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European Commission Proposes Industrial Accelerator Act: Key Takeaways

The proposal aims to boost demand for “Made in EU” products in key strategic sectors and responds to the Clean Industrial Deal and Competitiveness Compass.

Key Points:

- The Industrial Accelerator Act will have significant implications for a wide range of businesses operating in the EU, from energy-intensive industries and net-zero technology manufacturers to foreign investors and SMEs.
- Overall, Member States are supportive of the Industrial Accelerator Act and recognise the need for EU-level coordination to accelerate industrial decarbonisation and create lead markets for European low-carbon products and technologies.

On 4 March 2026, the European Commission formally proposed the Industrial Accelerator Act (IAA) to address urgent challenges facing the EU's industrial base. The proposal aims to strengthen the EU's resilience, competitiveness, economic security, and strategic autonomy.¹ In today's geopolitical landscape, the EU's reliance on external suppliers in strategic sectors creates vulnerabilities that third countries could exploit, putting the EU's security, competitiveness, and economy at risk.²

The manufacturing sector accounted for 18.3% of employment in the EU business economy in 2024 and 14.3% of the EU's total GDP.³ Despite its continued economic importance, the sector's share of GDP has declined from its 2000 level of 17.4%.⁴ This regression is not only an economic reality, but also a strategic warning signal with potentially structural impacts to the EU's prosperity and social cohesion. The IAA aims to ensure that by 2035, this trend is reversed and that manufacturing represents 20% of GDP.⁵

The EU's manufacturing sector faces multiple challenges. High energy prices, global overcapacities, high capital and operational costs related to decarbonisation, low investment compared to other regions, and regulatory hurdles all threaten competitiveness.⁶ A failure to secure and diversify crucial supply chains could create significant economic and societal risks, leading to potential disruption of public order in the Union.⁷

Energy-intensive industries have seen production volumes decrease substantially since 2021. Cost gaps with other world regions have widened. Import shares have increased, particularly for basic metals and

chemicals. Approximately €500 billion in investment is needed by 2040 for the chemicals, pulp and paper, basic metals, and non-metallic minerals industries to decarbonise.⁸

Net-zero technologies — including batteries, solar photovoltaics, heat pumps, and wind power systems — face competitiveness challenges and significant supply chain vulnerabilities. Production is highly concentrated in China, which accounts for over 80% of battery and solar photovoltaic manufacturing capacity. EU production of heat pumps depends heavily on components from non-EU suppliers. Wind power technologies are experiencing cost pressures from low-priced Chinese imports.⁹

The competitiveness of the European automotive industry has significantly decreased. The average profitability of European automotive suppliers dropped from 7.4% in 2017 to 5% in 2023. More than 100,000 job cuts were announced in 2024-25. This decline threatens hundreds of thousands of jobs and the integrity of Europe's industrial future.¹⁰

The proposal delivers on the political commitment made by Commission President Ursula von der Leyen in the 2025 State of the Union Address, in which she announced the IAA to boost demand for clean and “Made in EU” products in strategic sectors. The proposal implements key priorities set out in the Clean Industrial Deal, the Competitiveness Compass for the EU, and the Joint Communication on Strengthening EU Economic Security, all of which called for measures to strengthen the EU's industrial base, create lead markets for low-carbon products, and reduce strategic dependencies.¹¹

Key Elements of the Proposal

Low-Carbon Product Requirements

The IAA establishes low-carbon requirements for steel, cement, and aluminium used in buildings, infrastructure, and transport in the context of public procurement and public support schemes. These demand-side measures focus on the most energy-intensive industries, where targeted Union-wide measures can help create lead markets.¹²

Steel, cement, and aluminium used in construction will be considered low-carbon if these materials comply with requirements set out in the delegated acts adopted under the Construction Products Regulation and the Ecodesign for Sustainable Products Regulation.¹³ The IAA also empowers the Commission to establish voluntary classification systems based on the greenhouse gas intensity of industrial products.¹⁴

The methodologies for calculating greenhouse gas intensity will rely on established emissions-accounting frameworks. For domestic installations, the EU Emissions Trading System provides relevant benchmarks and accounting rules. For imported products, data verified under the Carbon Border Adjustment Mechanism can be used.¹⁵

Made in EU Requirements

The IAA introduces Union-origin requirements for battery energy storage systems, solar photovoltaic technologies, heat pumps, wind technologies, electrolyzers, and nuclear fission energy technologies in public procurement and public support schemes. These requirements ensure that a certain share of products and their main specific components originate in the Union.¹⁶

For batteries, the requirements are introduced gradually. Initially, battery energy storage systems must be assembled in the EU and contain a battery management system and additional main specific components from the EU. After three years, they must contain battery cells, battery management systems, and additional components from the EU.¹⁷

For solar photovoltaic technologies, inverters and additional main specific components must originate within the EU. For wind technologies, the requirements increase from one main specific component initially to two after three years.

