



Client alert: the EU Defence Readiness Omnibus

New Investment Pathways for Private Capital

Executive summary

The European Commission (**EC**) released a communication on 17 June 2025 to introduce the “**Defence Readiness Omnibus**”, the latest in a series of legislative “Omnibus” packages presented by the EC in 2025. The Defence Omnibus (the **Omnibus**) is designed to facilitate at least EUR 800 billion in defence investments over the next four years, ensuring that the EU’s regulatory environment is no longer an obstacle but an enabler for defence readiness and industrial resilience.

This proposal specifically targets the defence sector by introducing and proposing amendments to at least ten different legislations, both defence-specific and broader horizontal legislations, aiming to remove bottlenecks, reduce administrative burdens, and enable rapid scaling of Europe’s defence industrial base. It is a direct response to the acute security threats facing the Union and the urgent need for strategic autonomy, as set out in the **EU’s ReArm Europe Plan/Readiness 2030**.

Unlocking Defence Investment: A New Era for Private Capital in Europe

The Defence Readiness Omnibus marks a decisive shift in the EU's posture toward private investment in defence and dual-use technologies. For private capital, this creates a more investable, transparent, and strategically aligned environment—albeit one that remains access-controlled.

- **Defence is now broader—and access for global capital clearer.** In its quest for increased strategic autonomy, the EU is seeking to attract investments in all defence-related technologies, and products primarily developed for military applications. This opens new verticals for investment, particularly in companies operating at the intersection of civil and defence innovation such as AI, quantum, space, and cybersecurity. At the same time, the Omnibus introduces clearer rules for participation by EU-based entities under non-EU control, including streamlined screening and guarantee mechanisms. This creates a more predictable and investable environment for global capital seeking exposure to Europe's security and industrial priorities – although SAFE-like conditionality clauses remain in place to safeguard security of supply.
- **Capital deployment is faster and more predictable.** The Omnibus introduces fast-track permitting with automatic approvals after 60 days, harmonised intra-EU transfer rules, and simplified procurement procedures—reducing friction and accelerating time-to-market for defence-linked investments.
- **Blended finance is more accessible.** The European Defence Fund (EDF) has been restructured to support multi-annual programming, direct awards, co-financing and eligibility of costs for testing activities conducted outside the EU. Importantly, InvestEU now recognises guarantees issued under other EU programmes, easing access for EU-based entities under non-EU control.
- **Amending the definition of controversial weapons.** The Commission introduces a targeted amendment of the Delegated Regulation on sustainable finance benchmarks to clarify the current definition of controversial weapons. Based on the proposed Delegated Act, the latter “*shall mean anti-personnel mines, cluster munitions, biological and chemical weapons the use, possession, development, transfer, manufacture, and stockpiling of which is expressly prohibited by the international arms conventions to which the majority of Member States are parties, as listed in the Annex.*”
- **ESG alignment is clarified.** Tailored guidance under SFDR, EU Taxonomy, MiFID II, CSRD, and CSDDD provides greater certainty for ESG-conscious investors. The Omnibus also clarifies that “public interest/safety” derogations in EU environmental law can be used to justify defence readiness projects, and introduces broader exemptions under REACH, CLP, and Biocidal Products Regulations for substances and products necessary for defence.
- **Antitrust flexibility signals a shift in enforcement.** The Commission has acknowledged the need for a more pragmatic approach to competition rules in the defence sector, particularly for joint procurement, R&D, and industrial cooperation—potentially reducing legal uncertainty for collaborative investment models.

Policy and regulatory background

The EU's recent drive to strengthen its defence industrial base and readiness has been shaped by a series of regulatory initiatives responding to the deteriorating security environment, particularly following Russia's invasion of Ukraine. Initially, two key short-term instruments were established:

EDIRPA (European Defence Industry Reinforcement through Common Procurement Act): adopted in October 2023, EDIRPA incentivises Member States (**MS**) to jointly procure urgently needed defence products, especially those highlighted by the war in Ukraine. With a budget of €310 million, it supports collaborative procurement in areas such as ammunition, air and missile defence, and platforms, aiming to address critical capability gaps and improve interoperability. EDIRPA is a short-term measure, expiring at the end of 2025.

ASAP (Act in Support of Ammunition Production): adopted in July 2023 with a €500 million budget, ASAP is designed to ramp up the EU's production capacity for ammunition and missiles, supporting both the needs of MS and Ukraine. Like EDIRPA, ASAP is a temporary, emergency response, set to expire in mid-2025.

Building on these emergency measures and following the configuration of the first-ever Directorate General for Defence within the new EC's structure (DG DEFIS), the **White Paper for European Defence – Readiness 2030** was published in March 2025, a non-binding policy document providing a strategic framework for a more integrated and resilient European Defence Technological and Industrial Base (EDTIB).

