

CALL FOR EVIDENCE

This document aims to inform the public and stakeholders on the Commission's future legislative work so they can provide feedback on the Commission's understanding of the problem and possible solutions and give the Commission any relevant information that they may have, including on possible impacts of the different options.

⚠ You should finalise this document at the earliest stages of the impact assessment process, so that best use can be made of feedback from stakeholders.

TITLE OF THE INITIATIVE	Critical products – diversifying supply chains (DiversifyEU)
LEAD DG (RESPONSIBLE UNIT)	Directorate-General for Trade and Economic Security – Units for Strategy (A2) / Economic security (F1)
LIKELY TYPE OF INITIATIVE	To be determined
INDICATIVE TIMETABLE	Q4-2026
ADDITIONAL INFORMATION	- [this field is meant for a link to a relevant website]

This document is for information purposes only. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described, including its timing, are subject to change.

A. Political context, problem definition and subsidiarity check

Political context

Strengthening supply chain resilience and reducing dependencies for critical products is one of the six high-risk priority areas identified in the December 2025 Joint [Communication on Strengthening EU Economic Security](#). The Communication underscores the EU's vulnerability to supply chain risks related to certain critical raw, processed and advanced materials, clean tech components, and critical technologies.

Following the political endorsement by EU leaders at the Council meeting on 18 and 19 June 2026 to progress on import diversification measures, there is clear recognition of the need to accelerate efforts to reduce critical dependencies and strengthen supply chain resilience. This involves making full use of existing single market instruments, identifying any remaining gaps and introducing new measures where necessary.

To this end, the Commission intends to present a **diversification package** to roll out policies and support faster supply chain diversification and reduce dependencies in critical sectors throughout their value chains. This initiative may include making a more efficient use of existing or proposed measures, creating a new trade diversification instrument, adapting existing Single Market instruments and putting in place other measures to develop new instruments.

Problem the initiative aims to tackle

The problem to be addressed concerns concentrated critical dependencies on dominant supplier countries for products and inputs to sectors of strategic importance for the single market and the EU's economic security. Some non-EU countries increasingly use these economic dependencies as leverage, with direct consequences for the EU's security and competitiveness.

These dependencies create vulnerabilities to supply disruption, geopolitical pressure and market volatility, the functioning of critical industrial sectors and the wider EU economy. The weakening of the EU's industrial capacity in supply chains critical for defence, cybersecurity, energy, connectivity or critical infrastructure, is also an economic security risk. It is necessary to consider how sustained underbidding, subsidised overcapacity or circumvention of existing rules may affect the EU's diversification objectives.

De-risking efforts carried out so far have increased the available options for diversification, including the conclusion of free trade agreements to promote imports from a more diverse set of suppliers, as well as the adoption of single market measures. However, diversification is not happening sufficiently fast enough in critical sectors. One reason is that there is a lack of appropriate price signals for businesses, another factor is a lack of incentives for companies to shape their investment decisions for sourcing, processing or recycling products and inputs of strategic importance. In addition, dominant non-EU countries and their companies reacted to the EU's existing de-risking toolbox with strategies such as rerouting trade, operating through non-EU subsidiaries, restructuring ownership, circumvention of EU rules through deliberate non-cooperation,

making pre-emptive investments or reclassifying tariffs to weaken or circumvent existing restrictions. Therefore, there is a clear need to de-risk and diversify further. The EU needs to move beyond merely enabling diversification and start actively driving it. This requires measures that reduce existing critical dependencies, prevent new ones from emerging, and ensure this is done faster and within a more comprehensive and coherent regulatory framework.
Basis for EU action (legal basis and subsidiarity check)
Trade is an exclusive competence of the EU under Article 207 of the Treaty on the Functioning of the European Union (TFEU). Only action at EU level can effectively tackle the trade-related challenges linked to critical import dependencies. The legal basis for measures aiming to ensure the proper functioning of the Single Market is Article 114 TFEU. A patchwork of national approaches would not only fall outside Member States' legal competence in this area but also risk fragmenting the single market. A coherent EU-level framework ensures that diversification efforts are consistent, mutually reinforcing and proportionate to the scale of the dependencies involved. The diversification initiative, including any new legal instruments, is an action resulting from the Joint Communication on Strengthening EU Economic Security.
Legal basis
The diversification package brings together measures under two separate legal bases, reflecting its dual trade and industrial policy nature: i) the trade diversification instrument will be based on Article 207 TFEU, including the possibility to trigger tariffs based on Article 31 TFEU, as a trade policy measure falling within the EU's exclusive competence; ii) existing Single Market-related measures based on Art. 114 TFEU will be assessed for adaptation to complement the trade-based diversification instrument.
Practical need for EU action
Trade policy measures in this initiative will fall under a policy area where the EU has exclusive powers (under Articles 31 and 207 TFEU). In this area, the subsidiarity principle does not apply. The subsidiarity principle will apply to those parts of the initiative that relate to the single market (Article 114 TFEU). This part of the initiative will strengthen the resilience of the EU's supply chains and thus its economy, as well as accelerate the diversification of strategically significant value chains in Member States. It may include both supply-side and demand-side measures, such as supporting the development of alternative sources of supply both inside and outside the EU. Therefore, EU-level action is needed in practice to set out harmonised rules that can ensure effective mitigation, safeguard fair competition, prevent fragmentation of the single market and the circumvention of existing rules.
B. Objectives and policy options
The diversification package will create the legal framework and provide incentives to businesses to de-risk their supply chains. It will do so through trade measures, possible support to expand supply capacity (in the EU as well as in trusted non-EU countries) and through demand aggregation. This will protect the EU from supply chain effects caused by geopolitical disruptions and prevent any serious harm to the EU's economy and society by reducing its vulnerability to the weaponisation of dependencies in critical products and inputs while duly balancing these objectives with market realities and any short-term costs. Package aims also at strengthening the demand and alternative/reliable supplies as well as further strengthening the single market. The EU has various legal and policy tools at its disposal, as identified and set out in the Joint Communication on Strengthening EU Economic Security. These are mostly limited to specific sectors (e.g. the Critical Raw Materials Act, the Net Zero Industry Act, the proposed Industrial Accelerator Act, or the proposed regulatory initiatives under the Tech Sovereignty Package, such as the Cloud and AI Development Act and the Chips Act 2.0). However, several gaps remain in the EU toolbox, including: 1) no adequate regulatory basis for using trade measures to encourage businesses to seek alternative sources of critical supplies; 2) no comprehensive analysis on whether existing data collection instruments are sufficient to monitor critical supply chain risks in the EU, 3) not enough incentives to absorb or spread the costs of de-risking

