

Proposal COM(2026) 100 of March 4, 2026, for a Regulation 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

INDUSTRIAL ACCELERATOR ACT

cepPolicyBrief No. 1/2026

LONG VERSION

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A. Key Elements of the EU Initiative

1 Background and Goals

- ▶ Under its European Climate Law [Regulation (EU) 2021/1119; see cepAnalysis 3/2020], the EU has committed to achieving net-zero greenhouse gas (GHG) emissions by 2050 and to reducing emissions by 55% by 2030 compared to 1990 levels (EU 2030 climate target). Recently, a further interim target was agreed: a 90% reduction in GHG emissions by 2040 compared to 1990 levels.
- ▶ Achieving these goals requires massive investment in the decarbonization of European industry. The profitability of these investments is threatened by an unfavorable macroeconomic climate: growing geopolitical tensions, trade disputes, weak productivity growth and fierce global competition are undermining the competitiveness and investment scope of European industry.
- ▶ At the same time, the transition to zero-emission technologies risks creating new external supply dependencies for the EU. When it comes to technologies such as lithium batteries and PV modules, the EU is heavily reliant on China as the dominant supplier. Significant overcapacity and a wide range of subsidy practices in China make it difficult for European companies to enter these markets. Growing external dependence exposes the EU to an increased risk of economic coercive measures by third countries and weakens the EU's position in multilateral trade negotiations.
- ▶ With its proposal, the Commission aims to establish a framework that strengthens the competitiveness and resilience of European industry, with a focus on selected strategic sectors [Art. 1 (1)].
- ▶ Furthermore, the proposal is intended to contribute to the achievement of climate targets, to the economic security of the EU, and to the creation and safeguarding of high-quality jobs [Art. 1 (1)].
- ▶ A specific target has been set for 2035: the manufacturing sector's share of the EU's gross domestic product should be at least 20% [Art. 2].

2 Existing EU-Legislations

- ▶ The EU Emissions Trading Scheme (EU ETS I) [see cepAnalysis 5/2022] is a 'cap-and-trade' system that sets a cap on the maximum permissible GHG emissions from the sectors covered – the energy sector, energy-intensive industries, intra-European aviation and shipping – by limiting the number of EU ETS I allowances.
- ▶ The Renewable Energy Directive [(EU) 2023/2413] sets out targets and measures to increase the use of renewable energy sources.
 - It sets the target of increasing the share of renewable energy in final energy consumption across the EU to at least 42.5% and aims for a share of 45%.
 - It calls on Member States to endeavour to increase the share of renewable energy in the energy consumption of national industry by at least an average of 1.6 percentage points per year during the periods 2021–2025 and 2026–2030.
 - It obliges Member States to ensure compliance with maximum time limits for the duration of authorisation procedures for renewable energy projects. Separate, shorter maximum time limits apply to projects in designated acceleration areas.
- ▶ The Net-Zero Industry Regulation [(EU) 2024/1735; see cepInput 14/2024] contains provisions for the specific support of projects involving the production of zero-emission technologies, i.e. technologies that are of great importance for achieving the goal of climate neutrality.
 - It sets out a list of relevant zero-emission technologies and states the target that the EU's internal manufacturing capacity for these technologies should cover at least 40% of EU-wide demand by 2030.
 - It sets maximum time limits for the duration of national approval procedures for such projects.
 - It defines the selection criteria and priority status of strategic projects. Separate, even shorter approval deadlines apply to strategic projects.
 - It defines sustainability and resilience criteria for public procurement procedures and support programs relating to zero-emission technologies.
 - It calls on Member States to establish regional clusters for the manufacture of zero-emission technologies ('Net-Zero Acceleration Valleys') in a coordinated manner.
 - The Critical Raw Materials Regulation [(EU) 2024/125; see cepAnalysis 8/2023] promotes alternative sourcing channels for critical raw materials, including in relation to net-zero technologies.
 - It defines a list of strategic raw materials and sets targets for the EU's internal extraction, processing and recycling capacities for these materials by 2030, expressed as a percentage of internal EU consumption.
 - It defines selection criteria and priority status for strategic raw material projects. Maximum time limits apply to the duration of national approval procedures for these projects. Furthermore, in the event of funding bottlenecks, these projects may receive specific advice on alternative financing options.

- ▶ The Regulation on the screening of foreign direct investments into the EU [(EU) 2019/452; see cepInput 3/2025] sets out requirements for the coordination of national screening processes.
 - Member States must report on screening processes carried out and, upon request, provide further information (e.g. identity of the investor, sector, investment value).
 - On the basis of the information provided, the Commission and other Member States have the right to submit comments, which the screening Member State must take into account when making its authorization decision.

3 Accelerated Permit Granting for Manufacturing Projects

- ▶ Each Member State shall establish a procedure for the approval of industrial production projects which, on the basis of a single application [Art. 5 (1)].
- ▶ Each Member State shall designate a competent authority to coordinate this procedure, which shall ensure that a comprehensive decision on the application is taken within the prescribed time limit [Art. 5(2)].
 - The competent authority shall, no later than 45 days after receiving the application, either confirm that the application is complete or request any missing information required to process the application.
 - If, after the submission of missing information, the application is still deemed incomplete, the competent authority may, within 30 days of the submission of the requested missing information, request all remaining missing information a second time [Art. 5 (3)].
- ▶ Each Member State shall establish a single point of contact for the submission of applications [Article 4 (1)].
- ▶ The single point of contact shall
 - forward applications to the competent authority,
 - inform applicants of the status of the permit procedure and the decisions of the competent authority, and
 - enable applicants to check that the applicable deadlines are being met [Art. 4(2)].
- ▶ The single point of contact shall use the European Business Wallet to carry out its tasks; the introduction of the European Business Wallet is the subject of a further regulation proposed by the Commission [COM/2025/838 final] [Art. 4 (2)].
- ▶ Through the use of the European Business Wallets, the single point of contact shall ensure
 - interoperability and automated data exchange between the relevant authorities,
 - the reuse of data and documents already held by public authorities,
 - a high level of cybersecurity and information integrity as well as
 - transparency and traceability of permit procedures [Art. 4 (2)].
- ▶ The requirements set out in Chapter 2, Section 2 of the Net-Zero Industry Act [(EU) 2024/1735] for simplifying and accelerating permit procedures shall apply to all projects relating to the decarbonization of energy-intensive industries [Art. 6 (1)].
- ▶ The special provisions for strategic projects set out in Art. 14 of the proposal on the acceleration of environmental impact assessments [COM(2025) 984 final] shall apply to all projects relating to the decarbonization of energy-intensive industries. The special provisions are:
 - Projects are classified as projects of overriding interest.
 - If, at any stage of the project approval process, the competent authority fails to respond within the set deadline, that stage shall be deemed to have been approved, unless the project in question is subject to an environmental impact assessment under Directives 2000/60/EC, 2009/147/EC, 2011/92/EU or Directive 92/43/EEC, or the principle of tacit administrative approval is not provided for in the national legal system of the Member State concerned.
 - The handling of all legal disputes relating to permit granting shall be given the highest priority level provided for under national law [Art. 6 (2)].
- ▶ The following economic sectors, as defined by the official classification (NACE), are to be included among energy-intensive industries:
 - Manufacture of paper and paper products (NACE-Code: C17),
 - Manufacture of coke and refined petroleum products (C19),
 - Manufacture of chemicals and chemical products (C20),
 - Manufacture of rubber and plastic products (C22),
 - Manufacture of non-metallic minerals (C23),
 - Manufacture of basic metals (C24) [Annex I].

