

Another Brick in the Wall: How the EU Industrial Accelerator Act (IAA) Could Complement the FDI Framework

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After a rather complex process, the European Commission (EC) has put forward a proposal for an “Industrial Accelerator Act” (IAA), a new regulation aimed at accelerating the European industrial transition while seeking to enhance their competitiveness and resilience, particularly in certain strategic sectors that are heavily dependent on non-EU suppliers.¹

Among other topics, the IAA would address concerns about EU production in the mentioned sectors by introducing new screening provisions on foreign direct investments (FDI). The stated objective is to ensure such investments come with know-how development, job creation and value chain integration in the EU. These goals are admittedly different from the protection of security and public order, which are typical of standard FDI reviews, so that these screening provisions appear in addition to the existing national and EU FDI regimes, although how these would coordinate is unclear.

These new FDI rules would apply as follows:

- acquisitions of control (over 30%) exceeding a value of € 100M;
- by non-EU investors whose third country holds more than 40% of the global manufacturing capacity in the relevant sector; and
- in specific “emerging strategic sectors” including batteries, electric vehicles, solar PV, and raw materials.

These transactions would be reviewed by local authorities designated by Member States (or, in certain cases, the EC).

The clearance of these investments would depend on specific conditions / commitments, including (i) a cap of 49% on foreign ownership; (ii) IP licensing; (iii) an annual R&D investment of at least 1% of the EU target’s turnover; and (iv) a requirement to employ at least 50% of EU workers.

The EC’s proposal will now follow the standard legislative procedure of the trilogue, involving readings from the European Parliament and Council.

This Alert Memo summarizes the FDI rules embedded in the IAA proposal, and how these could impact future investments and transactions.

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¹ The long-awaited proposal of the IAA was [published](#) on March 4, 2026.



1. From Industrial Decarbonization to Industrial Acceleration

Originally announced as the “Industrial Decarbonization Accelerator Act”, this legislative initiative was initially intended to complement the EU Net-Zero Industry Act,² focusing on boosting the decarbonization of hard-to-abate EU industries.

In this respect, the proposal aims at: (i) boosting demand for EU-made clean products and supporting clean supply for energy-intensive industries; (ii) streamlining permitting for production modernization, and (iii) introducing a “Made in the EU” low-carbon label.

However, in April 2025, the EC launched a call for evidence and a public consultation, which intensified the debate over the proposed legislation, and in particular over which industrial sectors should be recognized as “strategic”.

On September 10, 2025, in her State of the Union address, EC President Ursula von der Leyen renamed the then underway proposal as the “Industrial Accelerator Act”,³ reportedly to reflect a broader sectoral and technological scope extending beyond pure climate considerations.⁴

Accordingly, in its final form the proposed IAA has evolved into a broader initiative pursuing additional objectives such as “*maxim[izing] the quality and benefits for the Single Market of foreign investment in the EU in the most strategic sectors*”⁵ and ensuring that by 2035 the manufacturing industry will account for at least 20% of EU GDP.

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02024R1735-20250817>

³ https://ec.europa.eu/commission/presscorner/detail/en/SP_EECH_25_2053

⁴ <https://www.europarl.europa.eu/legislative-train/carriage/industrial-decarbonisation-accelerator-act/report?sid=9801>

⁵ Referenced as “Specific objective n°3” in the Framework of the proposal, pages 3 and 4.

⁶ Note that this cooperation mechanism is itself undergoing a reform, based on a new EU regulation that

2. Introduction of a New, Additional Set of FDI Provisions

The EC notes that, on the one hand, EU lags behind the global innovation frontier: EU companies in emerging strategic sectors show lower R&D activity and limited innovation intensity. They rely heavily on imported technologies and knowledge.

On the other hand, FDI regimes still diverge across EU Member States, creating unequal conditions for investors. This triggers a “race to the bottom” amongst Member States and forum shopping from investors.

Also as a result of the above, value creation in strategic technologies remains outside the EU. To cope with this, the EC proposes to introduce a new, additional set of FDI screening provisions, capturing specific sectors to ensure minimum investment conditions and value-added production in the EU.

To achieve these objectives, the IAA sets forth specific “investment criteria” designed to secure high added-value investments in strategic sectors (see **Section 5**, below).

These FDI-related provisions would apply in addition and without prejudice to the national FDI screening regimes and the EU FDI cooperation mechanism under Regulation (EU) 2019/452,⁶ which rather address security and public order concerns.⁷ However, the IAA does not clarify whether FDI reviews thereunder are separate from those under the

well replace the existing one (the “New EU FDI Regulation”). See our latest [Alert Memo](#) for more details.

⁷ Recital (32) indicates that the FDI screening under the IAA applies “*notwithstanding*” the screening mechanism under the EU FDI Regulation, and “*without prejudice*” to the Foreign Subsidies Regulation (2022/2560) and the Merger Control Regulation (139/2004). Moreover, the Impact Assessment Report acknowledges that the IAA’s policy objectives are “*significantly different*” from ordinary FDI reviews: “*national security and public order for the FDI Regulation, and single market functioning for IAA*”.

existing FDI regimes, and if so how these would be coordinated.

3. Scope of the IAA FDI Provisions

Articles 17 and 19 of the IAA define the scope of these new FDI-related provisions.

Threshold of Investment

First, FDI rules under the IAA will apply to:

- (i) controlling acquisitions of an EU target⁸ or EU asset,⁹ or greenfield investments; and
- (ii) provided that the value of the investment exceeds € 100 million.

A foreign investor is deemed to have acquired control where it holds 30% or more of the share capital or voting rights in an EU target,¹⁰ or ownership of an EU asset, or holds leasehold or other rights conferring control.

