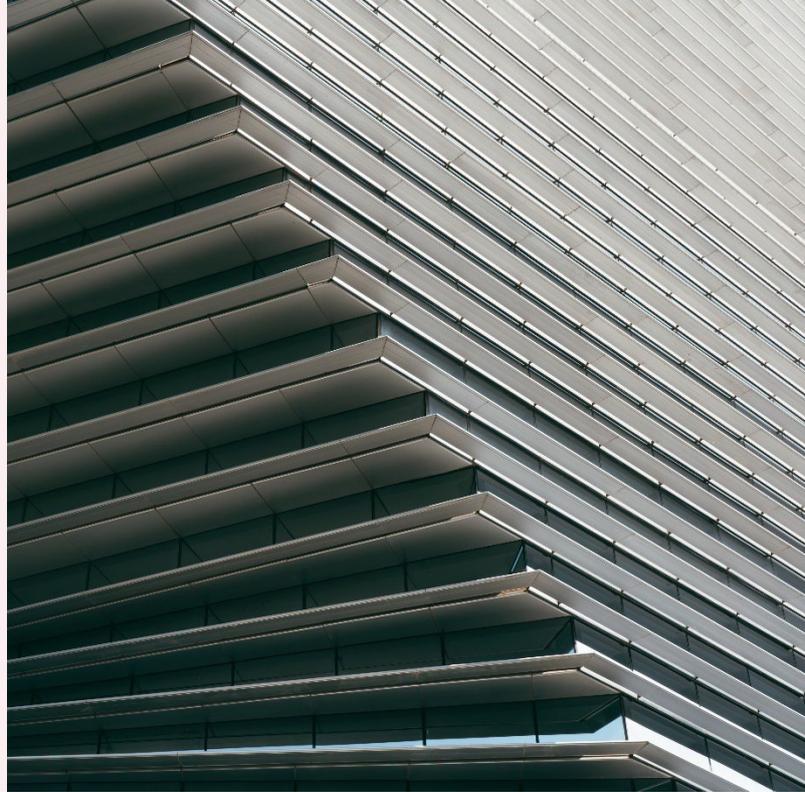


The EU Industrial Accelerator Act: Made in Europe?

6 March 2026



The EU's proposed Industrial Accelerator Act (**IAA**) would impose new obligations and restrictions on foreign suppliers and investors in certain energy intensive, automotive, net-zero technology and critical raw materials sectors. These include obligations for EU governments to buy or subsidise products that originate from the EU or its trading partners, and meet certain low carbon specifications, to exclude suppliers from certain countries from public tenders and to make (and obtain clearance for) foreign investments in partnership with EU investors and subject to various commitments to invest, employ and retain IP in the EU.

The IAA would also introduce measures to boost investment in industrial manufacturing, through simpler permitting and "acceleration areas".

Key issues

- 1 Why has this legislation been proposed?
- 2 To which sectors would requirements to buy and subsidise EU origin products apply? Which countries' products would be treated equivalently?
- 3 Which bidders would be excluded from public procurements?
- 4 When would new FDI filing requirements apply, and what would investors have to commit to?
- 5 How would streamlined permitting and the creation of acceleration zones boost investment in industrial projects?
- 6 What would be the impact of the legislation and when might that impact commence?

Why?

The proposed legislation aims to reverse the decline of the manufacturing industry in the EU, with a general obligation for EU member states to seek to ensure that manufacturing accounts for at least 20% of EU GDP by 2035. This is seen as vital to combat "the weaponisation of EU dependencies of trading partners in strategic sectors", which "puts the EU's security, competitiveness and economy at risk".

In particular, the IAA seeks to address three problems: (i) supply chain vulnerabilities in strategic sectors and technologies; (ii) limited demand, or lack of lead markets, for European low-carbon industrial products; and (iii) a lack of deployment of industrial technologies at scale.

The European Commission says that its proposed solution would:

- leverage access to and the scale of the EU's single market to boost demand for European low-carbon industrial products and net-zero technologies;
- maximise the quality and benefits for the EU's single market of foreign investment in the EU in the most strategic sectors; and
- deploy manufacturing projects at scale by speeding-up and simplifying permits for manufacturing projects, as well as by facilitating the development of industrial clusters in "acceleration areas".

Buy Europe requirements?

The IAA would introduce "Buy Europe" and decarbonisation requirements for public tenders.

