by the EIT and other research agencies on 23 March.

MEPs from the Committee on Budgets then refused to endorse

the EIT's 2013 budget because of a lack of transparency in payments in contracted projects and because of the use of by-invitation-only public procurement procedures.

"The EIT is a long-standing administrative and financial problem," German centre-right MEP Ingeborg Graessle told reporters in March.

### Horizon 2020 - biggest research programme

Created in 2010 and based in Budapest, the EIT has a €2.7 billion budget for the 2014-2020 period.

The EIT plays a leading role coordinating KICS. The first three – dealing with IT, sustainable energy and climate change – were launched with the establishment of the EIT in 2010. Two, dealing with health and raw materials, were introduced last year. Two further KICS for sustainable food production and high-value manufacturing industry are scheduled for launch next year.

The KICS are being touted as Europe's "innovation factories". They aim at building bridges between students, researchers and entrepreneurs in order to close the "knowledge triangle" and bring innovations to the real world of business.

But MEPs warned the EIT must do more to show that their EU funds for 2013 were well spent before the Parliament will approve its accounts.

Continued from Page 1

An independent evaluation of the EIT's first three years of operation, published in May 2011, demonstrated broad support for the institute's objectives and recognised the launching of the first three KICs as a "substantial achievement". But it pointed to "inefficiencies in the implementation" and staff who were "ill-suited to the operational role that [the EIT] was trying to forge".

Pressure will be on the institute to clarify its value and define its role more clearly, especially since the criticism relates to the accounts for 2013,

before the onset of the Commission's new research programme Horizon 2020 in which it is taking on greater responsibilities.

### Forum to highlight examples of entrepreneurship

Horizon is the biggest EU research programme ever with nearly €80 billion of funding available over seven years (2014 to 2020), without counting the private investment that it is hoped this money will attract.

Greater communication by the EIT and the KICs will be crucial to their

success.

The forum will offer the EIT an opportunity to focus on the tangible results of the KICs. This year the body is introducing EIT Awards, designed to put the spotlight on innovators and entrepreneurs involved in KICs.

"The EIT Awards recognise new ideas that lead to new products and services and that improve our lives, societies and economies," according to Peter Olesen, Chairman of the EIT Governing Board.

The EIT has until October this year to convince MEPs that it has improved its management of EU resources.

## European tech innovators face becoming rivals' meal

Problems with investment funding, stigmatising business failures and regulatory red tape are threatening Europe's technical innovating industries, delegates at the InnovEIT Forum heard yesterday (5 May).

Corinne Vigreux, the co-founder and managing director of satellite navigation company TomTom, told delegates at the Budapest conference that her company was the sole consumer electronics brand to emerge from Europe in the past 15 years, and was only competing with Asian and US companies.

"If you look at smartphones today – they are the biggest revenue pullers – where are the Europeans? We need more entrepreneurs," she said.

Europe had failed to respond to the dominance of Silicon Valley and Asia in technological innovation – such as Uber, Twitter and Facebook – she specified, adding: "If you are not at the table, you are on the menu."



Budapest [Moyan Brenn/Flickr]

Richard Pelly – a consultant who until last year was the executive director of the European Investment Fund – said that although Europe was holding its own in terms of patent registration, "this is being eroded by Asia, which is catching up fast".

The key problem Europe faces is bringing its ideas to market, Pelly said, adding: "It is a cliché, but true nevertheless, that our European inventions are commercialised elsewhere."

### Mentoring and education at fault

Corinne Vigreux said that Europe has an issue with a risk-taking attitude.

"We have an education system that stigmatises failure. There has to be more ability to dare to fail. Mentoring can help with that," Vigreux said.

"We want education and mentors and physical resources to make Europe better than Silicon Valley!" a delegation

Continued on Page 3

Continued from Page 2

of young researchers demanded in a mock protest on stage at the event.

"Europe must challenge Palo Alto and Silicon Valley – I support that," said Birgitte Andersen CEO of Big innovation centre, said.

For her, the chief problem lay in Europe's failure to scale up start-ups through a poor investment finance ecosystem.

"Banks and Europe's venture capitalists remain wary of investing in start-ups' intangible assets, yet these are increasingly the kinds of risky investments they need to be making," according to Andersen.

Vigreux said that founders of start-ups must also take more responsibility for failure to scale up because there was a tendency to sell off companies too early.

