SQUIRE PATTON BOGGS

The Industrial Accelerator Act:

The EU's Foreign Investment Framework

4 March 2026

On 4 March 2026, the European Commission (EC) published its legislative proposal for a regulation establishing an Industrial Accelerator Act (IAA).

The regulation would aim to improve the EU internal market by establishing a framework supporting the development, competitiveness and resilience of the EU's manufacturing sector. Four distinct chapters would aim to address four separate policy areas: creating enabling conditions for industrial production and decarbonisation, strengthening EU strategic industrial value chains, regulating foreign investment contributions and setting up industrial manufacturing acceleration areas. This article focuses on rules concerning foreign investment contributions, as set out in Chapter IV of the IAA.

Under this regime, certain large-scale foreign direct investments (FDI) in designated manufacturing sectors would be subject to mandatory prior notification and an explicit preclosing approval requirement.

For investors, the regime creates an execution risk that functions like a suspensory merger filing. If an investment falls within scope, the parties cannot close the transaction until the investment authority of the member state issues a reasoned decision. This decision follows an EU-level process where the EC evaluates the jurisdictional scope, the compliance with value-added conditions and the merits of the approval itself.

Amendments Post-leak

A version of the IAA leaked in late-January contained an outright prohibition on foreign control, predicated on a 49% foreign ownership ceiling and a default structure of majority European control. While the published proposal preserves this general political direction, it materially softens both the scope and the underlying regulatory technique.

Most importantly, the 49% ceiling no longer functions as a standalone structural rule; instead, it serves as one potential route within a "four-out-of-six" contribution test, whereas workforce localisation remains a mandatory prerequisite for approval. The authorities have tightened the jurisdictional scope through explicit gates, including the €100 million threshold, the 40% global capacity trigger and a fixed list of four manufacturing sectors. The proposal also includes express exclusions for services and portfolio investments, alongside a carve-out for investors covered by a relevant free trade agreement or economic partnership agreement of the EU.

Furthermore, the local-input requirement has been moderated into a published value-chain strategy governed by an "endeavour" benchmark rather than a rigid quota. The institutional mechanics are similarly refined. The EC will not possess a general veto; however, the framework provides a formal and potentially public opinion channel. For investments involving multiple member states, the EC assumes a default role in settling conditions should those member states fail to reach an agreement. Collectively, these choices preserve a robust oversight architecture while reframing the regime from one of prohibition to one of negotiated compliance conditions.

Chapter IV on FDI

The application of the regime as set out in the newly published proposal is governed by a set of narrow and cumulative criteria that restrict the number of transactions subject to these requirements. The framework applies exclusively to FDI exceeding a threshold of €100 million in manufacturing within four designated sectors:

- Battery technologies and the value chain for battery energy storage systems
- Pure electric vehicles, off-vehicle charging hybrid electric vehicles and fuel-cell electric vehicles, including components related to electrification and digitalisation
- Solar photovoltaic technologies
- Extraction, processing and recycling of critical raw materials

Furthermore, the authorities may only trigger the regime where the home country of the investor holds more than 40% of the global manufacturing capacity in the relevant sector.

The regulation excludes investments in services and portfolio investments. Importantly, it does not apply to investors and investments covered by relevant commitments in EU free trade agreements or economic partnership agreements (in force or provisionally applied). For in-scope deals, the authorities define control through a 30% threshold in share capital, voting rights or asset ownership, incorporating aggregation across affiliates and investors acting in concert.

The regime is suspensory in nature, prohibiting the implementation of an investment until the reviewing authority explicitly approves the transaction. This process follows an admissibility review and the transmission of the case file to the EC, which may issue a written opinion regarding the jurisdictional scope and value-added conditions. Approval is strictly conditioned upon satisfying the aforementioned four-out-of-six test, which includes a mandatory requirement that at least 50% of the workforce, including managerial roles, consist of workers from the EU.

Tie-in With the Revised EU FDI Screening Regulation

Chapter IV on FDI functions as an additive layer to the existing security and public-order screening regime of the EU under Regulation (EU) 2019/452 on foreign direct investments into the EU, which is currently undergoing reinforcement. Following a political agreement reached in December 2025, the revised framework aims to establish more uniform national screening mechanisms, to expand the perimeter of sensitive sectors, and to tighten cooperation between the member states and the EC. This development creates a parallel review structure that requires both a traditional security assessment under the screening mechanism and approval under Chapter IV.

From an execution perspective, the regulatory risk is cumulative. A transaction may successfully clear a security screening but still fail to meet the requirements of Chapter IV if the investor is unable to accept specific commitments. These commitments, such as those regarding the workforce, joint ventures or intellectual property, are necessary to satisfy the four-out-of-six threshold. In practice, investors should anticipate extended project timelines, the need for earlier structuring to address the 30% control threshold, and negotiations over technology terms that increasingly resemble formal remedy discussions.

EU-China Derisking

The 40% global-capacity trigger is drafted neutrally, but it tracks the EU's derisking logic *vis-à-vis* the People's Republic of China (China) in clean-tech value chains, particularly where manufacturing capacity is highly concentrated. Coupled with procurement-side "EU-made" requirements and trusted-partner equivalence, the IAA seeks to reroute demand and investment incentives toward EU capacity, while compelling in-scope foreign investors to embed technology and employment within the EU.

Recent debate around foreign ownership in ports and other critical infrastructure points in the same direction – the EC is increasingly willing to condition market access and public support on resilience criteria that function as localisation and technology commitments. Trusted-partner carve-ins suggest a preference for allied capital and reciprocal access, even if the risk of trade friction remains.

How We Can Help

We can assist with determining whether a transaction falls within Chapter IV, including the practical application of the 40% global-capacity trigger, the €100 million aggregation rule and the 30% control thresholds, and in aligning that analysis with parallel screening exposure under the revised EU FDI framework. Where a filing is likely, we can support timetable design, the preparation of commitments responsive to the mandatory workforce condition and the contribution test, and the drafting of governance and intellectual property arrangements that preserve commercial objectives while meeting the proposal's compliance logic.

José María Viñals
Partner, Madrid, Brussels, Geneva
T +34 91 426 4840
M +34 649 133 822
josemaria.vinals@squirepb.com

Oliver Geiss
Partner, Brussels, Frankfurt
T +32 2 627 1112
T +49 69 17392 400
oliver.geiss@squirepb.com

Thomas Delille
Partner, Brussels, Paris
T +32 2 627 1104
T +33 1 53 83 75 24
thomas.delille@squirepb.com

Diego Sevilla Pascual
Director, Brussels
T +322 627 7612
E diego.sevillapascual@squirepb.com

Tigran Piruzyan
Senior Associate, Madrid
T +34 618 017 354
tigran.piruzyan@squirepb.com

Guillermo Giralda Fustes
Associate and Public Policy Advisor, Brussels
T +322 627 7621
guillermo.giraldafustes@squirepb.com

Jimena Machado
Associate, Madrid, Spain
T +34 91 426 4850
jimena.machado@squirepb.com

70544/03/26