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THE INDUSTRIAL ACCELERATOR ACT: BUSINESSEUROPE COMMENTS



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KEY MESSAGES

Many European sectors, particularly in industry, are under strong economic pressure due to repeated economic crises, fierce international competition, increasingly aggressive industrial strategies and overcapacities on the part of some third countries as well as excessive regulatory constraints that Europe has imposed on itself.

Faced with this situation, Europe needs a reinforced and coordinated policy response. While strengthening Europe's own competitiveness is urgent, additional industrial policy and effective trade measures are required to retain the industrial base, improve resilience and support the transition towards a climate-neutral economy.

The Industrial Accelerator Act (IAA) is part of this broad policy response. While its overall objective makes sense, the proposal includes far-reaching measures, several of which raise reservations regarding their design, scope and interaction with other policies. A careful assessment of the appropriateness, proportionality and complexity of these individual measures is therefore essential.

1. Strengthening measures on permits: Overall, the European Commission's ambition to strengthen and accelerate permitting procedures is welcome, as this remains a key barrier to industrial investments. However, their scope should encompass all sectors, and further steps are needed to harmonise the European framework. Furthermore, it seems essential to review the impact of certain environmental EU legislation on permitting procedures.

2. Ensuring a proportionate and predictable scope: The IAA introduces far-reaching measures such as European preference and FDI-related provisions, which raise concerns and whose impact remains uncertain. Therefore, any potential extension of the scope should be targeted, case-by-case, proportionate, and based on thorough assessments.

3. Developing demand through "lead markets": Europe has made big efforts to decarbonise its industries, but investments are not proceeding fast enough, often because demand for sustainable products is still lacking. Stimulating demand for low-carbon products is necessary to strengthen these markets. Public procurement and support measures have a role to play in selected strategic areas, but their impact is structurally limited and new complex bureaucratic layers must be avoided. Demand must also come from the private sector, but a non-regulatory and market-based approach must be prioritised.

4. Using the concept of European preference in a targeted and cautious manner: While the concept of European preference seems justifiable within the strict framework of identified sectors in the IAA, it must consider key trading partners, especially those that are closely integrated with the EU, and it cannot be applied by default to every European initiative. The associated risks are numerous (e.g. higher costs, administrative burdens, distortion in complex value chains, trade-related risks) and the overall impact remains uncertain. Furthermore, critical points such as countries considered equivalent and rules of origin must be agreed upon through ordinary legislative procedure, without the possibility of subsequent adjustments by delegated acts, as they create huge business uncertainty.

5. Revising the proposal related to Foreign Direct Investments: At a time when FDI is most needed for the EU to grow, innovate and create jobs, it is important to safeguard the EU's attractiveness as an investment destination. While we agree with the premise of ensuring that FDI creates added value in the EU, the provisions as currently designed are overly prescriptive and risk developing a second, parallel system for FDI screening in the EU, leading to duplications and legal discrepancies and increased administrative burden for both authorities and investors. We support one system for the screening of FDI in the EU based on a single, clear and predictable set of rules and a coherent review process.

THE INDUSTRIAL ACCELERATOR ACT

The European Commission's proposal for an Industrial Accelerator Act (IAA) comes at a crucial time, with many industries feeling the strain of the structural erosion of the competitiveness of Europe's economy, persistent challenges in the decarbonisation of industrial processes, growing strategic dependencies, and aggressive industrial strategies and economic coercion used by certain third countries.

Faced with this situation, Europe needs a reinforced and coordinated policy response. While strengthening Europe's own competitiveness is urgent, additional industrial policies, deepening of the single market and trade measures are required to retain the industrial base, improve resilience and support the transition towards a climate-neutral economy. At the same time, all legislative interventions must be targeted and thoroughly assessed prior to implementation to ensure they do not lead to new complex bureaucracy for business and remain focused on boosting European competitiveness and international attractiveness.

The IAA is rightly part of this broad policy response, and its overall objective makes sense. At the same time, it should be seen as a complement to, and not a substitute for, a broader EU competitiveness agenda. Structural challenges for European industry such as high energy costs, regulatory complexity or skills shortages must continue to be tackled as priority with full determination at EU and national level.

Furthermore, while the IAA can bring solutions, it can also create new problems if it is not well balanced, carefully designed and targeted. The proposal includes far-reaching measures, several of which are controversial, and raises reservations regarding their design, scope and interaction with other policies. A careful assessment of the appropriateness, proportionality, administrative simplicity and legal certainty of these individual measures is therefore essential.

In this position paper, we set out our preliminary analysis and conclusions regarding five key aspects of the proposal, as well as our views on how it should be revised.

