



# The European Union Industrial Accelerator Act

Analysis and recommendations

June 2026

**IBDO**

# Table of Contents

|                                                                                                                     |           |
|---------------------------------------------------------------------------------------------------------------------|-----------|
| <b>1 Executive Summary</b>                                                                                          | <b>03</b> |
| <b>2 Context</b>                                                                                                    | <b>04</b> |
| <b>3 Scope</b>                                                                                                      | <b>07</b> |
| <b>4 Main provisions</b>                                                                                            | <b>08</b> |
| 4.1 Permitting                                                                                                      | 09        |
| 4.2 'Made in EU' and low-carbon criteria for public procurement and public support schemes                          | 10        |
| 4.2.1 'Made in EU' criteria                                                                                         | 10        |
| 4.2.2 Low-carbon criteria                                                                                           | 12        |
| 4.2.3 Application in public procurement and public support schemes                                                  | 13        |
| 4.2.4 Example of the application of low-carbon and 'Made in EU' criteria for energy intensive industries (Annex II) | 14        |
| 4.3 Conditioning of Foreign Direct Investments                                                                      | 15        |
| 4.4 Amendments to Net-Zero Industry Act                                                                             | 18        |
| <b>5 Impact on other EU legislation</b>                                                                             | <b>20</b> |
| <b>6 Next steps in the legislative process and indicative timeline for implementation</b>                           | <b>22</b> |
| <b>7 Conclusion and recommendations</b>                                                                             | <b>23</b> |

# 1 Executive Summary

On 4 March 2026, the European Commission adopted the **Industrial Accelerator Act (IAA)**. The IAA aims to strengthen the EU's industrial base against the backdrop of growing unfair global competition and increasing dependencies on non-EU suppliers in strategic sectors. The IAA sets a goal to increase manufacturing's share of EU GDP to **20% by 2035**, and seeks to increase demand for low-carbon, European-made technologies and products.

The IAA intends to **simplify permit-granting** procedures. It requires EU Member States to establish a single digital permitting process to accelerate and simplify approvals for manufacturing projects. The IAA also introduces the creation of **Industrial Acceleration Areas** where site-level permitting is already completed, enabling conditions for manufacturing projects are in place, and project promoters can focus on activity-specific permits only.

Further, the IAA introduces 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, automotive, and net-zero technologies**, while creating a

framework that can, where appropriate, be extended to other energy-intensive sectors such as chemicals. These measures should strengthen European manufacturing capacity and stimulate demand for clean technologies and products made in Europe.

While the EU should remain open to investment, the IAA sets **conditions for foreign direct investments exceeding €100 million in strategic sectors where a single third country accounts for more than 40% of global manufacturing capacity**. Such investments must support high-quality job creation, foster innovation and growth, and deliver tangible value within the EU through technology and knowledge transfer, alongside compliance with local content requirements. They must also ensure that at least 50% of employment generated is based in Europe, so that businesses and citizens benefit alongside investors, from access to the Single Market.

In addition, the IAA introduces stricter requirements on **cybersecurity** related to high-risk suppliers and **amendments to the EU's existing Net-Zero Industry Act**.

As regards the **next steps**, the IAA is currently progressing through legislative procedure in the Council and European

Parliament. While discussions have begun at technical level in the Council, the file remains politically sensitive owing to divisions among Member States, including those favouring a more protectionist approach and those seeking to preserve existing trade partnerships. The work in the Parliament should start soon. EU institutional negotiations are expected to be longer than usual, with trilogue negotiations currently projected for early 2027 and the legislation entering into force in the second quarter of 2027.

The **implications for BDO's clients** active in the European Union will be significant. BDO clients are likely to need a combination of business strategic and regulatory advice. The IAA will create a complex regulatory landscape for both mid-size and multinational clients operating across natural resources, energy, manufacturing, construction and/or transport value chains. To exploit the business opportunities stemming from the IAA, BDO firms should ensure that they are well informed to support their clients in making strategic decisions and navigating the new 'Made in EU' requirements, auditing compliance with low-carbon performance standards, and managing the stringent conditions attached to foreign investment, including mandatory R&D allocations and workforce requirements.

## 2 Context

The IAA marks a significant step forward in the EU's attempt to respond to **intensifying geoeconomic competition from the US and China**. In the span of the last decade, structural shifts in the global economy, the fragmentation of supply chains, high energy prices, and a series of asymmetric shocks have made European industry vulnerable, and eroded the EU's competitiveness as manufacturing output and investment gradually declined.

The IAA is set to change this trajectory as it seeks to **rebuild European industrial activity** and create predictable demand for 'Made in EU' and/or low-carbon technologies and products. As a result, it should strengthen the resilience of the EU's Single Market and sustain the EU's capacity to project regulatory and technological power globally.

In his speech presenting the Commission's proposal for the IAA, Commission Executive Vice-President Stéphane Séjourné described the IAA as a **"change in doctrine"**. That characterisation reflects the instrument's ability to deploy tools such as 'Made in EU' requirements that, until recently, were regarded as politically sensitive or legally delicate in an EU context.

Despite the objective, the Commission proposal for the IAA did not receive a universally warm welcome. The Commission proposal came three months later than the date initially foreseen in the Commission Work Programme, a delay which widely reflected **internal disagreements among Commission departments and EU Member States**. The Commission department in charge of industrial policy – DG GROW – was in favour of a protectionist approach whereas the Commission department in charge of international trade – DG TRADE – favoured an approach based on respect for free trade partnerships. France was said to favour a more protectionist approach, while Germany sought to ensure that the proposal would not infringe upon or, in a worst-case scenario, jeopardise, existing trade relationships with close partners such as Norway, the United Kingdom, India, Switzerland, and Canada.

