POSITION PAPER

Brussels, 25 June 2026

Amending the Industrial Accelerator Act (IAA) to make sure it helps restore Europe's industrial edge

Executive summary

Europe's technology industries face unprecedented challenges, which require **urgent action to drive investments back into European manufacturing value chains**. The Industrial Accelerator Act (IAA) can contribute to this goal, but it **will not be sufficient to achieve it on its own**. It must be part of a **much more holistic strategy**, including ambitious regulatory simplification, a stronger single market, lower energy costs, increased digitalisation and faster trade agreements.

The following are our most important recommendations for a carefully designed and proportionate IAA, which contributes to industrial competitiveness while avoiding unintended increases in manufacturing costs and the administrative burden:

- To ensure full legal certainty, the European Commission shall provide a **clear list of all the specific products to which the Union origin and low carbon requirements of Annex II of the IAA apply** (including CN/NACE codes).
- **The current low carbon requirements for steel and aluminium should be removed**. The Commission shall set workable targets only after (1) relevant definitions have been set in EU law or voluntary classification systems and (2) a thorough assessment of the availability of low carbon steel and aluminium in the EU has been carried out.
- The Commission shall provide a **clear list of all the trade partners whose products are considered equivalent to Union origin**. The list must include Switzerland, Norway, the UK, all signatories of the WTO Agreement on Government Procurement, and FTA/Customs Union partners that provide reciprocal market access to the EU.
- **The IAA should not penalise foreign companies creating jobs in the EU**. The current provision enabling rejection of tenders based on ownership/control by entities of third countries that do not provide reciprocal market access should be removed. Authorities should instead reject tenders where over 50% of the products constituting the tender originate from such countries.
- **The current Net-Zero Industry Act (NZIA) permitting facilitation provisions should be extended to all industrial manufacturing projects**, and not only to energy-intensive industry decarbonisation projects.
- **The Foreign Direct Investment (FDI) restrictions framework should be simplified** and include only two clearly enforceable conditions for FDI approval:
  - the foreign investor directs at least 1% of gross annual revenues to R&D spending in the EU
  - the foreign investor does not acquire over 49% ownership of the EU target entity or joint venture

Introduction

Europe's technology industries are strongly export-oriented andt rely on the smooth functioning of highly **diverse and globally integrated value chains**. As geopolitical risks increase, the rules-based global trading environment has come under growing pressure – with more and more countries worldwide adopting more protective and aggressive industrial policies as a result. To answer this challenge and strengthen industrial competitiveness, economic resilience, and security, the EU must act in a balanced, reflected, and targeted manner. Importantly, while doing so, the EU must preserve the integrity of the single market, open trade and well-functioning global supply chains.

The Industrial Accelerator Act (IAA) can make limited contributions to strenghtening industrial competitiveness in Europe – and only if it is properly designed. **European preference criteria in public procurement and support schemes should be devised in targeted ways** to foster strategic value chains and manufacturing value added in Europe. In particular, the IAA should focus specifically on clearly identified market failures. It must remain proportionate and technology-neutral, take into account the global and specialised value chains of European companies, and **avoid creating an unnecessary administrative burden**, legal uncertainty or distortion to competitition and investments.

Restoring competitiveness needs a much broader & more ambitious industrial strategy

Taken on its own, **the IAA will** contribute little **to restoring the competitiveness of European manufacturing or driving investments back into European manufacturing value chains**. It cannot resolve the much broader and deeper structural shortfalls in competitiveness that need to be addressed now. As one in seven jobs in Europe depend on exports, the IAA can only exert a positive impact if it is seen and pursued as one element of a much broader **and coherent EU industrial strategy.** To restore industrial competitiveness of European companies – not only on the EU market, but also on international export markets, such an industrial strategy must firmly focus on the following priorities first:

- Swift action to massively **reduce the EU's regulatory burden** across different policy areas and improve the quality, coherence and predictability of the regulatory framework
- A structured approach to completing the single market by identifying and removing regulatory and administrative barriers, and progressing on the Capital Markets Union and the common market for energy
- Stronger use of **digitalisation, data and industrial technologies** as productivity enablers
- **Timely delivery of harmonised standards** and action to strengthen the EU's role in international standardisation activity
- Competitive energy prices, including via an ambitious **reduction of national taxes and levies on electricity prices**
- Ensuring that **the Multiannual Financial Framework (MFF) strongly prioritises EU industrial competitiveness** through increased investment in research, innovation and industrial deployment
- **More and faster FTAs** and other types of trade agreements with trustworthy partners worldwide
- Action to **restore an international level playing field for our industries** and tackle unfair competition, while preserving our links to global markets

The following sections of this paper outline our views on the key provisions of the IAA and include concrete recommendations on how to strengthen it.