"They must aim high and keep going rather than just doing it to sell out," she added.

### Regulatory overdrive hinders entrepreneurs

Another sticking point was the regulatory landscape.

"The other problem we have is big data; we need a charter on which conditions for the sharing of data because our entrepreneurs are hindered by privacy and citizens' rights," Andersen explained.

Pelly pointed out that the relative impact of an enterprise failing can have a longer administrative tail in Europe "that must be shortened", to release entrepreneurs from the burdensome elements of European regulations.

Successful innovation clusters in Barcelona, Berlin and London had all emerged, basing themselves on an Israeli innovation model which took as its precept that regulatory barriers to innovation should be removed, Pelly explained.

"The future is not big against small, but fast versus slow, and that is why the regulatory backdrop is so important, because it is too expensive and slow at the moment," Andersen told delegates.

### Optimism for the future

Pelly stated there is something moving now in terms of the EU member states pledges to commit 3% of GDP into research and the Innovation Union strategy different model through horizon.

"The EIT is now playing an important role in linking the pure science research with the universities and then bridging these with enterprise," said Pelly.

Meanwhile Tibor Navracsics, the Hungarian Commissioner for Education, Culture, Youth and Sport, said: "We have heard today about how 15 years ago the EU was one of the biggest powers in IT and now we are lagging."

Navracsics added that the EIT played an important role in finding ways to tackle the problem, "but there is no golden rule we have to make experiments[...] it is not a two-year issue, and it is in the medium term that we will see if we can keep up the pace."

## INTERVIEW

# EIT chief: 'We will be able to satisfy Parliament'

The head of the European Institute of Innovation and Technology (EIT) said that concerns in Parliament about the management of funds is a historic issue. He is confident that the Budapest-based institution will be able to overcome the concerns of MEPs.

*Peter Olesen has been chairman of the EIT governing board since 2014. He served as the chairman of the Board of the Danish Council for Strategic Research (2008-2014) and previously occupied a*

*number of research-related executive roles in the private sector. From 2009-2011, he was professor of plant biology and biotechnology at the University of Copenhagen.*

*He spoke to EurActiv's Jeremy Fleming at the EIT's annual innovation forum, in Budapest, on Tuesday (5 May).*

**Do you think there are problems in the communications and relations between the various players of the Knowledge Innovation Communities (KICS) based on cultural differences and corporate jealousy?**

I think such problems are one of the big things at the beginning of a KIC, when people are developing a pre-consortium. But in the end once they make a final proposal, the process of getting this together seems to help companies become more open-minded.

But there can be tensions on and off, especially when a project emerges within a KIC and they need new negotiations to incorporate it.

**Apart from two KICS set to launch next year – sustainable food, added value manufacturing – what further KICS are in the pipeline?**

For the moment, there is one more KIC set to launch in 2018 – a KIC on urban mobility – though the EIT will be subject to a review in mid-2017 [by the Commission] and hopefully we will launch the new KIC in 2018, subject to the review.

**What will the review be considering?**

They will look at the performance

Continued on Page 4

Continued from Page 3

results from the existing KICS. They will ask what have they achieved, whether the model is working, examine features of the co-locational nature of the KICS – which bring together players from different member states – and see if these are running smoothly. They will also assess the key feature of the KICS: the knowledge triangle between business, education and research, and see what impact this is having. For example, are we succeeding in making universities more entrepreneurial?

We expect that in the 2017 [review] there will be a focus on quantifiable issues. We have already been using key performance indicators in assessing the KICS: such as the number of students used in KICS; the numbers of ideas generated; the number of start-ups that have emerged.

In the end, assessing impact will be about how much more entrepreneurial the system has become, whether we have countered job losses and contributed to economic growth. These are more abstract concepts and we will be working with the KICS over the next year to help determine how the early outcomes can be described in performance indicators.

**There is a separate persuading job you have to do with the European Parliament in the meantime**

What is being discussed [by the Parliament] relates to outstanding issues around governance and management. That is something from the past relating to the beginning of the EIT that needed to be fixed. We are very confident that by September we will be able to satisfy the Parliament's concerns on this.