4 Low-Carbon and EU-Origin Criteria in Public Procurement

- ▶ For the treatment of products from energy-intensive industries in public procurement procedures launched on or after 1 January 2029 and falling within the scope of Directives 2014/23/EU, 2014/24/EU or 2014/25/EU, the following product-specific requirements shall apply:
 - For steel and steel-based products intended for use in buildings, infrastructure and motor vehicles for civil purposes, at least 25% of the volume of steel used shall come from low-carbon production.
 - For concrete, mortar and concrete- or mortar-based products intended for use in buildings and infrastructure for civil purposes, at least 5% of the volume of concrete and mortar used shall come from low-carbon production and originate in the Union.
 - For aluminum and aluminum-based products intended for use in buildings, infrastructure and motor vehicles for civil purposes, at least 25% of the volume of aluminum used shall come from low-carbon production and originate in the Union [Annex II, Part I].
- ▶ For all-electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles, with the exception of vehicles in category M1E, which were purchased, leased or acquired under public procurement procedures launched within six months of the entry into force of the Regulation the entry into force of the Regulation, within the scope of Directive 2014/24/EU or Directive 2014/25/EU, the following requirements shall apply:
 - The vehicle is assembled in the EU.
 - The ratio between the total ex-works price of vehicle components originating in the EU and the total ex-works price of all components is at least 70%, excluding the vehicle battery.
 - The vehicle's traction battery contains at least three key battery-specific components, including the battery cells, originating in the EU.
 - From three years after entry into force: The vehicle's traction battery must contain at least five essential battery-specific components, including the battery cells, the cathode active material and the battery management system, which are of EU origin.
 - From three years after entry into force: The ratio between the total ex-works price of the EU-origin components of the electric powertrain and the total ex-works price of all components of the electric powertrain shall be at least 50%.
 - From three years after entry into force: The ratio of the total ex-works price of the main electronic systems originating in the EU to the total ex-works price of all main electronic systems shall be at least 50% [Annex III, Part I].
- ▶ The following requirements are to be set for the treatment of M1E category electric vehicles that have been purchased, leased or hired (with or without a purchase option) under public procurement procedures launched no earlier than six months after the entry into force of the Regulation, within the scope of Directive 2014/24/EU or Directive 2014/25/EU:
 - The vehicle is assembled in the EU.
 - The ratio between the total ex-works price of vehicle components originating in the EU and the total ex-works price of all components is at least 70%, excluding the vehicle battery, or the vehicle's traction battery contains at least three essential specific battery components, including the battery cells, originating in the EU [Annex III, Part I].
- ▶ The following product-specific requirements shall be established for the treatment of zero-emission technologies in public procurement procedures falling within the scope of Directive 2014/23/EU, Directive 2014/23/EU or Directive 2014/25/EU:
 - One year after entry into force: For battery storage systems, the battery energy storage system must originate in the EU and, for projects with a capacity of more than 1 MW, must include a battery management system originating in the EU.
 - One year after entry into force: For onshore/offshore wind power technologies, a specific main component must originate in the EU.
 - Three years after entry into force: For battery storage systems, the battery energy storage system must originate in the EU and must include battery cells, a battery management system and an additional key component originating in the EU.
 - From three years after entry into force: For onshore/offshore wind power technologies, two specific main components must originate in the EU.
 - From three years after entry into force: For PV solar technologies, the PV inverter and the PV cells or equivalent components must originate in the EU.
 - Three years after entry into force: Hydronic heat pumps must originate in the EU.
 - Four years after entry into force: Where construction contracts or concessions involve the construction of a new nuclear power plant, including small modular reactors (SMRs), at least two essential specific components must originate in the EU.

- From six years after entry into force: Where construction contracts or concessions cover the construction of a new nuclear power plant, including small modular reactors (SMRs), at least three essential specific components must originate in the EU [Art. 34].
- ▶ Goods from third countries with which the EU has concluded an agreement establishing a free trade area or a customs union, or which are parties to the Agreement on Government Procurement, shall be regarded as goods originating in the EU for the purposes of the rules of origin in public procurement [Article 8 (1)].
- ▶ Contracting authorities shall be permitted to decide not to apply low-carbon and origin requirements in public procurement provided that one of the following conditions is met:
 - The required products or services can only be supplied by a specific economic operator, and the lack of competition is not the result of an artificial restriction imposed by the criteria of the public procurement procedure.
 - No suitable tenders or applications to participate have been submitted, including in the context of a similar previous public procurement procedure conducted by the same contracting authority or contracting entity within the two years prior to the start of the planned new procurement procedure.
 - The application of the requirements would oblige a contracting authority or contracting entity to acquire goods, services or works at disproportionate cost, or would lead to technical incompatibility in their operation and maintenance. Estimated cost differences of more than 25%, based on objective and transparent data, may be considered disproportionate by contracting authorities and contracting entities [Art. 11(2)].

5 Low-Carbon and EU-Origin Criteria in Public Support Programs

- ▶ For schemes established or updated on or after 1 January 2029 that benefit households or companies and that primarily aim to support the construction or renovation of buildings for residential and commercial purposes and infrastructure and the lease and purchase of motor vehicles for civil purposes, Member States, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law, shall ensure that only beneficiaries that comply with the following minimum requirements, are eligible:
 - For steel and steel-based products intended for use in buildings, infrastructure and motor vehicles for civil purposes, at least 25% of the volume of steel used shall come from low-carbon production.
 - For concrete, mortar and concrete- or mortar-based products intended for use in buildings and infrastructure for civil purposes, at least 5% of the volume of concrete and mortar used shall come from low-carbon production and originate in the Union.
 - For aluminum and aluminum-based products intended for use in buildings, infrastructure and motor vehicles for civil purposes, at least 25% of the volume of aluminum used shall come from low-carbon production and originate in the Union [Annex II, Part II].
- ▶ For incentive schemes relating to the purchase, leasing or hire of fully electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles – with the exception of vehicles in category M1E – which were launched or updated no earlier than six months after the entry into force of the Regulation, the following requirements shall apply:
 - The vehicle is assembled in the EU.
 - The ratio between the total ex-works price of vehicle components originating in the EU and the total ex-works price of all components is at least 70%, excluding the vehicle battery.
 - The vehicle’s traction battery contains at least three key battery-specific components, including the battery cells, originating in the EU.
 - From three years after entry into force: The vehicle’s traction battery must contain at least five essential battery-specific components, including the battery cells, the cathode active material and the battery management system, which are of EU origin.
 - From three years after entry into force: The ratio between the total ex-works price of the EU-origin components of the electric powertrain and the total ex-works price of all components of the electric powertrain shall be at least 50%.
 - From three years after entry into force: The ratio of the total ex-works price of the main electronic systems originating in the EU to the total ex-works price of all main electronic systems shall be at least 50% [Annex III, Part II].
- ▶ For incentive schemes relating to the purchase, leasing or hire of M1E category electric vehicles that are launched or updated no earlier than six months after the Regulation comes into force, the following requirements shall be set:
 - The vehicle is assembled in the EU.

- The ratio between the total ex-works price of vehicle components originating in the EU and the total ex-works price of all components is at least 70%, excluding the vehicle battery, or the vehicle's traction battery contains at least three essential specific battery components, including the battery cells, originating in the EU [Annex III, Part II].
- ▶ For support schemes to promote demand for zero-emission technologies, Member States, regional or local authorities and public-law bodies shall ensure that beneficiaries are only eligible for the scheme if the requirements set out below are met:
 - One year after entry into force: For battery storage systems, the battery energy storage system must originate in the EU and, for projects with a capacity of more than 1 MW, must include a battery management system originating in the EU.
 - One year after entry into force: For onshore/offshore wind power technologies, a specific main component must originate in the EU.
 - Three years after entry into force: For battery storage systems, the battery energy storage system must originate in the EU and must include battery cells, a battery management system and an additional key component originating in the EU.
 - From three years after entry into force: For onshore/offshore wind power technologies, two specific main components must originate in the EU.
 - From three years after entry into force: For PV solar technologies, the PV inverter and the PV cells or equivalent components must originate in the EU.
 - Three years after entry into force: Hydronic heat pumps must originate in the EU.
 - Four years after entry into force: Where construction contracts or concessions involve the construction of a new nuclear power plant, including small modular reactors (SMRs), at least two essential specific components must originate in the EU.
 - From six years after entry into force: Where construction contracts or concessions cover the construction of a new nuclear power plant, including small modular reactors (SMRs), at least three essential specific components must originate in the EU [Art. 34].
- ▶ Goods from third countries with which the EU has concluded an agreement establishing a free trade area or a customs union are regarded as goods originating in the EU for the purposes of the rules of origin applicable to support schemes [Article 9 (1)].
- ▶ The competent authority shall be permitted to decide not to apply the sustainability and origin requirements for support schemes, provided that one of the following conditions is met:
 - The application of the requirements would lead to significant delays due to the unavailability of the relevant components or end products. Delays of more than seven months, based on objective, transparent and verifiable data, may be regarded as significant.
 - The application of the requirements would entail disproportionate costs. Disproportionate costs shall be presumed to exist where, on the basis of objective, transparent and verifiable data, compliance with the requirements would increase the cost of the underlying end product or technology by more than 30% [Art. 12 (3)].
- ▶ Member States shall ensure that the sustainability and origin requirements apply to support schemes covering at least 45% of the total national funds earmarked for the support purposes set out in Part II of Annex II, and to support schemes covering 100% of the total national funds earmarked for the support purposes set out in Part II of Annex III [Art. 12 (1)].

