Council of the European Union

Brussels, 13 May 2026
(OR. en)

9116/1/26
REV 1

Interinstitutional File:
2026/0068 (COD)

COMPET 555
IND 326
MI 454
MAP 105
FDI 11
TRANS 299
CLIMA 254
ENV 486
ENER 239
ECOFIN 602
UD 136
POLCOM 170
CODEC 875

NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	*Preparation of the Competitiveness Council (Internal Market, Industry, Research and Space) on 28 May 2026* Industrial Accelerator Act: how best to leverage access to the Single Market through European preference and low-carbon requirements *- Policy debate*

Delegations will find attached a Presidency background note on "The Industrial Accelerator Act: how best to leverage access to the Single Market through European preference and low-carbon requirements" with a view to the policy debate at the Competitiveness Council on 28 May 2026.

ANNEX

The Industrial Accelerator Act (IAA): how best to leverage access to the Single Market through European preference and low-carbon requirements

Context

The EU manufacturing sector accounted for 18.3% of the EU's employment (or 30 million people) and 14.3% of the EU's GDP in 2024, while also generating 26.2% of the EU's greenhouse gas emissions. It therefore plays a central role in economic prosperity, strategic autonomy and the achievement of the Union's climate objectives.

Despite the manufacturing sector's economic importance, its share of GDP has declined over the past decades from 17.4% in 2000 to 14.3% in 2024. The sector has been facing challenges stemming from persistently high energy prices, global overcapacities, distorted international competition, high capital and operational costs for decarbonisation, regulatory hurdles as well as slow and unpredictable permit-granting procedures. All these undermine its competitiveness and ability to decarbonise.

As a result, production volumes in energy-intensive industries, for example, have declined by nearly 20% since 2019, significantly more than in other manufacturing sectors, with some production capacity remaining underutilised and at an unprofitable rate. Without urgent action to reverse the trend, the EU will decarbonise through deindustrialisation.

Clean technologies also face challenges in terms of competitiveness and supply chain vulnerabilities. Among 15 key clean technologies, batteries, solar photovoltaic (PV) modules and cells manufacturing are the technologies in which the EU is least competitive compared to the rest of the world, importing around 50% of its battery demand and 94% of its solar PV module and cell demand from China.

A similar competitive challenge is also evident in multiple downstream supply chains. For example, despite the countervailing duties introduced on Chinese battery electric vehicles as of 30 October 2024, the trade balance with China on passenger vehicles became negative in 2025 (EUR 1.2 billion in the first half of the year). Moreover, imports of automotive parts from China increased by around EUR 4 billion between 2021 and 2025 (+66%) – compared with a decline in exports to China of around 50%. This is due to a 30-35% price differential between European and Chinese products. This trend seems to be accelerating. 76 000 job losses have already been announced among automotive suppliers, and up to 50% of the production is at risk in the next five years.

To address these trends, the proposal for an Industrial Accelerator Act (IAA), adopted on 4 March 2026, establishes a framework of measures to accelerate industrial capacity and decarbonisation in strategic sectors, while strengthening the EU's long-term resilience and prosperity.

The Industrial Accelerator Act: introducing targeted European preference and low carbon requirements in support of strategic sectors

The proposal comprises **three main pillars**: boosting demand to create lead markets for clean products, leveraging the power of the Single Market to attract quality foreign investments and accelerating decarbonisation project deployment.

With regard to the first pillar, the IAA establishes a framework for developing lead markets for low-carbon and Union-produced industrial products. This initiative aims to tackle the limited demand that hinders the scaling up of the production and prevents decarbonisation investments. This is achieved by leveraging the scale of the Single Market and increasing the product demand financed by public intervention (public procurement, auctions, and public support schemes). According to the Commission's Explanatory Memorandum, the proposed measures reflect the international trends and comply with the EU's international obligations by extending the concept of Union origin to products manufactured in countries with which the EU has concluded an agreement establishing a free trade area or customs union. Access to public procurement procedures is only granted to bidders from countries with guaranteed access.

The proposal introduces low-carbon and/or Union origin requirements for selected products in strategic sectors, including:

- Steel, cement (via concrete and mortar) and aluminium when used in construction and automotive sectors;
- Electric, hybrid and fuel cell vehicles and key components;
- A range of net-zero technologies.

These horizontal requirements interlink the IAA with other ongoing legislative proposals where such concepts are used, such as the proposal on the revision of the CO2 emission standards for cars and vans and the clean corporate vehicles proposal. They would apply across public procurement procedures, auctions, and public support schemes. To avoid imposing excessive administrative burdens on economic operators participating in procurement procedures covered by the Industrial Accelerator Act, compliance would be verified through a self-declaration system. This approach ensures alignment with existing public procurement frameworks while limiting scrutiny to operators that have been awarded a contract.

Concerning clean technologies, Union origin requirements would be introduced through amendments to the Net-Zero Industry Act[1], ensuring their full integration into that framework. In practice, existing guidance, such as that on the implementation of Article 28 of the Act[2], together with relevant implementation experience, including in the application of rules of origin, would support the effective implementation of these requirements.

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1 Regulation (EU) 2024/1735 of the European Parliament and of the Council of 13 June 2024 on establishing a framework of measures for strengthening Europe's net-zero technology manufacturing ecosystem and amending Regulation (EU) 2018/1724.

2 Communication from the Commission, Guidance on the implementation of Article 28 of Regulation (EU) 2024/1735 establishing a framework of measures for strengthening Europe's net-zero technology manufacturing ecosystem and amending Regulation (EU) 2018/1724 (NZIA).

This framework aims to create predictable demand signals for low-carbon industrial products while strengthening EU manufacturing capacity and reinforcing strategic value chains in line with the recommendations of the Draghi report[3].

The approach is targeted at strategic sectors where decarbonisation costs are high, and, without the actions proposed in the Industrial Accelerator Act, downstream price impacts would be significant, increasing the risk of market failures. It is also embedded within a simplification agenda, streamlining existing rules and procedures wherever possible and building on them where necessary

As for **the second pillar**, the proposal establishes clear conditions for foreign investments exceeding EUR 100 million in emerging sectors (batteries, electric vehicles, photovoltaics and critical raw materials) to ensure that these investments generate tangible added value, including the creation of high-quality local jobs, the promotion of innovation and stronger integration into European value chains. At the same time, it seeks to ensure an appropriate balance between the different pillars of the initiative so as to preserve the attractiveness of the Union for strategic investments while mitigating the risk of investment diversion to partner countries benefiting from preferential access to the Single Market.

Under a **third pillar**, the proposal simplifies and digitalises the permitting process for manufacturing projects through a “one project, one digital procedure” approach. It also accelerates the permit-granting framework for energy-intensive decarbonisation projects and supports the development of industrial clusters by designating dedicated industrial acceleration areas in each Member State.

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3 Draghi, M. (2024). The future of European competitiveness – In-depth analysis and recommendations (Part B).

Questions for discussion

- Are the measures in the proposed framework sufficient, in your view, to deliver acceleration of industrial capacity and decarbonisation in strategic sectors in the EU while also providing sufficiently strong demand signals and investment certainty to restore the competitiveness of EU strategic industries?

- Do you consider that the proposed targeted European preference and low-carbon criteria in public spending can effectively support strategic sectors in preserving and expanding manufacturing capacity within the EU, with minimum additional administrative burden?