Lead markets: ensure legal certainty & effective reciprocity

Orgalim believes that lead markets can make a limited contribution to boosting demand for certain low carbon products "Made in Europe", by using public procurement, auctions or public support schemes as levers. While, in theory, the use of lead markets as strategic instruments to strenghten industrial competitiveness sounds attractive, industrial practice shows that lead market provisions can easily turn into bureaucratic hurdles that have the opposite effect of weighing down on European companies.

Europe's industrial strength is, first and foremost, built on highly innovative and competitive companies that combine technological excellence with trusted global partnerships. We therefore **welcome the recognition of the crucial role that close and trusted trade partners play in Europe's industrial value chains**. We also believe it is crucial that Union origin requirements under the IAA, including any future amendments to the Net-Zero Industry Act (NZIA), are **narrowly limited to clearly defined strategic technologies that are genuinely critical for Europe's competitiveness, resilience and energy security**. Origin requirements should only be applied where and whenever sufficient EU production capacity already exists, or can realistically be developed within relevant timeframes, in order to avoid supply shortages and delays in industrial and infrastructure projects. Also, they must be targeted, proportionate and based on robust market analysis to avoid higher costs, reduced competition, supply bottlenecks and project delays – in particular for downstream industries and SMEs. Finally, they should only be set following **extensive consultation with concerned industries** to ensure that such requirements are feasible and do not have negative effects on Europe's industrial competitiveness, taking into account the global and specialised value chains of European companies. Derogations based on high costs, technical characteristics or a limited number of suppliers should be possible and clearly defined.

Union origin requirements must also remain firmly rooted in the **principle of reciprocity**, while reflecting the reality of globally integrated value chains and avoiding supply disruptions. Therefore, content from Free Trade Agreement (FTA) and Customs Union (CU) partners should count as equivalent to "Union origin" (i.e. made in the EU) for the purposes of public procurement and public support schemes, but only **under the strict condition that these partners provide reciprocal market access to the EU**.

Several lead market provisions of the IAA need to be clarified further in order to ensure legal certainty for companies and avoid unintended negative effects on European industry. In addition, **documentation requirements should remain as simple and targeted as possible**. While self-declarations on origin can reduce the administrative burden, tracing origin in complex value chains may still prove challenging – particularly for SMEs and downstream operators in sectors such as construction and automotive. It is therefore critical to provide clear guidelines, and to ensure that compliance does not lead to excessive administrative costs or the risk of excluding smaller market participants.

Clarify the scope of Union origin and low carbon requirements in public procurement and public support schemes

The overall scope of the Union origin and low carbon requirements for steel, aluminium and concrete used in construction, infrastructure and automotive (Annex II of the IAA) remains extremely unclear. Such requirements would apply not only to the raw materials, but also to *"any product the performance of which depends mainly on"* the raw material in question. Taking aluminium as an example, such a definition could apply to office and street lightning fixtures. As far as steel is concerned, this definition could apply to relatively simple metal products such as window frames, but also to more complex downstream products such as transformers used to connect buildings to the electrical grid. If the requirements for public procurement and public support schemes extend to such cases, they would raise the costs of clean energy deployment.

For complex technology products, performance depends simultaneously on multiple materials, components and software. There is no objective basis for determining which material "mainly" drives performance. Applied without clarification, this provision will produce inconsistent interpretation across Member States and result in arbitrary procurement outcomes.

Key recommendations:

- The European Commission should adopt a delegated act listing all **the specific products to which the Union origin and low carbon requirements of Annex II of the IAA apply, including all relevant CN and NACE codes**.
- The scope of the delegated act should remain limited and focused exclusively on providing the list of CN/NACE codes.
- The delegated act should be adopted no more than **two months following the entry into force** of the Regulation, and **no later than 1 January 2028**, to ensure companies have the time to adapt to the new requirements.
- In preparation for the adoption of the delegated act, the Commission must carry out **extensive industry consultations** within adequate timeframes, with a view to ensuring no adverse impacts on the competitiveness of European industries.

