

Date: 22 April, 2026

Topic: Industrial Accelerator Act

EXECUTIVE SUMMARY

On 4 March 2026, the European Commission tabled its proposal for an Industrial Accelerator Act (IAA)¹, formally a Regulation establishing measures to accelerate industrial capacity and decarbonisation in strategic sectors in the European Union.

The Commission identifies three main challenges:

1. **Limited demand and weak price signals** for European low-carbon industrial product
2. **Supply chain vulnerabilities** in strategic sectors and net-zero technologies
3. **Slow deployment** of industrial decarbonisation technologies

In a wider policy context, this diagnosis broadly aligns with the concerns raised with the Draghi report on European competitiveness, which emphasised weaker productivity growth, rising external competition, greater exposure to strategic dependencies, and the need to combine decarbonisation with industrial renewal.

The initiative sits in the broader policy logic of the Clean Industrial Deal and is intended to strengthen the competitiveness, resilience and decarbonisation of EU manufacturing in selected sectors, with particular attention to energy-intensive industries, net-zero technologies and the automotive industry.

In the official impact assessment, this goal is broken down into five specific objectives:

1. Facilitating **differentiation of low-carbon industrial products**;
2. **Boosting demand** for European low-carbon products and net-zero technologies;
3. **Maximising the quality and benefits of foreign investment**;
4. **Speeding up and simplifying permits for industrial decarbonisation**;
5. **Increasing investment projects** in industrial decarbonisation areas.

In practice, the IAA proposal is a single-market instrument combining four main levers:

1. **Demand-side measures for certain strategic products** (including “Union Origin requirements” in public procurement and auctions)

The IAA introduces ‘Made in EU’ and low-carbon preferences in public procurement and public support schemes to boost demand for European industrial products, such as cement, aluminium, net-zero technologies like batteries, solar, wind, heat pumps, and nuclear.

IAA mandates **two-phase EU-origin requirements for batteries** across public procurement (Article 25b), renewable energy auctions (Article 26), consumer support schemes (Article 28b), and manufacturing support (Article 28d).

¹ COM(2026) 100 final; 2026/0068 (COD)

2. Ensure that foreign direct investments bring value to the EU

The legislation also imposes conditions (job creation, innovation, R&D activity, shareholding, sourcing, joint ventures) on foreign direct investment. Investments exceeding €100 million **in strategic sectors, including batteries**, require approval when a single third country controls more than 40% of global manufacturing capacity².

3. Simplify permitting procedures for industrial projects

The IAA streamlines and digitalises permitting procedures for industrial projects. This includes the introduction of a single digital 'one-stop-shop' with clear time limits as well as the principle of tacit approval at intermediate stages of the permit-granting process for energy-intensive decarbonisation projects.

The IAA introduces Industrial Acceleration Areas with streamlined permitting (area-wide permit and tacit approval) to promote new investments and facilitate decarbonisation. Projects in these areas will avail of profiling with investors and support with skills development.

4. Boost sustainable manufacturing

Third-country firms must deposit specified quantities of critical raw materials (lithium, cobalt, nickel, manganese, graphite) at EU stockpiling centres when Commission implementing acts trigger obligations due to third-country export restrictions (Articles 21-27).

The Commission also links the file to a broader industrialisation objective, under which the European Union and its Member States are to seek to ensure that manufacturing reaches **20% of EU GDP by 2035**³. To reach these goals, the IAA also amends existing legislation, most notably the Net-Zero Industry Act (NZIA)⁴, alongside the Single Digital Gateway Regulation, and the Construction Product Regulation. In other words, the proposal partly builds upon existing frameworks rather than creating an entirely separate regime.

As of March 2026, the file is now with the European Parliament and the Council under the ordinary legislative procedure. Under the draft text, the Regulation would enter into force on the day following publication in the official journal. Some sector specific requirements would phase in later on (for instance "Union Origin requirements" for public procurement and auctions).

Concretely, the European Commission **assumes the IAA entry into force in 2027**, but this is not a binding deadline in the proposal itself. In fact, the controversial nature of the text might lead to lengthy

² This threshold directly targets Chinese battery manufacturers, who must now guarantee a 50% minimum level of European employment, technology transfer, and compliance with local content requirements to access European subsidies or trade benefits.

³ Proposal, page 36, Article 2

⁴ The Industrial Accelerator Act represents a shift from NZIA voluntary goals to mandatory requirements, using public procurement and state aid as leverage to create lead markets for European production.

negotiations within and between the EU co-legislator (European Parliament and Council) and to the proposal being heavily amended.

The Committee of the Regions has launched a consultation, led by Rapporteur Willy Borsus, inviting stakeholders to provide input by 7 May 2026 on key aspects of the Industrial Accelerator Act, including the role of local authorities, administrative burden and impact on public procurement, regional balance, and EU funding and links to other EU legislation⁵.

RELEVANCE FOR THE BATTERY SECTOR

The IAA introduces Made in EU requirements, in line with international commitments, for batteries in public procurement, auctions and public support schemes with a particular focus on EVs and BESS.