6 Criteria for the Approval of Foreign Direct Investments

- ▶ The proposal sets out requirements for the authorization of foreign direct investment in the EU in the following so-called 'emerging strategic' sectors:
 - battery technologies and the value chain of battery storage technologies,
 - fully electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles, including components related to electrification and digitalisation,
 - solar PV technologies, and
 - the mining, processing and recycling of critical raw materials [Art. 17 (2)].
- ▶ The guidelines are to be applied where
 - the value of the direct investment exceeds 100 million euros and
 - more than 40% of the global production capacity of the relevant sector is concentrated in the third country from which the investing company originates or of which the investor is a national [Art. 17 (1)].
- ▶ The following are to be excluded from the scope of the provisions:

- Investors and investments covered by economic and free trade agreements that have been brought into force or are being provisionally applied by the EU, provided that corresponding commitments have been made under those agreements,
- investments aimed at the provision of services, and
- portfolio investments [Art. 17 (3)].
- ▶ Member States shall only authorize direct investments falling within the scope of this Regulation if at least four of the following six conditions are met, provided that the fifth condition (50% of the workforce being EU nationals) must be met in all cases:
 - The foreign investor does not acquire, hold or exercise any interests representing more than 49% of the share capital, voting rights or equivalent interests in a target company in the EU, or equivalent ownership, lease or other rights conferring control over an asset in the EU.
 - The foreign investor makes the direct investment within the framework of a joint venture with one or more EU companies, whereby the foreign investor holds no more than 49% of the share capital, voting rights or equivalent interests, or other rights that confer control over any of the EU companies participating in the joint venture. Such joint ventures must be structured in such a way as to ensure effective participation by the EU partners in corporate governance, technology transfer and capacity building.
 - The foreign investor has entered into agreements providing for the licensing of its intellectual property rights and know-how to the target company in the Union or to the asset in the Union. All intellectual property rights or assets developed by the target company prior to the foreign investment or without the involvement of the foreign investor are wholly and exclusively owned by the target company. All intellectual property rights or assets developed within the framework of joint ventures are jointly owned by the foreign investor and the target company.
 - The foreign investor shall allocate an annual amount equivalent to at least 1% of the target company's gross annual turnover to research and development expenditure in the EU, with this amount calculated in proportion to the foreign investor's share of control.
 - At least 50% of the workforce employed as part of the direct investment must consist of EU nationals at the time of implementation and on an ongoing basis throughout the entire period of operation. This employment must be accompanied by appropriate training measures. If a target company is acquired that was already engaged in production activities prior to the investment, priority must be given to retaining the existing workforce or re-employing former staff in accordance with national law and the application of collective agreements. In the event that the foreign investor or the target company receives public funds, they undertake not to reduce the number of employees in the EU for a period of five years; otherwise, the funds granted must be reclaimed by the competent national authorities.
 - In connection with the foreign direct investment, the foreign investor shall draw up a strategy to strengthen the Union's value chains and to give priority to sourcing inputs for production activities from within the Union, publish this on its website and endeavor to source at least 30% of the inputs used for products placed on the Union market from within the Union [Art. 18 (2)].
- ▶ The foreign investor must notify the competent authorizing authority of the Member State in which the target company is situated of any planned direct investment falling within the scope of the authorization requirements that would result in the acquisition of control over the target company [Art. 19 (1)].
- ▶ Control over the target company is deemed to exist where the investment in question reaches one of the following thresholds:
 - 30% or more of the share capital or voting rights in a target company within the Union, or
 - 30% or more of an asset within the EU, as well as lease or other rights conferring control over an asset within the EU [Art. 19 (3)].
- ▶ The national authority shall decide on the admissibility of the notification within 30 days of its receipt. This period may be extended by a further 15 days if the investment authority provides sufficient evidence that the circumstances justify such an extension. If the investment authority decides that a notification is admissible, it shall forward the complete notification, including all documents received, to the Commission without delay [Art. 20 (1)].
- ▶ Within 30 days of receiving the notification, the Commission shall be entitled to issue a written opinion on whether the foreign direct investment falls within the scope of the authorisation requirements, whether it meets the conditions for authorisation, and whether the national authority should or should not authorise the investment. If the Commission issues a written opinion, it shall forward it without delay to the national authority [Art. 20 (2)].
- ▶ Once the Commission has issued its opinion or the deadline for doing so has expired, the national authority shall issue a reasoned decision approving or rejecting the foreign direct investment [Art. 20 (3)].

- ▶ If the national authority takes a decision that deviates from the Commission’s opinion regarding compliance with the authorisation requirements, the national authority shall examine the application in greater detail within an additional period of two months [Article 20 (4)].
- ▶ The Commission shall be able to investigate the foreign direct investment itself in the following circumstances:
 - on its own initiative, where the foreign direct investment has the potential to significantly affect value creation in the internal market;
 - at the request of the competent national authority or an authority of another Member State in whose territory the foreign direct investment in question would have a significant impact; or
 - on its own initiative, where the value of the foreign direct investment exceeds €1 billion [Art. 21 (1)].
- ▶ The national authority shall regularly monitor foreign direct investment to ensure that it continues to comply with the licensing requirements. To this end, the foreign investor shall report regularly to the national licensing authority on compliance with these conditions [Art. 22 (1)].
- ▶ The Commission is to be empowered to adopt delegated acts extending the list of emerging strategic sectors to which the authorization requirements apply [Article 24 (1)].

7 Promotion of Industrial Acceleration Areas

- ▶ Member States shall, within 12 months of the entry into force of this Regulation, establish at least one regional cluster (‘industrial acceleration area’) within their territory for industrial manufacturing in one or more of the following strategic sectors:
 - Manufacture of paper and paper products (NACE-Code: C17),
 - Manufacture of coke and refined petroleum products (C19),
 - Manufacture of chemicals and chemical products (C20),
 - Manufacture of rubber and plastic products (C22),
 - Manufacture of non-metallic minerals (C23),
 - Manufacture of basic metals (C24),
 - Manufacture of motor vehicles, trailers, and semi-trailers (C29) and
 - Zero-emission technologies according to Art. 4 (1) of Regulation (EU) 2024/1735 [Art.°25°(1); Annex I].
- ▶ The decision to establish such industrial acceleration areas should be based on the following criteria:
 - The impact of an industrial acceleration area on the EU’s security of supply in strategic sectors;
 - the potential of an industrial acceleration area to support the development of production capacities in strategic sectors, strengthen the Union’s value chains and innovation potential, promote sustainable industrial manufacturing activities, including decarbonization and the circular economy, and foster the functioning of the internal market;
 - the number of small and medium-sized enterprises that would benefit from the establishment of an industrial acceleration area; and
 - the level of development of the regions of the Member State, including the least developed areas, regions in transition and regions undergoing industrial change [Art. 25 (2)].
- ▶ When establishing an industrial acceleration area, Member States shall
 - clearly define the geographical boundaries,
 - give priority to sites where the implementation of industrial manufacturing projects is not expected to have significant environmental impacts
 - prioritize sites located outside Natura 2000 sites, outside areas designated under national programs for the protection of nature and biodiversity, as well as outside other areas identified on the basis of sensitivity maps and outside protected areas within the meaning of Article 6 of Directive 2000/60/EC,
 - take into account potential climate risks, and
 - prioritize artificial and built-up areas, industrial sites, brownfield sites and strategic projects already established under other Union legislation [Art. 25 (3)].
- ▶ When establishing such areas, Member States shall also take into account
 - the infrastructure needs of an industrial acceleration area,
 - the financing requirements of the manufacturing industry located in the assisted area and the possibility of supporting this industry, where appropriate, in accordance with the applicable State aid rules,
 - the requirements of local supply chains and the essential materials required for manufacturing, in particular secondary raw materials,
 - the possibility of connecting the industrial acceleration area to an adequate supply of low-carbon energy to promote industrial production,
 - skills requirements, the shortage of skilled workers and employment trends, as well as support measures to ensure appropriate retraining and upskilling of the local workforce,