Practice extreme caution when setting low carbon requirements to avoid a structural loss of competitiveness in European production chains

The IAA sets specific quantitative targets for the procurement of low carbon steel and aluminium. Setting such targets can become highly problematic, as currently low carbon steel and aluminium are available only in limited volumes, overall supply falls short of current demand and **a meaningful increase in availability is not expected in the short term**. This scarcity also means that prices for low carbon steel and aluminium are volatile rather than stable, and that volatility is expected to intensify as the market adapts to **CBAM and the new trade measure to address steel overcapacity**.

Companies executing large infrastructure contracts are unable to absorb supply shortfalls without risking delays and contractual penalties. Unrealistic low-carbon requirements would therefore **not only increase costs, but also put at risk the overall delivery of key infrastructure projects**.

Furthermore, **no definition of low carbon steel or aluminium currently exists in EU law.** The IAA refers to future definitions that will be set by means of delegated acts adopted under the Ecodesign for Sustainable Products Regulation (ESPR) and/or the Construction Products Regulation (CPR) framework. The IAA empowers the Commission to develop voluntary classification systems for products that will not be covered under either ESPR or CPR.

Finally, we are concerned that there has not been a clear evaluation of how various regulations affecting the steel sector – such as ETS, CBAM, CPR and the upcoming delegated act on iron and steel under the ESPR – will interact and impact one another.

For all of the above reasons, extreme caution should be exercised in setting specific quantitative targets for the procurement of low carbon steel and aluminium. The Commission should first carry out a comprehensive impact assessment of the availability of low carbon steel and aluminium after the relevant definitions are provided under the ESPR, CPR or voluntary classification systems. **Only following such an impact assessment should the Commission set workable low-carbon requirements in the IAA.**

Alternatively, low carbon criteria could also be established as non-binding targets that provide additional scoring in public procurement and support schemes instead of legally binding requirements.

Following the setting of low carbon requirements, it will be important to ensure that procurement processes – especially in complex construction and infrastructure projects – enable **early and strategic market dialogue with potential suppliers**. Such dialogue-based and collaborative approaches can support effective and robust implementation of new material requirements, reduce risk and cost increases and minimise project delays. At the same time, the framework should ensure a level playing field across materials and avoid unintended distortions where alternative low carbon solutions (for example in construction, where wood can substitute for steel or concrete) are not covered by the IAA definitions and categories.

Greater legal clarity is needed regarding the application of origin and low carbon criteria under **framework agreements and subsequent call-offs**. It should be specified whether such requirements apply at the initiation of the framework contract or at the time of each individual call-off or mini-competition. Clear guidance on this point is essential to ensure consistent implementation, avoid legal uncertainty and prevent unintended exclusion of suppliers.

Finally, if low carbon classification systems are introduced for steel and aluminium, it is essential that the **classification and the actual CO_2 content** of the products are required to appear on the melting batch-specific material certificates delivered to buyers (e.g. Mill Test Certificates for steel products). This would ensure that downstream users have access to all the relevant information concerning the embedded carbon emissions of the products in question.

Key recommendations:

- The current low carbon requirements for steel and aluminium set out in Annex II should be removed.
- The **Commission shall first carry out a comprehensive assessment of the availability of low carbon steel and aluminium in the EU,** after the relevant definitions have been set in the ESPR/CPR or in voluntary classification systems. Following such an impact assessment, the Commission shall set workable targets for the procurement of low carbon steel and aluminium.

Set Union origin requirements firmly based on reciprocity

The IAA represents an opportunity to boost both the development and the resilience of strategic manufacturing value chains in the EU, while encouraging third countries to grant reciprocal access to their public procurement markets to European companies. For this reason, we believe **a restrictive interpretation of Union origin requirements limited to the EU 27 would be harmful for our industries**, and would weaken, rather than strengthen, our competitiveness on global markets. It would result in a massive increase in manufacturing costs for technology companies which operate globally integrated and diversified value chains, and drive an artificial supply chain restructuring that would divert investment away from value adding activities. It would also represent a **missed opportunity to open up new markets to European companies**. At the same time, content from EU Free Trade Agreement (FTA) and Customs Union (CU) partners should not automatically be considered as equivalent to Union origin. Equivalency should be granted to FTA/CU partners **strictly under the condition that they provide reciprocal market access to the EU**.