In the context of decarbonisation, contracting authorities and contracting entities would be required to apply mandatory minimum quotas for low-carbon products when procuring energy-intensive materials such as steel, aluminium, concrete, mortar, and products whose performance is primarily dependent on these materials. For instance, at least 25% of the total volume of steel and steel-dependent products used in buildings, infrastructure, and motor vehicles would need to qualify as "low carbon". The same 25% threshold would apply to aluminium, while for concrete and mortar, a minimum of 5% of the total volume procured would need to be low carbon. For concrete, mortar, aluminium, and related products, these decarbonisation requirements would be coupled with the obligation that the same proportion of the product must also be of Union origin, in accordance with EU customs legislation.

The obligation of contracting authorities and contracting entities to apply the Union origin requirement in tender procedures would also and especially apply to the procurement of electric vehicles. Specifically, electric vehicles procured through public tenders would need to be assembled within the EU, with at least 70% of the ex-works price of vehicle components (excluding the battery) originating in the Union. In addition, key battery components, as well as a certain portions of the e-powertrain and main electronic systems, would need to also be of EU origin.

In practice, however, these "Buy Europe" requirements are in name only. Content would also be deemed to be of EU origin if from a country with which the EU has a free trade agreement or a customs union, or that is a party to the WTO Agreement on Government Procurement (**GPA**), provided the EU has made commitments in respect of the relevant products or their suppliers. That means that suppliers from a long list of

countries would be unaffected by the proposals, although the Commission would have powers to exclude countries in certain circumstances, such as failure to comply with national treatment commitments, or the avoidance of threats to EU security of supply.

The requirements would have to be included in the tender specifications as minimum mandatory technical specifications, but not in such a way as to favour one specific economic operator. Member states would be allowed to derogate from the requirements in certain circumstances, such as a lack of suitable/alternative suppliers, disproportionate cost and technical incompatibility.

In addition, suppliers from non-EU countries would be excluded from access to public procurements for the products referred to above, if they are from a country that has not concluded an international agreement with the EU that guarantees access to tenders for those products, in particular the GPA. Countries that are not parties to the GPA, and which the Commission has in the past [singled out](#) for their protectionist procurement regimes, include Brazil, China, India, Indonesia, Russia and Turkey.

Other proposed changes to the public procurement regime include:

- promoting cybersecurity by preventing "high-risk suppliers" (identified in accordance with [the proposal for a revised Cybersecurity Act] from supplying critical components (control, data acquisition, remote access and firewall systems) to bidders in renewable energy auctions, public tender and final products supported by government subsidies. This mirrors efforts via the Digital Networks Act to ban 'high-risk' foreign suppliers from certain strategic network equipment procurement, which are largely expected to be Chinese suppliers. Cybersecurity requirements would also be extended to all renewable energy auctions in the EU;
- imposing similar EU-origin requirements for procurements of battery energy storage systems, solar photovoltaic technologies, heat pumps, onshore and offshore wind technologies, electrolysers and nuclear fission energy technologies and components; and
- reducing the scope of sectors that are subject to sustainability and resilience requirements.

Subsidise European requirements

Member states would also be required to limit 45% of their public support funding for the construction or renovation of buildings and infrastructure, and leasing or purchasing of motor vehicles, to beneficiaries that comply with specified EU origin and low carbon requirements for any steel, concrete, mortar, aluminium and related products that are used in their subsidised products or projects. In addition, all support for the purchase or lease of corporate electric, hybrid and fuel cell vehicles would have to meet certain EU origin requirements. Again, derogations would be possible for reasons such as lack of alternative suppliers and disproportionate cost.

The IAA would, in combination with other proposed legislation, also make eligibility for certain credits for vehicle CO₂ emission standards conditional on compliance with EU origin and low-carbon requirements, and introduce "super credits" for small zero-emission vehicles made in the EU.

Foreign investments

Certain foreign investments in "emerging strategic sectors" would be subject to restrictions and conditions. The relevant sectors are: (i) battery technologies and the related value chain; (ii) low emission vehicles, including electrification/ digitalisation components; (iii) solar PV technologies; and (iv) extraction, processing and recycling of critical raw materials. The Commission would be empowered to extend this list to other critical sectors, such as nuclear fuel cycle technologies, electrical propulsion technologies and various other net-zero technologies.

Investments aimed at performing services are excluded, as are purely financial investments and investments that are covered by commitments under the EU's free trade agreements. Moreover, the restrictions would only apply to investors from countries that hold more than 40% of the global manufacturing capacity in the relevant sectors. In practice, that means Chinese investors will be primarily affected.