The IAA also extends Union-origin requirements to renewable energy auctions for battery energy storage systems, solar photovoltaic technologies, electrolyzers, and wind technologies.¹⁸ Compared to the Net Zero Industry Act,¹⁹ the share of renewable energy auctions covered by Union-origin requirements has been increased and a higher cost threshold for opt-outs has been introduced.

Foreign Investment Conditions

Foreign direct investments exceeding €100 million in emerging strategic sectors will require approval from national Investment Authorities designated by each Member State. This applies where more than 40% of the global manufacturing capacity is held by the third country of which the foreign investor is a national. The emerging strategic sectors covered include battery technologies, electric vehicles, solar photovoltaic technologies, and extraction, processing, and recycling of critical raw materials.²⁰

Investment Authorities will only approve foreign direct investments that fulfil at least four of six specified conditions. These conditions include that foreign investors do not acquire more than 49% of the share capital or voting rights. Another condition requires undertaking the investment through a joint venture with Union entities. Foreign investors may be required to enter into agreements providing for the licensing of their intellectual property rights and know-how for the benefit of the Union target or the Union asset. They may also be required to direct at least 1% of their gross annual revenue to research and development spending in the Union. At least 50% of the workforce must be Union workers across all categories. Foreign investors must also prepare and publish a strategy for enhancing Union value chains and endeavour to source at least 30% of inputs from the Union.²¹

Member States must designate an Investment Authority within one month of the IAA's entry into force.²² The Investment Authority will receive notifications of foreign direct investments falling within the scope of the IAA, verify their completeness, and assess them against the statutory conditions. In carrying out its assessment, it may consult other national bodies and the Commission, and it can accept binding

commitments from the investor to ensure that the investment generates added value in the Union.²³ Following its review, the Investment Authority adopts a reasoned decision approving the investment, approving it subject to conditions or commitments, or refusing approval where the legal criteria are not met.²⁴

The Commission has access to the notifications and assessments necessary to perform that function, may request clarifications and additional information from Member States and investors, and can issue opinions or observations inviting the Investment Authority to re-examine specific aspects to ensure uniform application of the IAA. While the Commission cannot take over the Member State's review, it may, where Union interest is at stake or at the request of an Investment Authority, open its own examination to issue an opinion and request the Investment Authority to reassess elements of the case within a coordinated timeline.²⁵

Enforcement is two-tiered. The Investment Authority monitors compliance with any conditions and commitments attached to an approval and with the standstill and notification obligations. Where an investor fails to notify, supplies incorrect or misleading information, or breaches conditions or commitments, the Investment Authority may impose administrative sanctions, including administrative fines and periodic penalty payments, in addition to modifying or revoking its decision as warranted.²⁶ Separately, to secure cooperation and consistent enforcement at the Union level, the Commission may impose sanctions — such as periodic penalty payments or administrative fines — where parties fail to supply requested information or do not comply with measures adopted pursuant to the draft IAA.²⁷

Streamlined Permitting

Member States must set up a single access point at national level for permit applications for industrial manufacturing projects. Applicants will be entitled to submit a single application covering all permits required for a project.²⁸

The competent authority must acknowledge that an application is complete or request missing information within 45 days. If information is still missing after submission, a second request may be made within 30 days. Single access points must enable interoperability between authorities, re-use of data, and transparency in the procedure.²⁹

Energy-intensive industry decarbonisation projects benefit from the streamlined permitting provisions of the Net Zero Industry Act. All such projects will be considered strategic projects, meaning they benefit from accelerated environmental assessment procedures with faster approval of intermediary steps where authorities do not respond within set deadlines.³⁰

The permitting provisions will apply from one year after the date of the IAA's entry into force. The digitalisation of permitting procedures will deliver substantial cost and time savings in the medium and long term.³¹

Industrial Manufacturing Acceleration Areas

Member States must designate at least one industrial manufacturing acceleration area 12 months after the IAA's entry into force. These areas are intended to cluster industrial manufacturing projects in strategic sectors.³²

When designating areas, Member States must consider the impact on security of supply, the potential to support production capacity and strengthen value chains, and the number of SMEs that would benefit. Member States must also prioritise locations where environmental impact is not expected to be significant and locations outside protected areas.³³

For each designated area, Member States must prepare an aggregated baseline permit authorising industrial activities. This aggregated baseline permit encompasses the authorisations commonly required for activities within the area, excluding installation-specific approvals. Project promoters only need to obtain additional permits for activities falling outside this baseline.³⁴

In acceleration areas, Member States must facilitate financing in synergy with Union programmes. They must conduct comprehensive analysis of energy needs and ensure that network development plans reflect these needs. They must support skills development and workforce training.³⁵

Impact on Businesses

The IAA will have significant implications for a wide range of businesses operating in the EU, from energy-intensive industries and net-zero technology manufacturers to foreign investors and SMEs.