Central to this "change in doctrine" is the introduction of explicit **'Made in EU'** and **low-carbon** criteria into public procurement and public auctions. Although the Union has long used procurement rules to pursue horizontal objectives, the IAA moves a step further by clearly orienting procurement, public auctions and public support schemes towards the strategic goal of retaining and expanding industrial production in Europe. Therefore, this is a recalibration of the balance between openness, security, competitiveness and strategic autonomy.

**At the same time, the IAA cannot be assessed in isolation.** It forms part of a broader policy arc through which the EU has been progressively equipping itself with instruments to manage the intersection of climate policy, industrial policy and economic security.

An example is the **Net-Zero Industry Act (NZIA)** which has been in force since June 2024 and sets the template for using regulatory targets, permitting reforms and demand-side tools to accelerate the deployment of specific clean technologies within the EU. The IAA builds on this but extends the focus beyond a defined set of net-zero technologies to a wider industrial base, including intermediate goods, advanced manufacturing capabilities and enabling infrastructure.

**In doing so, it seeks to ensure that the green transition is supported by a robust manufacturing ecosystem rather than relying predominantly on imports of equipment and components.**



The IAA also needs to be read against the backdrop of the **Foreign Subsidies Regulation (FSR)** and the evolving framework on **Foreign Direct Investment (FDI) screening**. Through the FSR, the EU has taken on the capacity to investigate and, where necessary, **redress distortive subsidies** granted by third countries to companies operating in the Single Market, including in the context of large public procurement contracts and mergers. FDI screening mechanisms, coordinated at the EU level but implemented and decided nationally, aim to prevent acquisitions that would compromise security or public order in sensitive sectors. The IAA complements these instruments by addressing the positive side of the equation. In parallel to limiting undue distortions from foreign actors, the IAA seeks to create more robust incentives and clearer signals for investment in productive capacity within Europe.

The combined effect is to shape the competitive environment in which both European and foreign firms operate, with a view to levelling the playing field and anchoring high-value activities in the EU.

For instance, the IAA seeks to support the establishment of a European battery value chain.

In addition, the IAA must be situated alongside the EU's **emerging anti-coercion and economic security toolbox**. The **EU Anti-Coercion Instrument (ACI)**, conceived originally in the context of tensions affecting trade with partners such as China and, more recently with the US in relation to Greenland and access to critical raw materials, provides the EU with a legal basis to respond to economic pressure from third countries. It is one pillar of a broader move towards derisking, diversification and reducing strategic dependencies in key value chains, notably for energy transition technologies, digital infrastructure and defence related

inputs. The IAA builds upon this agenda by incentivising more EU production, reinforcing industrial ecosystems and encouraging the localisation of key stages of value chains in the EU.

Together, the ACI, FSR, FDI screening and the IAA contribute to a more assertive instrument-rich industrial and trade policy architecture.

The IAA is also a **call to manufacture and invest in Europe**. Its rationale is further shaped by the need to accelerate industrial investment in Europe. Despite significant progress under the Recovery and Resilience Facility and the mobilisation of state aid through the Temporary Crisis and Transition Framework, investment gaps persist in strategic sectors like clean technologies, semiconductor manufacturing, advanced materials and low-carbon industrial processes. Capital markets in the EU remain more fragmented than in competing jurisdictions and, in the absence of consistent long-term demand signals, many firms have been reluctant to commit to large-scale projects in the EU.

The IAA responds to this challenge by attempting to **derisk investments** through a combination of regulatory clarity, simplified administrative procedures and more predictable market access. By embedding requirements for low-carbon and 'Made in EU' products into procurement and other public support schemes, it seeks to create the credible expectation of future demand that investors require.

## The overarching objectives of the IAA can therefore be summarised along three interlinked topics:



First, it aims to restore and enhance the competitiveness of European industry in a global context, serving as a European countermeasure to the US Inflation Reduction Act and extensive state supported strategies in China.



Second, the IAA, with its low-carbon criteria, is designed to align industrial development with the EU's climate and environmental objectives.



Third, the IAA serves the strategic autonomy agenda by reinforcing security of supply, reducing excessive external dependencies and strengthening the EU's strategic autonomy.

Within the wider EU industrial policy framework, the IAA represents a step towards the **gradual harmonisation of industrial policy** at EU level. Historically, concerns about state aid distortions and limited budgetary competences have limited the development of an explicit EU industrial policy. In recent years, however, a series of initiatives have expanded the toolkit. The Important Projects of Common European Interest (IPCEI) mechanism, the NZIA, the Critical Raw Materials Act, the Chips Act, and the evolving economic security strategy all signal a willingness to identify priority sectors, coordinate public and private investment and address cross border bottlenecks. **The IAA consolidates this trajectory by providing a more horizontal framework that cuts across sectors and instruments.**

Finally, the IAA's place in the EU's industrial architecture should also be understood from a governance perspective. It is likely to interact closely with existing mechanisms of coordination between the Commission and the EU Member States, including national industrial strategies and the use of cohesion and innovation funding.

Its effectiveness will depend on how far it can merge the **diversity of national industrial models and fiscal capacities** with the need for a coherent European level response to global competition. It will also have to ensure that the 'Made in EU' and low-carbon criteria in procurement remain compatible with the Union's international commitments.

In sum, the IAA can be regarded **as a nodal point in the EU's evolving industrial strategy** rather than a standalone intervention. By explicitly articulating a doctrine that privileges European production and low-carbon performance in the allocation of public resources and that attaches conditionalities to major third-country investments into the EU, **it signals a new phase in the EU's approach to managing geopolitical tensions and industrial change.**

### 3 Scope

The Commission's proposal for the IAA is a cornerstone and flagship initiative of the **Clean Industrial Deal**, launched in February 2025, a strategic roadmap to accelerate industrial decarbonisation while strengthening the EU's competitiveness. It represents a move **from traditional climate policy initiatives to the active implementation of an EU industrial policy**.