Relevant investors that seek to directly acquire more than 30% of the shares or voting rights in an EU target (or more than 30% of the ownership of an EU asset) that is active in one of the above sectors, with an investment that exceeds EUR 100 million, would be required to comply with the various obligations described below.

To verify compliance with those obligations, the IAA would create new mandatory and suspensory FDI filing obligations. Relevant investments would have to be notified to FDI screening authorities in all member states in which the target is active, as well as the Commission. This would be a separate process to any other FDI filings that are required and in some member states and might not even involve the same national screening authority. Screening authorities would have up to 75 days to seek an opinion from the Commission, to verify compliance with the relevant obligations and to issue a clearance decision, before which the transaction cannot be closed. That timetable would be extended by 2 months if the authority intends to diverge from the Commission's opinion. Clearance decisions would contain reporting obligations on the foreign investor concerned, with a view to assessing its ongoing compliance with the obligations.

The Commission would have powers to take over the case from the member states' screening authorities at the request of a screening authority, or if the investment has a value exceeding EUR 1 billion or has the potential to significantly impact the creation of added value in the EU (e.g. because of its strategic importance or high potential to disrupt EU supply chains).

Where a foreign investor directly acquires shares or voting rights in an EU target, it would have to comply with at least four of the following six conditions:

- limit its interest in the EU target to 49% of the shares/voting rights and forego any control rights;
- undertake the investment through a JV with EU entities that make up the other 51% and have "effective participation" in "management, technology transfer, and capacity building". The foreign investor could have an interest of up to 49% in the partnering EU entities;
- put in place "appropriate agreements and measures providing for the licensing of their intellectual property rights and the sharing of their know-how" to enable the EU target to carry out its activities. The EU target must exclusively own all IP rights or assets that it developed

prior to the investment and without collaboration of the foreign investors and must jointly own IP rights or assets developed as a result of a collaboration with the foreign investor's other business assets or developed by the investing JV;

- commit at least 1% of the EU target's worldwide turnover to R&D, applied in proportion to the foreign investor's share of control;
- ensure at least 50% of the workers employed by the investing JV and the EU target are EU workers, with "appropriate training and capacity building measures". If the foreign investor or EU target receives public funding, the investor would be required to maintain the number of EU workers for five years, or lose the subsidy. This condition must always be satisfied; and
- publish a strategy for enhancing EU value chains and sourcing of inputs from the EU, and endeavour to source at least 30% of inputs from the EU that are used to manufacture products sold in the EU.

Where investments are made indirectly, through an EU subsidiary of the foreign investor, screening authorities would have a discretion as to the number of conditions that must be complied with. In addition, they would only be allowed to impose conditions if necessary to achieve the objectives of the IAA and if there are no less restrictive alternative measures that would achieve those objectives, such as commitments by the foreign investor or its subsidiary.

Penalties for failure to file, failure to comply with the relevant obligations or providing false or misleading information would be at least 5% of the investment value, but member states could opt to impose higher fines.

Streamlined permitting for industrial manufacturing and decarbonisation projects

Similar to the [Projects of Common / Mutual Interest](#) and the [Net-Zero Strategic Projects](#), the IAA envisages an accelerated permit-granting procedure for industrial manufacturing projects. Project promoters would be able to submit, through a digital portal, a single permit application covering all relevant permits (e.g. building, chemical, grid connection and environmental permits) and benefit from a specified timeframe within which the relevant authority must request any additional information.

The IAA also provides for all energy intensive decarbonisation projects to be treated as strategic projects for the purposes of the separate proposed Regulation on speeding-up environmental assessments. This means that they would be deemed to have an overriding public interest and to serve the interests of public health and safety and would therefore be able to benefit from certain exemptions from the requirements of EU legislation on the protection of water quality, wild birds and flora and fauna. They would also benefit from tacit (deemed) approval of certain intermediate steps in permit-granting procedures if a competent authority does not respond by the relevant deadline, as well as expedited dispute resolution procedures, where available.

Industrial acceleration areas

Member states would be required to designate one or more "industrial accelerator" areas, within which industrial activity in energy intensive industries (e.g. paper, refined petroleum products, chemicals and metals),

automotive manufacturing, and net zero technology businesses would be clustered. In these areas, member states would be required to take various measures to support the relevant industries, such as: facilitating financing of projects; promoting R&D investments, ensuring energy needs are taken into account in network plans; coordinating joint purchasing of critical raw materials; exchanging information on supply chains, bottlenecks and skills needs; and supporting the development of skilled workers. Businesses in these areas would also benefit from aggregated baseline permits for their industrial activities, such that they need only obtain additional permits for activities falling outside the baseline permit.

