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**CUTTING RED TAPE TO REBUILD EUROPEAN  
DEFENCE: WILL THE EU DEFENCE READINESS  
OMNIBUS DELIVER ITS GOALS?**

## **CUTTING RED TAPE TO REBUILD EUROPEAN DEFENCE: WILL THE EU DEFENCE READINESS OMNIBUS DELIVER ITS GOALS?**

The EU's plan to “[Re-Arm](#)” and build a European defence, technological and industrial base (EDTIB) fit to counter modern threats is gaining momentum.

On 17 June 2025, the European Commission published the Defence Readiness Omnibus (“the Omnibus”). This package of legislative proposals and policy guidance is designed to cut regulatory red tape for the defence sector and facilitate the investment by EU Member States of up to €800 billion in defence. The need for regulatory simplification was first identified in the White Paper for European Defence-Readiness 2030 (“Readiness 2030 White Paper”), which set out a roadmap of necessary steps Member States should take to achieve “defence readiness” by 2030.

The Omnibus contains proposals to:

- streamline public procurement in the defence sector;
- clarify and simplify rules regulating access to the European Defence Fund (“EDF”);
- facilitate the transfer of defence-related products within the EU;
- clarify the application of existing EU horizontal rules (such as environmental and chemical legislation, access to finance and competition) where they create disproportionate or unintended constraints on defence activities.

This briefing examines key elements of the Omnibus, considers how significant the proposed changes are to existing policies/legislation and how likely such changes are to achieve their goals. Significantly, the unveiling of the Omnibus comes at a time of heightened geopolitical turbulence and the new commitment by NATO States to increase their defence spending to 5% of GDP by 2030.

## Background context to the EU's plan

Factors shaping the need for a fundamental shift in the EU's approach to defence include the Russia/Ukraine war, a deteriorating strategic context and an EU deemed ill-equipped to tackle threats driven by new technology. In March, the EU acknowledged “decades of underinvestment “in European defence and, in the Re-Arm Europe Plan, proposed a massive surge in defence spending. The Plan identified five financial levers to mobilise up to €800 billion for defence spending, including a new EU financial instrument: the Security Action for Europe (“SAFE”) (adopted by Council regulation on 27 May). SAFE will provide Member States with up to €150 billion in loans to engage in common procurement of priority defence capabilities (including permissible cross-border procurement involving two Member States and a third country that is a signatory to a security pact with the EU).

The Readiness 2030 White Paper developed the Re-Arm Europe Plan by setting out a roadmap to rebuild European defence and plug critical capability gaps. At the heart of its vision is greater collaboration, co-ordination and interoperability between Member States, to establish a more sovereign and self-reliant EDTIB. The Readiness 2030 White Paper cited the need to simplify and harmonise legislation and policies which hampered an agile EDTIB. The Omnibus seeks to meet this need.

## The Omnibus: Key Proposals

The Omnibus proposals were preceded by a strategic dialogue with industry and consultations with Member States. This process aimed to identify rules, policies and procedures specific to the defence sector and those of more general application which served as obstacles to an agile and effective EDTIB.

To address this problem, the Omnibus contains proposals to simplify defence-specific legislation and programmes, as well as broader regulatory laws. The package also includes a Commission Communication and Notice. The Communication also puts forward “clearer interpretations” of available derogations in EU legislation of which Member States may not have made full use. Whilst Commission Communications are not legally binding, they can influence how national authorities interpret and apply EU law, as well as guiding the Commission's own actions. Commission Notices do not bind Member States but bind the Commission in the exercise of its discretion by clarifying or providing the Commission's interpretation of prescribed rules.

Key elements of the Omnibus proposals are considered below.

## Defence-specific legislation and programmes

### **Security and defence procurement**

Proposals to simplify **security and defence procurement** would significantly lower the administrative burden on Member States and industry. They aim to do so primarily through specific amendments the Commission has proposed to the **Defence and Security Procurement Directive** (2009/81/EC). This Directive sets the detailed procedural rules Member States must follow when tendering significant defence-related contracts.

The most publicised of the proposed amendments is a more-than-doubling of the contract value thresholds caught by the Directive (from EUR 445,000 to EUR 900,000 for services and supply contracts). The Commission has billed this as exempting around 25% of defence contracts from the scope of the Directive, leaving them to apply more procedurally flexible local regimes.

The Commission's proposals would also allow Member States to **extend the duration of multi-supplier framework agreements** to foster longer term cooperation with suppliers, and to apply a wider range of procedures to procurements that are caught by the Directive. This would include a simplified procedure for the direct acquisition of innovative products and services resulting from research and development projects.

None of the proposals appear materially to improve the access of private sector companies to significant, higher value European defence procurement. However, a potentially welcome development for companies based outside the EU is that the earlier Readiness 2030 White Paper proposal to mandate a European preference in the revised Directive does not appear to have been included in the current amendments (save for specific instances such as the new procedure for the direct acquisition of innovative products). That said, the Omnibus's overarching goal of stepping up collaborative defence procurement by multiple Member States does contain certain protectionist elements; for example, the requirement that at least 65% of component value purchased collaboratively under SAFE must originate within the EU. There is also a similar requirement that common procurements of military equipment by three or more Member States must be from contractors established in the EU.