Regarding batteries, there is a discrepancy between the IAA proposal and the NZIA definitions it refers to. While the IAA proposal targets Battery Energy Storage Systems (BESS)⁶, the NZIA Implementing Regulation does not mention BESS as it covers “batteries” and a list of related main specific components⁷.

1. Union Origin and Low-Carbon Requirements (IAA Chapter III)

The IAA proposal introduces Union Origin requirements linked to the award of public tenders, public auctions, and other forms of public intervention. This builds on previous resilience criteria under the Net-Zero Industry Act (NZIA), amending it, and extending this to energy-intensive industries and the automotive sector, not included in the NZIA. These requirements would direct partly or completely public funds towards the procurement or auctioning of goods produced in the Union. The scope and application of these requirements vary depending on the type of intervention and the categories concerned. All Union origin or low-carbon requirements would have exemptions to their application, linked to increased costs, lack of suppliers, or delayed timelines (Articles 11, 12, 34).

“Union Origin” is defined (Articles 7, 8, 9) **as originating in the European Union**, but countries with which the Union has concluded an **agreement establishing a free trade area or a customs union**, or that are parties to the **Government Procurement Agreement (GPA)**, where relevant obligations of the Union exist under that agreement, shall be deemed to be of Union origin. The Commission is empowered to adopt delegated acts to exclude such Countries from the status of Union origin, in case of lack of reciprocity or to avoid dependencies (Article 9).

Europe's Industrial Accelerator Act introduces strict Made in EU requirements for batteries, aiming to reduce dependence on China's 80% global manufacturing dominance. The phased rules will require European battery cells in energy storage systems within three years and batteries in two-thirds of electric vehicles by 2027. The policy promises 85,000 battery jobs and **could cut the EU-China cost gap from 90% to 30% by 2030**.

⁵ [Written Stakeholder Consultation on the 'Industrial Accelerator Act'](#)

⁶ IAA proposal Article 34 on Union Origin requirements & IAA annex II.

⁷ Definitions of industrial manufacturing projects, Union Origin (including batteries), and Foreign Direct Investment can be found in the Annex at the end of this document.

Public funding instruments—such as public procurement, auctions, and direct subsidies—are intended to prioritize European production and employment. The European Commission applies a **sector-specific approach** that takes into account the economic conditions and international exposure of each sector. For selected sectors, requirements are defined for a certain number or share of critical components to originate in Europe. In some cases, specific components are identified; for example, in the battery sector **the battery cell is designated as a critical component**. The proposed Accelerator focuses on the place of production, not on the nationality of the company⁸.

The requirement will be assessed at the level of the battery final product using a component-based approach. This means that a specified number of the battery's components must be manufactured within the EU and possibly EEA, including certain mandatory components. An additional list of components ranging from precursor active materials to critical raw materials could be introduced through a delegated act to ensure coverage of the entire battery value chain. At this stage, there is insufficient data and cost analysis to justify the inclusion of upstream segments or to establish reliable EU content targets. Importantly, this extended list could not apply exclusively to EU-based production but could also include EU plus other regions' sourcing, depending on local manufacturing capacities and global supply dependencies.

Furthermore, the requirement should follow a phased implementation. Given that the maturity of the battery value chain varies significantly across its different segments, Made in EU requirements should be phased in progressively, with an initial focus on the most developed segments of the value chain: the production of battery cells. As upstream manufacturing capabilities (e.g. active materials, separators, electrolytes) develop within the EU, content requirements could gradually extend to these components. This time phased approach ensures that requirements are realistic, enforceable, and aligned with industrial development of the battery sector.

Battery cells will become a mandatory requirement for EVs one year after entry into force. For BESS, the mandatory requirement for battery cells will apply once a robust EU-based battery cell manufacturing capacity for stationary storage is established for which further investments will be needed. In 2027 and 2028, projected installed battery cell capacity is expected to reach 379 GWh and 504 GWh, respectively. This would be sufficient to meet 93% and 98% of the combined internal demand for EVs and BESS.

1.1 Union Origin for Electric Vehicles

Electric vehicles (PEVs, OVC-HEVs, and FCVs) would be covered by the following Union origin requirements for public procurement procedures (Article 11, Annex III), public support schemes (Article 12, Annex III), and financial support for corporate vehicles (Article 13):

- The vehicle shall be **assembled within the Union**.

⁸ "Made in EU" can also include non-EU countries that have a free-trade agreement with the bloc or are signatories to the Government Procurement Agreement with the World Trade Organization (WTO). 'Content originating in third countries with which the Union has concluded an agreement establishing a free trade area or a customs union, or that are parties to the Agreement on Government Procurement, where relevant obligations of the Union exist under that agreement, shall be deemed to be of Union origin'. (Art 8)

- **At least 70% of the total ex-works price** of all vehicle components (excluding the traction battery) **shall originate in the Union**.
- The **traction battery shall contain at least three main specific components** of batteries (including battery cells) of Union origin.
- Starting three years after the entry into force of the Regulation:
 - the traction battery shall contain **at least five main specific components** of batteries (including cells, cathode active material, and the battery management system) of Union origin.
 - **at least 50% of the total ex-works price** of both e-powertrain components and main electronic systems shall originate in the Union.

