

European Commission Proposes EU Industrial Accelerator Act Including ‘Made in EU’ and Low-Carbon Requirements, Stricter Rules for FDI in Strategic Sectors

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On 4 March 2026, the European Commission published a proposal for an EU Industrial Accelerator Act (IAA). The proposal will now be negotiated in the European Parliament and by EU Member States in the Council. If adopted as proposed, the IAA would introduce several measures aimed at making the EU more competitive and resilient, increasing manufacturing in the EU and contributing to the EU’s climate goals.

The IAA could have broad implications for non-EU investors, businesses taking part in public tenders in the EU, and any companies operating manufacturing sites in strategic sectors in the EU, such as steel, cement, aluminium, automotive, batteries, solar, wind and heat pumps.

Background

The IAA aims to increase manufacturing activity in the EU generally, with the European Commission targeting the manufacturing sector reaching 20% of the EU’s gross domestic product (GDP) by 2035 by including this objective in the IAA. This follows a decline of manufacturing in the EU from 17.4% to 14.3% of GDP between 2000 and 2024.

The IAA is being proposed against the background of the EU striving for greater strategic autonomy and security. The recitals of the proposal expressly refer to the IAA being a response to factors such as hostile economic actions, cyberattacks, foreign interference, the weaponisation of EU economic dependencies, the arbitrary deployment of trade measures, the increasing effects of climate change and rising geopolitical tensions. While there is a general consensus among Member States that the EU’s vulnerabilities and dependencies need to be addressed, there is some disagreement on how to do this. Ahead of publication of this final proposal, a debate had already started. This will continue as the IAA makes its way through the legislative procedure.

The measures of the proposed IAA can be divided into four broad categories:

1. ‘Made in EU’ and low-carbon requirements

‘Made in EU’ requirements

The proposed IAA introduces “Made in EU” requirements in public procurement and other forms of public intervention, such as government schemes supporting individuals or businesses purchasing electric vehicles or renovating buildings. These new EU-origin requirements would apply to sectors that are considered strategic, including steel, cement and aluminium, as well as technologies included in the EU’s Net-Zero Industry Act (NZIA), such as battery energy storage systems, solar photovoltaic (PV) technologies, heat pumps, onshore and offshore wind technologies, electrolyzers and nuclear fission energy technologies. For example, for solar PV technologies, from three years after entry into force of the IAA, the PV inverter and the PV cells purchased by a public body would need to be of “EU origin”.

The concept of “EU origin” is broad and would include content originating in third countries with which the EU has an agreement establishing a free trade area or a customs union, or that are parties to the [World Trade Organization Government Procurement Agreement](#), including the US.

However, the European Commission would have the power to adopt delegated acts to exclude countries from

this broad approach where:

- (a) The country failed to give EU products and entities access under the relevant agreement on terms no less favourable than to their domestic entities or products (national treatment).
- (b) The exclusion is justified to avoid dependencies or a threat to the security of supply in the EU.
- (c) The exclusion is justified under any other exception under the relevant agreement.

Low-carbon requirements

For public procurement and other forms of public intervention benefiting households or companies in the EU, the proposed IAA would also introduce low-carbon requirements in relation to steel, cement and aluminium used in buildings, infrastructure and motor vehicles. These sectors were selected as they are some of the most energy-intensive sectors, and the European Commission aims to create demand for low-carbon versions of these products.

The European Commission would also be empowered to adopt delegated acts laying down additional EU-level demand-side measures for products from the chemical industry.

2. Foreign direct investment in strategic sectors subject to prior authorisation requirement

With the IAA, the European Commission proposes a new mandatory foreign direct investment (FDI) regime for “emerging strategic sectors”. This supplements Member States’ existing, broader FDI approval systems and the updated [EU FDI Screening Regulation](#).

The new review system would apply to investments that afford investors “control” (defined as 30% or more of share capital/voting rights/ownership) over an EU target where:

- a. The value of the investment exceeds €100 million.
- b. More than 40% of global manufacturing capacity in the target’s sector is held by a third country of which the foreign investor is a national or undertaking.

The relevant “emerging strategic sectors” are battery technologies, electric vehicles, and solar PV technologies, and extraction, processing and recycling of critical raw materials. The European Commission would have powers to extend this list of emerging strategic sectors by adopting delegated acts, but such acts could not cover digital technologies, artificial intelligence, quantum technologies or semiconductors.