### ***The European Defence Fund***

The EDF supports collaborative defence Research & Development (R & D), including through grants to consortia of companies and research organisations from at least three EU Member States or associated countries. Proposed amendments to the EDF include simplifying the award criteria and procedures in order to accelerate and make more predictable the access to funds. Moreover, the proposed rules should allow multi-annual work programmes which could better support long-term R & D projects. In addition, they would enable more flexible use of indirect management and allow the EDF to fund testing activities carried out in third countries (such as Ukraine). The latter proposal recognises the significant gains for the future development of defence technologies by testing in a live battlefield environment.

### ***Intra-EU Transfers of Defence Products***

Additional proposals are aimed at reducing delays by easing the authorisation processes for transfers of defence-related products between Member States and by tackling varying national licensing rules. Delays and diverging requirements will be removed or mitigated by introducing general transfer licences for defence industrial programmes within the EU (such as those funded by the EDF). This should improve the efficiency of such programmes, as well as promoting the ability of the EU and Member States to acquire the capabilities they need freely from amongst Member States and, thus, more cheaply and quickly.

## Non-defence legislation and programmes

### ***Fast-tracked permitting regime for defence-related infrastructure projects***

Proposals for defence-related infrastructure projects (such as constructing new defence sector-related manufacturing plants or new/larger barracks and training facilities) suggest a two-month permitting window, streamlined procedures and a single point of contact in each Member State.

### ***Environmental and Chemicals Legislation***

Existing derogations to EU chemicals legislation which might facilitate defence readiness projects (including the authorisation and restriction process under the Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (the REACH Regulation), have been interpreted restrictively, leading to concerns that these projects are being delayed.

The proposals clarify that the exemptions can be used more broadly for defence interest purposes. This ought to encourage Member States to allow increased flexibility for manufacturers and other stakeholders to take advantage of the exemptions.

In addition, amendments to Persistent Organic Pollutants (POPs) Regulation (EU) 2019/1021 would require the Commission to promote defence-based exemptions in international discussions on potential restrictions on chemicals regulated under the Stockholm Convention. This will promote the objectives of the Re-Arm Europe Plan in that, once amendments to the Convention are signed, there is no further flexibility for Member States or industry stakeholders (or even the EU itself) to seek exemptions. The EU defence sector will need to work to ensure that its voice is heard in such discussions.

### ***Sustainable finance framework/compatibility of defence investment with ESG principles***

The Omnibus clarifies which weapons should be excluded from certain sustainable investment indices under the Benchmark Regulation, by way of a proposed delegated regulation. The proposed amendment replaces the confusing reference to “controversial” weapons with “prohibited” weapons (the nomenclature used in specified international conventions to which most Member States are party). It also provides a list of prohibited weapons (e.g., anti-personnel mines under the Ottawa Treaty).

The Omnibus also contains a guidance notice (the “ESG Notice”) on the application of a sustainable finance framework to the defence sector. The ESG Notice clarifies to investors how to navigate the sustainable finance framework when investing in the defence sector. Such guidance has been vigorously sought by investors and defence industry participants, as a perceived lack of clarity risked undue exclusion of certain defence-related investments from sustainable finance projects. The ESG Notice is not legally binding, but it aims to provide guidance to all investors and operators referred to in the EU sustainable finance framework, as well as public authorities and bodies.

The ESG Notice specifically states that it aims to prevent the undue exclusion of defence companies from ESG-labelled products and indices – provided they comply with international law and EU regulations – and recognises the defence sector’s potential contribution to social sustainability, particularly through a lens of EU resilience and security. It further confirms that defence companies are not automatically excluded under the Sustainable Finance Disclosure Regulation, albeit disclosures must be made for activities that involve “controversial” (soon to be “prohibited”) weapons or conflict with international norms. Defence activities are also not listed in the EU Taxonomy Regulation, but the guidance states that this does not mean they should be excluded from sustainable finance generally.

The ESG Notice also provides that defence companies should report on sustainability risks and due diligence in the context of the Corporate Sustainability Reporting Directive and the Corporate Sustainability Due Diligence Directive, but that this should be undertaken proportionately and adopt a risk-based approach. New proposals would also change eligibility limitations which hinder the ability to use the InvestEU Fund to support investments in the EDTIB.

The proposed changes are potentially significant in addressing concerns that financial services industry participants (particularly fund managers) had around the compatibility of defence sector investments with applicable ESG disclosure and regulatory regimes. They also come at a time where there is a keen focus on the role of private capital in investment in defence. As such, the changes are likely to achieve their objectives, at least in terms of industry engagement. The fact that the prohibited weapons list refers to existing international conventions to which most EU Member States are party should be helpful in minimising push-back.