The IAA is a framework aiming to accelerate decarbonisation in strategic sectors, strengthen the development, competitiveness and resilience of the EU's manufacturing in key sectors while contributing to the EU's transition into high-quality jobs, economic security, and strategic autonomy. **Its core objective is for the manufacturing industry to account for 20% of the Union's gross domestic product by 2035.**

Therefore, the IAA establishes rules and measures to support the development and competitiveness of the EU's manufacturing sector. The **targeted strategic sectors** include high-emission energy intensive industries, specifically **steel, cement and aluminium, the automotive industry and clean technologies manufacturing including batteries, solar PV, heat pumps, wind, electrolyzers, and nuclear technologies.**



## 4 Main provisions

This section provides an analysis of the main provisions of the IAA accompanied by practical examples on how the instruments may impact different companies at different levels of the value chain, located inside or outside of the EU.

The section is divided into sub-chapters covering the following provisions:

### 1. Permitting

Analysis of the IAA's streamlined permitting framework, including single permit-granting procedures, digital single access points, accelerated timelines, and the creation of manufacturing acceleration areas.

### 2. 'Made in EU' and low-carbon criteria in public procurement and support schemes

Examination of demand-side measures introducing 'Made in EU' and low-carbon criteria in procurement, auctions and public support schemes, including phased content requirements, derogations, and reciprocity considerations. Practical examples illustrate how these provisions may affect sourcing models, tender eligibility and competitive positioning for EU and non-EU producers, including in strategic sectors such as batteries, automotive, steel, aluminium and net-zero technologies.

### 3. FDI conditionalities

Assessment of the IAA's proposed conditions on major foreign investments in strategic sectors, including ownership thresholds, technology transfer expectations, local sourcing obligations, workforce requirements and approval procedures. The analysis explores how these provisions may affect foreign investors, joint ventures, and EU-based targets across strategic value chains.

### 4. Amendments to the Net-Zero Industry Act

Review of proposed amendments to the EU's Net-Zero Industry Act (NZIA), including expanded origin requirements, resilience criteria, auction rules, and restrictions linked to high-risk suppliers. The section considers how these amendments reinforce the broader objectives of industrial resilience, strategic autonomy and supply chain security.

### 5. Other related and cross-cutting issues

Consideration of broader issues arising from the IAA, including interactions with the FSR, FDI screening, public procurement law, the Carbon Border Adjustment Mechanism (CBAM), WTO commitments, cybersecurity rules, and wider economic security and trade implications.

## 4 Main provisions

### 4.1 Permitting

The proposed IAA introduces a highly streamlined, digitalised framework to reduce the unpredictability and excessive length of national permit-granting procedures.

The unpredictability, complexity and, at times, excessive length of national permit-granting procedures undermine the cost-effectiveness of investments necessary for the development of industrial activities. Therefore, and to ensure and speed up the effective implementation of industrial manufacturing activities, EU Member States should apply streamlined and digitalised permit-granting processes.

The proposed IAA requires EU Member States to establish a single permit-granting procedure managed by a designated competent authority, which must issue a comprehensive decision within strict time limits, including a 45-day deadline to acknowledge the completeness of an application. To facilitate this, EU Member States must set up **single access points** utilising the **European Business Wallets**, enabling fully paperless submissions, automated data exchange, and the “once-only” principle for data reuse. Furthermore, energy-intensive industry decarbonisation projects will be classified as strategic projects, allowing them to benefit from accelerated environmental assessments.

A central pillar of the permitting overhaul is the mandated creation of **industrial manufacturing acceleration areas**, which EU Member States must designate within twelve months. Projects located within these areas benefit from an aggregated baseline permit issued by public authorities, which covers all commonly required administrative authorisations for the zone, significantly reducing the administrative burden and requiring project promoters to only seek installation-specific permits.

## 4 Main provisions

### 4.2 'Made in EU' and low-carbon criteria for public procurement and public support schemes

The IAA establishes a framework for the application of **'Made in EU'** and **low-carbon criteria** to certain products and services from strategic sectors in the context of public procurement and public support schemes.

#### 4.2.1 'Made in EU' criteria

The establishment of 'Made in EU' criteria signifies a strategic shift towards strengthening European industrial sovereignty. The Commission proposal for the IAA clarifies the geographic scope for interpreting what 'Made in EU' is and states that **'Made in EU' refers to content originating in the Union**. Therefore, it ensures that products are manufactured locally and bring a genuine value creation to Europe. As a result, it underlines how 'Made in EU' criteria may condition or prioritise access to public procurement, auctions and funding for specific sectors.

The proposal also establishes a **content equivalent to 'Made in EU' in public procurement**. Therefore, content originating in third countries with which the EU has concluded an agreement establishing a free trade area or a customs union, or that are parties to the WTO Agreement on Government Procurement, shall be deemed to be 'Made in EU'.

### Example

The products of a battery manufacturer based in China would not be considered equivalent to 'Made in EU' criteria because China does not have a free trade agreement or customs union with the EU, nor is it part of the Government Procurement Agreement. Furthermore, the need to reduce reliance on non-EU suppliers to safeguard the security of supply within the EU could also be an argument to justify the possible exclusion of Chinese battery manufacturers.

In addition, as set out in Annex III of the IAA, the determination and application of 'Made in EU' requirements for automotive – including battery components – are decided at component level in line with following steps and timeframe.

#### Step 1:

##### ► 6 months after entry into force:

1. The vehicle is assembled within the Union.
2. The ratio between the total ex-works price of vehicle components – excluding the vehicle battery – originating in the Union and the total ex-works price of all components – excluding the battery – is at least 70%.
3. The vehicle's traction battery contains at least three main specific components of batteries, among which the battery cells, originating in the Union.

##### ► 3 years after entry into force:

1. The vehicle's traction battery contains at least five main specific components of batteries, among which the battery cells, the cathode active material, and the battery management system, originating in the Union.

