

Give European innovation room to grow

Europe has always been a continent of pioneers—turning challenges into opportunities and building a future on knowledge, courage, and collaboration. Our leadership in innovation is no coincidence; it's the result of decades of smart investment and bold choices. But while other regions are accelerating, Europe risks holding itself back with outdated rules that stifle innovation and drive talent abroad, especially in strategic sectors such as biotech, which are essential for a healthy, future-proof and competitive Europe.

Biotech: a strategic sector driving European progress

Biotech delivers solutions for our most pressing challenges in health, food, and sustainability. From personalized medicines to climate-resilient crops and biobased materials, it transforms scientific breakthroughs into societal progress. If we want to keep the engine of our European economy running and maintain our strategic autonomy, we must ensure that innovative companies that add value and promise for a better tomorrow have the space and time they need to flourish.

Yet today, many of these companies are being held back. Brilliant biotech minds developing the smart solutions of tomorrow are denied access to essential public support simply because their long-term investments in R&D make them appear financially “in difficulty” under outdated EU definitions. This misclassification blocks access to co-financing, innovation and other vital instruments, right at a time when they need support to grow and scale. In the Netherlands, there are numerous experiences of biotech companies and entrepreneurs that are denied public funding once they apply and find out they are formally an undertaking in difficulty or even do not apply anymore for any public funding instrument. It is a system that punishes ambition and slows down progress.

Let's build the right conditions for innovation

We must remove these unnecessary financial and bureaucratic obstacles, so entrepreneurs can focus on what really matters: developing their product, scaling their solution, and delivering impact. That means adapting the current EU definition of an undertaking in difficulty (UID) within the General Block Exemption Regulation (GBER) to suit the ambitions and realities of innovation-driven companies. Hollandbio, the industry association for biotech companies in The Netherlands, calls for the following changes to make state aid rules work for innovative start- and scaleups:

- A longer runway for innovation: Extend the exemption period from 3 to 10 years for deep tech companies, so they are not unfairly excluded from support at the very moment they are building the breakthroughs of tomorrow.
- A realistic assessment: After the exemption period, apply a UID test that reflects the long development cycles and capital needs of biotech and scale-ups, rather than penalizing them for the very investments that drive progress.
- Recognizing the nature of innovation: Companies should not be labeled “in difficulty” simply because they invest in long-term R&D or write down goodwill from strategic growth. These are signs of ambition, not distress.
- Allowing proof of resilience: Many innovative firms can show they are not insolvent, have no history of unmanageable debt, and face no structural financial problems. This should exempt them from being classified as “in difficulty.”
- Valuing real investment: Subordinated loans and capitalized intellectual property should count as equity, and recent capital injections, convertible loans, or institutional backing should be recognized as credible financial support.



- Championing European ambition: Companies aligned with national technology strategies, the STEP Regulation (EU 2024/795), or the growth markets from the Draghi report must remain eligible for public support.
- Consistent interpretation across Member States: Collaborate with industry associations, investors, and innovation agencies to develop objective criteria that reflect the realities of innovation-intensive sectors, thereby providing clear guidelines and preventing national disparities in the application of the UID definition.
- Clear SME definition and thresholds: Apply an SME definition that matches operational reality: <250 employees, ≤€50 million annual turnover and ≤€43 million balance sheet total. Ownership structures, partners, and linked enterprises should only be considered when they play a direct operational role in the company.

Europe's strategic future depends on its ability to support the companies who are building it right now. By reforming the UID definition, we ensure continued progress, keep control of our future, and secure the prosperity of generations to come. The time to act is now. Let's back our innovators, embrace ambition, and show that Europe is ready to become a true magnet for innovative tech start- and scaleups!

