What To Know About Proposed EU Industrial Accelerator Act

By **Karl Stas and Jean-Baptiste Blancardi** (April 29, 2026)

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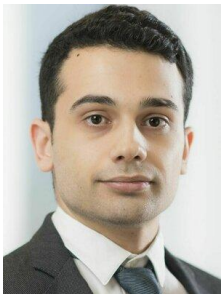

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On March 4, the European Commission published the Industrial Accelerator Act, or IAA, a draft regulation intended to reverse the decline of the European Union's manufacturing sector and support the transition to cleaner technologies.[1]

The proposal aims to shore up the EU manufacturing base by introducing measures targeting strategic sectors, including "Made in the EU" and decarbonization requirements in public procurement, streamlining permitting procedures, and conditions for major foreign direct investments.

This article outlines the IAA's rationale, its main provisions and its practical implications.

Background

Over the last 25 years, the manufacturing sector's share of total EU GDP has fallen from 17.4% to 14.3%. The commission attributes this decline to high energy prices, global overcapacities, decarbonization costs and regulatory complexity. Its ambition with the IAA is to increase that share to 20% by 2035.

The IAA forms part of the EU's broader Clean Industrial Deal[2] and economic security strategy,[3] two policies that aim to reconcile industrial competitiveness with the EU's climate and strategic autonomy goals.

The IAA focuses on three strategic manufacturing sectors: energy-intensive industries, including steel, aluminum, cement, chemicals and paper; net-zero technologies, including batteries, solar, wind, hydrogen and nuclear; and the automotive value chain.

Although representing only 15% of EU manufacturing output, these sectors are of critical importance to the EU's economic future and strategic independence.

EU Origin and Low-Carbon Requirements in Public Procurement

Overview

One of most important measures in the IAA proposal would be to introduce EU origin and low-carbon requirements in public procurement and public support schemes, with the aim of creating lead markets for European industrial products.

These requirements would apply to the following:

- Certain products from energy-intensive industries that are intended for use in buildings, infrastructure and vehicles for civilian use, including steel, aluminum, concrete and mortar, as well as products derived from these materials;

- Electric vehicles; and

- Certain net-zero technologies.

For energy-intensive industries, the IAA sets the following minimum thresholds:

Type of product	EU origin and low-carbon requirements
Steel	**≥ 25%** volume must be **low-carbon**.
Concrete and mortar	**≥ 5%** volume must be **low-carbon** and of **EU origin**.
Aluminium	**≥ 25%** volume must be **low-carbon** and of **EU origin**.

Electric vehicles purchased, leased, rented or hire-purchased through public procurement procedures launched six months or more after the IAA comes into force would have to comply with the following requirements:

- The vehicle must be assembled within the EU;
- The total ex-works price of vehicle components, excluding the vehicle battery originating in the EU, must be at least 70% of the total ex-works price of all components, excluding the battery;
- The vehicle's traction battery must contain at least three main specific battery components, including the battery cells that originate in the EU.[4]

Three years after the IAA comes into force, additional requirements would apply: at least five battery components, including cathode active material and the battery management system, must originate in the EU, and both electric powertrain components and main electronic systems must have at least 50% EU-origin ex-works' value.

Small electric passenger vehicles with a maximum length of 4.2 meters would have to be assembled in the EU and satisfy either a 70% nonbattery component threshold or a three-battery-component requirement.

The same requirements apply for public support schemes for the purchase, lease, rent or hire-purchase of new electric corporate vehicles.

Regarding net-zero technologies, the proposed IAA introduces EU-origin requirements in public procurement for battery energy storage systems, solar photovoltaic technologies, heat pumps, wind power — onshore and offshore — and nuclear fission. The requirements are tailored to suit each separate technology.

"Made in the EU" in Name Only?

One of the most critical and potentially contentious features of the IAA is its definition of "EU origin." The final proposal defines this as including not only content originating from EU member states, but also "content equivalent to EU origin." This would include content from countries with which the EU has a customs union or free trade agreement, as well as

countries party to the World Trade Organization Agreement on Government Procurement in the context of public procurement.

This is considerably broader than the definition that appeared in an earlier leaked draft, which was confined to the EU and the European Economic Area. Given that the EU has free trade agreements with over 80 trade partners and that the U.S. is a party to the WTO Agreement, "made in the EU" under the IAA is, in practice, a surprisingly inclusive notion.

This definitional choice reflects a tension between competing member state interests. France has advocated for a stricter definition that would channel public spending directly into EU production and jobs, effectively turning the IAA into a "Buy European Act." In contrast, Germany has pushed for the broader approach ultimately adopted, being wary of supply chain disruptions and the risks of overreliance on domestic production alone. This divergence is likely to be revisited during the legislative process.

Low-Carbon Criteria as Yet Undefined

The low-carbon criteria for steel, concrete and aluminum are to be defined by delegated acts under the Construction Products Regulation[5] and the Ecodesign for Sustainable Products Regulation,[6] neither of which has yet been adopted.

This creates significant uncertainty in the short term, as procurement authorities and suppliers cannot yet plan for compliance.

Streamlined Permitting and Industrial Acceleration Areas

The proposed IAA requires member states to set up a digital one-stop shop procedure based on a single application covering all permits required for industrial manufacturing projects. A national access point would serve as an interface between project promoters and all the relevant authorities to reduce administrative fragmentation, and enable data sharing and reuse across public bodies.

The IAA extends the accelerated permitting regime introduced by the Net-Zero Industry Act[7] to projects involving the decarbonization of energy-intensive industries. These projects would benefit from expedited environmental assessments and tacit approvals at intermediate stages if the relevant authorities fail to respond within prescribed deadlines.