1. STRENGTHENING MEASURES ON PERMITS

Overall, the European Commission's proposals for strengthening and accelerating permitting procedures are welcome.

A positive aspect is the focus on the need to accelerate permitting procedures for industrial manufacturing projects. Measures such as mandatory digital permitting, a single permit application and access point, and time limits at EU level should help, even if one should have in mind that most of these procedural aspects of the national permitting system are under Member States' prerogative.

It is critical that permitting reforms do not simply shift administrative burdens but result in genuine simplification and predictability in practice. For real impact, instruments like single access points, digitalised procedures, and coordinated authorisations should be implemented consistently across all Member States and all relevant value chains. The proposal to use the European Business Wallets is a welcomed step to ease the access to pan-European projects applications, submitted via the single access points.

The proposal extends several of the measures developed under the Net-Zero Industry Act (NZIA) and the Critical Raw Materials Act (CRMA) to a broader range of companies and investments, which is a positive step. However, companies operate within integrated supply chains, and fast-tracking permits for a single project will not be sufficient if suppliers and upstream actors are subject to lengthy permitting processes. It is therefore important to broaden the scope so that all industrial sectors can benefit from the IAA's accelerating measures.

In the same vein, Industrial Acceleration Areas may be a useful tool to create favourable conditions for industrial clusters and integrated projects, in particular where they facilitate access to infrastructure, energy, skills and faster procedures. However, they should be on a voluntary basis for Member States, and they should not become a source of distortion between companies located inside and outside these areas. Measures intended to promote industrial investment should therefore be designed in a way that preserves fair competition and ensures that permitting simplification benefits industrial projects as broadly as possible. Lastly, concepts such as "strategic projects", "valleys" or "areas" should be more closely interconnected over time to create a more coherent framework and leverage synergies.

In addition, provisions related to permitting exist across an increased number of EU legislations such as the NZIA, CRMA, Grids package, Biotech Act, the EIA Directive, the IED, RED II, Seveso III or the newly proposed Speeding up of Environmental Assessments Regulation. This fragmented landscape brings challenges and legal uncertainties (e.g. different definitions, timelines, etc.), especially for large and integrated industrial sites which could fall under the scope of different regimes. These provisions must therefore be harmonised.

Lastly, improving the procedural aspects of the permitting systems, as proposed by the IAA, is important. However, these proposals will continue to have limited impacts if some of the key pieces of EU environmental legislation (e.g. Water Framework Directive, the Birds and Habitats Directives, and the Environmental Impact Assessment Directive) are not reviewed. Without questioning the importance of environmental protection, some of this legislation contributes, in their current form, to unjustified delays, complexities and legal uncertainties on the national permitting systems. Furthermore, the impact of faster procedures will remain limited if permits can still be delayed or overturned through lengthy legal challenges. Strengthening the legal robustness and predictability of permitting decisions therefore deserves equal attention. For example, the European Grids package includes an exemption from the Habitat Directive for temporary nitrogen emissions during the construction phase of electricity infrastructure projects, but this exemption is lacking for industrial decarbonisation projects.

2. ENSURING A PROPORTIONATE AND PREDICTABLE SCOPE

Beyond permitting, the IAA introduces instruments that could have significant market and investment effects, notably through demand-side criteria, European preference and FDI-related provisions. While these tools may contribute to industrial objectives, their impact will vary across sectors and value chains and remains uncertain at this stage.

While the proposal has the potential to strengthen European industrial values, improve investment predictability and support industrial decarbonisation, several elements raise concerns about administrative burden, market fragmentation, downstream impacts, and legal predictability.

A cautious, evidence-based approach is therefore needed. Any potential extension of the scope should be targeted, case-by-case, proportionate, and based on thorough assessments, ensuring

predictability for investors and avoiding unnecessary administrative burden, market fragmentation, or negative downstream effects. A proper assessment of sectors, subsectors and the value chain is therefore needed.

Furthermore, it is essential to ensure that the proposal is sufficiently clear and operational. In its current form, several provisions lack clarity and remain open to interpretation, particularly with regard to key definitions, enforcement mechanisms, timelines, institutional responsibilities and their interaction with existing regulatory frameworks. This risks creating legal uncertainty and reducing predictability for economic operators, potentially disrupting supply chain planning and delaying investment decisions.

3. DEVELOPING DEMAND THROUGH "LEAD MARKETS"

Europe makes big efforts to decarbonise its industries, but investments are not proceeding fast enough, often because demand for sustainable products is still lacking. It is therefore positive that the European Commission is proposing a regulation that places a central focus on demand creation ("lead markets"). Creating lead markets for low-emission materials such as cement, steel and aluminum is seen as a relevant and constructive transitional step in supporting industrial decarbonisation in selected strategic sectors.