2. The ratio between the total ex-works price of e-powertrain components originating in the Union and the total ex-works price of all e-powertrain components is at least 50%.
3. The ratio between the total ex-works price of main electronic systems originating in the Union and the total ex-works price of all main electronic systems is equal to or greater than 50%.

**Step 2:**

- ▶ **Main specific components:** battery packs, battery modules, battery cells, cathode active materials, anode active materials. Electrolytes, separators, current collectors (including thin copper, aluminium, nickel and carbon foils), battery management systems (BMS) and battery thermal management systems (BTMS).

**Step 3:**

- ▶ **Component flexibility:** If specific 'Made in EU' components are not specified, economic operators can choose freely to ensure competition and cost-efficient choices.

Third countries can be excluded from having 'Made in EU' origin under the following conditions:

- ▶ The third country in question has failed to provide national treatment related to EU products or entities under the agreements in relation to any of the following sectors, energy intensive industries, automotive industries and net-zero technologies.
- ▶ Such exclusion is justified to avoid dependencies or any other developments that may threaten the security of supply in the Union of the products in question.
- ▶ Such exclusion is justified under any other exception under the applicable agreement.

These provisions apply to other forms of public intervention.

#### 4.2.2 Low-carbon criteria

The IAA introduces low-carbon criteria, a mandatory and verified emission standards for key materials used in procurement projects. For instance, for **steel** and **aluminium** used in buildings, infrastructure and motor vehicles for civil purposes, at least **25%** needs to be low carbon. For **concrete and mortar** used in buildings or infrastructure, the minimal low-carbon threshold is set at 5% of total volume.

The proposal directly links to the criteria of the **Construction Products Regulation (CPR)** and the **Ecodesign for Sustainable Products Regulation (ESPR)**. The IAA specifies that a product covered by Annex II shall be considered a low-carbon product, where it complies with the requirements outlined in the following delegated acts:



##### CPR

For construction products, the delegated acts adopted pursuant to Article 5(5) or Article 22(9) of the Construction Products Regulation.



##### ESPR

For all other products, the delegated acts adopted pursuant to Article 4 of the Ecodesign for Sustainable Products Regulation.

Therefore, public procurement and support requirements would include significant percentages of low-carbon steel, aluminium, concrete and mortar.

##### Example

A contract for public construction projects based in the EU would need to align with the standards defined under the delegated acts. The contractor would need to source materials that comply with the standards eligible for tenders.

#### 4.2.3 Application in public procurement and public support schemes

According to the Commission's proposal for the IAA, the strategic use of public intervention is essential to prevent critical dependencies within the EU, particularly given that public procurement accounts for up to 15% of the EU's Gross Domestic Product (GDP). Public authorities and contracting entities must therefore ensure that public contracts and support schemes contribute to strengthening economic security and enhancing the resilience of supply chains. Public procurement and support schemes also serve as important demand-side instruments for advancing the EU's net-zero objectives.

Moreover, contracting authorities and contracting entities are required to **exclude from participation in procurement procedures**, as specified in Part I of Annex II and Part I of Annex III and exemplified in the section below, any tenders submitted by **economic operators that are owned or controlled by entities established in third countries with which the Union has not concluded an international agreement guaranteeing reciprocal access to procurement markets**. This exclusion establishes a clear baseline of reciprocity, ensuring that access to Union procurement procedures is contingent upon equivalent commitments from EU trade partners.

In addition, for procurement procedures falling within the scope of the aforementioned Annexes, **contracting authorities must apply the 'Made in EU' and low-carbon**

**criteria**, in accordance with the relevant provisions governing origin and environmental performance. These requirements ensure that public procurement supports both strategic autonomy and decarbonisation objectives, while maintaining a consistent legal framework for assessing compliance. *Note that the thresholds which the Commission has proposed for meeting 'Made in EU' and low-carbon criteria will be hotly debated during the legislative process and may be changed.*

Contracting authorities and contracting entities retain the **discretion not to apply these requirements** under specific, narrowly defined circumstances. This flexibility applies where a contract can only be fulfilled by a single operator and no reasonable alternative or substitute exists, provided that such exclusivity has not been artificially created through the design of the procurement procedure. It also applies where no suitable tenders or requests to participate are received, including in response to comparable procedures launched within the preceding two years.

Furthermore, **derogations** are permitted where compliance would result in disproportionate costs or technical incompatibilities in operation or maintenance. In such cases, cost increases exceeding 25%, based on objective and verifiable data, may be presumed to be disproportionate.

Regarding **other forms of public intervention**, Member States are required to structure public support schemes in a manner that contributes to strengthening strategic industrial value chains within the Union. This is achieved through the application of 'Made in EU' requirements and low-carbon

content criteria, as set out in the relevant annexes and accompanying provisions. Member States must ensure that these requirements apply to a substantial share of public funding, covering at least 45% of national budgets allocated to the relevant category of support schemes, and fully applying to those schemes entirely dedicated to strategic industrial objectives.

When designing and implementing such support schemes, competent authorities are required to assess the contribution of supported products and technologies to the Union's strategic objectives through transparent, open, and non-discriminatory procedures. This ensures that public intervention is aligned with industrial policy goals while maintaining procedural fairness.

Nevertheless, EU Member States may deviate from these requirements where their application would result in significant delays or disproportionate costs. Delays exceeding seven months, based on objective and verifiable evidence, may be considered significant. Likewise, cost increases exceeding 30% may be presumed to be disproportionate, thereby justifying exemptions from the standard requirements.

