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Industrial Accelerator Act

A General Overview

Europe – March 2026

On 4 March 2026, the European Commission (EC) published a legislative proposal for a so-called "Industrial Accelerator Act" (IAA) aimed at supporting the EU's manufacturing sector, with a focus on selected strategic sectors. Overall, the IAA pursues an EU industrialisation objective that the EU's manufacturing industry account for at least 20% of the EU's gross domestic product by 2035.

As proposed, the IAA would set conditions on foreign direct investments (FDIs) in certain strategic sectors, aim to facilitate permitting for industrial manufacturing projects, lay down EU origin requirements and low-carbon requirements in the context of EU public procurement and public support, and create industrial manufacturing acceleration areas.

The EC proposes that each of these areas be addressed in separate IAA chapters, which we individually address below.

Being a legislative proposal, the IAA will now go through the EU's ordinary legislative procedure. It may be substantially amended by the European Parliament and the Council of the European Union (i.e. the Member States) over the coming months, before possibly entering into force.

Foreign Investment Contributions

The IAA's foreign investment contribution rules would apply to certain FDIs, namely those above €100 million across four sectors (batteries, electric vehicles, photovoltaic and critical raw materials), where more than 40% of global manufacturing capacity would be held by the non-EU country of the investor.[1] The level of global manufacturing capacity dominance required, as well as the four chosen sectors, has led to accusations that the chapter on foreign investment contributions is at least partly aimed at Chinese investments in the EU.

Under the IAA, covered investments would have to be approved by Member State investment authorities or the EC. They would have to be notified in advance for review and approval.

The IAA would only concern FDIs exceeding €100 million in certain key emerging sectors through which investors would acquire or establish control of EU target companies or immovable manufacturing assets. This could only be overturned by individual EU Member States' designated investment authorities, or by the European Commission, subject to conditions.

1 The EC would monitor the global manufacturing capacity for each of the emerging strategic sectors, building on existing monitoring activities performed in particular pursuant to the EU Net-Zero Industry Act. It would provide and publish updated information for each of the emerging strategic sectors.

It is proposed that the key emerging sectors to which the IAA would apply would be:

- Battery technologies and its 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
- The extraction, processing and recycling of critical raw materials

Covered investment approval would require that at least four out of the six following IAA investment conditions be fulfilled:

- **Maximum stake condition** – Foreign investors could only directly or indirectly acquire, hold or exercise ownership interests representing a maximum of 49% of the share capital, voting rights or equivalent ownership interests in an EU target company (or equivalent ownership, leasehold or other rights granting control over an EU immovable asset).
- **Joint ventures condition** – For FDIs undertaken through a joint venture (JV) with one or more EU entities, the foreign investor could hold no more than 49% of the control rights in any of the EU entities participating in the JV.
- **Intellectual property rights condition** – Foreign investors would have to enter into agreements providing for the licensing of intellectual property rights (IPRs) to the benefit of the EU target, to enable it to carry out its activities in the context of the FDI. All IPRs developed by the EU target of the entity owning the EU asset prior to the FDI would have to be exclusively owned by the EU target. All IPRs developed as result of the collaboration with the foreign investor, or, in the case of JVs, developed by the JV, would have to be owned jointly by the foreign investor and the EU target, the JV or the legal entity owning the EU immovable asset.
- **EU research and development condition** – Foreign investors would have to direct at least 1% of the gross annual revenue of the EU target, or global revenue generated by the EU immovable asset, to research and development spending in the EU.
- **EU workforce condition** – At the time of implementation of the FDI, and throughout its operation, at least 50% of the workforce employed in the context of the FDI would have to be made of EU workers, across the workforce (including operational, technical supervisory and managerial positions). For EU targets and assets performing manufacturing activities, maintaining the existing workforce or reemploying it would have to be prioritised. Where the foreign investor, the EU target or the EU immovable asset would receive public funding, it would have to commit to not reducing the number of EU workers for five years (or the relevant national authorities would recover the funding awarded).[2]

2 The workforce condition must be complied with by all covered FDIs to be approved by an EU Member State investment authority.

