

April 24, 2026

If you have any questions regarding the matters discussed in this memorandum, please contact the following attorneys or call your regular Skadden contact.

Jason Hewitt

Partner / London
44.20.7519.7142
jason.hewitt@skadden.com

Michael E. Leiter

Partner / Washington, D.C.
202.371.7540
michael.leiter@skadden.com

Wesley Lainé

Associate / Paris
33.1.55.27.11.73
wesley.laine@skadden.com

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One Manhattan West
New York, NY 10001
212.735.3000

22 Bishopsgate
London EC2N 4BQ
44.20.7519.7000

1-5 rue Paul Cézanne
75008 Paris
33.1.55.27.11.00

European Commission Proposes Industrial Accelerator Act: Prioritizing Strategic Sectors, 'Made in EU' Requirements and FDI Controls

Executive Summary

- **What's new:** The European Commission (EC) formally presented its legislative proposal for the Industrial Accelerator Act (IAA), introducing made-in-EU requirements for public procurement, new FDI controls in emerging sectors, industrial manufacturing acceleration areas and streamlined permit-granting procedures.
- **Why it matters:** The IAA's implications for businesses and non-EU investors could be extensive, particularly in energy-intensive industries, net-zero technologies and the EU automotive sector, with FDI controls effectively targeting Chinese-linked investments. Also, the proposed regulation allows the EC to intervene directly in investment matters that have traditionally fallen within the exclusive competence of national authorities.
- **What to do next:** Investors with interests in the affected sectors should monitor the legislative process closely, as future amendments could materially affect their investment strategies and compliance obligations before anticipated adoption in mid to late 2027.

On March 4, 2026, the European Commission (EC) formally presented its legislative proposal for the Industrial Accelerator Act (IAA). The proposed regulation sets out a comprehensive framework introducing new made-in-EU requirements for (i) public procurement and public support schemes for specific sectors, (ii) foreign investment (FDI) controls in designated emerging sectors, (iii) the creation of industrial manufacturing acceleration areas and (iv) more efficient permit-granting procedures for industrial manufacturing projects. These proposed measures aim to support energy-intensive industries, net-zero technologies (including solar, battery and energy storage technologies) and the EU automotive sector. The EU has identified these sectors as critical to ensuring its strategic autonomy and long-term competitiveness, with a clear focus on Europe's industrial and technological rivalry with China.

The EC outlined IAA goals to strengthen the EU's industrial base, enhance resilience to external vulnerabilities and accelerate the transition to a low-carbon economy. In a [press release launching the IAA proposal](#), the EC's executive vice president for prosperity and industrial strategy emphasized that European industry can rely on the provisions of the IAA to increase demand for labor and ensure strong supply chains in strategic sectors.

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The IAA forms a key component of the EU's broader [economic security strategy](#). Through the regulation, the EC aims to safeguard the competitiveness, sustainability and technological leadership of the European single market in an increasingly challenging global landscape. However, the implications for businesses and non-EU investors could be extensive, depending on the final scope and provisions adopted.

The EC's proposal marks the beginning of the EU legislative process and will now be subject to negotiations involving the European Parliament and the Council of the European Union, which may propose amendments to the EC's draft regulation. Only after officials conclude these negotiations and reach a consensus will the final version of the IAA be formally adopted and enter into force. Given the complexity and scope of the proposal, the EU does not anticipate adoption of the final legislation before mid to late 2027.

Key Aspects of the IAA

Public Procurement and Public Support Schemes

- To promote lead markets for European low-carbon industrial products, the IAA introduces mandatory EU-origin and low-carbon requirements in public procurement and public support schemes. These requirements cover energy-intensive industrial materials including steel, cement, aluminum, the automotive sector and net-zero technologies.
- For public procurement in selected sectors, the IAA excludes potential suppliers owned or controlled by an entity established in a non-EU country that has not concluded an international agreement with the EU ensuring comparable access.
- For the purposes of public procurement and public support schemes under the IAA, relevant products supplied by businesses from a country that has concluded an international agreement with the EU establishing a free trade area or customs union will be considered to be of EU origin.