#### 4.2.4 Example of the application of low-carbon and 'Made in EU' criteria for energy intensive industries (Annex II)

##### Public procurement procedures launched on or after 1 January 2029

Contracting authorities must ensure that contracts involving products from energy intensive industries include the following minimum percentage shares:

- ▶ **At least 25% of the total volume of steel used shall be low carbon:** This requirement applies to steel, and any product the performance of which depends mainly on steel, intended for use in buildings, infrastructure and transport (note there is no 'Made in EU' criteria for steel).
- ▶ **At least 25% of the total volume of aluminium used shall be low-carbon and 'Made in EU':** This requirement applies to aluminium, and any product the performance of which depends mainly on aluminium, intended for use in buildings, infrastructure and transport.
- ▶ **At least 5% of the total volume of concrete and mortar used shall be low-carbon and 'Made in EU':** Concrete and mortar, and any product the performance of which depends mainly on concrete and mortar, including the clinker and cement used to produce them, for use in buildings and infrastructure for civil purposes.



##### Other forms of public intervention launched on or after 1 January 2029

Contracting authorities must ensure that schemes that support building construction or renovation, infrastructure or civilian vehicle leasing and purchase, benefit beneficiaries that meet the following minimum percentage shares:

- ▶ **At least 25% of the total volume of steel used shall be low carbon:** This requirement applies to steel, and any product the performance of which depends mainly on steel (note there is no 'Made in EU' criteria for steel).
- ▶ **At least 25% of the total volume of aluminium used shall be low-carbon and 'Made in EU':** This requirement applies to aluminium, and any product the performance of which depends mainly on aluminium.
- ▶ **At least 5% of the total volume of concrete and mortar used shall be low-carbon and 'Made in EU':** concrete and mortar, and any product the performance of which depends mainly on concrete and mortar.



## 4 Main provisions

### 4.3 Conditioning of Foreign Direct Investments

Chapter IV of the IAA establishes the framework for the **imposition of conditions on foreign direct investments in emerging strategic sectors**. The framework established within the IAA governing the contribution of foreign investment is designed to secure the Union's long-term technological advancement and economic security.

Specifically, Chapter IV governs foreign direct investments exceeding **EUR 100 million in designated emerging strategic manufacturing sectors, as outlined below, where more than 40% of global manufacturing capacity is concentrated in the third country of origin of the investor**. Such investments may not be carried out unless they receive explicit approval from the relevant Investment Authority or the European Commission, in accordance with the procedures and requirements established in Chapter IV.

The application of the provisions in Chapter IV extends specifically to foreign direct investments in manufacturing activities within **key emerging strategic sectors**.

These include battery technologies and the broader value chain associated with battery energy storage systems; pure electric vehicles, off-vehicle charging hybrid electric vehicles and fuel-cell electric vehicles, including components related to electrification and digitalisation; solar photovoltaic technologies; and the extraction, processing, and recycling of critical raw materials.

**However, certain categories of investment fall outside the scope of this Chapter.** These exclusions encompass investments covered by existing or provisionally applied economic partnership agreements or free trade agreements of the Union, to the extent that relevant commitments have already been undertaken, including investments made through Union-based subsidiaries of such investors. Additionally excluded are investments primarily aimed at the provision of services, as well as portfolio investments.

Each Member State is required, within one month of the IAA's entry into force, to designate a competent Investment Authority responsible for reviewing foreign direct investments and ensuring compliance. These authorities must be adequately equipped with the necessary legal, administrative, and financial resources to effectively carry out their duties.

From twelve months after the IAA takes effect, Investment Authorities may approve foreign direct investments only where they satisfy at least **four out of six specified criteria**.

- 1** The foreign investor must not acquire or control more than 49% of ownership interests, voting rights, or equivalent forms of control in any Union-based target or asset.
- 2** Where the investment is conducted through a joint venture, the foreign investor's participation must likewise not exceed 49%, and the structure must ensure meaningful involvement of Union partners in governance, technological exchange, and capacity development.
- 3** The foreign investor must enter into arrangements that grant the Union entity access to intellectual property rights and technical know-how necessary for the investment's operation. At the same time, intellectual property developed independently by the Union entity prior to the investment must remain exclusively under its ownership, while any jointly developed assets must be co-owned.

**4** Fourth, the investor is required to allocate annually at least 1% of the Union target's gross revenue to research and development activities within the Union, proportionate to its level of control.

**5** Fifth, a minimum of half of the workforce involved in the investment must consist of Union workers across all employment levels, supported by appropriate training and skill development initiatives. In cases where existing manufacturing entities are acquired, priority must be given to retaining or rehiring the existing workforce, in accordance with national laws and collective agreements. Where public funding is involved, the investor must commit to maintaining employment levels for at least five years, failing which recovery of the funding may be pursued.

**6** Sixth, the investor must publish a strategy aimed at strengthening Union value chains, including a commitment to source at least 30% of production inputs from within the Union where feasible.

Compliance with the workforce requirement is mandatory for approval. Furthermore, Investment Authorities may extend some or all these conditions to investments conducted through subsidiaries within the Union when necessary to prevent circumvention or where no less restrictive alternatives are available. The Commission is tasked with adopting detailed rules for verifying compliance with these criteria.

## Procedural overview



### 1. Notification to the Investment Authority

Foreign investors intending to undertake investments falling within the scope of this Chapter must notify the Investment Authority of the Member State where the relevant Union target or asset is located, provided that the investment results in a level of control as defined by this Regulation. Notifications must include all information necessary to enable a thorough assessment.

In determining whether the investment meets the applicable value threshold, only investments made by the same investor in the same target or asset after the IAA's entry into force are to be aggregated. Control is deemed to exist where the investor acquires at least 30% of share capital, voting rights, or equivalent ownership interests, or obtains comparable control over a Union asset.

In cases where investments span multiple Member States, notifications must be submitted simultaneously to all relevant authorities and the Commission.



### 2. Determination of admissibility

Upon receiving a notification, the Investment Authority has 30 days to determine its admissibility, with a possible extension of 15 days where justified. Once deemed admissible, the complete file must be transmitted to the Commission without delay.



### 3. Commission opinion and Investment Authority decision

The Commission may issue a written opinion within 30 days, assessing whether the investment falls within scope, meets the established criteria, and should be approved. The Investment Authority must then issue a reasoned decision within 60 days, or 75 days if an extension applies.

