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The video games industry in Europe: current situation, issues and prospects

Beyond them being a societal phenomenon, [video games](#) are smashing all records. On a national or European scale, the annual figures for the video games industry are rising to record heights: the European market is set to grow to €24.5 billion by 2022, with more than one in two Europeans aged between 6 and 64 enjoying video games as a leisure activity.

Its economic performance aside, the video game industry is eminently strategic, with 110,000 jobs across Europe, including around 20,000 in France. Strategically positioned at the crossroads of different disciplines, the video games industry is closely linked to technological developments, placing it at the forefront of all digital revolutions.

At a time when the question of sovereignty is a priority, video games are a solid vector of soft power for European countries. Renowned European studios such as CD Projekt in Poland, Crytek in Germany and Paradox Interactive in Sweden have demonstrated their excellence on an international scale, exporting their productions all over the world. Video games are a lever of influence for Europe that should neither be ignored nor underestimated.

Although it boasts a number of world champions, such as France's [Ubisoft](#), the European video game industry still suffers a number of handicaps, not least because its stakeholders find it difficult to organise collectively and work together at EU level. As a result, the industry is developing unevenly from one country to the next, with major disparities in terms of political

support. The video game industry still suffers from a lack of visibility.

The development of the video games industry at European level opens up new prospects for job creation, economic opportunities, innovation and training in strategic sectors.

The European institutions and the Member States need to develop a proactive policy in favour of video games, by increasing their financial support for studios, encouraging intra-European collaboration and developing a framework to prevent talent from leaving the European Union. Video games are an issue of sovereignty for Europe: this is an opportunity not to be missed!

I. A BOOMING INDUSTRY DRIVEN BY PIONEERING COUNTRIES

Since the 1980s, France (with the development of Infogrames and Ubisoft, in particular) and the UK (with Rockstar) have been the cradles of the European video game industry. From the 2000s onwards, the Scandinavian countries also witnessed a major period of development.

While almost all Member States now produce games, the France-Germany-Poland axis is the industry's main employment driver at EU level. *"Brexit has meant the departure from the Union of one of the main production forces, and the United Kingdom continues to play an autonomous role in the industry at global level"*^[1], points out Gabriel Esteves, an intellectual property specialist and founder of an industrial property consultancy specialising

[1] All quotes come from interviews conducted by the authors for this study.

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in video games. Other countries are emerging more modestly, such as Belgium and Spain, still penalised by the low density of their local ecosystems, while Northern Europe stands out thanks to the economic performance of certain competitive groups, such as [Supercell](#) in Finland or [Embracer](#) and [Paradox](#) in Sweden.

While he points out that France is still an undisputed leader in the European video games industry, Jari-Pekka Kaleva, Managing Director of European Games Developer Federation (EGDF), notes that *"due to the mass exodus of video game industry talent from Russia and Belarus and the arrival of Ukrainian war refugees in the region, the video game industry in Eastern Europe, particularly Poland, is experiencing rapid growth in terms of talent and the number of game development studios"*. The European Union must seize the opportunity presented by this influx of talent from Eastern Europe to welcome them on a long-term basis and benefit from the sharing of know-how.

France could play a leading role among the Member States, provided it has the resources to do so. In particular, it has a number of decisive advantages, starting with reputable schools and a solid system of public funding.

II. A HIGH-PERFORMANCE BUT AS YET LITTLE-RECOGNISED INDUSTRY

Far from being a simple pastime, video games are a work of art, combining both art and technology. In her [report](#) on e-sports and video games in November 2022, Laurence Farreng MEP mentioned the example of *The Witcher* franchise, based on the writings of writer Andrzej Sapkowski and inspired by the myths and legends of Central Europe: *"In 2003, Polish studio CD Projekt Red acquired the rights to develop a first video game, The Witcher, which was released in 2007. In May 2017, Netflix announced the production of a series, which was acclaimed by the public, causing sales of the video game to jump 554% in the month of its release."*

Through the international distribution of games, the video game industry has become a formidable cultural

vector, helping to bring European cultural identity to life and highlighting different territories, local heritage and European history: as in the *Assassin's Creed* series (Ubisoft) or in the staging of the Italian Renaissance (Florence, but also Monteriggioni, San Gimignano and Forlì) and the French Revolution (Paris).

Finally, the video game industry is fuelled by cutting-edge, high added-value technologies. It is a hybrid industry, at once cultural, digital and technological. Researcher Olivier Mauco points out that *"real-time 3D is in full development, affecting different sectors such as video games, television, artistic design, the manufacturing industry, etc."*. Video-game ecosystems (clusters) can be the ideal framework for exchanges between industries, with a view to establishing local roots.