See below [Energy Intensive Industries](#) for required metrics for sourcing construction and manufacturing materials; [Net-Zero Technologies](#) for relevant implementation time horizons; and [Union Origin Under the IAA](#) for examples of qualifying procurement agreements.

FDI Control in Specific Emerging Sectors

- The IAA introduces new FDI controls on investments — including greenfield investments — exceeding €100 million in battery technologies and their value chain for energy storage systems, electric vehicles, solar photovoltaic (PV) technologies and the extraction, processing and recycling of critical raw materials.

- Importantly, these controls apply only to foreign investors from countries representing more than 40% of global manufacturing capacity in the relevant sectors. In effect, this means only Chinese investors.
- If a relevant foreign investor intends to make a direct investment that would result in acquiring control over an EU target or asset — defined under the IAA as acquiring 30% or more of the share capital or voting rights of an EU target, or 30% or more ownership of an EU asset — the investor is required to submit a prior notification to the investment authority of the relevant EU member state.
- For such FDI notifications, the relevant investment authority may approve the proposed investment only if at least four of the following six IAA FDI conditions are met:
 - A cap of 49% on foreign investor ownership.
 - Investment via a joint venture with one or more EU entities, also capped at 49% foreign ownership.
 - Licensing of the foreign investor's IP and know-how to the EU target or asset, while protecting the EU entity's pre-existing or independently developed intellectual property.
 - Annual allocation of at least 1% of the EU target's or asset's gross revenue (proportional to control) to EU-based research and development (R&D).
 - Employment of EU workers comprising at least 50% of the workforce in the context of the investment. (This condition cannot be waived.)
 - Publication of a strategy to strengthen EU value chains and prioritization of sourcing at least 30% of EU-manufactured inputs for the products placed on the EU market.
- The IAA empowers the EC, under certain conditions, to review covered investment transactions that fall within the scope of the regulation in place of EU member state screening authorities. This review may be initiated either by the EC or at the request of a relevant investment authority from an EU member state.
- The IAA provides exemptions for foreign investments that are (i) covered by existing or provisional economic partnership or free trade agreements with the EU, (ii) solely aimed at providing services and (iii) portfolio investments. The IAA defines portfolio investments as the acquisition of securities undertaken exclusively for financial investment purposes, without any intention to influence the management or control of the EU target company.

See below [Defining Foreign Investors](#) for covered subsidiaries; [Strategic Emerging Sectors](#) for specific covered technologies within the designated industrial ecosystems and for technology

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sectors prohibited from IAA FDI controls; [Conditions for FDI Clearance](#) for further details on the features that will qualify an investment for IAA approval; and [National Screening Authorities; Powers of the EC](#) for paths of jurisdictional collaboration.

Industrial Manufacturing Acceleration Areas

- The IAA requires EU member states to designate at least one industrial manufacturing acceleration area within their territory. These areas are intended to cluster industrial manufacturing projects in energy-intensive sectors, the automotive sector or net-zero technologies. In addition, EU member states must implement specific measures — referred to as enabling conditions — to support the development of these acceleration areas.

See [Areas of Focus for Industrial Manufacturing](#) below for a list of specific covered industries and EU economic targets for manufacturing in the next decade.

Industrial Manufacturing Projects Permit

- Under the IAA, EU member states must establish a unified permit-granting procedure that allows applicants to submit a single application covering all necessary permits for industrial manufacturing projects.

See [Simplifying Permits](#) below.

Operational Details of the IAA Proposal

Made in EU and/or Low-Carbon Criteria in Public Procurement

Public procurement represents approximately 15% of the EU’s gross domestic product, making it a lever for influencing demand in the EU single market. In addition, public support schemes are instrumental in stimulating demand within downstream sectors in the EU that are significant consumers of certain strategic products and technologies. Through the IAA, the EU plans to harness its economic influence in both public procurement and support schemes to drive increased demand for low-carbon and made-in-EU products, specifically within designated consequential sectors. This strategy is intended to promote sustainability, strengthen the EU’s industrial base and support the transition to a low-carbon economy.