These requirements would apply to procedures and schemes launched six months after the date of entry into force of the Regulation.

For both types of public support, vehicle manufacturers can request that all their PEVs, OVC-HEVs, and FCVs be considered compliant for a 12-month period if they demonstrate that the number of such vehicles they assembled in the previous full year that met Union origin requirements is equal to or greater than 85% of the total number of their vehicles in those categories registered within the Union in that same period.

Although the IAA is largely manufacturing-focused and Article 17(3) excludes investments targeted at providing services from the FDI regime, Annex III part I expressly brings within scope vehicles used for the provision of services sourced through public procurement procedures. The service activity is therefore not regulated as such, but the vehicles purchased for that publicly procured service remain subject to the relevant Union Origin requirements.

1.1.1 Exemptions

For public procurement (Article 11(3)), authorities may procure products and services that do not meet the requirements where:

- Only one supplier exists;
- No suitable tenders were submitted;
- Cost differences exceed 25% due to the application of the requirements.

For other forms of public intervention (Article 12(3)), the authority may implement support schemes that do not meet some or all the requirements where:

- They would lead to delays exceeding seven months;
- They would increase the cost of the final product or technology by more than 30%.

Small electric vehicles of category M1E (generally cars 4.2 metres or shorter⁹) **would have a derogation from the main rule**, and their Union origin requirements would be as follows (Annex III):

- The Vehicle is **assembled in the Union**.
- One of the two
 - The ratio of price of components (excluding the battery) originating in the Union to the **total price is 70%**;
 - The vehicle traction battery contains **at least 3 main specific components**, among which the cells, of Union origin.
 - Economic operators may choose which additional components to source from Union, providing flexibility¹⁰.

Since assembly in the EU and sourcing most non-battery components locally is already feasible for many established OEMs with European production, manufacturers may avoid the battery-origin requirement altogether. This allows continued use of imported battery cells and packs—particularly lower-cost Lithium iron phosphate battery cells often sourced from China—which are commonly used in affordable, short-range small vehicles.

The rules may also influence competition among battery components seeking EU-origin status. Components that are easier to source within Europe will be favoured, while those dominated by external supply chains may struggle. For example, more than 95% of battery anode active materials currently come from China, making it harder for them to qualify as EU-origin. By contrast, EU-origin cathode materials are mandatory under the EV battery requirements, creating stronger demand incentives for their local production. Meanwhile, the draft Battery Booster loan facility does not include strict local-content requirements, relying instead on resilience-based award criteria.

1.2 Union Origin for Net-Zero Products

Through amendments to the Net-Zero Industry Act (NZIA), the IAA would introduce Union origin requirements to public procurement, auctions, other support schemes, and manufacturing support schemes for certain Net-Zero technologies, including **batteries** (Article 34).

1.2.1 Final Products to which Union Origin Requirements Apply (Batteries)

Only certain net-zero technology final products are covered by Union origin requirements. These include the production of the final product and certain main specific components, as listed in the [Delegated Regulation \(EU\) 2025/1463](#). The legislation introduces a two-stage timeline for **battery energy storage systems**. From one year after entry into force, BESS must originate in the EU. Systems larger than 1 MWh must include an EU-made battery management system. From three years

⁹ Under revisions to the EU CO2 emission performance standards for cars and vans published by the European Commission in December 2025.

¹⁰ Economic operators must submit self-declarations for compliance. Exemptions for requirements are granted if specific criteria are met.

after entry into force, systems must additionally include EU-manufactured battery cells and at least one main specific component.

These requirements apply for public procurement procedures, auctions, and other forms of public intervention. They do not apply to Member State support for construction or manufacturing.

Between 1 and 3 years	After 3 years
• BESS • Including a Battery Management System (if the project is >1MWh) Shall originate in the Union	• BESS • Battery Management System • Battery cells • 1 additional main specific component Shall originate in the Union

The new-added NZIA Articles 25a(2), 26(2)(a), 28a(1), 28c(1) state that “Requirements relating to specific main components shall only apply to the extent that those components are included in the final product”. This would allow for batteries not designed to have e.g. a Battery Management System, to not be excluded on the grounds of not containing such component of Union origin.

Market access and strategic sector support

Third-Country Exclusions	Strategic Sector Support Restriction	Third-Country Equivalence
Public Procurement Market Access (Article 25b)	Exclusive Domestic Producer Requirement (Article 12(3))	Delegated Acts Authority (Articles 28e-28g)
Economic operators owned/controlled by entities in third countries without guaranteeing access excluded from procurement procedures.	Public support schemes in key strategic sectors (including batteries per Annex I) must provide support exclusively to domestic producers.	Commission determines which third-country content treated as Union origin.
Covered agreements: Free trade area, customs union, Agreement on Government Procurement (GPA).	‘Domestic producers’ criteria defined by Commission delegated acts based on: • Nationality or place of incorporation • Location of main manufacturing facilities • Number of EU employees • Origin of products manufactured within EU • Nature and value of R&D activities in EU	Different standards apply: • Public Procurement: GPA and trade agreements apply • Auctions: Only free trade area and customs union agreements • Support Schemes: Only free trade area and custom union agreements
Commission may exclude third countries via delegated acts	IMPACT: Significantly restricts participation of non-EU battery	Commission may exclude third countries based on: reciprocity

based on reciprocity failure or security of supply concerns.	manufacturers in support programs	failure, security of supply threats, agreement exceptions.
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2. Foreign Investments Contributions (IAA Chapter IV)

The IAA proposal creates a targeted approval regime with harmonised conditions for certain large foreign investments in certain “emerging strategic” manufacturing sectors. This approval regime is covered by IAA Article 1(2)(c) for the definition, Article 17 to 24 for the core provisions, and recitals 28 and following for further explanations.