The proposal focuses on public demand creation through public procurement and public funding. While public procurement has a role to play, it cannot be considered as the only lever. Demand must also come from the private sector, where a non-regulatory and market-based approach must be prioritised. Options such as the use of voluntary labels, incentives provided through funding (e.g. European Competitiveness Fund) or the "working group on lead markets', recently established as part of the EU Critical Chemicals Alliances, are examples of concrete measures which could be considered.

It is welcomed that the low-carbon criteria are built on existing EU frameworks, including the Construction Products Regulation and the Ecodesign for Sustainable Products (ESPR) framework. At the same time, it is crucial that clear, operational definitions, thresholds that incentivise decarbonisation investments and realistic transition periods are established, as these frameworks do not yet provide a fully defined concept of "low carbon". Poorly designed or late-stage requirements in complex projects risk delays and cost overruns, particularly in construction and infrastructure, and could undermine investment predictability. Therefore, the impact across value chains, the availability of low-carbon products in the EU and on international markets, as well as their competitiveness and cost impacts, must be thoroughly assessed.

Lastly, the proposal at present lacks clarity on how different criteria will be applied in public procurement contracts at a federal, regional and local level and between different categories of buyers. This uncertainty for both buyers and bidders in how criteria will be applied risk having a chilling effect on investment decisions. Clarification, including how the upcoming revision of public procurement legislation is expected to interact with the IAA, would therefore be important for predictability.

4. USING THE CONCEPT OF EUROPEAN PREFERENCE IN A TARGETED AND CAUTIOUS MANNER

Europe is under strain. Many industries and businesses face huge competitiveness challenges. The most important task is to strengthen competitiveness. Decisive actions are needed, in the first place, to improve our attractiveness for investment (reducing energy costs, removing single market barriers, diversifying supply chains, etc.) and to reduce the EU's excessive set of self-imposed regulations.

At the same time, the world is changing. Third countries are increasingly using aggressive industrial strategies and economic coercion. Europe's security and sovereignty are being challenged. Some form of European preference is therefore being discussed in a number of areas.

However, it is essential that Europe does not embark on a spiral of protectionist measures as its growth and prosperity are intrinsically linked to its ability to attract foreign direct investment and to trade with third countries. It is also critical to not penalise sectors that are deeply integrated into international value chains.

Therefore, European preference should be considered on a case-by-case basis, in strategic areas, and based on transparent criteria. The short-term risks (e.g., increased costs and regulatory burden, disruption to supply chains, fragmentation of the Single Market, breaches of international commitments) must be properly assessed and fully understood.

Against this, the proposed European preference criteria in the strict framework of the IAA seems justifiable in order to build and retain European manufacturing capacities in targeted strategic technologies and critical infrastructure. However, it is important that it does not automatically constitute a basis for future action. Its necessity and implementation methods must be assessed separately for each future initiative. Union-origin criteria could have significant and uneven effects across value chains, depending on companies' positions (upstream or downstream) and access to compliant inputs. This underlines the need for thorough, sector-specific impact assessment, as well as simple, predictable and verifiable criteria.

On defining what qualifies as Union origin and content equivalent to Union origin, effective reciprocity in market access for public procurement should be the basis for all non-EU countries.

- For EEA/EFTA countries, which already apply internal market EU law, as well as for those countries that are closely integrated in European supply chains, such as those in the enlargement process, with a customs union, a Single Market agreement or a comprehensive economic agreement, this reciprocity already exists or is called for. It is therefore important to have full clarity on the status of these countries before the IAA is adopted. For Türkiye, to facilitate equivalence, concluding a mutually beneficial agreement that ensures effective and verified reciprocity in market access for public procurement should be actively pursued before the IAA is enforced.
- Other countries with which the EU shares commitments in public procurement, through Free Trade Agreements (FTAs) or the WTO's Government Procurement Agreement (GPA), need to be part of the definition as well. At the same time, the existence of an FTA or membership of the GPA does not "per se" guarantee effective reciprocity and comparable regulatory conditions. It is therefore important to have clear safeguards, in the IAA itself, ensuring that equivalence to Union origin is subject to strict and verifiable conditions, ensuring effective reciprocity with regular checks, alignment with EU rules applicable in the area of public procurement and protecting European value chains from distortive state subsidies[1].