This strategic vision has since been operationalised through two major legislative initiatives:

EDIP (European Defence Industry Programme): proposed by the EC on 5 March 2024, and still under trilogue negotiations despite the European Parliament's quick agreement on account of discrepancies between MS on third-countries access, aims to establish a permanent framework to ensure the timely availability and supply of defence products across the EU. It builds directly on the lessons from EDIRPA, seeking to institutionalise joint procurement and production planning.

SAFE (Security Action for Europe): complementing EDIP by introducing a new financial instrument to support large-scale joint procurement and investment in defence production, the SAFE Regulation was adopted on 27 May 2025. With a financial envelope of up to €150 billion in competitively priced long-term loans, SAFE is designed to incentivise Member States to engage in collaborative defence procurement, with a particular focus on priority capabilities identified by the European Council.

As the White Paper underscores the imperative of regulatory simplification and harmonisation across the EU's defence landscape, these developments have now been brought together under the EU Defence Omnibus, covering both defence-specific and broader regulatory areas.

The “Defence Omnibus” in a nutshell

1. Streamlined access to defence investments

The Defense Omnibus aims to streamline access to EU defence investments and simplify eligibility criteria for various funding instruments.

- **European Defense Fund:** The Omnibus clarifies and simplifies access to EU support—particularly through the European Defense Fund—making it easier for private capital to participate in defense projects.
- **Cohesion and Recovery Funds:** The Omnibus opens up new opportunities to use Cohesion Funds for defense purposes, thanks to the ongoing Mid-Term Review. It also allows resources from the Recovery and Resilience Facility (RRF) to support defense industrial capacities and military mobility.
- **InvestEU and risk-sharing instruments:** The eligibility criteria under InvestEU and other EU-level financial instruments are being adapted. These include debt guarantees and equity financing aimed at supporting priority defense investments.
- **Clarification on ownership:** The Omnibus further clarifies the application of existing restrictions to entities established in the EU but controlled by non-EU countries, ensuring greater legal certainty for their participation.

Changes to InvestEU's investment guidelines are introduced:

- Broadens **scope** to include all investments in defence technologies, and products primarily developed for military applications (deleting the previous limitation to those identified as part of the EDF's annual working plan).

- On **eligibility criteria**, it amends limitations for associated third-countries and third country entities – noting that they should only apply in relation to non associated third countries, and entities established in or controlled by non-associated third countries or third country entities; including those for whom their executive management remains in a non-associated third country albeit established in the EU or an associated country.
- Further streamlines access to **InvestEU funding** for EU-based entities under non-EU control, and third country entities, by automatically recognising existing guarantees approved by a MS under other EU funded defence programmes (whereas before, a guarantee specifically in the context of the InvestEU was required). Only companies without such guarantees must obtain a new one.
- Removing the reference to suppliers from the current limitations relating to the control of final recipients (whereas they currently extend to both suppliers and subcontractors).
- Limits to existing control mechanisms implemented by MS in which they are established, while the financing and investment operation is covered by the EU guarantee.

Clarification on “prohibited weapons”: Only anti-personnel mines, cluster munitions, biological and chemical weapons the use, possession, development, transfer, manufacture, and stockpiling of which is expressly prohibited by major international arms conventions; should be excluded under Paris-Aligned and Climate Transition Benchmarks

2. EU Defence procurement and fast-track permitting

Higher procurement thresholds: In a bid to lower the administrative burden for around 25% of all defence-related procurement procedures, the Directive raises procurement thresholds to EUR 900,000 for supplies and services, and EUR 7 million for works, exempting a significant number of smaller contracts from the Defence Procurement Directive. Moreover, it introduces new procedures such as the open, dynamic purchasing systems, and innovation partnerships; and extends the maximum duration of Framework Agreements from 7 to 10 years.

Joint procurement flexibility: The Omnibus also introduces the possibility of using the negotiated procedure without prior publication of a contract notice for joint procurement contracts concluded before 2031 by at least three MS, provided that all of the following conditions are fulfilled;

1. All participating authorities/entities must procure identical or only slightly modified defence products.
2. The contract must include joint maintenance of the products, unless the products typically do not require maintenance.
3. Contractors must be established and have their executive management structures in the EU, EEA EFTA States, or Ukraine, and cannot be controlled by countries or entities from outside these areas.
4. Contracting entities in the EU controlled by non-EU/EEA/Ukraine interests may participate only if they have passed EU screening and, if necessary, mitigation measures, or if they provide verified guarantees.
5. Contractors’ and subcontractors’ infrastructure and resources used for the procurement must be located within the EU or EEA EFTA States, unless no suitable alternatives exist, in which case resources outside these areas may be used.
6. The cost of non-EU/EEA components in the final product is limited to 35%.

These SAFE-like exclusions are intended to safeguard strategic autonomy and security of supply.