If the Investment Authority's decision diverges from the Commission's opinion, an additional review period of up to two months is required.

The Commission may independently assess a notified investment where it is likely to significantly influence value creation within the Union, upon request by a Member State authority, or where the investment exceeds EUR 1 billion. Such an impact may arise where the investment is strategically important, affects multiple Member States, risks disrupting supply chains or security, poses environmental concerns, or is exceptionally large relative to sector norms.

The Commission may also review investments involving subsidiaries where necessary. Following its assessment, it may require the application or non-application of certain conditions in a proportionate manner. The procedural rules applicable to Investment Authorities apply equally to such Commission-led reviews.

Investment Authorities are responsible for continuously monitoring approved investments to ensure compliance with the established conditions. Investors are required to

submit regular reports detailing their adherence to these obligations, which may also be shared with the Commission upon request.

Authorities must establish penalties for non-compliance, particularly in cases involving failure to notify, breach of conditions, or failure to meet reporting requirements. Financial penalties must be effective and proportionate, with minimum thresholds set at 5% of the investor's average daily turnover, or 5% of the investment value for individual investors. All instances of non-compliance and resulting penalties must be promptly communicated to the Commission.

The Commission is tasked with monitoring global manufacturing capacity in the relevant strategic sectors, building on existing regulatory frameworks. It must publish up-to-date data annually for each sector.

In cases where the Commission conducts its own assessment, it may impose penalties where investors provide false or misleading information or fail to supply necessary data. Such penalties are capped at 5% of the investor's average daily turnover or investment value.

Finally, the Commission is empowered to adopt delegated acts to expand the list of strategic sectors covered by this Chapter, particularly in areas critical to economic security, including certain net-zero technologies, nuclear fuel cycle technologies, and electric propulsion systems. Digital and advanced computing technologies are explicitly excluded.



## 4 Main provisions

### 4.4 Amendments to Net-Zero Industry Act

The IAA includes amendments to the Net-Zero Industry Act. The proposal amends Article 25 on public procurement to clarify the technology scope by including only technologies that are commonly publicly procured and introduces changes to Article 26 in relation to auctions. This is to take account of the growing importance of auctions for **securing the EU's energy supply and safeguarding its technological sovereignty**.

The amendments to the NZIA are aimed at **strengthening the Union's industrial, procurement, and support frameworks for net-zero technologies, while progressively embedding Union-origin requirements across key strategic value chains**.

#### New definitions

New definitions are introduced for industrial batteries and stationary battery energy storage systems, both aligned with the Batteries Regulation (EU) 2023/1542, as well as for hydronic heat pumps, defined as systems using ambient or waste heat sources to deliver space heating via water-based circuits. These definitions ensure legal consistency across the Union's battery, heating, and clean energy legislation.

#### Public procurement procedures

In the field of **public procurement**, the amendments significantly **reinforce environmental and resilience criteria**. For procurement procedures involving net-zero technologies, contracting authorities must apply

mandatory environmental sustainability requirements established through implementing acts. In addition, resilience considerations must be integrated into award decisions, including limitations on dependence on individual third countries for key components and supply chain diversification requirements. These measures aim to reduce strategic dependencies while safeguarding continuity of supply.

**A dedicated new provision introduces explicit 'Made in EU' requirements into procurement procedures. Contracting authorities must exclude tenders from operators controlled by entities in third countries that do not offer reciprocal procurement access agreements with the Union.**

They must also apply Union-origin rules as defined in annexes, while allowing limited derogations in cases of single-source supply, lack of competition, disproportionate cost increases, or significant delays. Cost increases above 25% and delays exceeding seven months may be presumed disproportionate or significant. Compliance must be demonstrated through self-declarations or equivalent documentation.

#### Auctions

The amendments further tighten rules for **auctions of net-zero technologies**. Member States must integrate environmental, resilience, and origin-based criteria into auction design, including restrictions on high-risk suppliers for critical digital and control systems. Such suppliers are prohibited from participating in supply, design, operation, or maintenance of these systems where they are formally designated as high-risk. At the same time, non-price criteria must be included in auction design and assigned a minimum weight, ensuring that industrial resilience and sustainability considerations play a substantive role alongside cost factors.

The amendments also introduce a **horizontal framework governing origin requirement across multiple forms of public intervention, including procurement, auctions, and national support schemes**. Member States are required to integrate Union-origin and low-carbon criteria into public support measures for net-zero technologies, covering a significant share of relevant budgets. However, exemptions are permitted where compliance would cause disproportionate costs, technical incompatibilities, or substantial delays, with thresholds set at 25% to 30% cost increases or delays exceeding seven months.

### New restrictions related to cybersecurity risks

In addition, targeted restrictions are introduced to **prevent the involvement of high-risk suppliers in publicly supported digital and control systems**, ensuring cybersecurity and supply chain integrity across Union-funded infrastructure.

In this regard, more specifically, the IAA amendments to the NZIA create a direct link with the proposed revised **Cybersecurity Act (CSA2)** to protect the Union's critical infrastructure, noting that the integration of digital technologies makes energy systems highly susceptible to cyber threats that could disrupt operations or manipulate markets. To mitigate these threats, the amendments mandate that suppliers identified as "high-risk" under the Cybersecurity Act cannot be involved in the supply, design, development, production, management, control, operation, maintenance, or software updating of any control systems, management control systems, supervisory control and data acquisition (SCADA) systems, remote access systems, or firewalls. This could for instance **result in the exclusion of Chinese suppliers** from critical contracts involving PV inverters, SCADA systems, and dual-use technologies.

### Delegation of powers

Finally, the Commission is granted extensive delegated powers to **update and expand Union-origin requirements** in light of market conditions, technological progress, industrial capacity, and climate objectives. These powers also allow the inclusion of additional net-zero technologies within the scope of origin requirements and procurement rules.