Despite the video game industry's many assets for building a high-performance, sovereign Europe, the video game sector remains little known to public authorities, as illustrated by the scarcity of parliamentary initiatives related to it within European bodies. *"Although half of all Europeans are gamers, the sector does not benefit from a dedicated strategy at EU level, whether to protect intellectual property, channel investment or promote our know-how."*[2]

III. STILL IN ITS INFANCY: SUPPORT FROM EUROPEAN INSTITUTIONS AND LOCAL REPRESENTATION

The European Union has introduced public support schemes for video game creators, like the [Horizon Europe](#) research programme and the [MEDIA chapter of Creative Europe](#) programme. However, in 2022, the MEDIA programme has allocated only €6 million to video games and immersive content, out of a total budget of 385.6 million.

The various forms of support remain modest in relation to the immense potential of the video game industry. The European Union's annual investment in video games is still a long way off, for example, from that made in the film industry, even though video games are a vector for the creation of stable, high value-added jobs.

[2] Statement by Laurence Farreng following the vote on her report.

However, a number of elected representatives are taking the issue to the European institutions with firm resolve and are calling for a European strategy for the video game industry. Adopted unanimously by the CULT committee (and almost unanimously by the plenary session), Laurence Farreng's report is a landmark. It *"deplores the small amount of funding committed to date and the fact that eligibility criteria are not always adapted to the needs of the sector, particularly for SMEs"*, and points out that *"this sector is stimulating international appetites with very large Chinese, Japanese or American multinationals, such as Sony or Microsoft"*.

Hugo Salek, one of Laurence Farreng's assistants, indicates that this parliamentary work *"was marked, in particular, by Microsoft's takeover of Activision-Blizzard for \$69 billion. This colossal sum (3 times the annual value of the European market) shows that the sector is consolidating, but above all that video game assets are of great interest"*.

A number of different bodies are working on behalf of the industry's stakeholders with European and national institutions. These include the EGDF, which comprises twenty-three national trade associations from twenty-two countries. Through its members, the EGDF represents more than 2,500 European game development studios. Its main objective is to ensure that *"European policies guarantee game development studios access to talent, funding, markets and data"*, explains Jari-Pekka Kaleva.

At Member State level, video game unions act as spokespersons for the industry in their dealings with the institutions, such as the SNJV in France, Neogames in Finland, GAME in Germany and, outside the EU, Ukie in the UK, for example. Regional associations help to structure local ecosystems. Depending on the country, they are unevenly developed. France is the lead country, with several regional associations (Capital Games, Push Start and Game Only, for example), both in mainland France and in its overseas territories (Bouftang).

With the support of these various networks, there is a particularly urgent need to forge links between the various players and develop a proactive European policy because, generally speaking, the European video game industry is going through a perilous period.

IV. AN INDUSTRY FACING MAJOR CHALLENGES

1. The challenge of financing

Over the last ten years, public support at European and national level has been boosted by the arrival of long-term private funding. This influx of capital has also included foreign private investment. According to Guillaume de Fondaumiere, *"many Chinese investors have invested heavily, contenting themselves with financial contributions to help studios to grow, without really getting involved either in the individual strategy of the companies or in their policy for internationalisation"*.

However, this period of Chinese investment has come to an end, and there is a risk that many companies will no longer be able to grow, not least because of the rise in interest rates. As Thomas Paris, a researcher at the CNRS and the Ecole Polytechnique, points out, financing is *"drying up"*. There is a risk that European studios will be caught out after a prosperous boom, typified in some countries by easy access to capital, that has bordered on developing into a habit of accessing money as if by *"magic"*.

A difficult period lies ahead for the sector, according to [Newzoo](#), a video game marketing research agency. Many studios could go bankrupt in the short to medium term. According to Cédric Lagarrigue, senior advisor at investment bank Alantra, the year 2022 *"was marked by supply problems for Playstation and the delay of many games due to delays in production during the pandemic"*. In 2023 worldwide, despite projected growth of 2.6% (\$187.7 billion). More than 6,000 redundancies have already been made.

One of the main levers that the European institutions must use to strengthen the industry is funding. There

are major disparities between Member States in terms of public support, leading to major differences in salaries and even risks of unfair practices. The European strategy to promote video games must be designed with harmonisation in mind, while adapting to national realities.