Energy-Intensive Industries

Steel, cement, and aluminium producers must demonstrate low-carbon content to access public procurement contracts and support schemes. Compliance will be verified through the frameworks established under the Construction Products Regulation³⁶ and the Ecodesign for Sustainable Products Regulation.³⁷ Companies will gain better access to public procurement contracts and support schemes if they meet the requirements. Creating lead markets for low-carbon steel, cement, and clean technologies will accelerate economies of scale and stimulate further investment.³⁸

Net-Zero Technology Manufacturers

Battery, solar, heat pump, and wind technology manufacturers benefit from protected market access through Made in EU requirements. Companies must adjust their supply chains to meet Union-origin thresholds.³⁹

The phased approach gives manufacturers time to adjust. Requirements increase over time, allowing gradual adaptation. This creates new commercial opportunities for EU manufacturers, as they will benefit from preferential access to public procurement contracts and support schemes that require Union-origin products.⁴⁰

Automotive Industry

Public support schemes for electric vehicles will apply Union-origin requirements. The IAA delivers on the Automotive Action Plan, which calls for Made in EU requirements on battery cells and components in EVs.⁴¹

The IAA defines criteria for vehicles to be considered “made in the EU” for the purposes of CO2 emission performance standards and corporate vehicle support. Increased EU demand will help preserve and create high-quality jobs in manufacturing regions.⁴²

Foreign Investors

Third-country investors must notify Investment Authorities before making investments above €100 million in emerging strategic sectors. They must fulfil at least four of the conditions mentioned above (see Foreign Investment Conditions) to gain approval.⁴³

These conditions aim to ensure that foreign investments add genuine value to the EU economy. They aim to prevent investments that do not involve meaningful employment of Union workers or provide for technology transfer. Investors from countries covered by free trade agreements or the WTO Government Procurement Agreement are exempt from Made in EU requirements, meaning their products can receive treatment equivalent to Union-origin content in public procurement and public support schemes.⁴⁴

SMEs and Small Mid-Caps

SMEs benefit from streamlined permitting procedures because they have fewer resources for administrative workload.⁴⁵ The single access point reduces complexity and costs.

Member States must consider the number of SMEs that would benefit when designating acceleration areas. SMEs gain facilitated access to finance, materials, energy, and skills support within these areas.⁴⁶

Administrative Burden

The IAA could bring about one-off net reductions of about €240 million in administrative burden for businesses, mainly from permitting provisions. The costs and benefits analysis concluded that the preferred policy option results in overall net benefits of about €8 billion for the economy in 2030.⁴⁷

Construction and automotive companies using public funds must demonstrate compliance with lead market provisions. Some adjustment costs may occur for downstream sectors. However, these are largely offset by long-term benefits in terms of value-added creation, enhanced economic security, resilience, and job creation.⁴⁸

Outlook and Next Steps

The IAA will proceed through the ordinary legislative procedure. The European Parliament and the Council will negotiate and potentially amend the text before adoption. Overall, Member States are

supportive of the IAA and recognise the need for EU-level coordination to accelerate industrial decarbonisation and create lead markets for European low-carbon products and technologies.

The IAA will enter into force on the day following publication in the Official Journal of the European Union and will be directly applicable in all Member States. The permitting provisions will apply from one year after entry into force. Member States must designate at least one industrial manufacturing acceleration area within 12 months. Investment Authorities must be designated within one month of the IAA's entry into force. Lead market provisions for public procurement apply to procedures launched on or after 1 January 2029.

An evaluation should be carried out three years after the IAA's entry into force, with an explicit review clause applying five years after entry into force. This review will assess whether lead market provisions remain necessary in light of market developments.

The IAA puts the Draghi report into action by proposing targeted EU-made and low-carbon content requirements to create demand for EU net-zero technology and low-carbon industrial products using public procurement money, public schemes, and auction funding. In doing so, it operates as an "insurance policy" to make sure the EU becomes more independent in those strategic economic areas where significant investments are needed. Businesses should monitor the legislative process closely, as the final adopted text may differ from the Commission's proposal following negotiations in the European Parliament and Council.