The proposal also makes clear that this regime is meant to operate alongside (not replace) existing EU competition instruments, including the Foreign Subsidies Regulation and the EU Merger Regulation¹¹.

Main measures proposed

1. Investments exceeding EUR 100 million threshold require notification at 20% ownership and explicit approval.
2. Six cumulative conditions limit ownership, mandate joint ventures, technology transfer, R&D, employment, and local content.
3. IAA defines how Member States should implement FDI regulations through National Investment Authorities, and require timelines.
4. Penalties for non-compliance reach at least 5% of turnover or investment value with ongoing monitoring.
5. Strategic rationale for batteries FDI conditions stem from Battery Booster Strategy.

2.1 Scope of the FDI regime

2.1.1 Territorial scope

The FDI regime strictly applies to investments in the European Union, as the definitions are tied to a “Union target” or “Union asset”.

These two terms are defined under Article 3:

- a Union target is a legal entity established in the Union carrying out economic activities in a Member State;
- a Union asset is an immovable asset in the Union used or intended to be use for manufacturing products in the Union.

¹¹ See Recital 32

Certain third countries can be exempted from this FDI regime when the investments are covered by economic partnership agreements between the EU and these countries (see “d) Exclusions from scope” below)

2.1.2 Material and sectoral scope (Article 17(2))

The regime only applies to foreign direct investment meeting a set of cumulative conditions, under Article 17(1).

Accordingly, the investment must:

- Qualify as a Foreign Direct Investment under Article 3;
- **Exceed EUR 100 million;**
- Fall within one of the **listed emerging strategic sectors** (see below);
- Be carried out by an investor that is a national or undertaking from **a third country holding more than 40% of the global manufacturing capacity** in that sector;
- Not fall within one of the express legal exclusions.

The list of covered “**emerging strategic sectors**” is provided by Article 17(2):

- **Battery technologies** and its value chain for **battery energy storage systems (BESS)**
- **Pure electric vehicles, off-vehicle charging hybrid electric vehicles and fuel-cell electric vehicles**, including components related to electrification and digitalisation;
- Solar PV technologies;
- Extraction, processing and recycling of **critical raw materials**.

Exclusion from scope:

- Investors/investments covered by free trade agreements (to extent relevant commitments made)
- Investments targeted at performing services

Some covered sectors mentioned in Article 17(2) are not further defined in IAA Chapter IV, for instead “Battery Energy Storage Systems”, “components related to electrification and digitalisation”, and “solar PV technologies”. This leaves some uncertainty as to the precise perimeter of covered products and components.

Furthermore, the sectoral scope is not closed: under Article 24, the European Commission is empowered to adopt delegated acts supplementing the list of emerging strategic sectors covered by the IAA Chapter IV. The provision points to additional sectors considered critical to the Union’s economic security, including certain NZIA-related technologies, nuclear fuel cycle technologies, electric propulsion technologies for transport, AI, quantum technologies and semiconductors. Articles 24(3) also allows the delegated act to set threshold values and specify whether the Article 18 criteria

(the 4 out of 6 conditions to meet in order for the investment to be approved) apply to the added sector, or whether alternative criteria should be used;

2.1.3 Covered investors and covered forms of investment

The IAA proposal defines “Foreign Direct Investment”, “foreign investor” and “foreign investor’s subsidiary” in Article 3. The core regime primarily targets investments made directly by foreign investors into a Union target or Union asset, where those investments establish or maintain lasting and direct links and enable effective participation in management or control. Greenfield investments are expressly included in the definition.

The recitals clarify that both greenfield and brownfield investments may be covered, to the extent that they involve the acquisition of control over a Union target or Union asset (See recital 30). The Chapter therefore does not apply only to acquisition of existing firms, but also to the establishment of new manufacturing facilities in the Union.

Six cumulative conditions. Four out of six are required, condition 5 is mandatory.