1 SEV and RUZ do not endorse the position expressed in the three above-mentioned paragraphs.

Lastly, core elements such as countries from which content is considered equivalent to Union origin and specific criteria to fulfil the rules of origin must be agreed upon through ordinary legislative procedure and should not be subject to subsequent modification through delegated acts. The Commission's ability to change core elements through delegated acts creates uncertainty as to how the proposal will be applied in practice and could lead to companies being abruptly excluded from EU public procurement tenders and key support schemes, without a practical possibility to make the necessary adjustments to their supply chains and production facilities. For the rules of origin, the 'non-preferential' regime should be used as the basis to define 'Origin', and this should be clearly specified in the basic legal act. It is important to have this clarity on the rules of origin that will apply under the IAA and avoid the creation of overly specific, cumbersome rules.

5. REVISING THE PROPOSAL RELATED TO FOREIGN DIRECT INVESTMENTS

In a generally challenging global environment, the EU should remain an attractive destination for the investments which are necessary for its capacity to grow, innovate and support employment. Foreign Direct Investments (FDI) is a key driver of productivity, innovation and industrial transformation. In this respect, regulating FDI must be done in a way that does not risk undermining Europe's growth model of attracting investment at a time when Europe needs it most – this need amounts to EUR 1.2 trillion per year, as outlined by the European Central Bank. While we recognise the idea behind the IAA provisions pertaining to FDI to support investments that bring added value and support Europe's strategic interests, a discussion around possible criteria proposed, is necessary; we believe that, in their current form, they are overly prescriptive and risk developing a second, parallel system for FDI screening in the EU. Therefore, it is important to look at the investment screening framework that the EU already has in place with a view to streamlining existing mechanisms and avoiding unnecessary duplication, ensuring legal certainty, avoiding additional burden for authorities and economic operators alike and preserving the EU's attractiveness as a global investment destination.

Clarifications on the relationship between the EU's FDI Screening Regulation that has been recently revised and the national FDI screening mechanisms on the one hand, and on the other hand the FDI-related provisions in the IAA, are necessary. The revised EU FDI Screening Regulation is based on the protection of security and public order, whereas the IAA introduces a different logic focused on the economic contribution of investments to the Single Market and the objective to maximise added value within the EU. While some of the sectors covered overlap significantly – such as energy technologies, net-zero technologies and critical raw materials – the legal rationale and assessment criteria differ substantially. Moreover, the newly adopted EU FDI screening Regulation includes some conditionality that is similar to the IAA (access to technology, sourcing requirements). However, the difference is also steep, as the conditionality of FDI screening under the Regulation deals primarily with changes in the structure of the target.

Without significant amendments in the IAA part on foreign investment contribution, there is a risk that two parallel systems to screen FDI in the EU will be created which would lead to legal uncertainty, inconsistencies and increased administrative burden. In this respect, it is important to clarify the legal basis of the FDI-related provisions under the IAA and their interaction with existing competence frameworks, as there are clear references to economic security, complicating the question around competence and the role of the European Commission, in particular.

Moreover, the question of scope is pertinent, as there is a risk of overlap. Clean technologies can be captured under many national FDI screening mechanisms, while the revised EU FDI Screening Regulation also introduces a minimum sectoral scope for screening, which includes among others

dual-use items, critical raw materials, as well as critical entities in energy and transport, thereby increasing the risk of multiple and potentially inconsistent assessments.

More generally speaking, FDI screening is a complex and sensitive process, often involving multiple authorities and economic operators. Two systems running in parallel would duplicate this complexity, increasing costs, lengthening procedures and reducing predictability for investors in particular. The additional layer of FDI screening provisions in the IAA risks trade and investment paralysis. It could also exacerbate the risk of fragmentation in the Single Market, for instance through investments being diverted from one Member State to another if more favourable conditions are being offered.

Our clear objective should be to have one coherent screening framework in place, with one review track with clear timelines and coordinated decision-making. It should also have one clearly defined set of conditions, applied in a harmonised way across the EU, to ensure full legal predictability for investors and authorities alike. Europe urgently needs investment for industrial transformation, innovation and decarbonisation. Europe must remain an attractive investment location.

6. FINAL REMARKS

The IAA proposal excludes economic operators from participating in public tenders on the sole basis of ownership or control, without taking into account their European manufacturing footprint and employment in the identified strategic sectors. This rule will impact negatively such economic operators and their manufacturing operations in the EU, going against the very purpose of the proposed Act. Furthermore, on the basis of the Foreign Subsidies Regulation (FSR), the EU is already equipped with a dedicated tool to address potential distortions of competition caused by subsidies granted by non-EU governments. While the Union origin requirements should be deemed sufficient to fulfil the objectives of the Act, the situation of companies with a significant manufacturing footprint and substantial employment in the EU should be duly considered.

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