**The Commission has indicated it wants to raid the EIT budget for the seven-year period from 2014-2020 to help fund the European Fund for Strategic Investment (EFSI), the funding vehicle of the so-called Juncker investment plan. Have you now accepted that this is inevitable?**



*Peter Olesen European Institute of Innovation and Technology, with permission*

The question remains open since the details of the Juncker plan are still being debated in trilogue, although the Commission has signaled it wants to achieve agreement by the end of June. It is hard to accept because we have a credibility issue with our partners. The proposed cut (€350 million over the seven year period) from €2.7 billion down to €2.35, would represent a 13% decrease, which is a lot, it would mean that there are things we would have to stop doing. The proposed funding decrease would affect investment over a shorter term period, compelling KICS to accept a decrease in funding next year for example.

**Nevertheless you have indicated that the cut could actually turn out to be positive!**

I have been working in corporate life for 25 years, and I have seen many times that when you get a cut it hurts you, but it can also make you more creative and focus on more important things. The mere fact of seeing a threat can make people more creative in finding solutions. Part of the KICS non-EIT budget usually comes from other

funders or private sector, and maybe it will help them move towards more financial sustainability.

**Are you discussing how the KICS could deal with the decrease?**

We do have dialogue with the KICS on how to reduce their funding, but there is no one-size-fits all approach, because they are all different and work in different ways. They might be able to transfer some budgets from one year to next, ask their partners to invest more. The announcement of the funding hit came as an unfortunate Christmas present last year, and we are now working it into a reality.

**If you do lose the money, is there any way that the EIT could look to recoup some of its loss from the Juncker Plan itself?**

I do not believe that there will be a full guarantee of that but there are certainly opportunities to get the KICS recognised as eligible vehicles for funding under the plan. To that end we have started a dialogue with the European Investment Bank and Fund.

# EIT woos Juncker Plan money to make up for lost EU budget

The European Institute of Innovation and Technology (EIT) is seeking to recoup funding lost to the Juncker investment plan from other funding sources. One idea being explored is to get money back from... the Juncker Plan.



Tibor Navracsics in Budapest, 5 May 2015, (EIT, with permission)

The European Commission wants to raid the EIT budget for the seven-year period from 2014-2020 to help fund the European Fund for Strategic Investment (EFSI), the chief funding vehicle of the Juncker investment plan.

The proposed cut amounts to €350 million over the seven-year period, which would see the EIT budget slashed from €2.7 billion down to €2.35, a 13% decrease

The issue is still under discussion because the details of the Juncker Plan are still being debated in so-called "trilogue" talks between the European

Commission, Parliament and Council.

But the Commission has signaled it wants to achieve agreement by the end of June, and the EIT appears resigned to the fact that it is in the firing line.

Peter Olesen, the EIT governing board chairman, said that the cut would be "hard to accept because we have a credibility issue with our partners". He was speaking in an interview with EurActiv in Budapest, where the EIT is holding its annual innovation forum.

The Knowledge Innovation Communities (or KICS) are the key channels for EIT ideas and funding, and leaders of the KICS voiced disquiet over cuts during the conference.

"We have to be honest, it's difficult," said Bertrand Van Ee, the CEO of the Climate KIC, in a press conference on Wednesday (6 May), referring to the cuts.

## Budapest conference considers cuts

The cuts would be required over a two-year period meaning that they would affect the KICS budget plans for next year.

Olesen suggested the EIT should try to accept the cut and make the most of the money left.

"I have been working in corporate life for 25 years, and I have seen many times that when you get a cut it hurts you, but it can also make you more creative and focus on more important things," he told EurActiv.

EU officials in Budapest told EurActiv that the European Investment Bank (EIB), a key decision maker under the proposed EFSI management, is wary of making Juncker Plan investments into educational projects such as schools, because the value of these projects is unlikely to be attractive to the private sector.

Education remains a priority for the Juncker Plan, however. "The penny has now dropped in the EIB that the EIT provides a perfect vehicle for project funding because the KICS are looking to create precisely the sort of viable projects

that have a social and educational value that the EIB is looking for," one EU official told EurActiv.

"What they lose on the swings they are likely to gain on the roundabouts," said another.

## Investment possibilities from Juncker Plan

Tibor Navracsics, the Hungarian Commissioner for Education, Youth, Culture and Sport, has met with the EIB in the past fortnight, at which the subject was raised, and a formal dialogue has now opened up between the EIT and the EIB.