Pursuant to Article 8(1) and the new proposed Article 28e(1) of the NZIA, content coming from countries that have an FTA or a CU with the EU, or are signatories of the WTO Agreement on Government Procurement (GPA) is deemed to be equivalent to Union origin for the purposes of public tenders in scope, when "relevant obligations of the Union exist" under the agreement in question. The wording is quite vague and raises the question of whether trading partners such as India and Türkiye will be covered by this provision. Türkiye has a CU in place with the EU but the agreement does not

cover public procurement. India has just concluded negotiations with the EU for an FTA, but the agreement does not include a public procurement chapter. Neither India nor Türkiye are signatories of the WTO GPA.

For this reason, it is essential to provide **complete clarity in terms of the trade partners whose products are considered equivalent to Union origin**, to ensure full legal certainty for companies. Clear and transparent criteria for assessing reciprocity and market access should be established to ensure predictability for companies and avoid ad hoc political decisions. Reciprocity should be assessed not only on the existence of international commitments, but also on their effective implementation and enforceability in practice.

Predictability is essential for business planning and investment decisions. Delegated acts will be needed to ensure the list of eligible countries can be modified to take into account relevant developments, such as ensuring that countries that conclude public procurement agreements with the EU can be added to the list without delay. At the same time, any changes, particularly any removal of countries from the list, must be preceded by **extensive industry consultations, be clearly communicated in advance and accompanied by appropriate transition periods.** This is essential to ensure predictability and legal certainty for both companies and contracting authorities and allow enough time for companies to adapt their supply chains if required.

Key recommendations:

- No more than two months following the entry into force of the Regulation, and no later than 1 January 2028, the Commission shall adopt a delegated act providing a **clear list of the trade partners whose products are considered as equivalent to Union origin** for the purpose of Article 8(1) of the IAA and the new proposed Article 28e(1) of the NZIA. The list must include the following:
    - Close EU trade partners such as **Switzerland, Norway and the UK.**
    - **All signatories of the WTO Agreement on Government Procurement (GPA)**, such as the US, South Korea and Japan.
    - **Countries that have an FTA or CU with the EU, including under provisional application, under the strict condition that they provide reciprocal market access to the EU**. In line with this approach, **content from India and Türkiye must not be considered as equivalent to Union origin**, unless these countries negotiate an agreement with the EU providing for reciprocal market access in public procurement.
    - In preparation for the adoption of the delegated act, the Commission must carry out **extensive industry consultations with adequate timeframes**, with a view to ensuring no adverse impacts on the competitiveness of European industries.
- The Commission should **engage with key EU trade partners such as India and Türkiye as a matter of priority to negotiate ambitious agreements on public procurement**, in order to ensure that content originating in such partner countries can be considered as equivalent to EU origin upon conclusion of the agreements.

The IAA must not penalise or disincentivise foreign companies from investing, creating jobs or manufacturing value added in Europe

Article 11(1) of the IAA and the newly proposed Article 25a(1) of the NZIA require contracting authorities to reject tenders "*submitted by economic operators owned or controlled by an entity established in third countries which have not concluded an international agreement with the Union guaranteeing such access*".

Orgalim strongly supports the application of the principle of reciprocity whereby the EU should open its public procurement market only to countries that guarantee the same reciprocal access to the EU in return. However, we believe that this requirement could have unintended negative consequences in terms of investment, job growth and manufacturing value added in the EU. For example, a company fully established in the EU, operating manufacturing sites in the EU and employing only EU workers, could be excluded from a public tender for the sole reason of being owned or controlled by a Chinese or Indian entity.