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Endnotes

- ¹ Commission proposal of 4.3.2026 for a Regulation of the European Parliament and the of the Council establishing a framework of measures for the acceleration of industrial capacity and decarbonisation in strategic sectors and amending Regulations (EU) 2018/1724, (EU) 2024/1735 and (EU) 2024/3110, COM(2026) 100 final, Explanatory Memo p. 1.
- ² Impact Assessment Report accompanying the IAA Commission proposal, SWD(2026)71 final, p. 5; Executive Summary of the Impact Assessment Report accompanying the IAA Commission proposal, SWD(2026)72 final, p. 1.
- ³ Commission proposal, endnote 1 above, Explanatory Memo p. 1.
- ⁴ Commission proposal, endnote 1 above, Explanatory Memo p. 1; exec summary, p. 1. Executive Summary of the Impact Assessment Report accompanying the IAA Commission proposal, SWD(2026)72 final, p. 1.
- ⁵ Commission proposal, endnote 1 above, Explanatory Memo p. 2.
- ⁶ Commission proposal, endnote 1 above, Explanatory Memo p. 1.
- ⁷ Commission proposal, endnote 1 above, Explanatory Memo p. 2.
- ⁸ Commission proposal, endnote 1 above, Explanatory Memo p. 2.
- ⁹ Commission proposal, endnote 1 above, Explanatory Memo p. 3.
- ¹⁰ Commission proposal, endnote 1 above, Explanatory Memo p. 3.
- ¹¹ Commission proposal, endnote 1 above, Explanatory Memo p. 4.
- ¹² Commission proposal, endnote 1 above, Recital 19.
- ¹³ Commission proposal, endnote 1 above, Recital 21.
- ¹⁴ Commission proposal, endnote 1 above, Article 10(2).
- ¹⁵ Commission proposal, endnote 1 above, Recital 22.
- ¹⁶ Commission proposal, endnote 1 above, Recital 66.
- ¹⁷ Commission proposal, endnote 1 above, Article 34 (on page 67).
- ¹⁸ Commission proposal, endnote 1 above, Recital 68.
- ¹⁹ Regulation (EU) 2024/1735 of the European Parliament and of the Council of 13 June 2024 on establishing a framework of measures for strengthening Europe's net-zero technology manufacturing ecosystem and amending Regulation (EU) 2018/1724, OJ L, 2024/1735, 28.6.2024.
- ²⁰ Commission proposal, endnote 1 above, Article 17(2).
- ²¹ Commission proposal, endnote 1 above, Article 18 (2).
- ²² Commission proposal, endnote 1 above, Article 18(1).
- ²³ Commission proposal, endnote 1 above, Article 18(4).
- ²⁴ Commission proposal, endnote 1 above, Article 20.
- ²⁵ Commission proposal, endnote 1 above, Article 21.
- ²⁶ Commission proposal, endnote 1 above, Article 22(4).
- ²⁷ Commission proposal, endnote 1 above, Article 23(2).
- ²⁸ Commission proposal, endnote 1 above, Article 4.
- ²⁹ Commission proposal, endnote 1 above, Article 5(3).
- ³⁰ Commission proposal, endnote 1 above, Article 6(2).
- ³¹ Commission proposal, endnote 1 above, Article 36 and Explanatory Memo p.12.
- ³² Commission proposal, endnote 1 above, Article 25(1).
- ³³ Commission proposal, endnote 1 above, Article 25(2).
- ³⁴ Commission proposal, endnote 1 above, Article 27(1).
- ³⁵ Commission proposal, endnote 1 above, Article 26.

³⁶ Regulation (EU) 2024/3110 of the European Parliament and of the Council of 27 November 2024 laying down harmonised rules for the marketing of construction products and repealing Regulation (EU) No 305/2011, OJ L, 2024/3110, 18.12.2024.

³⁷ Regulation (EU) 2024/1781 of the European Parliament and of the Council of 13 June 2024 establishing a framework for the setting of ecodesign requirements for sustainable products, amending Directive (EU) 2020/1828 and Regulation (EU) 2023/1542 and repealing Directive 2009/125/EC, OJ L, 2024/1781, 28.6.2024; see Commission proposal, endnote 1 above, Recital 22.

³⁸ Commission proposal, endnote 1 above, Legislative Financial and Digital Statement, point 1.3.3.

³⁹ Commission proposal, endnote 1 above, Recital 66.

⁴⁰ Commission proposal, endnote 1 above, Legislative Financial and Digital Statement, point 1.3.3.

⁴¹ Commission proposal, endnote 1 above, Recital 25 and Explanatory Memo p. 4.

⁴² Commission proposal, endnote 1 above, Article 13.

⁴³ Commission proposal, endnote 1 above, Article 18(2).

⁴⁴ Commission proposal, endnote 1 above, Article 17(3)(a).

⁴⁵ Commission proposal, endnote 1 above, Explanatory Memo p. 9.

⁴⁶ Commission proposal, endnote 1 above, Article 25(2)(c).

⁴⁷ Commission proposal, endnote 1 above, Explanatory Memo p. 11.

⁴⁸ Commission proposal, endnote 1 above, Explanatory Memo p. 12-13.