As part of this strategy, the IAA requires EU contracting authorities and entities to exclude from public procurement procedures in certain sectors any business that is owned or controlled by an entity established outside the EU, unless that entity’s home country has entered into an international agreement with the EU ensuring reciprocal and comparable access to public procurement markets.

Energy Intensive Industries; Automotive Sector

The IAA imposes the following requirements for materials used in construction and manufacturing:

- **Steel:** At least 25% of all steel used in the construction of buildings, infrastructure projects and motor vehicles must be low-carbon steel.
- **Concrete and mortar:** For concrete and mortar used in buildings and infrastructure, a minimum of 5% of the total volume must be low-carbon and of EU origin.
- **Aluminum:** At least 25% of the total volume of aluminum used in buildings, infrastructure projects and motor vehicles must be both low-carbon and of EU origin.
- **Vehicles:** The IAA establishes specific “made in EU” requirements for vehicles procured under its framework, including the following requirements:
 - Vehicles must be assembled within the territory of the EU.
 - At least 70% of the value of the vehicle’s components — excluding the battery — must originate from the EU.
 - The vehicle’s traction battery must also contain at least three main specific components of EU origin, and the battery cells must be produced in the EU.

The IAA also imposes further conditions to reinforce the preference for EU-made products and components in vehicles.

The IAA requirements outlined above equally apply to public support schemes implemented by EU member states. Specifically, national governments must observe these requirements for at least 45% of the total national budget allocated to such schemes involving steel, aluminum, concrete and mortar. In the case of the automotive sector, the requirements more stringently apply to 100% of the budget for relevant support schemes.

Net-Zero Technologies

The IAA introduces EU-origin requirements for the public procurement of net-zero technologies, with the objective of fostering demand for technologies and components produced in the EU. Under the IAA, net-zero technologies include solar technologies such as PV systems, battery and energy storage solutions, hydronic heat pumps, onshore and offshore wind technologies, nuclear fission technologies and electrolyzers.

Implementation of these requirements will occur gradually, with transition periods ranging from one to six years depending on the specific technology involved. This phased approach is designed to provide sufficient time for market participants to adapt to the

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new EU-origin requirements, taking into account the varying levels of market maturity and supply chain readiness across different net-zero technologies.

Union Origin Under the IAA

Under the IAA, “Union origin” is determined by the location where a product is manufactured, in accordance with EU customs rules of origin. For the purposes of public procurement and public support scheme requirements, the IAA also grants EU-origin status to suppliers from countries with which the EU has established a free trade area or a customs union, or that are signatories to the Agreement on Government Procurement. However, the EC may withdraw this status under specific conditions outlined in the IAA.

FDI Controls

The IAA introduces targeted FDI controls for emerging strategic sectors, designed to complement the EU’s FDI Regulation. While the EU FDI Regulation primarily addresses concerns related to public security and public order, the IAA’s FDI framework seeks to reinforce the EU single market by attaching conditions to foreign investments in specific sectors. Specifically, the IAA requires that such investments contribute to know-how development, job creation and integration into the value chain, thereby promoting sustainable economic growth alongside “strategic sector protection.”

As outlined in more detail below, the EC’s proposal sets forth requirements regarding shared ownership, IP and technology transfers, R&D expenditures, employment of EU workers and the inclusion of EU content. (For additional discussion of the EU FDI Regulation, see our January 7, 2026, client alert, [“EU Advances Update to FDI Regulation: Enhanced Screening Framework Expected.”](#))

IAA FDI Framework: Scope and Threshold

The proposed IAA FDI framework seeks to introduce a mandatory prior notification regime under which foreign investors — effectively limited to Chinese investors currently — must obtain authorization before proceeding with any proposed investment that meets the specified criteria triggering IAA FDI controls.