Similar concepts such as science parks and special economic zones have proved highly successful at spurring clusters of high-tech manufacturing in other jurisdictions.

Impact and timing

The proposed IAA represents a shift towards protectionism by the EU of its manufacturing industries, albeit limited to certain sectors and with impacts limited to suppliers from certain countries. It sits alongside other recent measures that seek to protect the EU from economic dependencies that could be weaponised against it by trading partners, such as the EU/EEA origin requirements of the SAFE (Security Action for Europe) support scheme for the defence sector and the EU's 2023 Anti-Coercion Instrument. It also marks a move away from the reliance on State funding to build up European industries, such as the European Chips Act, which has largely failed to boost the EU's market share of semi-conductor manufacturing.

Given the sectors it covers, Chinese suppliers would be most affected by the IAA, but those from other countries without a free trade agreement with the EU – such as the United States – would also find their products excluded or disfavoured in some public tenders and support schemes.

Whether the IAA succeeds in its objectives will depend, in part, on whether member states are prepared to shoulder the additional costs of foregoing cheaper or higher quality supplies from countries such as China, or will make heavy use of exemptions for disproportionate costs, which are deemed to arise if compliance would increase costs by 25-30%.

The draft must go through the various stages of the EU legislative process, before being approved by the EU Parliament and Council scrutiny. Cyprus, which currently holds the Council presidency has indicated that it intends to present a first draft of the Council position before the summer.

The proposals are, however, controversial. The requirements that were proposed in earlier, leaked drafts have been significantly reduced because of opposition from some (mainly Northern) member states, but the published draft is still likely to be heavily debated in the Council and the Parliament's committees. Consequently, it is unlikely to be adopted before the end of this year. Once adopted, most of its provisions would become applicable shortly thereafter, although the FDI requirements would become applicable 12 months later.

Contacts



Dimitri Slobodenjuk
Partner, Dusseldorf

Email: dimitri.slobodenjuk
@cliffordchance.com
Mobile: +49 15116795091



Caroline Scholke
Counsel, Dusseldorf

Email: caroline.scholke
@cliffordchance.com
Mobile: +49 15159010678



Nissim Massarano
Senior Associate, London

Email: nissim.massarano
@cliffordchance.com
Mobile: +44 7977503976



Epistimi Oikonomopoulou
Associate, Paris

Email: epistimi.oikonomopoulou
@cliffordchance.com
Mobile: +33 677260846



Michael Rueter
Counsel, London

Email: michael.rueter
@cliffordchance.com
Mobile: +44 7930101751



Thomas Voland
Partner, Düsseldorf

Email: thomas.voland
@cliffordchance.com
Mobile: +49 16097747012



Dr. Mathias Elspaß
Partner, Düsseldorf

Email: mathias.elspass
@cliffordchance.com
Mobile: +49 1702266872



Stefan Amelung
Counsel, Frankfurt

Email: stefan.amelung
@cliffordchance.com
Mobile: +49 1709295530

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

cliffordchance.com

Clifford Chance, 10 Upper Bank Street, London, E14 5JJ

© Clifford Chance 2026

Clifford Chance LLP is a limited liability partnership registered in England and Wales under no. OC323571. The firm's registered office and principal place of business is at 10 Upper Bank Street, London E14 5JJ. The firm uses the word "partner" to refer to a member of Clifford Chance LLP or an employee or consultant with equivalent standing and qualifications.

If you do not wish to receive further information from Clifford Chance about events or legal developments which we believe may be of interest to you, please either send an email to nomorecontact@cliffordchance.com or by post at Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London E14 5JJ

Abu Dhabi • Amsterdam • Barcelona • Beijing • Brussels • Bucharest** • Casablanca • Delhi • Dubai • Düsseldorf • Frankfurt • Hong Kong • Houston • Istanbul • London • Luxembourg • Madrid • Milan • Munich • Newcastle • New York • Paris • Perth • Prague** • Riyadh* • Rome • São Paulo • Shanghai • Singapore • Sydney • Tokyo • Warsaw • Washington, D.C.

*AS&H Clifford Chance, a joint venture entered into by Clifford Chance LLP.

**Clifford Chance has entered into association agreements with Clifford Chance Prague Association SRO in Prague and Clifford Chance Badea SPRL in Bucharest.

Clifford Chance has a best friends relationship with Redcliffe Partners in Ukraine.