- any site remediation required to enable the launch of new industrial activities,
- research and innovation needs to accelerate industrial manufacturing activity in the industrial acceleration area, and
- relevant site-specific information made publicly available by the business community [Art. 25 (4)].
- ▶ Member States should, where necessary, take the following measures to promote the development of industrial acceleration areas:
 - Facilitating the financing of projects in industrial acceleration areas by ensuring coordination between public authorities and streamlining internal procedures;
 - promoting investment in research and development to strengthen the EU’s innovation potential, competitiveness and technological leadership in strategic sectors;
 - conducting and regularly reviewing (at least every three years) a comprehensive analysis of the energy requirements of each priority area, and determining the necessary energy infrastructure capacity required for the proper functioning and development of industrial manufacturing projects in the respective priority area;
 - ensuring that the network development plans drawn up by transmission and distribution system operators take account of the analyzed energy needs;
 - exchanging information on relevant supply chains, identifying potential bottlenecks and coordinating between industrial acceleration areas on matters relating to critical raw materials within the framework of the European Committee on Critical Raw Materials pursuant to Article 35 of Regulation (EU) 2024/1252;
 - facilitating the participation of organizations in industrial acceleration areas in the joint raw materials procurement mechanism under Article 25 of Regulation (EU) 2024/1252;
 - promoting the development and availability of a highly skilled workforce and the provision of suitable training and apprenticeship opportunities;
 - the exchange of information on the skills required, any potential shortages of these skills and best-practice solutions in the industrial acceleration areas within the framework of the Industry Forum’s expert group; and
 - the exploitation of synergies with the ‘Pact for Skills’, in particular the large-scale and regional skills partnerships contained therein [Art. 26].
- ▶ Member States shall prepare and issue a single permit for each designated industrial acceleration area, authorizing industrial activities within that zone. This general authorization shall cover the permits and regulatory approvals required for industrial manufacturing projects located within the eligible area, with the exception of those permits that are linked to specific installations [Art. 27 (1)].
- ▶ For industrial manufacturing projects located within an industrial acceleration area, only those additional permits or approvals that are not covered by the blanket permit shall be required [Art. 27 (3)].

8 Current Status of Legislation

04.03.2026 Adoption by the Commission

Open Opinion of the European Economic and Social Committee

Open Adoption by the European Parliament and the Council, publication in the Official Journal, entry into force

9 Options to Exert Influence

Directorate General: Internal Market, Industry, Entrepreneurship and SMEs

Committee of the European Parliament: Industry, Research and Energy, Rapporteur: Christoph Grudler (renew europe, FR)

Council decision rule: Qualified majority (approval by 55% of Member States representing 65% of the EU population)

10 Formalities

Basic norm: Art. 114 TFEU

Legislative competence: Shared competence (Art. 4 Par. 2 TFEU)

Procedure: Art. 294 TFEU (regular procedure)

B. Assessment

1 Economic Impact Assessment

1.1 Industrial Development Goal

The regulatory goal proposed by the Commission—ensuring that manufacturing accounts for at least 20% of the EU’s gross domestic product by 2035—is not directly linked to the climate crisis or the EU’s overarching emissions targets. It is undoubtedly true that the successful decarbonization of industry is a key factor in the economic success and political acceptance of the Green Deal. However, this does not imply a preference for a high share of industry in the overall economy. Technological progress will continue to be the driving force behind structural change, shifting the distribution of value added across sectors. Against this backdrop, an optimal sectoral mix for the economy as a whole cannot be predicted. The industry’s share of value added also has only limited significance for progress in decarbonization and thus for the long-term success of the transformation. When formulating targets, it would be better to follow the example of the Net-Zero Industry Regulation [(EU) 2024/1735]. It sets targets for building domestic manufacturing capacity for zero-emission technologies, expressed as minimum shares of future European demand for these technologies.¹ This framework of objectives could be supplemented in the IAA by analogous targets for Union production capacities of low-emission base materials. In line with the origin criteria contained in the proposal, production facilities in partner countries should also be included in the calculation of Union capacity.

1.2 Measures to Accelerate Permit Granting

Lengthy government approval processes pose a serious obstacle to investments in European manufacturing capacity. Ex ante, they increase uncertainty regarding the start of production, tie up capital, and generate non-revenue-generating work throughout the approval period. As a result, the financing costs of the investments rise.² The operational planning process is also affected by these impacts. This can limit companies’ flexibility in recruiting staff and entering into contracts for the procurement of materials. In the case of innovative manufacturing projects, there is also a risk that first-mover advantages—which are crucial for market success—will be lost due to delays in obtaining approvals. A large-scale business survey by Business Europe has shown that such obstacles are real. 83% of all respondents viewed the length and complexity of approval procedures as a barrier to investment in Europe, and 53% of all respondents even viewed it as a serious barrier. Environmental impact assessments often pose a significant restriction, as conflicting stakeholder interests can come into play here. 63% of all respondents identified the length of environmental impact assessments as a common cause of delays.³

The measures included in the proposal to accelerate permitting procedures for decarbonization projects in energy-intensive industries fill a significant gap. They complement very similar EU measures aimed at accelerating projects in the areas of renewable energy production (EU 2023/2413), the extraction and processing of critical raw materials (EU 2024/1252), and the manufacturing of zero-emission technologies (EU 2024/1735). In all cases, the Commission relies on a combination of reducing communication costs by establishing central contact points, minimizing the risk of unexpected delays by granting the highest legal priority status, and applying regulatory pressure on national authorities by setting ambitious deadlines. This also generally aligns with the needs of many companies. For example, in the Business Europe survey, a clear majority of respondents viewed the setting of binding time limits, the streamlining of administrative procedures, and the granting of “overriding public interest” status as effective means of accelerating project approval.⁴

The proposal builds directly on the Net-Zero Industry Act by extending the provisions adopted therein for zero-emission technologies—specifically those regarding the prioritization of permitting procedures—to all projects aimed at decarbonizing energy-intensive industries. This would mean a maximum permitting period of 18 months for decarbonization projects. However, Member States would have a one-time opportunity to extend the deadline by three months if this is necessary due to the nature, complexity, location, or size of the project. Moreover, steps in the environmental impact assessment would not be included in the calculation of the procedure’s duration. To reduce uncertainties regarding this part of the procedure as well, the IAA proposal references the proposal on accelerating environmental impact assessments (COM(2025) 984 final). Under its provisions, individual

¹ Regulation 2024/1735 of June 14th 2024, Art. 5.

² IOGP (2024). Addressing permitting in the EU: Challenges & opportunities. Workshop Report.

³ Business Europe (2024). License to transform – SWOT Analysis of industrial permitting in Europe. Final Report.