- **EU input condition** – Foreign investors would have to prepare and publish a strategy for enhancing EU value chains and prioritising the sourcing of inputs from the EU, endeavouring to source in the EU at least 30% of inputs used for products placed on the EU market.

Investment authorities would be charged with regularly monitoring the FDI to ensure that it continues to fulfil the relevant conditions. Foreign investors would be required to regularly report to the investment authority on compliance with the conditions.

Enabling Conditions for Industrial Production and Decarbonisation

The IAA would require that EU Member State access points be set up for industrial manufacturing projects to be submitted, as well as single-application permit-granting procedures covering all relevant procedures. Administrative streamlining under the EU Net-Zero Industry Act would be extended to all energy-intensive industry decarbonisation projects.

Industrial Manufacturing Acceleration Areas

The IAA would require EU Member States to designate at least one industrial manufacturing acceleration area to cluster industrial manufacturing projects in one or several strategic sectors listed in Annex I to the IAA:

- **Paper and paper products** manufacturing
- **Coke and refine petroleum products** manufacturing
- **Chemicals and chemical products** manufacturing
- **Rubber and plastic products** manufacturing
- **Other nonmetallic minerals** manufacturing
- **Basic metals** manufacturing

EU Member States would issue an aggregated baseline permit authorising industrial activities within an acceleration area, thus facilitating permitting. They would provide enabling conditions to support the development of the acceleration areas:

- Facilitated financing
- R&D investment promotion
- Energy needs evaluation
- Supply chain information exchanges
- Promotion of entities in the acceleration areas
- Workforce development support

Strengthening EU Strategic Industrial Value Chains

The IAA would mostly exclude tenders by non-EU companies for EU public procurement procedures concerning steel, concrete, mortar, aluminium and electric vehicles – except where an international agreement would guarantee such market access, and subject to some exceptions.

For those same sectors, the IAA would require EU Member States to design public support schemes to strengthen EU strategic value chains through EU origin requirements, low-carbon content requirements, or both – subject to some exceptions.

In addition, the IAA would empower the EC to adopt implementing acts with demand-side measures concerning chemical products. This would be done to promote substances and mixtures of EU origin derived from sustainable carbon sources, and their use.

Observations

The IAA may become one of the flagship economic policy proposals of the 2024-2029 EC. While perhaps narrower in scope than had been previously expected, rules concerning topics such as FDI, state aid or public procurement in key sectors mean that the IAA is still likely to have a deep impact on the EU economy, and to play a role in positioning the EU at a time of geopolitical changes.

Crucially, the EC's legislative proposal is only a first step. The IAA and its annexes will now have to go through the EU's legislative procedure. The European Parliament and the Council of the European Union could substantially alter the content of the EC's proposal, particularly in the likely context of increased political pressure and scrutiny, given the IAA's importance. All in all, the IAA is likely to be central to the EU political and economic debate of the coming months, much before any of its provisions come into force.

Our EU Public Policy Team

The economic, trade and sustainability policy competences of our Brussels-based EU team position it ideally to advise clients on the implication of the EU's future IAA. Throughout the legislative procedure, our EU Public Policy team can advise you on any questions you may have concerning the rules it is likely to set on companies operating in the EU, helping you anticipate the risks it poses and seize the opportunities it will lead to.

Contacts

Thomas Delille
Partner, Brussels/Paris
T +32 2 627 1104
E thomas.delille@squirepb.com

Erling Estellon
Partner, Paris/London
T +33 1 5383 7060
E erling.estellon@squirepb.com

Oliver Geiss
Partner, Brussels/Frankfurt
T +32 2 627 1112
E oliver.geiss@squirepb.com

Bart Vanderstraete
Partner, Brussels
T +322 627 1120
E bart.vanderstraete@squirepb.com

José María Viñals
Partner, Madrid/ Brussels
T +32 2 627 1111
E josemaria.vinals@squirepb.com

Christina Economides
Senior Policy Advisor, Brussels
T +322 627 11 05
E christina.economides@squirepb.com

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