The video game industry is highly agile: as a result, its ecosystems are very sensitive to the effects of tax credits, which might be extended throughout Europe. The main quality of the tax credit system is its systematic nature, based on an objective scale. France, for example, has an efficient tax credit (CIJV), with annual funding of almost €70 million. Italy in 2021 and Ireland in 2022 developed their own tax credits, while Germany opted for a creation support fund in 2020. To stabilise the European sector and attract foreign investment, reliable and easy-to-anticipate schemes need to be developed.

2. The challenge of economic and cultural sovereignty

In recent years, investment by China and Saudi Arabia in European studios has accelerated, as illustrated through the acquisition of French video games developer [Quantic Dream](#) by the Chinese giant [NetEase](#). The European Union needs to take steps to consolidate or strengthen the financial independence of its studios, at the risk of seeing many of them fall under foreign ownership. Axel Buendia points out that *"Europe is struggling to even establish digital sovereignty: we mainly use American tools such as Github or Google drive, etc."*

As the age of artificial intelligence (AI) is now dawning, an ethical European data strategy is required. In a technical and economic context in which the emergence of generative AI technologies is inevitable, the European Union must finance and promote virtuous database models in which it is possible to trace the origin of the available corpus and remunerate the authors. This is not currently the case with tools like Midjourney.

3. The challenge of opening up regions

Video game ecosystems generally develop around dynamic studios, which act as a driving force. These development hubs facilitate the growth of the industry in a given region (training, infrastructure, local economic network), as well as attracting foreign players.

In the overseas territories, the video game industry is gradually taking shape. The Collectif Bouftang was created in 2014 with a view to federating the players, representing them to the institutions and developing the economic fabric in the Indian Ocean basin. On the island of Réunion, there has been rapid growth in the number of studios, from four to forty in eight years.

These overseas territories remain isolated. According to Loïc Manglou, President of Bouftang, *"to access European funding (such as Europe Creative), you need to find at least three European partners"*, which can penalise landlocked or overseas territories that are less connected to their European partners. Moreover, *"it should be noted that the procedures for applying for financial support from the European Union are complex and require considerable administrative effort"*, which is sometimes not accessible to this young industry. The specific characteristics of the islands therefore need to be better taken into account in the array of aid available at European level.

What is true for certain overseas territories is also true for certain European countries, such as the Baltic States, which remain on the fringes of the dynamic. This involves professionalising the local ecosystems by drawing on the support of industry ambassadors and the examples of pioneering European countries. The introduction of priority grants to finance the work of an established stakeholder, in co-production with those in an area identified as a priority, would immediately help these efforts to open up the sector, by initiating strategic exchange partnerships.

4. The challenge of changing usage patterns: towards "Netflixisation"?

One of Europe's weaknesses is that it does not have any large structuring entities: neither GAFAM nor game console manufacturers. No European company can compete with Sony, Nintendo or Microsoft. As a result, European studios "*may find itself trapped in a corner because the European video game ecosystem is made up mainly of development studios and creative players*", according to Guillaume de Fondaumiere.

The danger is the "*platformisation*" or "*netflixisation*" of gaming habits, i.e. seeing players access games by subscribing to a platform instead of buying the games of their choice individually. If the subscription model develops, the role of European studios will revert to that of service providers, with no control over how they are paid. For Thomas Paris, associate professor at HEC School of management and director of the Media, Art & Creation (MAC) specialised master's programme, "*the arrival of streaming has brought about a change in the nature of competition*".

With this development, platforms become the arbiters of the games that 'deserve' to be produced and finance them according to a model that corresponds to that of the audio-visual industry, with a predefined fixed amount. This breaks with the traditional approach whereby the studio benefits directly from each sale, having a vested interest in the success of a title it has produced. It should also be noted that these platforms are all non-European.

Furthermore, the issue of sustainable development now permeates all sectors of activity. The video game industry is no exception. A number of initiatives are already underway, such as the Jyros, unveiled in October 2023, to calculate the carbon footprint of games. It is being promoted by the national consortium of video games for the environment. This approach could be rolled out across Europe, in particular through the distribution of a best practice guide.

5. Challenges linked to the development of the use of artificial intelligence

While the rise of artificial intelligence is opening up new avenues in terms of creation and player immersion, it is also causing concern among industry stakeholders. Its dazzling development is leading to a reconsideration of the usefulness of certain jobs, which could quite simply be eliminated. Some studio directors are already announcing that they will not be replacing certain vacant positions, particularly freelancers and juniors. Some fear a "*transmission crisis*", explained by the gradual decline in the number of young talents within studios, whose tasks could easily be carried out by AI, and who will therefore not be able to benefit from the sharing of experience of senior profiles.