⁴ See Business Europe (2024).

steps of environmental impact assessments would, under certain circumstances, be deemed tacitly approved if statutory deadlines are exceeded.⁵

The proposed establishment of central, adequately resourced one-stop shops for businesses is a positive step. This would reduce the transaction costs of the approval process for applicant companies. It also makes sense for support to cover not only the application process, but also subsequent dispute resolution procedures. This would reduce the additional time risks associated with project implementation. The time limits set for approval procedures are generally sensible and realistic. In the aforementioned Business Europe survey, approximately 60% of respondents reported that procedures regularly take between one and six years. However, the practical effect of the 18-month deadline is undermined by the fact that exceeding it does not result in automatic approval. Such automatic approval would only apply with regard to individual steps of the environmental impact assessment. Furthermore, the proposal does not provide for any sanctions if authorities exceed set deadlines without justification. In this regard, there is room for improvement. To improve oversight, the possibility of imposing fines on Member States for procedural delays without sufficient justification should be considered.

The proposed restriction of acceleration measures to energy-intensive industrial sectors is based on their particular significance for the overall reduction of greenhouse gas emissions. While this is true given the current emissions contribution of these industries, decarbonization often requires the restructuring of entire supply chains, as the demand for inputs can change significantly due to technological shifts. Administrative preferential treatment of projects at individual stages of the value chain could lead to bottlenecks in the approval of manufacturing capacities in upstream and downstream stages. In the worst-case scenario, this would delay rather than accelerate the development of green supply chains. To ensure that permit granting reforms lead to genuine pressure for more efficiency rather than merely a reallocation of administrative resources, a sector-neutral approach should be adopted. The approval requirements should apply to decarbonization projects across all industrial sectors, including projects for the production of intermediate goods that are essential for the deployment of zero-emission technologies.

1.3 Low-Carbon Criteria for Public Procurement and Public Support Programs

The motivation for new demand-side measures to promote investment in climate-friendly technologies is driven by two factors. The first is increasing regulatory pressure. The sharper reduction in the annual allocation of emission allowances in the coming years, resulting from ambitious climate targets, is likely to lead to significant price increases in the EU Emissions Trading System (EU ETS).⁶ At the same time, following the introduction of the Carbon Border Adjustment Mechanism (CBAM), the current practice of allocating free allowances to producers of products covered by the CBAM is set to be gradually phased out. As a result, these sectors will face increasing cost pressures, particularly in export markets. At the same time, the scope for investment in low-emission technologies is being constrained by structural cost burdens. These include, in particular, high electricity prices in some large member states such as Germany and Italy, which undermine the profitability of climate-friendly technologies.⁷

The second factor is the prevailing market uncertainty. The transition to climate-friendly production technologies requires long-term investments that tie up capital for 15 years or more. Key factors determining profitability include the long-term trend in CO₂ prices, the cost of renewable energy, and the demand for climate-friendly products. The more uncertain the forecast for these parameters, the higher the capital costs of the investments. However, the current climate policy framework does not account for this uncertainty. The future development of CO₂ prices in emissions trading will continue to be influenced by uncertain factors such as technological progress, general economic developments, and, above all, regulatory adjustments to market framework conditions. While emissions trading can force emissions reductions by lowering the cap on issued allowances, it cannot ensure the profitability of green business models. Forms of investment support on the supply side, such as government guarantees or Carbon Contracts for Difference (CCfDs), which serve to hedge the CO₂ price, can mitigate some of the cost uncertainty. However, on their own, they do not guarantee sales prospects.

The minimum quotas for the use of low-emission products defined in the proposal can help establish lead markets for low-emission technologies. One of the positive features of green lead markets is that they create clear sales prospects for manufacturers of such products. First, this improves access to the capital market for investments in green production technologies. Reducing sales uncertainty facilitates financing and helps lower capital

⁵ Proposal COM(2025) 984 of December 10th 2025, Appendix I-III.

⁶ Pahle, M., Sitarz, J., Osorio, S., Görlach, B. (2022). The EU-ETS price through 2030 and beyond: A closer look at drivers, models and assumptions. Results from Ariadne-Workshop.

⁷ Wolf, A. (2025). The EU Action Plan for Affordable Energy. [cepAdhoc Nr.3/2025](#).

costs. Second, there is potential for faster scaling of production. This offers the prospect of faster cost reductions, particularly for emerging green technologies with significant economies of scale.⁸

When combined with existing supply-side support measures, such as Carbon-Contracts-for-Difference, the complementary nature of these instruments creates additional policy levers. This is particularly true for the financing of industrial decarbonization. By combining targeted funding with regulatory support for lead markets, greater flexibility is enabled in the choice of financing sources, and a potentially more equitable distribution of initial costs is achieved.⁹

Well-designed European green lead markets can also enhance the global appeal of the EU's climate policy strategy. The creation of separate market segments can protect EU producers, at least in part, from the effects of short-term disruptions in supply and demand on global markets, particularly from an unexpected surge in imports from third countries with high emissions. Lead markets can also mitigate the problem of carbon leakage to third countries. As the market grows, it also provides a growing incentive for decarbonization in third countries. Unlike the implemented form of the CBAM, the protective effect also extends to import-related competition in downstream industries. Growing European green lead markets can also be an important asset for the EU's efforts to establish international climate clubs. This is because cooperation with the EU becomes more attractive from the perspective of partner countries if they have the prospect of participating in European green growth markets.¹⁰

The quota requirements in the proposal generally take the right approach. This applies, first, to the selection of products covered. Limiting the scope to the base materials steel, aluminum, concrete, and mortar covers industrial technologies with high direct and/or indirect greenhouse gas emissions and, at the same time, high emission mitigation costs.¹¹ To achieve cost-effective decarbonization, these industries are particularly reliant on demand drivers from green lead markets to reduce the costs of low-emission technologies through economies of scale and to offset CO₂ price risks. Steel and aluminum, in particular, serve as key base materials for a wide range of downstream industries and thus act as an anchor for the decarbonization of entire industrial value chains.

Limiting demand stimuli to publicly directed demand—specifically public procurement and government subsidy programs—also mitigates the cost risks arising from the downstream industry's compliance with quota requirements. Additional costs arising from the use of low-emission base materials can be effectively passed on to the public sector through the binding participation criteria. The restriction of application areas to buildings, infrastructure, and motor vehicles is also reasonable. In terms of volume, these sectors are the most significant consumers of the covered base materials and thus generate strong demand impulses. At the same time, the cost share of these base materials is low, particularly in vehicle manufacturing, which limits the cost risks for the public sector.¹² Another key measure for mitigating cost risks is the option to waive the quota requirements in cases where significant cost variances are anticipated.

However, there is still room for improvement when it comes to transparency. The definition of low-emission production methods is to be established only through subsequent delegated acts. The previously announced introduction of a transparent certification system for the production of green steel was not included in the proposal. Greater transparency is also needed when setting the minimum quotas. Product-specific quotas should ideally be derived from a sound methodological framework based on the availability and additional costs of green technologies. Such a framework could also provide the fundament for a gradual increase in minimum quotas in the future, contingent upon capacity growth. This would enhance the effectiveness of green lead markets.

1.4 EU-Origin Criteria for Public Procurement and Public Support Programs

The Commission's proposal features a close link between sustainability and origin criteria. However, a clear distinction is necessary in the economic assessment. The introduction of binding origin criteria for public procurement and participation in government subsidy programs represents a clear departure from the EU's traditional focus on trade openness. This entails serious trade risks. A specific justification is therefore required.

⁸ Wolf, A. (2024). The road towards a new Clean Industrial Deal. [ceplinput Nr.17/2024](#).

⁹ Wolf, A. (2025). The uncertain costs of decarbonization policies: a risk analysis for the European steel industry. *Journal of Industrial and Business Economics*, 52(4), 913-934.

¹⁰ Wolf, A. (2026). EU Industrial Accelerator Act – Ein Sprungbrett für Klimaclubs. *Makronom*, 05.03.2026.