### Competition rules will consider “defence readiness”

As a general rule, investments in the EU, whether via M&A or public subsidy, require compliance with the EU’s robust competition law apparatus – merger control, antitrust rules and EU State aid rules. However, the speed and scale of the investment required to achieve EU defence readiness by 2030 is in tension with the status quo; merger control and State aid reviews can be lengthy, burdensome and, accordingly, act as an impediment to deal certainty for investors. Antitrust rules governing conduct between competitors can frustrate the formation of otherwise fruitful joint ventures between defence players. The Commission’s Communication therefore lays out a roadmap for a shift in approach whereby the Commission will apply EU competition rules (mergers, antitrust, State aid) with sensitivity to the defence sector’s strategic needs.

**Mergers** – the proposal is that reviews will now consider the broader benefits of enhanced EU defence, security and resilience as transaction-specific efficiencies when balancing any potential harms to competition. This new approach responds to the recommendation in the [Draghi Report](#) (2024), calling for the Commission to be more open to clearing otherwise problematic mergers where they can be shown to have beneficial impacts on supply chain resilience and innovation in the EU which outweigh other anti-competitive effects. The Commission has also committed to the current review of its Merger Guidelines being informed by the changing security environment.



**Antitrust** – the Commission proposes to provide guidance for collaborative projects in the defence sector, particularly where the required scale of procurement, production, development and manufacturing cannot be achieved on a stand-alone basis. Such guidance will provide firms (and their investors) with additional comfort when engaging in the kind of collaborative projects needed to achieve defence readiness.

**Public Investment and State Aid** – the Commission has opened the door to Member States availing themselves of the national security derogation to EU State aid rules contained in Article 346 of the Treaty for the Functioning of the EU (TFEU). Presently, this derogation has been applied sparingly and only under strict conditions. The Commission considers that the use of public funds by Member States selectively to support investments in R&D by national defence players and to expand their production capacity for defence products and services may be exempt from the EU State aid rules under Article 346, which would otherwise often require notification of such investments to the Commission for pre-approval. Where the Article 346 derogation is not available, the Commission commits to prioritising treatment of State aid cases relating to EU defence readiness. Akin to its new approach to mergers, the Commission will take due account of the measure's contribution to both the defence readiness 2030 objective and the specificities of the defence market. Such specificities are informed, in large part, by the regulatory oversight exerted by Member States over the acquisition of defence-related products and technologies, including exports. In the short term, the proposals have the potential significantly to ease the regulatory burden and delay on public funding and the execution risks for private market investments in the defence sector in the EU.

General guidance for businesses and investors on how to navigate antitrust considerations in the context of Readiness 2030 opportunities is set out in Clifford Chance's April briefing on [Defence Related Deals in 2025](#).

## Conclusion and Next steps

The Commission's consultations on the Omnibus proposals have closed. It has transmitted its proposals to the European Parliament and the Council as co-legislators in the ordinary legislative procedure. Based on a [Clifford Chance study](#) concerning the length of the legislative process in the financial sector, we estimate completion of the political negotiations *within the next 18-36 months*. However, the Commission – when submitting its proposals – encouraged the co-legislators to move quickly, given the pressing need for industrial readiness. Moreover, the Commission underlined that the proposal should not be used as an opportunity to revise unrelated provisions of the legal text for which amendments are proposed.

Given these political signals and the strong support for defence-related activities by the Member States, we expect the length of the procedure to be at the shorter end. Nonetheless, there will be ample informal opportunities for industry or other stakeholders to make their views known by the European Parliament and Member States.

More generally, both traditional defence actors and potential market disruptors are closely monitoring the development of the Readiness 2030 proposals and positioning themselves to take advantage of opportunities. The global defence sector will also be watching whether EU Member States make good on their increased spending commitments and, if so, which EU or domestic financial levers they choose to pull.

The extent to which non-EU companies will be able readily to benefit from procurements via the SAFE route (given its protectionist elements) remains to be seen. Having recently concluded Security and Defence Partnerships with the EU, both the UK and Canada now have the option of concluding further agreements with the EU to allow their participation in procurements under SAFE, on terms to be negotiated. UK and Canadian companies will be tracking closely any developments on this front. Likewise, as the Omnibus progresses through the legislative process, non-EU companies should keep a close eye on any proposed changes to the Defence and Security Procurement Directive, if minded to try to head off any attempts to reintroduce the European preference (as originally conceived).

Stakeholders will also be assessing how, in practice, the EU will attain its ambition of rapidly decoupling, at least to a significant degree, from the US defence sector, given the need to manage ongoing manufacturing dependencies between the EU and US. Companies across Europe and the US will need to undertake considerable strategic planning to take advantage of opportunities whilst mitigating associated risks.

Finally, the defence industry should note that it has until 29 July to provide the Commission with feedback on the “mini defence omnibus” to incentivise defence-related investments in the EU budget. This is intended to complement the Omnibus proposals.

Clifford Chance’s cross-practice team will continue to monitor developments closely.



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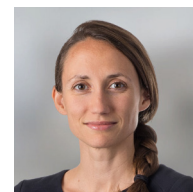
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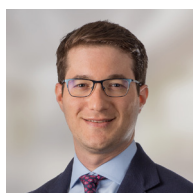
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