Condition 1: Ownership cap 49%	- Foreign investors cannot require, hold, or exercise more than 49% of share capital, voting rights, or equivalent ownership interests. - Applies to both Union targets (companies) and Union assets (manufacturing facilities).
Condition 2: Joint venture requirement	- Investment must be through joint venture with one or more EU-domestic entities. - Foreign investor limited to maximum 49% equity. - Structure must ensure effective participation of Union partners in management, technology transfer, and capacity building.
Condition 3: IP Ownership Protection	- Foreign investor must establish licensing agreements for intellectual property rights. - Must share know-how to benefit Union target, joint venture, or entity acquiring Union asset. - Licensing must be under non-exclusive, fair, reasonable, and non-discriminatory (FRAND) conditions. - Pre-existing Union IP: Remains fully and exclusively owned by Union entity. - Jointly developed IP: Must be jointly owned between foreign investor and Union entity/joint venture. - Foreign investor cannot claim rights to Union entity’s prior inventions. - Battery technology implications: covers battery chemistry formulations, manufacturing processes, BMS software.
Condition 4: R&D investment commitment	- Foreign investor must commit at least 1% of gross annual global revenue of Union target or revenue generated by Union asset. - Investment directed to research and development spending in Union. - Commitment must be provided to Investment Authority.
Condition 5: Local employment	Union target, joint venture, or entity owning Union asset must employ at least 50% union workers.

requirement (MANDATORY)	- Requirement applies across all workforce categories: operational, technical, supervisory, and managerial positions. - Must be continuous throughout operation, starting from implementation.
Condition 6: Local content in products	- Requires 50% of battery components/materials from EU sources (by volume or value). - Potential interaction with Phase 2 battery origin requirements (cells+CAM+BMS+3 components). - Implementing acts to specify exact measurement methodology.

3. Industrial Manufacturing Acceleration Areas (IAA Chapter V)

The IAA introduces Industrial Manufacturing Acceleration Areas, which Member States would be obligated to establish within one year of the entry into force of the Act. These areas shall **cluster manufacturing activities within the strategic sectors** of the IAA: **energy-intensive industries; automotive; and net-zero technologies**¹².

Members States shall define the areas and facilitate their development (Article 26) considering criteria related to:

- Financing and infrastructure needs, and industrial potential;
- Research and innovation investments;
- Supply chains and bottlenecks, especially for critical raw materials, etc.

All industrial manufacturing projects within the Area would be considered strategic projects for the purposes of the Proposal for a Regulation on speeding up environmental assessments. For investors, the logic is therefore not only zoning, but also the partial front-loading of permitting requirements at area level.

4. Market access restriction measures related to materials supply

Third country battery material suppliers face deposit obligations during shortages. Articles 21-27 contain comprehensive framework for market access restrictions when third countries restrict critical raw materials supply.

- Commission implementing acts trigger deposit obligations when third countries restrict battery raw materials supply.
- Mandatory deposits at stockpiling centres required before market placement; certificates verify compliance.
- Member States may establish centres accepting deposits unless pose health or safety risks.

¹² These areas shall be set up avoiding environmentally sensitive areas, prioritising artificial and built surfaces, avoiding Natura 2000 sites and nature conservation sites (Article 25).

4. Commission coordinates distribution via implementing acts ensuring non-discriminatory access for EU undertakings. Acceleration areas receive priority access to stockpiles and Joint Purchasing Mechanism participation benefits.
5. Critical Raw Materials Board monitors stockpiles, compliance, restrictive measure effects, and market pricing. Violations for non-compliance incur fines up to 1% of turnover for non-compliance or misleading information provided.
6. Commission reviews measures and amends Annex V based on supply dependence and Board recommendations.
7. Member States encouraged to retain scrap metals and black mass for EU recovery with protective measures.

5. Accelerated permitting for industrial production and decarbonisation

IAA introduces digital single-application permitting with 45-day completeness reviews and tacit approval.

Main measures proposed:

1. Member States establish digital portals within 1 year enabling unified applications for all battery project permits (Commission may adopt implementing acts).
2. Authorities acknowledge application completeness within 45 days; second requests limited to initial gaps
3. Battery manufacturing projects classified as strategic projects receiving priority and public interest presumption
4. Member States designate acceleration areas within 12 months considering supply security and SME participation. Benefits automatically extend to net-zero valleys, CRMA strategic projects, and competitiveness seal recipients.
5. Member States analyse energy needs at designation and milestones 2030, 2040, 2050 for grid planning.

5.1 Tacit Approval Mechanism

The absence of reply from competent authorities results in intermediary procedural steps considered approved¹³.

Tacit approval does not apply if a project is subject to Environmental Impact Assessment (Directive 2011/92/EU). This represents a critical limitation for battery projects, since most large battery manufacturing projects require environmental assessments. As a result, tacit approval would likely be excluded for the majority of battery cell factories. CAM and AAM production may trigger chemical and waste provisions, limiting applicability. On the other hand, smaller projects (battery pack assembly, component manufacturing) may benefit.

¹³ It applies to intermediary procedural steps, not final comprehensive decision.

5.2 Battery manufacturing and advanced permitting

Battery manufacturing projects classified as strategic projects receive priority and public interest presumption.

Expanded scope for batteries:

- All energy-intensive industry decarbonisation projects benefit from NZIA Chapter II, Section II provisions (Battery manufacturing classified under energy-intensive industries per Annex I).
- Battery manufacturing facilities are covered as industrial manufacturing projects.