¹¹ Hoogwijk, M., du Can, S. D. L. R., Novikova, A., Urge-Vorsatz, D., Blomen, E., & Blok, K. (2010). Assessment of bottom-up sectoral and regional mitigation potentials. *Energy Policy*, 38(6), 3044-3057.

¹² Agora Industry (2024). Creating markets for climate-friendly basic materials. Potentials and policy options.

Local content requirements are a widely used industrial policy tool that is also being increasingly employed by major industrial competitors such as China¹³ and the United States¹⁴. The literature essentially cites three economic arguments for the introduction of binding local content criteria. The first, traditional argument relates to their expected contribution to the development of young, domestic industrial sectors with high technological development potential and significant economies of scale. Local content criteria serve to guarantee a protected demand base, which accelerates the growth of a domestic sector. This is particularly the case when the sector faces international competition that is more cost-competitive due to advanced economies of scale (infant industry argument).¹⁵ Such protected growth could yield positive macroeconomic welfare effects. These include, for example, general productivity gains that could be driven by new specialization opportunities and/or cross-sectoral knowledge spillovers.

The second argument relates to the issue of fair competition. If competitors from third countries enjoy cost advantages that are not based on resources or technology, but rather result from distorting subsidy practices or other government interventions, local content requirements can serve as a compensatory measure and, ideally, reduce an artificial imbalance in competition. The result would be an overall more efficient allocation of resources. The third argument is of a geopolitical nature. The protected development of domestic production capacities can be a suitable approach to reducing the potential for political blackmail resulting from one-sided import dependencies.¹⁶ This can have a positive long-term effect on a country's room for maneuver in industrial and trade policy.

However, these arguments are countered by higher costs—at least temporarily—resulting from the shift to more expensive domestic production. Benefits must therefore be assessed on a product-specific basis. The proposal sets out origin requirements for two types of product groups: selected energy-intensive base materials and zero-emission technologies (including electric vehicles). In the case of zero-emission technologies, the arguments outlined above are largely valid. Zero-emission technologies are still predominantly in an early stage of technological maturity, with the prospect of significant cost reductions through future scaling, driven by technological learning and R&D investments. For instance, the International Energy Agency (IEA) forecasts that by 2030, the manufacturing costs of electrolyzers in Europe could fall by 30%.¹⁷ In its current position as the world's leading producer, China enjoys considerable cost advantages in many cases, which are at least partly attributable to faster scaling. These frontrunner advantages are particularly significant for key zero-emission technologies such as lithium-ion batteries and PV modules.¹⁸

The second argument—artificial distortion of competition—is also valid in light of China's opaque subsidy practices. Based on a detailed analysis, the Institute for the World Economy estimates that in 2019, the share of direct and indirect subsidies in China's gross domestic product was roughly three times higher than the corresponding figures in Western industrialized nations.¹⁹ Finally, the third argument—political vulnerability to blackmail—is also valid given Europe's current heavy dependence on imports from China, particularly for batteries and PV modules. For example, in 2024, nearly 98% of all PV modules installed in Europe were sourced from China.²⁰ In the recent past, China has repeatedly demonstrated that it is prepared to use its power over international supply chains—particularly in the raw materials sector—to advance its own trade policy objectives.²¹

The Commission proposes a cautious approach to origin requirements for zero-emission technologies. The scope of application shall be limited to a group of key technologies. This is understandable given the strategic importance of these technologies and Europe's high dependence on imports. The proposal to extend compatibility with origin criteria to production in third countries that have concluded free trade agreements with the EU and grant national treatment to European products creates new incentives for trade integration with the EU. Producers from such countries are not only protected from location-based discrimination but also gain preferential

¹³ Kauer, P. (2025). A new deal for the climate? Lessons from the Inflation Reduction Act (No. 248/2025). Working Paper.

¹⁴ ITA (2025). China commercial guide – Selling to the public sector. U.S. International Trade Administration.

¹⁵ Di Maio, M. (2009). Industrial policies in developing countries: history and perspectives. *Industrial policy and development: The political economy of capabilities accumulation*, 107-143.

¹⁶ Bosone, C., Dautović, E., Fidora, M., & Stamato, G. (2024). How geopolitics is changing trade. *ECB Economic Bulletin*, 2(2024), 49-54.

¹⁷ IEA (2025). *Global Hydrogen Review 2025*. International Energy Agency.

¹⁸ Fraunhofer ISI (2025). *Competitive market for battery materials: Market leaders, technologies and cost analysis*. Battery Update.

¹⁹ Bickenbach, F., Dohse, D., Langhammer, R. J., & Liu, W. H. (2024). Foul play? On the scale and scope of industrial subsidies in China (No. 173). *Kiel Policy Brief*

²⁰ Fraunhofer ISE (2025). *Photovoltaics report*. Fraunhofer Institute of Solar Energy Systems.

²¹ Sinolytics (2025). [China's gallium exports: Exports to U.S. completely dried up](#).

access to EU-internal lead markets compared to other third countries—particularly dominant competitors from China. The proposed approach resembles the long-discussed concept of climate clubs.

For energy-intensive base materials, origin criteria lack a solid justification. While EU import dependence in these segments has increased, it is much less concentrated on single supplier countries. For example, the calculation of the Herfindahl-Hirschman Index²²—a measure of the geographical concentration of imports—yields an index value of only 0.10 for EU aluminum imports in 2024. By comparison, the index value for PV modules is 0.96.²³ Furthermore, unlike many zero-emission technologies, base materials are in their initial forms relatively homogeneous and standardized products. Consequently, there are fewer constraints on the development of alternative supply chains.

Undoubtedly, foreign subsidies also have a distortive effect on base material markets. However, WTO law already provides a comprehensive set of unilateral measures to protect existing domestic manufacturing capacity. These include anti-subsidy duties, anti-dumping duties, and the safeguard clause against surging imports.²⁴ The number of measures enacted by the EU has recently risen to a record level of 199, including safeguard measures for European steel and aluminum production.²⁵ One advantage of such trade defense instruments over origin criteria is that they can address distorting cost differences more precisely by specifying the level of the top-up tariff. In this way, any additional cost burden on consumers can be effectively limited.

Furthermore, the unequal treatment of different base materials creates an imbalance. The Commission proposes origin criteria for aluminum and concrete, but not for steel. To justify this, it refers to the recent extension of the safeguard measure for steel imports, arguing that it renders additional protection for domestic steel production unnecessary. However, this implies that the same objective would be pursued in different sectors using very different measures. A more coherent approach would be to further strengthen the EU's general capacity to implement WTO-compliant trade defense procedures.

Procurement requirements in the field of base materials should only take the form of low-carbon criteria (see B.1.3). This would be a more targeted way of incentivizing a technological shift in emission-intensive processes. It directly creates demand for low-carbon base materials without discriminating against producers in third countries. This not only reduces the risk of new trade conflicts. The opportunity for third countries to participate in the growth potential of European green lead markets also offers, in the medium term, the chance to increase the global appeal of Europe's climate policy approach. In this regard, open green lead markets based on joint methodologies and green labelling schemes are likely to be more effective than any carbon border adjustment, as they operate independently of carbon price trends and generate less administrative complexity.

1.5 Requirements for the Approval of Foreign Direct Investments

Empirical research generally paints a nuanced picture of the role of foreign direct investment in the industrial development of host countries. In the best-case scenario, it contributes to sustainable economic growth in the host country through increased capital accumulation and knowledge gains.²⁶ In the worst-case scenario, it leads to the withdrawal of profits from the host country, undesirable leaks of technological knowledge, or the displacement of domestic suppliers from the market.²⁷ The economic effects depend, on the one hand, on the economic and institutional conditions in the host country. This concerns factors such as technological expertise, the quality of local human capital, and the country's position in international supply chains.²⁸ On the other hand, the individual motivation of the foreign investor plays an important role. Economic theory highlights the development of new markets (horizontal direct investment) and the exploitation of the target country's comparative cost advantages (vertical direct investment) as key motives.²⁹ Both of these motives are in line with the industrial policy

²² The Herfindahl-Hirschman Index (HHI) ranges from near zero (even distribution of imports across a large number of supplier countries) to one (complete concentration on a single supplier country).