Each member state must designate at least one "industrial acceleration area." These are geographically defined zones intended to cluster strategic manufacturing activities and facilitate access to financing, energy and skilled labor.

Member states must issue an aggregated, areawide baseline permit for each area, covering the authorizations commonly required for manufacturing activities. This would significantly reduce the administrative burden for individual project promoters.

Foreign Direct Investment Conditions in Strategic Sectors

Scope

The IAA's new foreign direct investment framework would only apply to large investments in certain emerging strategic sectors. Investments in these sectors exceeding €100 million ($117 million) would require approval from national investment authorities, or NIAs, where a third country controls more than 40% of the global manufacturing capacity in question

and the investor is either a national or an undertaking of that country.

The goal is to ensure that the investments contribute to genuine added value to the EU economy and do not increase the EU's dependency on third countries for technologies where it lags behind.

The emerging strategic sectors are the following:

- Battery technologies and the value chain for battery energy storage systems;
- Pure electric vehicles, off-vehicle charging hybrid electric vehicles and fuel-cell electric vehicles, including components related to electrification and digitalization;
- Solar photovoltaic technologies;
- Extraction, processing and recycling of critical raw materials.

The proposal empowers the commission to adopt delegated acts to add additional sectors to this list.

Competent FDI Screening Authority

The IAA would require each member state to designate an NIA within one month of its entry into force. These authorities would be responsible for reviewing notified investments, enforcing notification requirements and monitoring compliance with any imposed conditions.

However, the proposed IAA allows the commission to take over from the national authorities where the FDI has the potential to significantly affect the creation of added value in the EU market.

This is considered to be the case where:

- The investment is of particular strategic importance for the internal market;
- It has considerable economic impact on the territory of more than one member state;
- It is highly likely to disrupt the security of supply of that emerging strategic sector or related value chains in the EU, or security in more than one member state;
- It is highly likely to have a detrimental environmental effect in more than one member state, or it is of a particularly high value compared to other investments in the emerging strategic sector concerned; or
- The FDI has a value exceeding €1 billion or at the request of a NIA handling a notification, or in whose territory the investment would have a significant impact.

Notification and Standstill

Prior notification would be required if an investment would result in control of an EU target

or asset, defined as the acquisition of 30% or more of share capital or voting rights in an EU target, or 30% or more of ownership of an EU asset. The notification must be made before implementation, and a standstill obligation applies until explicit approval is granted.

Following the notification, the review timeline is as follows:

- The NIA decides on the admissibility within 30 days, extendable by 15 days.
- Upon deciding that the notification is admissible, the authority sends the notification to the commission.
- The commission may issue a written opinion within 30 days.
- The NIA decides whether to approve or decline the investment, within 60 or 75 days from notification, extendable by 30 days.
- The decision is communicated to the investor within three days of adoption.
- If the NIA's decision diverges from the commission's opinion, it only enters into force after an additional two-month period, during which the NIA must assess the notification in greater detail.

In total, the procedure could take anywhere from approximately 2 to 5.5 months.

Noncompliance with the notification requirement carries significant financial penalties: at least 5% of the average daily aggregate turnover of an investing undertaking, or at least 5% of the investment value for private individuals.

FDI Conditions

To obtain approval, foreign direct investments would have to fulfill at least four out of the six following conditions:

- At least 50% of the workforce across all categories must be EU workers[8];
- The foreign investor does not acquire more than 49% of share capital or voting rights;
- The investment is undertaken through a joint venture with one or more EU entities;
- The investor enters into agreements licensing intellectual property rights or know-how for the benefit of the EU target or asset;
- At least 1% of gross annual revenue of the EU target, or generated by the EU asset, is directed to research and development spending in the EU; and
- The investor publishes a strategy for enhancing EU value chains and endeavors to source from the EU at least 30% of inputs used for the products placed on the EU market.

Practical Takeaways

Streamlined permitting procedures and baseline permits for designated industrial acceleration areas under the proposed IAA should reduce the administrative burden on promoters of industrial projects.

The proposed IAA would also create clearer demand signals for low-carbon products for manufacturers in energy-intensive industries.

Third-country investors in the emerging strategic sectors will have to take the new FDI regime into account in their deal design and planning. By adding new notification and standstill obligations to those already existing under other frameworks, such as the EU Merger Regulation,[9] the Foreign Subsidies Regulation,[10] and the various national FDI screening regimes of the member states, the proposed IAA further increases the complexity of the EU regulatory landscape for foreign investors.

However, the 40% of global capacity threshold seems calibrated to capture mainly Chinese investors.

Conclusion

The IAA proposal marks the start of a legislative process that is expected to continue into 2027. During this time, the text may still undergo significant changes before its adoption by the European Parliament and the Council. The definition of the EU-origin criteria is expected to generate significant debate, while other measures, such as the simplification of permitting procedures, will likely be less controversial.

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[1] https://single-market-economy.ec.europa.eu/document/download/9bc8eb85-4d43-4025-be7b-c86b9f3648ec_en?filename=Proposal%20establishing%20measures%20for%20industrial%20capacity%20and%20decarbonisation%20in%20strategic%20sectors%20.pdf.

[2] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025DC0085.

[3] https://data.consilium.europa.eu/doc/document/ST-16389-2025-INIT/en/pdf.

[4] Including pure electric vehicles (PEV), off-vehicle charging hybrid electric vehicles (OVC-HEV) and fuel cell vehicles (FCV).

[5] https://eur-lex.europa.eu/eli/reg/2024/3110/oj/eng.

[6] https://eur-lex.europa.eu/eli/reg/2024/1781/oj/eng.

[7] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202401735.

[8] Mandatory condition.

[9] Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings.

[10] Regulation (EU) 2022/2560 of the European Parliament and of the Council of 14 December 2022 on foreign subsidies distorting the internal market.