Strategic project status:

- All energy-intensive decarbonisation projects (including battery manufacturing) are considered strategic projects
- Benefits include tacit approval at intermediate stages (except environmental assessments), public interest presumption, priority treatment.

BEPA POLICY TALK - MAIN TAKEAWAYS

Demand-side measures and “Made in EU”

A key challenge in the European battery sector is to align the entire value chain, from raw materials to recycling. This is crucial not only for Europe’s strategic autonomy but also for its competitiveness.

How can the proposed measures strengthen the entire value chain, rather than only certain segments?

Ilka von Dalwigk, Director General, RECHARGE

The discussion on battery competitiveness extends beyond automotive applications to include strategic uses in sectors such as defence and energy storage. Key materials, including graphite and anode components, are relevant to broader industrial resilience and supply chain security.

This points to the need for a flexible framework that can evolve over time, potentially including additional components such as pCAM and anodes. The focus is on signalling long-term EU demand for strategically important battery components produced in Europe, rather than requiring full domestic production.

Commission’s take

The Industrial Accelerator Act adopts a phased “Made in Europe” approach for batteries, starting with cells and gradually extending to components such as CAM. This is intended to build competitiveness step by step, with strong cell production driving wider supply chain development in Europe.

While some have called for a broader scope, including upstream materials like pCAM from the outset, the proposal reflects a balance between ambition and current industrial feasibility. It also recognises that Europe is competitive in certain components, while relying on diversified sourcing for others.

Batteries power a wide range of applications. From road and off-road mobility to airborne, waterborne, rail, as well as stationary storage, electronics, robotics and defence. Covering all these requires a diverse portfolio of battery chemistries.

From both an industrial and a security perspective, in what extent will the IAA impact mass-market and niche applications?

Albéric Mongrenier, Executive Director, EIES

Batteries are important not only for transport, but also for stationary storage and strategic sectors such as defence and aerospace. While the Industrial Action Plan for Automotive supports large-scale applications like electric vehicles, it does not fully cover smaller but strategically critical uses where capacity gaps may pose risks.

A broader perspective is needed, taking into account the full supply chain. Key raw materials such as lithium, graphite, and manganese are used across multiple strategic sectors, such as including energy, and defence, creating dependencies—particularly on external suppliers like China. A more comprehensive approach, including critical raw materials and intermediate components such as cathodes and anodes, would strengthen Europe’s supply chain resilience and reduce strategic dependencies.

Instead, local content requirements should be differentiated upstream and midstream, reflecting supply chain risks associated with specific materials such as lithium or graphite.

At the same time, downstream rules at the battery manufacturing level should remain largely harmonised across applications. A simplified and consistent “battery rulebook” would improve clarity, reduce fragmentation, and support investment.

Ilka von Dalwigk, Director General, RECHARGE

Research and innovation are essential to advancing next-generation batteries and supporting diversification, and should be prioritised under the next MFF and the European Competitiveness Fund.

However, EU research remains largely focused on NMC technologies, while the market is shifting towards alternatives such as LFP, particularly for cost-sensitive applications. This misalignment risks sending weak investment signals and reinforcing dependencies on external suppliers, notably China. Europe should actively develop and strengthen European value chains, reducing strategic and technological dependencies across sectors, including transport and energy infrastructure.

Xavier Sol, Sustainable Finance Director, T&E

Predictability and regulatory certainty are essential, as fragmented rules—particularly those differing by vehicle type or financing scheme—create confusion and weaken signals for emerging technologies such as LFP batteries.

The Industrial Accelerator Act (IAA) should function as a baseline framework, providing a clear political signal and supporting a broader industrial policy toolbox, including production support and targeted investments.

Commission's take

Provisions for battery energy storage systems (BESS) are less ambitious than for EV batteries, with more limited market coverage and scope.

Extending “Made in Europe” requirements to stationary batteries in renewable auctions and public procurement is a positive step, but key segments such as merchant storage and capacity markets remain uncovered.

There is also concern that added costs from local sourcing requirements could disadvantage batteries in capacity markets compared to gas power, warranting further assessment.

R&I and scale-up

One of the key elements in bridging innovation and deployment is investment. In Europe we do not lack ideas, but we struggle to bring them to market.

How can the IAA help address this gap by creating more certainty and enabling large-scale investment?

Albéric Mongrenier, Executive Director, EIES

Cost exemptions of 20–30% risk weakening local content requirements, as they may make “Made in Europe” provisions effectively optional if EU producers are not globally cost-competitive. Moreover, the FTA clause could distort investment flows by granting preferential treatment to trade partners while maintaining stricter FDI rules within the EU, potentially encouraging investment outside Europe. This suggests the need for further review and a more cautious application of the clause.

Ilka von Dalwigk, Director General, RECHARGE

Public procurement is frequently driven primarily by cost, with award decisions largely based on the lowest price. However, there is scope to better incorporate non-price criteria, including environmental performance and health and safety standards.

Experience indicates that exclusive reliance on lowest-cost bids can lead to suboptimal outcomes, including instances where safety requirements were not adequately met despite lower prices. This underscores the importance of using public procurement more strategically to balance cost considerations with broader sustainability and safety objectives.