²³ UN Comtrade (2026). [UN Comtrade Database](#); Eigene Berechnungen.

²⁴ Wolf, A. (2025). An Economic Security Doctrine for Europe. [cepInput Nr.3/2025](#).

²⁵ European Commission (2025). 43rd Annual Report from the Commission to the European Parliament and the Council on the EU's Anti-Dumping, Anti-Subsidy and Safeguard activities and the Use of Trade Defence Instruments by Third Countries targeting the EU in 2024. COM(2025) 428 final.

²⁶ Forte, R., & Moura, R. (2013). The effects of foreign direct investment on the host country's economic growth: theory and empirical evidence. *The Singapore Economic Review*, 58(03), 1350017.

²⁷ Blalock, G., & Gertler, P. J. (2008). Welfare gains from foreign direct investment through technology transfer to local suppliers. *Journal of International Economics*, 74(2), 402-421.

²⁸ Girma, S. (2005). Absorptive capacity and productivity spillovers from FDI: a threshold regression analysis. *Oxford bulletin of Economics and Statistics*, 67(3), 281-306.

²⁹ Yokota, K., & Tomohara, A. (2009). A decomposition of factors influencing horizontal and vertical FDI: A separate analysis. *Eastern Economic Journal*, 35(4), 462-478.

objectives of the proposed regulation. However, when acquiring existing companies in the host country (brown-field investments), two additional motives may dominate as well: gaining access to proprietary company knowledge or eliminating competitors. In technology-intensive growth markets, these are frequent business strategies.³⁰

In such cases, political intervention can be justified. An involuntary outflow of knowledge weakens the global competitive position of research-intensive EU companies and could, in the medium term, reduce incentives for private R&D investment. Given the current innovation deficit of Europe's economy compared to the U.S., Japan, and increasingly China, such a development would be particularly concerning.³¹ Furthermore, the acquisition of innovative European growth companies by larger firms from third countries can lead to the development of market-dominating positions for such providers, thereby jeopardizing competition in the internal market.

In practice, however, different motivations often overlap and are difficult to separate.³² General restrictions or overly restrictive requirements for acquisitions may deter international investors with long-term interest in a region. This endangers access to foreign capital and knowledge needed for building competitive manufacturing capacities. This could prove detrimental in light of the ambitious goals for future European production capacity in the field of zero-emission technologies enshrined in the Net-Zero Industry Regulation [(EU) 2024/1735]. A study commissioned by the Commission has identified an annual investment gap of approximately 477 billion euros.³³ A restrictive investment policy thus jeopardizes Europe's efforts to catch up as a production hub for green future technologies.

The approval criteria defined in the proposal aim to strike a balance between the EU's need for external capital and the prevention of undesirable knowledge outflow. They are complex, but also show some degree of flexibility. For example, for all direct investments falling within the scope of application, a minimum share of 50% EU-workers in the investment-related workforce is to be mandatory. Such a low quota should not, as a rule, pose a major obstacle. The potentially more critical requirement, to source a minimum share of intermediate goods from within the EU, can be replaced by other criteria.

Regarding the remaining criteria, a distinction is made between cases where a foreign investor holds a majority or minority stake in the company. For a minority stake, meeting the workforce and local sourcing criteria is sufficient for approval. For a majority stake, in addition to meeting the workforce and local sourcing criteria, one of two knowledge-related criteria need to be met as well. Foreign investors must either be willing to share intellectual property with the subsidiary or commit to reinvesting a minimum percentage of their revenue into EU-internal research and development (R&D). This differentiation follows a clear logic: in the case of minority stakes, the majority shareholders within the EU should be able to effectively prevent strategies of knowledge exploitation, even without regulatory requirements. Furthermore, investments that merely serve as short-term capital injections for European companies are thus less at risk of being delayed or blocked. The choice between intellectual property licensing and meeting a minimum intra-EU R&D investment quota also follows an economic logic. Foreign majority investors who do not wish to share their intellectual property with European investors would thus be required to reinvest at least a portion of the returns to that property into the accumulation of EU-internal knowledge. Overall, the structure of the approval criteria represents a sensible compromise between the EU's financing needs and its desire for autonomy.

Concerning the application scope of the approval criteria, the proposed de-minimis rule for the investment volume is sensible. It prevents an overload of the licensing authorities. Moreover, potential positive economic effects from local sourcing requirements are negligible when foreign investments are low. Restricting the scope to investments from specific third countries, however, is not economically justifiable. The indicator proposed by the Commission—a minimum share of 40% for the third country in the global manufacturing capacity of the respective sector—clearly aims to limit the scope to investors from the People's Republic of China. While European companies in future-oriented sectors have recently been frequent targets of Chinese takeover attempts³⁴, similar strategies could equally be pursued by investors from countries with smaller global market shares.

³⁰ Inkpen, A., Minbaeva, D., & Tsang, E. W. (2019). Unintentional, unavoidable, and beneficial knowledge leakage from the multinational enterprise. *Journal of International Business Studies*, 50(2), 250-260.

³¹ Wolf, A. (2026). A growth-inducing EU Innovation Act. [cepInput Nr.2/2026](#).

³² Lankhuizen, M. (2014). The (Im)possibility of Distinguishing Horizontal and Vertical Motivations for FDI. *Review of Development Economics*, 18(1), 139-151.

³³ Ecorys (2024). The Net-Zero manufacturing industry landscape across Member States. Study for the EU Directorate-General for Energy. Final Report.

³⁴ Henderson, J., & Hooper, M. (2021). China and European innovation: Corporate takeovers and their consequences. *Development and Change*, 52(5), 1090-1121.

The risk of negative competitive effects resulting from an acquisition by market-dominant companies can only be assessed based on the specific market position of the investing company, not on the geographical distribution of production capacities. The assessment of competition effects is in any case subject to EU merger control and should not be part of a security-focused investment monitoring. Restricting the list of criteria to direct investments from dominant supplier countries is not justifiable. In the long term, it could even weaken Europe's economic autonomy, as companies from dominant supplier countries in particular have less incentive to relocate production to Europe. Furthermore, this creates the impression of targeted discrimination against China, which raises the risk of retaliation and could negatively impact future international negotiations. The criterion should therefore be deleted without replacement. The approval criteria should generally apply regardless of the country of origin, with explicit exceptions only for those third countries that have concluded a relevant investment agreement with the EU.

The failure to distinguish between greenfield and brownfield investments is also inappropriate. Economic security concerns center on the acquisition of EU companies by investors from third countries (brownfield investments), not on the establishment of new companies by third-country investors in the EU (greenfield investments). The approval criteria could have a particularly deterrent effect on business formation in previously underdeveloped manufacturing sectors within the EU. Foreign investors could face high search costs to attract EU-based shareholders or be deterred by the need to build up strong local linkages in a very uncertain market environment.

Furthermore, the choice of the sectoral scope of approval criteria is not transparent. While it makes sense in principle to focus on sectors in the field of critical future technologies, given their central role in Europe's future autonomy, the proposal stipulates that the approval criteria should initially apply only to a very limited list of such sectors. No transparent criteria have been established for their selection. Foremost, it remains unclear why the scope is much narrower than in the case of industrial acceleration areas (see B.1.6). For instance, investments in battery manufacturing would be subject to authorization requirements, whereas investments in wind turbine manufacturing would not. Although the proposal provides for the possibility of extending the scope to other critical EU economic sectors, this can only be done through separate delegated acts. The criteria for such an extension are defined in very general terms and lack concrete, measurable indicators and objective thresholds. A list of strategic sectors applicable to all regulatory areas of the proposal should be defined based on objective, measurable quality criteria such as demand trends, economies of scale and R&D intensity.