### New Annexes

The Annexes establish detailed, phased Union-origin requirements for key technologies, including battery energy storage systems, solar photovoltaics, wind technologies, hydrogen electrolyzers, heat pumps, and nuclear technologies. These requirements are gradually tightened over time, moving from partial Union-origin content requirements to more stringent obligations involving multiple key components. Similar rules apply across procurement, auctions, and public support schemes, ensuring consistency across all forms of public intervention.



## 5 Impact on other EU legislation

The IAA contributes to a wider body of EU legislation addressing economic security, industrial competitiveness, and decarbonisation. Given the cross-cutting importance of energy-intensive industries and net-zero technologies in European value chains, the proposal interacts with and complements multiple existing and forthcoming policy frameworks.

First, it is consistent with the **Net Zero Industry Act (NZIA)**, which it reinforces by extending streamlined permitting mechanisms to a broader set of industrial decarbonisation projects. It also introduces 'Made in EU' requirements for selected net-zero technology components, with the objective of preventing regulatory circumvention while strengthening domestic manufacturing capacity and resilient supply chains within the Union (*see section above*).

Second, the proposal aligns fully with the **European Climate Law**, as it contributes directly to the Union's legally binding objective of achieving climate neutrality. It does so by facilitating investments in industrial decarbonisation and the deployment of net-zero technologies across key sectors.

Third, it is consistent with **ongoing efforts to simplify permitting procedures** and enhance the competitiveness of strategic industries, particularly the automotive sector. The proposal streamlines administrative processes through

digitalisation and improved data reuse, drawing on measures already developed under environmental permitting initiatives and adapting them to sector-specific needs.

In addition, the proposal complements a range of sectoral environmental and product regulations aimed at supporting the transition to a clean, circular, and climate-neutral economy. In the construction sector, it builds on the **Construction Products Regulation**, including harmonised greenhouse gas emissions standards and forthcoming low-carbon product labelling initiatives. In the steel sector, it is consistent with **forthcoming delegated acts under the Ecodesign for Sustainable Products Regulation**, which will define performance criteria that reflect differing decarbonisation pathways and incentivise circularity. In designing such performance-based labelling systems, recycled content is taken into account, with thresholds adjusted downward as the proportion of recycled material increases where relevant.

Similarly, the proposal complements the **Batteries Regulation** by supporting environmental standards for battery production while enabling 'Made in EU' criteria under the IAA framework. It also aligns with forthcoming ecodesign and energy labelling measures for photovoltaic modules by reinforcing demand for compliant, Union-produced technologies.

The proposal also fits within the architecture of EU climate policy instruments. The **EU Emissions Trading System** (EU

ETS) remains the central mechanism for pricing carbon and incentivising emission reductions in energy-intensive sectors and electricity generation. The IAA complements this price signal by fostering lead markets for low-carbon industrial goods. It is likewise consistent with the **Carbon Border Adjustment Mechanism** (CBAM), ensuring coherence in the EU's approach to carbon leakage prevention and fair competition.

Future initiatives, including the **Circular Economy Act**, are expected to further complement the proposal by strengthening recycling systems and improving access to secondary raw materials, thereby reducing external dependencies and reinforcing industrial resilience.

Coherence will also be ensured with the forthcoming revision of the **Public Procurement Framework**, which will integrate sector-specific requirements into a unified procurement system and provide clearer mechanisms for favouring European-sourced products in strategic sectors.

Within this framework, the IAA defines the substantive meaning of 'Made in EU' procurement across key industrial sectors, including energy-intensive goods, net-zero technologies, and automotive components.



The forthcoming revision of the public procurement rules will establish the procedural framework for applying these requirements, ensuring consistent implementation and legal clarity. In particular, it will enable contracting authorities to integrate sector-specific rules and, in strategic areas, prioritise tenders predominantly composed of European products, thereby reinforcing policy coherence across the internal market.

The proposal respects the **EU's international obligations in public procurement**, particularly under the WTO Agreement on Government Procurement and relevant bilateral trade agreements. Market access commitments under these agreements apply selectively, depending on contracting authority type, procurement category, and the scope of coverage schedules. At the same time, the Union retains the right to invoke general and security exceptions where necessary. As a result, procurement access remains differentiated rather than uniform across third countries, and no single comprehensive list of fully entitled suppliers can be established. Detailed guidance on eligibility supports contracting authorities in ensuring compliance while preserving policy flexibility.

The proposal also considers the **Union's trade defence instruments**, including measures addressing global overcapacity in sectors such as steel, and operates in complementarity with the **Foreign Direct Investment screening framework**, which focuses on security and public order considerations. Finally, it remains without prejudice to the application of EU's competition law, ensuring that market integration and fair competition principles continue to apply fully.

For the '**EEA-EFTA States**' namely Norway, Liechtenstein and Iceland, the proposal represents a shift away from their traditionally advantageous homogeneous position in the Single Market (which gives the same effect as harmonisation among EU member states), whereby their long standing "special status" has been effectively aligned in the proposal with the EU's other free trade partners.

Although the proposal has been marked EEA relevant, it does not provide for the unconditional inclusion of the '**EEA EFTA States**' in the definition of 'Made in EU'. As a result, it remains unclear how the file will be incorporated into the

EEA Agreement and whether this could lead to fragmentation in public procurement rules that have been closely aligned between the EU and EEA for the past 30 years. Although a member of EFTA, Switzerland is not defined as an 'EEA-EFTA State' who can gain access to the Single Market through the EEA Agreement, is therefore not a party to this agreement.

## 6 Next steps in the legislative process and indicative timeline for implementation

The Commission issued its proposal for the IAA in March 2026. The proposed IAA is now undergoing the co-legislative procedure. Discussions have already started at Council Working Party level, while, at the time of writing, debates in the European Parliament's responsible Committees have not yet begun.