"I am aware that education is not the easiest investment decision [for the EIB] and it is clear infrastructure projects are more attractive," Navracsics told EurActiv when he spoke to journalists on the fringes of the Budapest conference.

"The EIT is a dedicated target for private investment because it has functioning relations with private business and there are established private business models, so we can reimburse some of the EFSI investment through the attractiveness of the KICS projects," Navracsics added.

Richard Pelly, a consultant who until 2013 was the executive director of the European Investment Fund, said that money diverted from the EIT to EFSI was "not money ripped away from research", but had the capacity to be re-committed through the Juncker Plan to "applied research invested in public private models rather than 'once committed-forever lost' money". It would therefore benefit the KICS longer term, he believed.

"I do not believe that there will be a full guarantee" from EFSI that money will be recouped through the Juncker Plan, Olesen told EurActiv. "But there are certainly opportunities to get the KICS recognised as eligible vehicles for funding under the plan," he said.

"To that end we have started a dialogue with the European Investment Bank and Fund," he confirmed.

# Europe looks to laser-technology to blaze innovation

Cutting edge laser technologies were amongst the prize winners and nominees as the European Institute of Innovation and Technology (EIT) crowned Europe's best innovators at a glitzy awards ceremony in Budapest last week (6 May).



The gala – hosted at InnovEIT, the EIT Innovation Forum – has developed from a simpler award into an entrepreneurial gaming process: with nominees pitching to a jury in competition for three awards.

The pitching process is designed to reflect the way start-ups pitch for funding in the real venture capital markets.

An “Innovators Award” went to EOLOS Floating LIDAR Solutions for a laser-based buoy, floated offshore to measure wind levels over long periods of time, a process necessary in the renewable wind energy sector to assess the viability of offshore wind farms.

Another laser-based nominee pipped for an award was Reduse, which uses laser technology to blaze toner from paper in its “unprinter”; an idea designed to create machines that can clear used paper for re-use by offices.

The awards focus on innovations with social ends connected to the Knowledge and Innovation Communities

(KICS) coordinated by the EIT.

Govinda Upadhyay's LED Safari Lamp – a series of cheap components designed to be manufactured into a basic lamp – won the Change Award.

The lamp is targeted at the 1.6 billion people living in developing countries without access to artificial light. The idea is that by assembling the lamp the user learns about the basic electrical unit, and has to design a surrounding frame – which can be done using recycled material, in addition to gaining the finished product.

“This is an excellent tool to learn about solar technology design while reducing the use of fuels like kerosene in developing countries,” said Upadhyay.

Denmark's Nordic Power Converters won the final category prize – the EIT Venture Award – for its redesign of power converters.

Billions of every day products electricity power converters, but the technology has not developed significantly for 30 years, meaning that the size of converter boxes and battery life remains clumsy.

“Our solution increases the reliability and affordability of these everyday products that we rarely think about,” said winner and co-founder of Nordic Power Converters, Regnar Paaske, adding that his solution could increase the shelf life of such converters fivefold whilst cutting down on size.

“Regnar's truly innovative project brings together breakthrough tech and a great team with solid finance to attack a huge market for led lighting and converters, while helping all of us to reduce our energy consumption,” juror Richard Pelly, the former executive director of the European Investment Fund, added.

Marco Marinucci an Italian entrepreneur based in Silicon Valley who acted as a juror on the Change award, said that judging the innovations for their potential societal benefits was an additional challenge.

He said that the idea of having the

innovators pitch was important since, “Having a start-up means selling to someone, coming from silicon valley the pitching element is a really important part of the entrepreneurial process.”

Martin Kern, the EIT's Interim Director, said that the range of nominees and winners was closer to market than previously, indicating that the innovations resulting from the award winners.

“They are showing us new ways to innovate and I am proud that the EIT activities have contributed to their success. Europe needs more success stories like these and the EIT can deliver them.”

## For information on EurActiv Special Reports...

Contact us

**Davide Patteri**

paexecutive@euractiv.com  
tel. +32(0)2 788 36 74

**Arnaud Sonnet**

publicaffairs@euractiv.com  
tel. +32(0)2 226 58 17

Other relevant contacts:

**Rick Zedník**

ceo@euractiv.com  
tel. +32(0)2 226 58 12

**Jeremy Fleming-Jones**

jeremy.fleming.jones@euractiv.com  
tel. +32(0)2 788 36 85