

Insights

EUROPEAN COMMISSION UNVEILS INDUSTRIAL ACCELERATOR ACT

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On 4 March 2026, the European Commission (the “**Commission**”) adopted its long-awaited legislative proposal to strengthen the EU’s industrial base and stimulate demand for “Made in EU” products with the publication of the Industrial Accelerator Act (the “**IAA**”). This is the first legislative initiative under the Commission’s Clean Industrial Deal announced in 2025 and builds on the recommendations in the Draghi Report to strengthen European production capacities and boost demand for European-made clean technologies. It is also linked to the EU’s objective to increase the EU’s share of manufacturing in GDP to at least 20% by 2035.

Key elements of the proposal include:

- targeted and proportionate “Made in EU” and/or low-carbon requirements in public procurement and public support schemes for selected “strategic sectors” (notably steel, cement, aluminium, cars, and net-zero technologies);
- new value-added conditions for foreign investments of more than €100 million in four “emerging strategic sectors” (battery technologies and the value chain for battery energy storage systems, electric vehicles, solar photovoltaic technologies and critical raw materials) where the third country of the foreign investor controls more than 40% of global manufacturing capacity. This is to ensure that foreign direct investments strengthen EU supply chains, promote technology transfer, and support quality job creation. For example, one of the proposed conditions includes guaranteeing a 50% minimum level of European workforce employment; and
- streamlined permitting for industrial manufacturing projects, including the creation of industrial manufacturing acceleration areas.

The proposal is now subject to the EU legislative process before adoption and entry into force, which is not expected before 2027.

Below we describe each of the three key pillars proposed under the IAA and the implications for businesses operating in the EU.

“MADE IN EU” AND LOW-CARBON REQUIREMENTS IN PUBLIC PROCUREMENT AND PUBLIC SUPPORT SCHEMES

The IAA proposes to introduce mandatory “Made in EU” and/or low-carbon requirements applicable to specified products and services in public procurement and auction procedures and public support schemes. The proposal covers key net-zero technology sectors including solar PV, battery energy storage systems, hydronic heat pumps, onshore and offshore wind technologies, nuclear fission technologies (including small modular reactors), and hydrogen, electric vehicles, and construction materials, which are considered strategic for the EU’s decarbonisation and competitiveness agenda. These measures seek to contribute to the creation of “lead markets” for European low-carbon industrial products.

Companies will be able to demonstrate compliance through self-declarations aligned with existing public procurement rules. Contracting authorities can also exceptionally opt-out where lack of competition, significant delays, technical incompatibilities or disproportionate costs arise. Sector-specific derogations apply for electric vehicles. Low-value procurements are also excluded.

Contracting authorities must also exclude tenders submitted by economic operators that are owned or controlled by entities established in third countries that do not benefit from EU public procurement market access under a Free Trade Agreement or the WTO Government Procurement Agreement.

NEW VALUE-ADDED CONDITIONS FOR FOREIGN INVESTMENTS

The EU represents a top destination for foreign direct investment (“FDI”). To ensure that FDI strengthens supply chains, promotes technology transfer and supports quality job creation in the EU, the IAA also introduces a set of rules outlining value-add conditions for large FDIs in four key emerging strategic sectors.

Under the proposed framework, any investment by a foreign investor over €100 million in an “emerging strategic sector” - defined as (i) battery technologies and their value chain for battery energy storage systems, (ii) pure electric, off-vehicle charging hybrid electric and fuel-cell vehicles, including components related to electrification and digitalization, (iii) solar photovoltaic technologies, and (iv) the extraction, processing, or recycling of critical raw materials - in which the third country of the foreign investor holds over 40% of the global manufacturing capacity cannot proceed until the foreign investor satisfies at least four of six specified criteria prescribed in the IAA.

The six conditions include:

- limiting foreign ownership and voting rights to 49%;

- forming a joint venture with EU partners, with the foreign investor's ownership and voting rights limited to 49%, to ensure meaningful EU involvement in management, technology transfer, and capacity building;
- licensing key intellectual property ("IP") to the EU entity, while pre-existing EU IP remains fully owned by the EU entity and jointly developed IP is shared;
- dedicating at least 1% of the target's annual revenue (as applied in proportion to the foreign investor's share of control) to EU-based R&D;
- ensuring that at least 50% of the workforce employed in the context of the FDI, at the time of its implementation and continuously throughout its operation, are EU workers across all categories of the workforce with appropriate training, or
- sourcing at least 30% of inputs for EU-market products domestically including publishing a strategy to strengthen EU value chains.

Portfolio investments, services-focused investments and investments from countries benefitting from EU free trade or economic partnership agreements would fall outside this prior approval regime.

Foreign investors would be required to notify the designated investment authority of each Member State in respect of in-scope transactions. Following their assessment, the designated investment authority would issue a reasoned opinion to either approve the investment, approve it subject to conditions, or refuse approval. Where the relevant EU target or asset is located in more than one Member State, the foreign investor would be required to notify the designated investment authorities of all Member States concerned and the Commission on the same day. In all other cases, the designated investment authority must notify the Commission of any filings received. The Commission may issue a public opinion on compliance, and if a Member State authority chooses to depart from that view, it must explain how the Commission's position was considered.

STREAMLINED AND DIGITISED INDUSTRIAL PERMITS

The IAA also seeks to streamline and digitalise the process for securing permits for industrial manufacturing projects in Member States. This would include the introduction of a single digital 'one-stop-shop' with clear time limits as well as the principle of tacit approval at intermediate stages of the permit-granting process for energy-intensive decarbonisation projects. The Commission's view is that this will ease the administrative burden placed on businesses and accelerate the goal of increasing the EU's manufacturing share of GDP to 20% by 2035.

In parallel, the IAA also requires Member States to designate industrial manufacturing acceleration areas to support industrial sectors where the EU needs a stronger presence. The IAA identifies these sectors as: (i) energy-intensive sectors; (ii) the automotive sector; and (iii) net zero

technologies. The Commission considers that the creation of such clusters will facilitate essential energy infrastructure investments and promote area-wide permits.

IMPLICATIONS FOR BUSINESSES

The IAA aims to strengthen European manufacturing and accelerate the transition to low-carbon industry by prioritising EU-based production, supporting clean technologies and simplifying approvals for strategic industrial projects. For non-EU investors in batteries, electric vehicles, solar photovoltaic technologies, and critical raw materials, the process of investment may become more complex, particularly on approval planning, deal design and operating models. The IAA is now subject to intense negotiation, with the European Parliament and the Council of the European Union likely to put forward various amendments. We will follow the situation closely and share updates.

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MEET THE TEAM



Christine Graham

Partner, London

christine.graham@bclplaw.com

[+44 \(0\) 20 3400 4291](tel:+442034004291)



Vincent Trevisani

Partner, Paris

vincent.trevisani@bclplaw.com

[+33 \(0\) 1 44 17 77 54](tel:+33144177754)

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