Defining Foreign Investors

The IAA FDI regime applies exclusively to foreign investors originating from a non-EU country that accounts for more than 40% of global manufacturing capacity in the designated emerging sectors (as described below). The regime further extends to any subsidiary controlled directly or indirectly by such a qualifying foreign investor.

The definition of a subsidiary for these purposes is deliberately broad, covering any entity under the direct or indirect control of a foreign investor, regardless of where the subsidiary is established. This comprehensive approach is designed to ensure that the IAA can effectively address a wide range of investment structures, including those involving complex corporate hierarchies or indirect mechanisms of control.

Although the IAA does not single out any country by name, China appears to be the only jurisdiction realistically likely to exceed the relevant thresholds, given China’s dominant position in the global manufacturing of batteries, solar panels, electric vehicles and critical minerals processing. The proposal’s practical impact is therefore expected to fall disproportionately on Chinese-linked investments in these sectors.

Covered Investment Transactions

The IAA FDI regime applies to foreign investments by a qualifying foreign investor exceeding €100 million in an EU target or asset, including the aggregate value of any previous investments made by the same foreign investor in that target or asset. The regime applies only to foreign investments in designated emerging strategic manufacturing sectors in the EU.

The regime is triggered when such an investment results in the foreign investor acquiring control over the EU target or asset, with “control” defined as the acquisition of 30% or more of the share capital, voting rights or ownership interests in the relevant EU target or asset. The regime covers a range of investment types, including cross-border M&A and greenfield projects.

As referenced above, the IAA grants an exemption for investments that meet any of the following criteria: (i) they are covered by a current or provisional economic partnership or free trade agreement; (ii) they are directed toward the provision of services; or (iii) they qualify as portfolio investments, defined as purely financial investments made without any intention to influence the management or control of the EU company.

Strategic Emerging Sectors

The IAA FDI regime applies to covered investments by a foreign investor in the following emerging strategic sectors in the EU:

- Battery technologies and the related 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 digitalization.
- Solar PV technologies.
- Extraction, processing and recycling of critical raw materials.

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The EC identified these sectors due to their strategic significance, despite their representing only approximately 15% of EU manufacturing output. These sectors play a critical role in efforts to advance decarbonization and serve as upstream suppliers and enablers for a range of downstream industrial ecosystems, including construction, mobility, energy, space and defense.

Under the IAA, however, the EC may extend the scope of the strategic emerging sectors subject to FDI controls to additional sectors considered critical to the EU's economic security. This may include certain net-zero technologies identified in the EU's Net-Zero Industry Act, nuclear fuel cycle technologies and electric propulsion technologies for transport. However, the EC cannot extend the scope of the IAA FDI controls to digital technologies, artificial intelligence, quantum technologies and semiconductors through delegated legislation.

Conditions for FDI Clearance

For investments within the scope of the IAA FDI regime, the relevant authorities may grant clearance only if at least four of the following six conditions are satisfied:

- No more than 49% of the share capital, voting rights or equivalent ownership interests in the EU target, or equivalent rights conferring control over the EU asset, are acquired, held or exercised.
- Direct investment is made through a joint venture with one or more EU entities, with no more than 49% of the share capital, voting rights or equivalent control rights held in any participating EU entity. The joint venture must ensure effective EU partner participation in management, technology transfer and capacity building.
- Agreements are in place to license IP rights and know-how to the EU target or asset, enabling it to conduct its economic activities. IP developed by the EU target or asset prior to the investment, or independently, remains fully owned by the EU target or asset. IP developed collaboratively or by the joint venture is jointly owned by the foreign investor and the relevant EU entity.
- Annual R&D spending in the EU is at least 1% of the gross annual revenue of the EU target or asset, proportional to the investor's share of control.
- At least 50% of the workforce involved in the investment, both at implementation and throughout its operation, consists of EU workers across all roles, with appropriate training and capacity building. This requirement is mandatory and cannot be waived.
- A published strategy is available on the investor's website outlining how the investor will (i) enhance EU value chains, (ii) source manufacturing inputs from the EU and (iii) endeavor to source from the EU at least 30% of inputs used for products placed on the EU market.