On the contrary, a Schumpeterian approach suggests that we should bet on the creation of new jobs thanks to the margins generated by the advent of AI and the evolution of uses. Drawing on the example of *French haute-couture*, which has not disappeared despite the advent of off-the-peg clothing, Thomas Paris believes that AI could eventually "*restructure the market between players who will rely on artificial intelligence to produce in large quantities and rationalise costs, and players who will distinguish themselves by producing hand-made sets and focusing on visual quality*". In this logic, the restructuring of the market would allow certain studios - or even certain countries - to distinguish themselves, in response to the diversity of demand.

More generally, the development of AI calls for a wide-ranging reflection at European level on the consequences of the development of technology on the video game industry.

The video games industry is at the centre of a strategic international competition in which the European Union is up against giants. The challenge now is to give European players in the industry the capacity to face up to the major challenges that lie

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ahead. In this race, Europe has strengths that it must exploit and weaknesses to which it is time to find Community level solutions. It will then hold all the cards to compete with the great international powers. To this end, a series of recommendations have been formulated below:

a) Make governments aware of the high added value of the video game industry for European states and support the territorial anchoring of studios

The video game industry is still largely unknown and even denigrated by public authorities, who sometimes remain unaware of its assets. Annual European investment in video games is still a long way from the level of investment in cinema, an industry that is less territorially based and less lucrative. The way it is viewed must change and frameworks that are conducive to the industry's development be developed, to transform video games into a lever in the construction of a strong European identity. Above all, local video game ecosystems, which are sources of attraction and long-term job creation, need strengthening. Specialised networks such as the EGDF or the SNJV have an important role to play in disseminating good practice to the various Member States and in presenting efficient models of public support. For their part, the institutions and elected representatives of the Member States have a major role to play in supporting the industry, alongside regional associations and trade unions.

b) Adapting European funding levers

Primary objective: to develop financial support for industry. Given the hybrid nature of the industry, new reliable and predictable public funding needs to be devised within an open approach. The EGDF is calling for the introduction of cultural public funding for games into the General Block Exemption Regulation (GBER)^[3], so that most existing support instruments for the public games industry no longer need to be notified in Brussels. For the first time The European Union is experimenting, with support for venture capital funds to invest in the video games industry through [MediaInvest](#), the Commission's equity

financing instrument. In future, the aim is to ensure that small national seed funds in the games industry, which focus on young companies, can also benefit from this instrument with a view to avoiding threshold effects.

c) Developing co-production and sponsorship between foreign studios

The aim is to create levers to encourage established studios to collaborate with stakeholders from other countries, something that has already been happening in the animation industry for some twenty years. This means inventing this economic model, designed to circulate talent and capital to develop a common European identity and share best practices. It must be a real partnership, not just a momentary transplantation of stakeholders. The rise of teleworking is creating bridges between industries, even in areas that were once considered remote, offering new opportunities for international collaboration.

d) Continuing to build a healthy and secure digital world

Gamers, especially the very young, need to be supported in their use of video games to protect them from inappropriate content. During the presentation of her report, Laurence Farreng welcomed "*the self-regulatory mechanisms used by [the video games industry], such as the [PEGI system](#), which has become a standard recognised throughout Europe, including by two-thirds of parents*". This year the PEGI system (Pan European Game Information) will be celebrating its 20th anniversary. It is used in forty countries and has been employed to classify more than 35,000 video games since its creation, to protect young people, identify illegal content and inform players. According to Jennifer Wacrenier, Senior Operations & Communications Manager at PEGI SA, the challenges ahead are to be "*present on all platforms*" and to continue to adapt to "*developments in content and technology: while certain games are themselves becoming platforms, such as Roblox, the metaverse or NFTs, are bringing new challenges*".

^[3] Mechanism Mechanism allowing Member States to implement

e) *Investing in training*

On a European scale, training can be a powerful lever for cooperation between different countries to build a common European culture. Emphasis should be placed on training for retraining and professional bridging. The emphasis should be on learning how to work across cultures to facilitate international co-productions and the creativity that comes from sharing experience, as the video games industry is particularly conducive to working remotely.

In Axel Buendia's view, *"encouraging European exchanges in the field of training, and particularly when people are studying, can help to forge closer links and create a desire for international collaboration"* (...) *"existing mobility grants offer too little financial assistance"* to enable young people to relocate from one country to another. The director of Enjmin is therefore calling for thought to be given

to the creation of a *"European internship grant or a platform to put young candidates in touch with videogame companies"* to boost mobility and hence the employability of students.

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