We believe that this approach would **unfairly penalise companies that create manufacturing value added in the EU and should therefore be revised**. Existing provisions in the EU public procurement framework, such as Article 85 of the Utilities Directive, provide a useful example of how the reciprocity principle can be applied in a feasible way without unduly damaging companies providing manufacturing value added in the EU. Pursuant to Article 85 of the Utilities Directive, authorities may reject tenders where the proportion of the products originating in third countries that do not grant the EU reciprocal access to their public procurement market exceeds 50 % of the total value of the products constituting the tender.

Key recommendations:

- Articles 11(1) and 25a(1) of the IAA should be amended to:
  - Remove the provision enabling authorities to reject tenders submitted by economic operators owned or controlled by an entity established in third countries which have not concluded an international agreement with the Union guaranteeing such access.
  - Replace such provision with a mandatory requirement for public authorities to reject tenders under the scope when over 50% of the products constituting the tender originate in countries that do not provide reciprocal market access to the EU.

A far more ambitious approach is needed to address permitting bottlenecks

Orgalim welcomes the IAA's focus on streamlining industrial permitting procedures, which is key to unlocking industrial investment. However, the IAA should be much more ambitious in this area, facilitating permitting for a much broader range of industries, in line with a true "value chain approach". The provisions of the NZIA on streamlining permit-granting procedures should be extended to **all industrial manufacturing projects** (except for tobacco manufacturing) - not just to "energy-intensive industry decarbonisation projects".

As regards IMAAs, it appears that the Commission is replicating the approach of the "Net-Zero Acceleration Valleys" (NZAVs) that were introduced by the NZIA. Orgalim members have reported that there is little evidence of the effectiveness of such provisions in accelerating industrial investments to date. We therefore believe that **it may be premature to introduce a mandatory requirement for Member States to set up IMAAs** until a proper evaluation of the effectiveness of NZAVs has been conducted. In our view, IMAAs should be linked to **regulatory sandboxes** or other more concrete and effective facilitation measures for permitting.

While we acknowledge the merits of streamlining permitting procedures, our members have reported that **industrial acceleration is often hindered by strict EU environmental rules**, such as those set out in the Water Framework Directive, the Birds and Habitats Directives and the Environmental Impact Assessment Directive. While Orgalim fully supports the objectives of such Directives, in many cases they cause **long delays in permitting procedures** and therefore hinder industrial acceleration across the EU.

The recent European Grids Package provides a positive example of how the Commission can reduce unnecessary burdens for European companies created by EU environmental legislation. In Europe, permitting remains one of the biggest bottlenecks for Europe's energy transition, with procedures taking as long as five to fifteen years for grid projects and other strategic assets, including seven to ten years for data centres. The Grids Package extends the concept of overriding public interest to grid projects while digitalising with single digital portals the regulatory permitting framework for electricity grids, energy storage, recharging stations and renewable energy. These proposals are key to streamlining and centralising data sharing, reducing administrative duplication and improving visibility for project developers.

The construction of renewable energy infrastructure can often be delayed or even blocked due to a short-term increase in nitrogen deposition, which may negatively affect so-called "Natura 2000" areas near to the construction site. For this reason, project developers are required to carry out an onerous environmental assessment of nitrogen emissions pursuant to Article 6 of the Habitats Directive, despite the fact that renewable energy projects lead to an overall reduction in nitrogen emissions in the long term.

To address this issue, the Commission included a targeted amendment to the Energy Directive in the European Grids Package. The amendment in question established a presumption that the construction and use of infrastructure for the transmission and distribution of energy leads to a long-term reduction in nitrogen emissions. For this reason, the amendment waives the requirement to include the consequences of nitrogen emissions released during construction in an appropriate assessment for such projects. Orgalim believes that **a similar exemption could be introduced for all industrial projects for the manufacturing of technologies under the scope of the NZIA**, since all NZIA technologies are instrumental in reaching the EU's climate neutrality objective and will therefore lead to a reduction in nitrogen emissions in the long term.

Furthermore, industrial activities continue to be hindered by challenges related to the discharge of **environmentally hazardous substances**, which are even more difficult to address. The Water Framework Directive should introduce proportionality considerations in relation to both assessments and the possibilities of operating with compensatory measures to mitigate any initial damages from these projects – in relation to nitrogen, phosphorus and environmentally hazardous substances.