National Screening Authorities; Powers of the EC

The foreign investor is required to submit the necessary notification to the competent authority of the relevant EU member state. Similar to the cooperation mechanism established under the EU FDI Regulation, the member state responsible for screening the investment must also share the notification with the EC for review. Where appropriate, the EC may provide a written opinion to the screening member state. The EC may also share such opinion with the authorities of other member states, or publish the written opinion on the EC's website with due regard for confidentiality. Following this process, and within the time frame specified by the IAA, the screening member state must issue a reasoned decision either approving or rejecting the foreign investment.

The IAA also confers additional powers upon the EC, authorizing the commission to review an investment in place of the competent national authority when necessary. As part of these powers, the EC may, where appropriate, direct the national reviewing authority to impose some or all conditionalities for clearance discussed above as part of its decision on the relevant investment. The EC may exercise these powers in three specific circumstances: (i) on its own initiative, where the foreign investment is likely to have a significant impact on value creation in the EU market; (ii) at the request of the investment authority of an EU member state that is handling the notification, or at the request of the investment authority of another member state, provided that the foreign investment in question would have a substantial effect on that member state's territory; or (iii) on its own initiative, where the value of the foreign investment exceeds €1 billion.

This represents a significant and controversial shift in the allocation of decision-making authority, as it allows the EC to intervene directly in investment matters that have traditionally fallen within the exclusive competence of national authorities.

The IAA will operate alongside existing review tools. The FDI provisions of the IAA apply to foreign investments within its scope, notwithstanding the EU FDI Regulation, and without prejudice to the application of EU competition law including merger control and the Foreign Subsidies Regulation. Transactions falling within the IAA's remit may therefore give rise to parallel filing obligations, each governed by distinct substantive criteria and time frames, and transactions in strategically significant sectors are likely to be assessed through a broad regulatory lens.

Areas of Focus for Industrial Manufacturing

The IAA requires each EU member state to designate at least one industrial manufacturing acceleration area within its territory. These areas are intended to facilitate the clustering of industrial activities in designated strategic sectors. These targeted sectors

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include energy-intensive industries — such as paper, coke and refined petroleum products, chemicals, rubber and plastics, other nonmetallic minerals and basic metals — as well as the automotive sector, and net-zero technologies. The goal is to foster industrial symbiosis and encourage the creation of clean manufacturing project hubs.

The EC has highlighted a decline in manufacturing capacity within the EU over the past two decades. Specifically, the share of manufacturing in the EU's total GDP fell from 17.4% in 2000 to 14.3% in 2024. In response to this trend, the development of industrial manufacturing projects is intended to help reverse this decline. The overarching objective is to increase the contribution of manufacturing to at least 20% of the EU's gross domestic product by 2035, thereby strengthening the bloc's industrial base and supporting sustainable economic growth.

Simplifying Permits

The IAA proposes to streamline and digitalize permitting procedures for industrial manufacturing projects through the introduction of a single, comprehensive digital one-stop-shop

platform. This initiative is intended to reduce administrative burden on businesses and accelerate the permitting process, enabling companies to secure necessary approvals more efficiently.

Next Steps

Several key aspects of the IAA proposal — particularly those relating to FDI controls, including the precise ownership cap, the sectoral scope and the manufacturing capacity threshold — remain under active discussion in the EU legislative bodies and may be revised before adoption. According to press reports, the draft proposal has already drawn significant criticism from a number of EU member states that have submitted feedback, suggesting that meaningful amendments are likely before any final text is agreed upon.

Investors with interests in the affected sectors should continue to monitor the legislative process closely, as future amendments could materially affect their investment strategies and compliance obligations.