Commission's take

Cost exemptions aim to balance higher EU production requirements, which may increase costs for key clean technologies, with the need to maintain competitiveness and drive cost reductions. The main challenge is ensuring they are well calibrated so they reflect market realities without undermining EU objectives.

On FTAs, while the approach reflects existing commitments, it may create unintended investment distortions when combined with stricter EU FDI screening. This interaction between trade and investment rules requires further examination.

Foreign Direct Investment

An important part of the IAA is ensuring that foreign direct investment brings value to the EU.

How does the IAA ensure that foreign investment not only creates jobs, but also strengthens European battery Intellectual Property, fosters collaboration, and supports technology transfer?

Xavier Sol, Sustainable Finance Director, T&E

The EU FDI debate is increasingly considering not only security screening but also broader industrial impacts, including employment and economic value. The proposed conditions, including a mandatory local workforce requirement, are viewed as a useful starting point. However, concerns are raised regarding timing, as delayed implementation could miss a significant investment cycle (if these rules only apply in 12–18 months, an important wave of investments could already be missed).

There is also consideration of better aligning FDI conditions with other instruments, such as local content rules and public subsidies, to improve policy coherence.

Commission's take

FDI conditionalities are identified as a key and strong element of the proposal, aimed at strengthening investment requirements in the battery sector. They are intended to address concerns that current third-country investments often fall short of desired standards, as well as a perceived “race to the bottom” among Member States competing for low-value investments.

The approach is also justified by reference to past international practices, where similar requirements were applied by other major economies.

However, agreement from Member States may be challenging given the current predominantly advisory nature of FDI screening, and progress toward binding rules is likely to require substantial political engagement.

Objective	Streamline and gather low-hanging fruits of digitalisation	Creation of “go-to” industrial areas with different benefits to attract and facilitate investment
Sector	Industrial Manufacturing Sector	
Measures	<i>Permitting:</i> • Single Access Points, through European Business Wallet • “One project-one submission”: single permit-granting procedure <i>Industrial Acceleration areas:</i> • Creating industrial hubs that attract investment, facilitate decarbonisation, and strengthen supply chain resilience. • Mandatory Strategic Environmental Assessment, aggregated baseline permit + individual permit top ups to frontload burden prior to project arrival. • Tacit approval, public interest (RSEA toolbox) to provide speed and certainty to projects. • Better access to infrastructure: • energy needs shared with TSOs • Facilitating access to finance • skills	
Objective	Streamline and speed up EIs’ transition	
Sector	Energy Intensive Industries	
Measures	<i>Permitting:</i> • Alignment with EIs under NZIA: SPOC, 12/18 months timelines • Tacit approval & public interest (RSEA toolbox) to provide speed and certainty to projects.	

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Table 1. Permitting and Acceleration areas

Applies to:

- Investments **over EUR 100m** and from countries with **> 40%** global production

Sectors covered:

- ☐ Batteries
- ☐ EVs
- ☐ Solar PV
- ☐ Extraction, processing and recycling of critical raw materials.

Governance:

- Notification to MS
- COM may take over certain cases (e.g. > 1bn EUR investments)

4 out of 6 conditions to be met:

- ✓ **High quality jobs:** employment min 50% Union workers
- And, 3 out of following 5
- ✓ **Ownership:** Foreign investors no more 49% ownership;
 - ✓ **Cooperation and control:** Joint venture with one or more EU entities (max 49% foreign);
 - ✓ **Tech transfer:** Agreements about licensing, IP rights, access to know-how, etc.;
 - ✓ **Innovation spillovers:** 1% gross annual global revenue for R&D spending in the Union;
 - ✓ **Sourcing strategy:** 30% input products manufactured in the EU;



Table 2. Foreign Investment conditions

Sectors	Steel, cement, aluminium, clean tech and vehicle components	
Mechanism	Public procurement, auctions & support schemes	Financial support for corporate vehicles & CO2 credits for <i>small EVs</i>
Geographical scope	EU + relevant international commitments - Non reciprocity/dependencies/exceptions	EU
Measures	- Low-Carbon Steel - Low-Carbon & MiEU Cement	
	MiEU Vehicles components <i>and</i> MiEU batteries for EVs	MiEU Vehicles components <i>and</i> MiEU batteries for EVs
	- BESS - Solar PV - Wind	- Heat pumps - Nuclear - Electrolysers

MiEU: Made in EU



Table 3. Lead markets: Low-carbon and Made in EU

	EIF + 6 months	EIF + 3 years
EVs 	- Assembled in the EU 3 battery components (among which cells) MiEU 70% non-battery components MiEU	- Assembled in the EU 5 battery components (among which cells, CAM & BMS) MiEU 70% non-battery components MiEU (incl. 50% of e-powertrain components MiEU and 50% main electronic systems MiEU)
Small EVs 	- Assembled in the EU 3 battery components MiEU or 70% non-battery components MiEU	

MiEU: Made in EU/ EIF: Entry into force



Table 4. MiEU Vehicle components and batteries

Background

The Commission's Work Programme for 2025 announced a legislative proposal for an Industrial Decarbonisation Accelerator Act in the fourth quarter of 2025. Announced in the [Clean Industrial Deal](#) and in last year's [Joint Communication on strengthening EU economic security](#), the IAA also delivers on the [Draghi report](#) by creating EU demand for clean and EU-made products and key technologies through public procurement and support schemes. Decarbonisation was later dropped from the title and the publication of the act was postponed several times to ensure alignment on key details. A public consultation took place between 16 April 2025 and 9 July 2025.