SAFE Programme: As mentioned, the €150 billion SAFE programme offers competitively priced long-term loans for joint EU military procurement, incentivising collaborative acquisition and production.

Note that the changes are mostly viewed as “quick fixes”, with additional changes to come next year. A more in-depth revision of EU procurement directives is in the pipeline for 2026.

Accelerated permitting: The new regime calls for the creation of a single Point of Contact per Member State, with a standard response time of 60 days (extendable by 30 days for complex cases or 60 days for exceptional health and safety risks). If no decision is made within the deadline, the permit is automatically granted. This is one of the key measures introduced under the Omnibus, addressing the current lack of harmonisation at national level, which has often resulted in protracted delays—sometimes stretching over several years—to obtain the necessary permits.

This covers all permits required to build, expand, convert, or operate activities that enhance defence readiness, such as construction and expansion of manufacturing plants and testing facilities, conversion and operation of defence-related infrastructure, authorisations for defence industrial activities and related supply chain operations. All documents can be submitted electronically, and where multiple permits or assessments are required (e.g., environmental, spatial planning), these must be combined to avoid duplication and further delays. Moreover, defence readiness projects must be treated as urgent in all administrative and judicial proceedings, with access to straightforward dispute resolution where available.

The regime is not limited in time and will apply to all permit applications for defence readiness projects submitted after the Regulation’s entry into force (in any case, not to be expected before Q4 2025).

3. Intra-EU Transfers and supply chain efficiency

The scope of General Transfer Licences is enlarged and harmonised, and national End User Certificates are replaced by standardised EDF grant clauses, reducing administrative friction in cross-border supply chains. Transfers for EU-funded projects, emergencies, and certain governmental or intergovernmental activities are exempt from prior authorisation, facilitating smoother project execution.

4. Horizontal regulatory simplification

Broader exemptions from environmental and chemicals regulation: Amendments to REACH, CLP, and Biocidal Products Regulations introduce broader exemptions for substances, mixtures, and products necessary for defence, moving away from the previous restrictive, case-by-case approach. For Persistent Organic Pollutants (POPs), MS may withhold sensitive information from public reporting where required for national or EU security.

Antitrust: The Omnibus signals that the EC will take into account the specificities of the defence sector in its competition enforcement (mergers, antitrust, State aid). There is an explicit recognition that urgent ramp-up and cooperation in the defence sector may require a more flexible approach, particularly for joint procurement, production, and R&D. The EC is expected to provide further guidance on the application of competition rules to defence cooperation, especially where such collaboration is necessary to scale up production or address market failures.

5. Sustainable finance and ESG considerations

Overall compatibility: The EU sustainable finance framework does not impose sector-wide exclusions or financing restrictions on the defence industry. Defence companies are treated like any other sector, with sustainability disclosures applying horizontally across all industries. Only activities related to “controversial weapons” (anti-personnel mines, cluster munitions, biological and chemical weapons) are subject to additional disclosure and exclusion requirements.

Investment in the defence sector is to be assessed on a case-by-case basis, with operators encouraged to avoid blanket exclusions and instead consider the sector's potential contribution to social sustainability and EU security objectives. The EC encourages operators to follow a case-by-case logic when assessing the financing of a given defence sector company or activity against sustainability considerations.

Application of key legislative frameworks: the EC notice clarifies the application of the key legislation, i.e. SFDR, EU Taxonomy, MiFID II, CSDDD, CSRD and BMR.

- **SFDR:** The EC notice clarifies that although there is no sector-wide exclusion for defence, financial market participants investing in the defence industry shall address the Principal Adverse Impact (PAI) indicators as follows:
 - a) For **PAI 10** (violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises) and **PAI 11** (lack of processes and compliance mechanisms), the notice encourages operators to consider the due diligence and compliance measures required under export control legislation as contributing to the fulfilment of these PAIs. This means that robust internal controls and compliance with export regulations can be used to demonstrate alignment with these principles.
 - b) For **PAI 14** (exposure to controversial weapons), the notice specifies that only investments in companies involved in anti-personnel mines, cluster munitions, chemical weapons, and biological weapons are subject to additional disclosure; noting that nuclear weapons are not included in this list. The notice emphasizes a case-by-case assessment and discourages blanket exclusions of the defence sector.
- **EU Taxonomy:** The EC notice clarifies that defence-related undertakings can claim Taxonomy alignment for eligible horizontal activities (e.g., greening buildings, infrastructure, clean transport), provided they meet applicable requirements including the minimum safeguards (which can be fulfilled by demonstrating compliance with national export control legislation and related due diligence processes), and technical screening criteria. The notice acknowledges that, as part of the EC's simplification commitment, legislative efforts to reduce taxonomy reporting burdens are ongoing.
- **MiFID II:** The EC notice clarifies that investment firms must consider clients' sustainability preferences, referencing the SFDR and EU Taxonomy definitions. The guidance confirms that products with exposure to the defence sector can be offered to clients with sustainability preferences, provided they meet the relevant criteria (the principle of minimum safeguards under the EU Taxonomy Regulation, and of 'Do No Significant Harm (DNSH)' under the SFDR) and that only exposure to controversial weapons triggers additional considerations.
- **CSDDD:** The EC notice clarifies that, like other in-scope companies, defence companies within the scope of the CSDDD must conduct sustainability due diligence across their own operations, subsidiaries, and upstream and downstream value chains. However, downstream activities related to products subject to export controls (military and dual-use items) are to be excluded from due diligence obligations once the export has been authorised by MS authorities. The notice also references upcoming simplifications under the 'Sustainability Omnibus'.
- **CSRD:** The EC notice clarifies that while subject to mandatory EU sustainability reporting standards (ESRS), the following ones are of particular relevance to the defence industry:
 - a) General Requirements (ESRS 1), which allows companies to withhold disclosure of classified or sensitive information, even if deemed material (e.g., raw material supply volumes or sustainability-related financial information). The EC clarifies that the defence industry is more likely than other sectors to seek to withhold classified sensitive information.

