Federal Ministry for Economic Affairs and Energy   December 2018

Regulatory Sandboxes – Enabling Innovation and Advancing Regulation

Regulatory sandboxes as a framework for testing innovation and regulation:

> provide settings for **testing digital innovations and developing a smart regulatory framework**;
> are **operated for a specific length of time** and are usually **restricted to a certain area**;
> help to **review existing regulations** and **test out new ones**;
> make use of flexibility in the legal framework, e.g. provided in **experimentation clauses**;
> are **not tied to any fixed expectations in terms of their findings**;
> are an important **instrument for developing regulatory policy for digitalisation**.

Regulatory sandboxes are of key importance because:

> they help unlock the potential for **Germany** to position itself as a pioneer for innovations testing and to present itself **as an investment destination that is pro-innovation**;
> a forward-thinking and **modern regulatory framework** must be able to cater for technological change that advantages consumers, companies and society;
> they enable **regulation to be designed to be efficient** and **bureaucracy to be reduced**;
> they make it possible to ensure that 'smart' **regulation** is **wide enough to cover new developments, effective, innovation-friendly as well as accepted by the general public** and also provides an appropriate level of **protection**;
> they are a cross-cutting instrument that can be used for various fields of innovation, such as AI, blockchain, digital platforms, sharing economy, eHealth, modern mobility and logistics solutions, digital administration and energy research.

We want to:

…**systematically create regulatory sandboxes in Germany**, instigate a **culture of testing and experimentation**, foster greater **openness for digital innovations**, use the potential of digital innovations to benefit consumers, and raise the level of **acceptance for regulation** among business and the general public.

In order to realise these objectives, we have developed an **implementation strategy** consisting of three pillars. We follow a **bottom-up approach**, i.e. project ideas are to come first and foremost from businesses.

Pillar I

Pro-innovation regulation, flexibility

> Fostering (greater) use and development of experimentation clauses
> Reviewing further instruments such as general clauses

Pillar II

Information and networking

> Regulatory sandboxes handbook
> Regulatory sandboxes network
> Gov't Working Group
> Website

Pillar III

Launch and support

> Pilot projects
> Regular regulatory sandboxes competitions
> Support for existing regulatory sandboxes (SINTEG*, energy research etc.)

* Smart Energy Showcases – Digital Agenda for the Energy Transition, a programme operated by the Federal Ministry for Economic Affairs and Energy which addresses technical, economic and regulatory challenges linked to the energy transition, doing so on the basis of an experimentation clause.

For further information on this topic and more, please contact us at **reallabore@bmwi.bund.de**.