The European Commission presents the Industrial Accelerator Act as a response to a broader structural problem: the need to strengthen the competitiveness of EU industry while accelerating decarbonisation of industrial processes and products. In the proposal and its impact assessment, this is linked to rising global competitive pressure, strategic dependencies in key value chains, weak market uptake for low-carbon industrial products, and permitting bottlenecks that delay industrial transformation.

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ANNEX

a) Core IAA definitions

Industrial manufacturing projects: The proposal defines “industrial manufacturing projects” as the construction, conversion or extension of an industrial site carrying out an activity under NACE Code C (manufacturing)¹⁴, except NACE Code C12. This is an essential definition because it frames the scope of the enabling-conditions chapter of the IAA proposal, including the single access point and the permit-granting procedure.

Energy-intensive industries: The proposal defines “energy-intensive industries” by reference to the industries listed in point 1 of Annex 1 of the proposal, and then defines “energy-intensive industry decarbonisation projects” as the construction or conversion of the commercial facility of an energy-intensive business (within those listed industries) that significantly and permanently reduces industrial process emissions to the extent technically feasible.

Importantly, the definition is not entirely self-contained: it depends both on Annex I and on the definition of energy-intensive business in Article 17(1) of the EU Directive on taxation of energy products and electricity¹⁵.

Permit-granting procedure: The proposal partly relies on cross-references to another EU legislation, including a definition yet to be finalised in the ongoing proposal for a new Directive¹⁶ proposed under the 2025 Grids Package¹⁷.

b) Definition related to the Union Origin and low-carbon regime

For IAA Chapter III, Article 3 contains a mixed set of definition linked to public procurement, low-carbon products, chemical and vehicle-related products.

Procurement-related definitions: The proposal includes standard horizontal procurement definitions (e.g. “contract”, “economic operator”, etc.), all of which are defined by reference to the existing procurement EU Directives.

Low-carbon products-related definitions: The proposal defined several concepts relevant to low-carbon products requirement including “greenhouse gas intensity”, “system boundary”, “chemical industry”, and “sustainable carbon sources”, etc. However, these definitions only provide part of the conceptual basis, since the operational content and criteria would depend on external or future secondary legislation.

Automotive and battery-related definitions: The proposal defines concepts such as “fuel-cell vehicles”, “motor vehicles”, “pure electric vehicles”, “vehicle components”, “assembled”, “vehicle manufacturer”, “active material”, “electric vehicle battery”, etc. Several of these definitions are imported from other EU acts, notably the Battery Regulation.

¹⁴ For an overview of NACE Codes, you may consult the dedicated [European Commission’s webpage](#).

¹⁵ [Directive 2003/96/EC](#)

¹⁶ [Proposal for a Directive amending Directives \(EU\) 2018/2001, \(EU\) 2019/944, \(EU\) 2024/1788](#)

¹⁷ For more information on the Grids Package, you may consult the dedicated [European Commission’s webpage](#).

The proposal also defines “main specific components” by direct reference to the NZIA Implementing Regulation¹⁸.

c) Definitions related to the Foreign Direct Investment regime

For IAA Chapter IV, a list of key definitions is provided including “Foreign Direct Investment” itself, “foreign investor”, “portfolio investment”, “Union target”, “Union asset”, etc.

It is particularly important here because the IAA does not rely on existing legislation for these definitions and instead creates its own operative vocabulary for the purpose of this new regime.

The FDI regime is not limited only to the acquisition of EU companies, as it also covers investments into a “Union asset”. However, the definition of Union asset is relatively narrow and refers only to an immovable asset used or intended to be used for manufacturing products in the Union. While this clearly captures factory sites and buildings, it is much less clear whether it would cover certain assets taken in isolation such as movable production equipment, IP, or contractual manufacturing rights without ownership or control over a site.

Regarding batteries, the same discrepancy pointed out above for Union Origin requirements remains for Foreign Direct Investment (FDI) since the FDI regime targets BESS on Article 17 but the IAA never defines what BESS encompasses exactly.

¹⁸ [Regulation \(EU\) 2025/1178](#)

REFERENCES

- (1) [Proposal for a Regulation](#)
- (2) [Commission Press Release](#)
- (3) [Factsheet](#)
- (4) [Questions and answers on the Industrial Accelerator Act](#)
- (5) [Impact Assessment Report](#)
- (6) EP Legislative Observatory, [Procedure file on Establishing a framework of measures for the acceleration of industrial capacity and decarbonisation in strategic sectors \(Industrial Accelerator Act\)](#), 2026/0068(COD)
- (7) European Commission, [Industrial Decarbonisation Accelerator Act - speeding up decarbonisation](#), Have your say webpage.