1.6 Promotion of Industrial Acceleration Areas

Cluster strategies are a key instrument of regional economic policy across Europe. Empirical research shows that evaluating cluster initiatives requires a careful assessment of local conditions and the appropriateness of the chosen support measures. The distinctive features of the local economic structure—such as its entrepreneurial tradition and the specific skills of its workforce—must be reflected in the cluster strategy. The literature makes it particularly clear that successfully establishing clusters is very difficult without a regional industrial fundament.³⁵ Instead, potential clusters should build on existing regional economic structures. What is essential here are comparative, not necessarily absolute, regional competitive advantages. At the same time, policymakers must avoid falling into the other extreme and using cluster policy to support regional specialization patterns that are no longer competitive (“lock-in” effect).

With its proposal to define and establish industrial acceleration areas, the Commission is building on the principle of “Net-Zero Acceleration Valleys” enshrined in the Net-Zero Industry Regulation.³⁶ Net-Zero Acceleration Valleys are areas designated by Member States where spatial clusters of net-zero industrial activities are to be established in the future. For each Net-Zero Acceleration Valley, Member States must draw up a plan with concrete measures to increase its attractiveness as a production location, including infrastructure development, targeted investment support, and measures for upskilling and reskilling the local workforce. To coordinate the permitting processes, a single administrative contact point must be assigned to each Net-Zero Acceleration Valley.

The conditions and requirements for industrial acceleration areas are intended to go beyond current standards in several aspects. For instance, each Member State will be required to establish at least one acceleration area. The measures Member States must take to support these areas are defined more comprehensively and include, for example, ensuring the supply of energy and raw materials. The issuance of collective permits is intended to accelerate the approval process for individual manufacturing projects. In addition, the sectoral scope of application is to be significantly broader than that of the Net-Zero Acceleration Valleys. It applies to all sectors classified

³⁵ Wolman, H., & Hincapie, D. (2015). Clusters and cluster-based development policy. *Economic Development Quarterly*, 29(2), 135-149.

³⁶ Regulation 2024/1735 of June 14 2024, Art. 17.

as “strategic.” In addition to the manufacturing of zero-emission technologies, it is also intended to include automotive production and base material industries.

Given the challenges of global competition, developing a Europe-wide strategy for regional industrial clusters is a sensible step. The high knowledge intensity and rapid development of industrial technologies render dynamic economies of scale and knowledge transfer particularly important. These effects are, at least in part, geographically limited.³⁷ The spatial clustering of related industrial sectors is therefore a promising strategy. However, due to coordination problems and the presence of knowledge externalities, such clustering is difficult to achieve through pure market signals and requires some degree of central planning.³⁸

At the same time, however, undistorted competition in the single market is a key prerequisite for long-term global competitiveness. The geography of future dominant European industrial clusters must therefore not be determined by differences in the financial strength or industrial policy ambitions of the member states. Instead, clusters should emerge as the result of an exploratory process that identifies a region’s current and potential future comparative advantages within the EU single market. Only in this way can an optimal regional division of labor be achieved from a pan-European perspective. This cannot be guaranteed without enhanced governance and oversight at the EU level. It is the EU’s responsibility to create a stable institutional framework that ensures the coordination of planning processes at the political level and undistorted competition in the single market at the economic level.

In its current form, the proposal lacks appropriate coordination mechanisms. The provisions on industrial acceleration areas should be supplemented by the establishment of a coordination platform composed of representatives of the Member States and the Commission. Member States should regularly exchange information on which regions they are developing into industrial acceleration areas, what specific goals they are pursuing regarding the sector mix at these locations, and what types of measures they plan to implement to strengthen the location. The Commission should compile the information from the Member States in regular progress reports and provide commentary from a European perspective. Key considerations are compatibility with the spirit of the single market and the contribution to an efficient future European division of labor.

Furthermore, the selection of “strategic” sectors to be considered as targets for industrial acceleration areas is insufficiently justified. The term “strategic” is, as a qualifying criterion, too ambiguous and lacks economic meaning. Furthermore, a focus of regional cluster strategies on a limited range of production activities contradicts the idea of cluster development as an exploratory process. A restriction based on sector classification may also prove to be detrimental to innovation in the medium term, given the important role of cross-cutting technologies as innovation drivers. While regional specialization should be consistent with EU-wide transformation goals, its concrete design should primarily be guided by local conditions. Industrial acceleration areas should be allowed to promote all industrial production activities compatible with the EU’s climate goals.

2 Legal Assessment

2.1 Competence

Unproblematic. The EU is authorized to take measures to ensure the proper functioning of the EU internal market [Art. 26 TFEU] [Art. 114 TFEU]. Improving the environment for long-term investments in decarbonization is important for securing Europe’s long-term competitiveness in the industrial products sector.

2.2 Subsidiarity

Unproblematic. According to the principle of subsidiarity [Art. 5(3) TEU], Union action is justified when the objectives of a measure cannot be sufficiently achieved by the Member States and can be better achieved at the Union level. This clearly applies to the EU-wide goal of reducing greenhouse gas emissions, which forms the basis for the proposed regulations. Furthermore, given the cross-border competition within the internal market, the additional goals of strengthening the competitiveness and resilience of European industry can only be achieved through cross-border cooperation.

³⁷ Maskell, P. (2017). Towards a knowledge-based theory of the geographical cluster. *Economy* (pp. 377-399). Routledge.

³⁸ Van der Panne, G. (2004). Agglomeration externalities: Marshall versus Jacobs. *Journal of evolutionary economics*, 14, 593-604.

C. Conclusion

The legislative proposal, which had been anticipated for some time, underwent significant reinterpretations as it took shape. Originally announced as a package of measures to accelerate decarbonization, it became the subject of a heated debate over a fundamental reorientation of the EU's economic policy toward greater protection of domestic industries. The proposal was thus burdened with diverse, and partly conflicting, expectations. The measures now proposed reflect this tension: optimism about industrial transformation on the one hand, and structural conservatism on the other. This is already evident in the central goal, which aims for a minimum share of industry in EU-wide value added. Such an indicator is not linked to Europe's overarching transformation goals and is also highly questionable from a macroeconomic perspective. It is also evident in the duality of low-carbon and origin requirements, which are to apply to public procurement and funding programs related to selected "strategic" goods and sectors. Given the global nature of the climate challenge, these requirements are also, in part, out of proportion. Foremost, the concept of closed green lead markets for base materials is contradictory. It undermines the central function of such markets to act as flagships for the decarbonization of hard-to-abate industries worldwide. As a result, the EU would fail to generate new momentum for ambitious climate policies on the global stage, even though the recent fossil fuel crisis would offer a valuable window of opportunity for this.

One positive aspect is that the announced 'Made in Europe' approach, through the inclusion of partner countries and conditional criteria, is less protectionist than initially feared. However, this results in another form of imbalance. The proposed criteria give the impression of a 'Made without China' law, particularly the requirements for the approval of foreign direct investment. Whilst this focus reflects market realities, it carries significant diplomatic risks. China has shown in the recent past firm reactions, both politically and economically, to perceived discrimination. In the current transition phase, this poses a particular risk for Europe, as reducing unilateral dependencies on China will in any case take time. The proposed prioritization of sectors across the various regulatory areas is also somewhat unclear and, in parts, confusing. Above all, there is a lack of transparency regarding the expected macroeconomic effects of such prioritization. The current economic significance of individual sectors is not a sufficient indicator for their contribution to the long-term transformation goals.

The EU would send a much clearer signal by focusing the regulation more on decarbonization incentives, without falling back into geopolitical naivety. Origin requirements should be limited to green technologies with high scalability potential and significant one-sided import dependencies. European lead markets for low-emission base materials should be open to suppliers from all countries, provided they comply with defined green standards. Criteria for approving foreign direct investment should be based exclusively on the investors' contribution to value added and technological expertise in the EU, and not on the production capacities of their country of origin. The structure of industrial acceleration areas should reflect regional specialization advantages and promising future sectors, and should not be restricted by an EU-wide pre-selection of 'strategic' sectors. The legislative process now initiated offers the EU the opportunity to finally clarify the compatibility of its industrial and climate policy objectives.