Investors and investments covered by economic partnership agreements or free trade agreements concluded by the EU, and investments targeted at providing services and portfolio investments, are not subject to this pre-approval requirement.

Notifications under the new system should be made to the national investment authority designated by the Member State where the target is based (or to all relevant authorities and the European Commission, in parallel, where the target is located in more than one Member State). Although reviews are conducted nationally, the substantive standard for approval is set at the EU level and common to all Member States. Departing from the traditional approach to FDI in the EU, focused on security and public order criteria, approval under the IAA would only be granted to investments that meet at least **four** out of the following six conditions:

1. Ownership requirement: The ownership interest to be acquired, held or exercised is no more than 49%.
2. JV requirement: The investment is a joint venture (JV) with an EU entity meeting relevant conditions.
3. Technology transfer requirement: The investor licensed intellectual property and know-how to benefit the EU target to help carry out its economic activities in the context of the investment.
4. R&D requirement: The foreign investor annually directs at least 1% of gross annual revenue of the EU target, or generated by the EU asset, to research and development (R&D) spending in the EU as applied in proportion to the foreign investor’s share of control.
5. Workforce requirement: At least 50% of the workforce at implementation and throughout the operation of the investment is made up of EU workers across all levels of the workforce.
6. Input requirement: The foreign investor publishes a strategy for enhancing EU value chains and

endeavours to source at least 30% of inputs for products placed on the EU market from the EU.

Although Member State authorities would be responsible for the review and retain the last word on approvals, the IAA envisages central oversight and coordinating roles for the European Commission.

Investments that qualify for review under the IAA would be subject to a mandatory standstill requirement and must not be implemented unless and until approval has been granted. This could result in potential delays, with review taking up to 75 days (which can be extended by 30 days) from receipt of the application. However, many of these investments, particularly in Member States which already have sophisticated FDI screening mechanisms in place, would likely already have been covered by national screening requirements and would therefore already have to undergo screening even without the IAA.

Even after approval, foreign investors would need to report regularly to the investment authority on the ongoing compliance with the conditions.

Penalties for failure to notify are high at no less than 5% of the average daily aggregate turnover of the foreign investor undertaking.

3. Boosting sustainable manufacturing through creation of industrial manufacturing acceleration areas

Within one year of the IAA's entry into force, each Member State is required to designate at least one "industrial manufacturing acceleration area" within its territory for projects in one or more of the strategic sectors listed in an annex to the proposed IAA. This includes energy-intensive industries like paper manufacturing, the automotive industry and net-zero technologies listed in the NZIA, such as heat pumps, battery and energy storage technologies, and biotech climate and energy solutions. These areas are intended to make it easier for industrial activities to cluster in one geographical zone with the aim of promoting favourable conditions for the industries established there.

Once established, industrial manufacturing acceleration areas would benefit from a range of measures. For example, Member States would be required to facilitate financing of projects, promote research and innovation investments, analyse the energy needs and identify the required energy infrastructure, and support the development of a highly skilled workforce.

Member States also need to issue an aggregated baseline permit authorising industrial activities within the industrial manufacturing acceleration area. This would be a single permit that covers all necessary permits generally needed for industrial manufacturing projects in that area.

4. Easier permitting via digital one-stop shop at national level

To facilitate the development of industrial manufacturing projects, the proposed IAA requires processes to be streamlined and digitalised. It requires Member States to set up a single access point at the national level where project promoters can submit one single application to obtain all necessary permits for an industrial manufacturing project. An authority designated by the Member State then coordinates the permitting processes via a single permit-granting procedure. They should be able to pass on the applications to relevant authorities and provide information, all via the digital European Business Wallet.

Energy-intensive decarbonisation projects will moreover be subject to the streamlined administrative and permit-granting procedures under the NZIA and benefit from the measures in the proposed regulation to speed up environmental assessments once it is adopted.

Next steps

The IAA proposal is now being scrutinised by the European Parliament and the representatives of the 27 EU Member States in the Council. The Council and the European Parliament can each propose amendments and will enter into negotiations to reach a compromise on a final text. This process usually takes around one to one-and-a-half years. We do not expect the IAA to be adopted before 2027. Given the intensity of debate around this proposal even before it was published, the text as it now stands is likely to undergo considerable amendments before it is adopted.

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