4) inadequate protection and mitigation measures for economic security risks resulting from gaps in existing market access conditions, compliance obligations or public support rules.

Drawing on available evidence, including from this call for evidence, the Commission will explore options to draw up comprehensive measures to eliminate these gaps.

This initiative's measures will ensure there is no duplication or overlap with existing instruments (or those currently under negotiation), particularly industry-specific diversification measures in sectoral legislation.

C. Likely impacts

In the short term, this initiative is expected to involve adjustment costs for businesses exposed to critical supply dependencies. However, these costs should be weighed against the significantly higher economic and security risks of continued exposure to critical dependencies, including supply disruption, geopolitical pressure and market volatility.

Support measures will provide tangible incentives for EU businesses and strengthen internal market. These will facilitate investments in EU production capacity and sourcing from alternative non-EU suppliers. As businesses diversify away from single non-EU suppliers, this market-based mechanism could open up demand for both alternative import supplies and European production in certain areas,

In the medium to long term, this initiative is expected to strengthen the resilience of supply chains in the EU and its economic security, while generating positive effects for economic activity and job creation.

To the extent that this initiative leads to increased imports from non-dominant non-EU countries, no environmental impact on the EU is expected. If, however, it leads to increased domestic supply, the environmental impact of any resulting production capacity expansion in the EU will depend on the extent to which sustainable manufacturing processes are used, such as those relying on renewable energy sources and climate-friendly materials.

This initiative is not expected to have an impact on fundamental rights or equality. The initiative is relevant for the following UN Sustainable Development Goals: (i) SDG8 – 'Promote sustained, inclusive, and sustainable economic growth, full employment, and decent work'; (ii) SDG9 – 'Build resilient infrastructure, promote sustainable industrialisation, and foster innovation' as it will strengthen the resilience of the EU economy; and (iii) SDG17 – 'Strengthen global partnerships to support sustainable development' through cooperation with like-minded partners and the development of alternative supply chains.

D. Better regulation instruments

Impact assessment

The conclusions of the European Council of 18-19 June 2026 set a clear expectation for action from the Commission before the end of the year to accelerate diversification. The current challenging geopolitical environment has exposed over-dependencies as critical vulnerabilities. Given these realities and the need both to mobilise existing policies and to urgently fill regulatory gaps, an impact assessment cannot be carried out.

However, in line with the European Commission's [Better Regulation Guidelines](#) and Toolkit where a fully-fledged impact assessment is not possible given the urgency, and if a derogation is granted, an analytical document will be prepared in the form of a staff working document. This document will present the evidence behind the proposal and impact estimates.

Consultation strategy

The purpose of the consultation is to seek views from stakeholders across the EU single market and from partner countries on the following:

- the prioritisation of actions required to accelerate supply diversification in critical sectors;
- the legal framework and the incentives needed to support businesses' in strengthening their resilience, particularly when facing critical dependencies;
- any additional diversification measure that the EU should consider for this initiative;
- where the existing regulatory framework could be improved and amended as part of the initiative;
- whether certain supply chains or sectors should be prioritised over others on the basis of their criticality or high levels of dependence, and if so, which ones;
- the extent to which the approach should address both existing and potential dependencies, where these can be identified;
- the type of support measures (financial or non-financial) that could accompany the package to mitigate the possible costs associated with stronger diversification measures;

- the challenges private businesses are currently facing in their diversification efforts;
- the level of cooperation between the Commission, national authorities and private businesses in implementing diversification measures, including as regards improved information sharing on EU supply chains.

To this end and in parallel with this call for evidence, the Commission will hold initial exploratory meetings with industry (the key stakeholders that are concerned) and with Member States.

This call for evidence will be open for four weeks and will be accessible through the Commission's central [public consultations page](#). This call for evidence is available in all 24 official languages of the EU, and replies can be submitted in any of those languages.

In line with the European Commission's Better Regulation guidelines to develop initiatives informed by the best available knowledge, the Commission also invites scientific researchers, academic organisations and scientific associations with expertise in supply chain resilience to submit relevant published and pre-print scientific research, analyses and data. The Commission is particularly interested in contributions that give an overview of the current state of knowledge in the relevant fields.