Given the high political sensitivity of the file and the number of contentious issues involved, we expect the negotiations to take longer than usual, particularly in the Council. The final version of the IAA is likely to be subject to changes.

The current expectation is that trilogue negotiations on the file will be concluded in early 2027, with entry into force of the legislation anticipated in the second quarter of 2027.

**March 2026**

Commission proposal



**Q2-Q3 2026**

Discussions in Parliament and Council



**Q4 2026**

Parliament and Council reach their position



**Q1 2027**

Trilogue negotiations



**Q2 2027**

Entry into force

## 7 Conclusion and recommendations

The IAA reflects a major move to rebuild industrial activity within Europe. At the heart of this shift is the incorporation of clear 'Made in EU' and low-carbon performance criteria into public procurement and public support schemes.

While the EU previously leveraged tools to advance broader policy objectives, the IAA goes a step further by explicitly steering public funds toward the strategic aim of maintaining and growing industrial production in Europe.

It represents a recalibration of the balance between ensuring openness while safeguarding security.

The IAA's primary goal is to boost the EU's competitiveness, energy security, strengthen strategic autonomy and reduce dependencies with third countries, while at the same time strengthening ties with those countries perceived as allies.

The scope of the IAA will require BDO firms to support clients across three categories potentially affected by the IAA:

- ▶ Companies operating both within the EU and globally
- ▶ Companies operating solely within the EU
- ▶ Companies established exclusively in third countries

Our network is well placed to provide tailored support across all three categories as our broad geographic reach, coupled with our cross-border expertise, puts BDO in an ideal position to advise current and future clients at an early stage on the risks and opportunities associated with the IAA.

The IAA may impact BDO's clients in several ways. As a result, BDO firms offering services in advisory, audit & assurance, business services and outsourcing and taxation should be prepared to respond to possible queries on the IAA.

We can play a key role in advising clients on how current investments are impacted or where to invest for the future, whether within the EU or in allied countries with Free Trade Agreements or that are signatory to the Government Procurement Agreement, including providing guidance on which specific countries are most suitable for the

investments in question. BDO can also support international clients doing business in Europe by helping set up partnerships with European companies, such as joint ventures or technology transfers, and advise if a reconsideration of the company's strategy or value chains is necessary.

Additionally, BDO firms can offer guidance to our clients on how to participate in tenders, provide risk assessments related to cybersecurity, and availability risks for the EU market for certain products, such as batteries or low-carbon steel and aluminium. Further, BDO can support clients by factoring in the cost and pricing implications that are likely to be attached to the IAA's 'Made in EU' or low-carbon criteria.

The IAA focuses on a set of strategic sectors, but its impact will be much wider. BDO firms can provide broad advisory services that not only cover the strategic sectors involved but also the entire ecosystem surrounding them. For instance, a client developing a solar park could receive guidance on where to source solar panels, selecting partners, balancing costs with 'Made in EU' requirements, and addressing cybersecurity concerns, ensuring a comprehensive approach to investment and operations in Europe. As an example, BDO can anticipate and provide risk management and the necessary assurance services to address the new requirements in the lead up to the entry into force of the IAA.

BDO firms can expect increased demand for strategic advisory, regulatory compliance, and risk management services to support clients and help them navigate and benefit from the provisions of the IAA once enacted.

The key services that are likely to be required are the advisory services (taxation, legal, corporate establishment) where BDO could receive requests from clients relating to foreign direct investment screening. The IAA imposes strict conditions on foreign direct investment in emerging key strategic sectors to ensure added value to the EU economy. The IAA targets FDI exceeding the value of EUR 100 million through which the investor acquires or takes control of an EU target entity. Furthermore, the instrument's conditions apply to foreign investors from countries that control more than 40% of global manufacturing capacity in the respective sector. These conditionalities apply to battery technologies, electric vehicles, solar photovoltaics and extraction.

BDO's risk advisory and global value chain (GVC) services teams could help clients mitigate and ensure adequate management of risks such as supply chain risks. For instance, a client could face new regulatory requirements or risks arising from the IAA which could cause severe disruptions to its supply chain and exports to Europe.

Several sectors in which BDO specialises, notably, Natural Resources and Energy, Manufacturing, Construction and Transport will likely generate significant new client requests related to the IAA. These sectors are likely to focus on

leveraging the IAA's compliance requirements and funding opportunities to access the European market.

With regard to the Natural Resources & Energy sector, the IAA introduces 'Made in EU' requirements for batteries, battery energy storage systems (BESS), solar PV, heat pumps, wind, electrolyzers, and nuclear technologies, when subject to certain public procurement procedures, auctions, and support schemes. As a result, the IAA will likely result in preference being given to EU manufactured technologies. BDO firms can support clients in understanding the 'Made in EU' and low-carbon requirements to determine their eligibility in public auctions, procurement and support schemes.

BDO firms can support clients in understanding which segment of their manufacturing portfolio will be impacted by the legislation. For instance, in the automotive industry advice could be delivered on the necessary certification to ensure vehicle's compliance with 'Made in EU' requirements. Seeing that the automotive industry has complex supply chains that consist of a large quantity of sourced components and diversity of suppliers with manufacturing processes often globally situated, there could be an increasing need to assess how best to structure manufacturing locations, where to source components and how this impacts companies' access to the EU market.

In the construction and transport sectors, where BDO firms provide audit, accounting and tax services and a wide variety of consultative advice, we can support clients in

understanding how the IAA's low-carbon criteria for steel, aluminium, concrete and mortar, mandatory and verified emission standards for key materials used in procurement projects, or eco-design requirements, impacts their operations.

**Overall, the EU IAA will have significant long-term impact across a large segment of clients and industries we support in Europe and globally. Given the breadth and complexity of the IAA's provisions, BDO firms be as familiar as possible with its provisions and should alert clients as soon as possible about the coming impact of the IAA and how BDO can support them to comply and respond to it.**

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