- b) Consumers and End Users (ESRS S4): Unlawful use or misuse of products by end-users is outside the scope of reporting.

Note that, further to the ongoing revisions of the Corporate Sustainability Reporting Directive, the EC will make additional adjustments in the upcoming review of the ERSR, expected to be delivered by EFRAG on October 2025 (with a written update to the EC foreseen on 20 June 2025).

- **BMR:** The notice clarifies that only companies involved in the aforementioned prohibited weapons are subject to exclusions under climate-related benchmark regulations.

6. The European Defence Fund (EDF) expanded and reformed

The EDF is the EU's flagship instrument for supporting collaborative defence research and development, with a focus on strengthening the European Defence Technological and Industrial Base (**EDTIB**), fostering innovation, and enhancing strategic autonomy.

The EDF is open to a wide range of participants, including large companies, SMEs, mid-caps, research organisations, and start-ups, and is designed to address chronic underinvestment and fragmentation in EU defence R&D.

The EDF can now be implemented through both annual and multi-annual work programmes, providing greater predictability and continuity for long-term projects. The criteria for evaluating proposals have been clarified and tailored, making the process more agile and less burdensome for applicants. This is particularly beneficial for private equity and funds seeking to participate in or back consortia. Conditions for direct awards (funding without a competitive call) are also clarified, allowing for expedited funding in urgent or strategic circumstances.

Costs for testing activities conducted outside the EU (notably in Ukraine) are now eligible for EDF funding, enabling rapid feedback from active conflict zones and supporting the development of effective defence technologies.

Furthermore, MS that co-finance EDF projects are granted access rights to results on fair and reasonable terms, simplifying negotiations and encouraging co-investment. Finally, the rules for pre-commercial procurement are clarified, making it easier for public authorities to procure innovative solutions and bridge the gap between research and market deployment.

The reforms provide greater legal and operational certainty for long-term investments in defence R&D and production.



Next Steps

The legislative proposals will now be examined by the European Parliament and the Council under the ordinary legislative procedure. More information on an estimated timeline is expected to be provided in the coming days, however, it seems unlikely to reach an interinstitutional agreement before Q4 2025.

The Defence Readiness Omnibus marks a decisive shift in the EU's approach to defence, sweeping away red tape and accelerating the path from project conception to operational readiness. With streamlined permitting, robust procurement safeguards, and a clear focus on strategic autonomy, the new regime positions the European defence sector to respond rapidly and competitively to today's security challenges. Now is the time for all stakeholders to get ready, get organised, and seize the opportunities this new landscape brings.



Quick Links

[Commission Communication - Defence Readiness Omnibus](#)

[Proposal for a Directive as regards Intra-EU Transfers of Defence-Related Products & Defence Procurement](#)

[Proposal for a Regulation on Defence Readiness, Facilitating Defence Investments & Conditions for Defence Industry](#)

[Delegated Regulation amending Delegated Regulation \(EU\) 2021/1078\(InvestEU\)](#)

[Delegated Regulation amending Delegated Regulation \(EU\) 2021/1078\(InvestEU\)-Annex](#)

[Commission notice on the application of the sustainable finance framework and the corporate sustainability due diligence Directive to the defence sector](#)

[Commission Delegated Regulation \(EU\) amending Delegated Regulation \(EU\) 2020/1818 as regards the definition of controversial weapons](#)

[Commission Delegated Regulation \(EU\) amending Delegated Regulation \(EU\) 2020/1818 as regards the definition of controversial weapons-Annex](#)

[Proposal for a Regulation on the Acceleration of Permit-Granting for Defence Readiness Projects](#)

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