Key recommendations:

- The IAA should extend the NZIA provisions on streamlining permit granting to **all industrial manufacturing projects** (except tobacco manufacturing), rather than only to energy-intensive industry decarbonisation projects.
- All industrial projects for the manufacturing of technologies falling under the scope of Article 4(1) of the NZIA should benefit from an **exemption from the requirement to perform an assessment of nitrogen emissions pursuant to Article 6 of the Habitats Directive**.

Simplify the framework for Foreign Direct Investment (FDI) restrictions

FDI inflows are essential to speed up industrial manufacturing in Europe. The EU must therefore implement measures to ensure sufficient levels of openness to retain its attractiveness as an FDI location. In this context, Orgalim recommends

great caution concerning the implementation of the FDI restrictions set out in Chapter IV of the IAA and stresses that it is essential that these provisions **remain specifically targeted in terms of sectoral scope**.

These provisions will create a separate framework for the screening of FDIs, which will operate in parallel to the revised FDI Screening Framework – meaning that qualifying investments may be subject to multiple screening according to different conditions. It is therefore key to **avoid regulatory overlaps** between the FDI Screening Regulation and Chapter IV of the IAA.

In principle, Orgalim considers that **screening on foreign direct investments should be based on security or public order considerations** rather than economic rationale, and we remain sceptical about the introduction of additional sectoral or technology-specific conditions outside the scope of the FDI screening regulation. The FDI framework should remain predictable and flexible, targeted at genuine risks, avoid unnecessary restrictions, and be consistent with EU trade policy and international partnerships. The Commission should exercise restraint in extending sectors or conditions through delegated acts.

Furthermore, we believe that **some of the conditions for FDI approval set out in the IAA could generate significant administrative burdens and legal uncertainty for companies** and that it will be very difficult in practice for public authorities to monitor compliance. For example, it will be extremely demanding to monitor compliance with the condition outlined in Article 18(2)(e), i.e. that *"at least 50% of the workforce employed in the context of the foreign direct investment, at the time of its implementation and continuously throughout its operation, shall be made up of Union workers across all categories of the workforce"*.

We therefore believe that there is a need to simplify the framework for the approval of FDIs in covered sectors, focusing on a smaller set of mandatory conditions for foreign investors to fulfil. In particular, given the importance of R&D investment to ensure that our industries remain competitive in the long-term, we believe that the IAA should be used as a lever to increase R&D spending in the EU, by requiring foreign investors to direct a certain share of annual revenues to R&D spending in the EU. R&D spending is crucial to anchor companies within a territory because it embeds high-value activities (such as innovation, advanced engineering and product development) into the local economic and institutional ecosystem. Sustained R&D investment creates strong links with the local ecosystem (from local universities, research centres to suppliers) that are key for long-term competitiveness and the creation of added value.

Key recommendations:

- Battery recycling should be included as a covered strategic sector.
- FDIs under the scope of the IAA should be approved provided that both the conditions below are fulfilled:
    - The foreign investor directs at least **1% of gross annual revenues to R&D spending in the EU.**
    - The foreign investor does not acquire over **49% ownership of the EU target entity** or, if the investment is made via a joint venture with EU partners, the foreign investor does not have over **49% ownership of the joint venture.**

Perspectives on the revision of the EU Public Procurement Directives

The introduction of new substantive Buy European requirements in public procurement necessitates a corresponding enforcement framework to ensure consistent and effective application across Member States. Currently, enforcement of procurement rules relies primarily on complaints from bidders. This creates an asymmetry, as third country companies often have greater incentives and opportunities to challenge decisions compared to European producers, while contracting authorities are rarely subject to sanctions.

Without parallel reinforcement of control and enforcement mechanisms, the requirements introduced under the IAA risk resulting in greater divergence in practice, increased legal uncertainty, and limited real impact. Therefore, any introduction of new substantive Buy European and low carbon requirements under the IAA must be closely coordinated with the ongoing revision of the EU procurement directives to ensure uniform application and a level playing field across Europe.

Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU's largest manufacturing sector, generating annual turnover of over €2,972 billion, manufacturing one-third of all European exports and providing over 11,9 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

Orgalim aisbl
Arts 56
Avenue des Arts 56,
1000 Brussels, Belgium

+32 2 206 68 83
secretariat@orgalim.eu
www.orgalim.eu
VAT BE 0414 341 438