To assess whether the investment value reaches the €100 million threshold, and with a view to avoiding circumventions, the IAA clarifies that:

- consideration should be given not just to the single investment made by the foreign investor, but also to previous investments made by the same investor in the same target or asset;¹¹ and

- if the acquisition takes place through separate transactions carried out by affiliates of the investor or other entities acting in concert with it, such separate transactions should be counted towards the relevant value threshold.

The IAA excludes from its scope, however, (i) “investments targeted at providing services”,¹² (ii) investors and investments covered by EU economic partnerships and trade agreements, to the extent relevant commitments have been made, and (iii) portfolio investments.¹³

Type of Foreign Investors

Second, these rules apply when the following three conditions are cumulatively met:

- (i) the investment is made by a foreign investor, *i.e.*, a non-EU national or a company established under the laws of a non-EU country, including when such investor acts through a subsidiary established in the EU;¹⁴ and
- (ii) the relevant non-EU country holds more than 40% of global manufacturing capacity in the applicable industrial sector.¹⁵

This provision is designed to trigger enhanced scrutiny of investments originating from countries that exercise substantial control over critical global

⁸ Notably, a company established under the laws of an EU Member State.

⁹ By EU asset, the IAA means an immovable asset used or intended to be used for manufacturing products in emerging strategic sector investments in the territory of the EU.

¹⁰ Consistently with the existing EU FDI framework, the investment must establish a lasting and direct link between the foreign investor and the EU target company.

¹¹ The IAA clarifies that this provision will not have a retroactive application, in that only investments made from the date of the entry into force of the IAA should be taken into account.

¹² Although the IAA does not expressly define this notion, it should nonetheless reasonably be understood as

referring to activities other than manufacture of the products concerned.

¹³ Defined as acquisitions of shares intended as pure financial investment, with no intention to influence the management of, or control, the target.

¹⁴ Consistently with the latest draft of the new EU FDI Regulation. However, when the foreign investor acts through its EU subsidiary, the IAA FDI-rules only apply when these are necessary for preventing the circumvention of the IAA by the foreign investor or where no alternative measures, including commitments proposed by the foreign investor or the foreign investor’s subsidiary, are reasonably available and less restrictive of direct investment within the Union in order to meet the objectives of the IAA.

¹⁵ The EC will monitor and publish updated information on global manufacturing capacity for each emerging strategic sector.

supply chains, thereby addressing concerns regarding economic dependencies of the EU on such third countries.

Emerging Strategic Sectors

The IAA lists the following “emerging” strategic sectors:

- Battery technologies and their 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.¹⁶

Under the IAA, the EC would have the power to subsequently extend the list to further sectors critical to the EU economic security;¹⁷ on the other hand, the IAA clarifies that the EC will not have the power to add digital, AI, quantum, and semiconductor technologies to this list.

4. National Investment Authorities and the EC

Consistently with the current EU FDI screening set-up, the primary responsibility to review foreign investments covered by the IAA will rest with national authorities, which will be designated by each Member State (potentially coinciding with their existing FDI authorities).

However, as a major difference with such ordinary set-up, under the IAA the EC would have the power to resolve disagreement among Member States (in case of multiple national reviews) or conduct the review on its own with respect to certain investments, *in lieu* of national authorities.

¹⁶ As these are identified in the EU Critical Raw Materials Act (Regulation (EU) 2024/1452), which includes lithium, magnesium, graphite, nicker, silicon, titanium and other rare earth elements.

¹⁷ The IAA makes reference to net-zero technologies, nuclear fuel cycle technologies, and electric propulsion technologies for transport, but does not seem

National Review Process

Any planned investment falling within the scope of the IAA must be notified by the foreign investor to, and reviewed by, the mentioned national authorities.

Within 30 days of receipt of the filing,¹⁸ the relevant authority will assess its admissibility (based on the criteria described in **Section 3**, above). If the filing is admissible for review, the authority shall immediately transmit the filing to the EC.

Within 30 days, the EC may then issue a written opinion setting out whether the investment is in-scope, fulfils the mandatory investment conditions for approval (described in **Section 5**, below), and should be approved or rejected. Interestingly, the IAA contemplates the possibility that this opinion is made public.

After receipt of such opinion, the national authority will issue a reasoned decision approving or rejecting the FDI, which must occur within 60 days of the initial filing.¹⁹

The national authority is free to reach a different conclusion from the EC’s opinion, but in that case it must conduct a more detailed assessment for two additional months. In any event, national authorities must provide justification as to how the EC opinion was taken into account in their final decision.

Multiple National Reviews

Where an FDI falls within scope in multiple Member States (because the EU target or asset is located in more than one Member State), the foreign investor must notify all relevant national authorities as well as the EC, on the same day.

Member States must coordinate their reviews and agree on the conditions imposed also with the EC. In case of disagreements on the conditions to be applied

to preclude other technologies from being added to the list.

¹⁸ Subject to a 15-day extension, in case needed.

¹⁹ 75 days, in case the national authority exercised its extension right in the admissibility phase.

to the proposed investment, the EC retains the final say.

EC Review

The EC would have the power to assess the foreign investment on its own and *in lieu* of national authorities in the following cases:

- (i) on the EC's own initiative, when the investment has the potential to significantly impact the added value creation in the EU market;²⁰
- (ii) upon request of the national authority receiving the filing, or the authority of another Member State on whose territory the investment would have a significant impact; or
- (iii) on the EC's own initiative, if the investment exceeds Euro 1 billion in value.

The IAA justifies this enhanced EC role as necessary to effectively monitor the investment landscape and ensure a harmonized investment framework across the internal market.

Failure to File

Failure to notify an investment under the IAA, non-compliance with the mandatory investment conditions, or breach of monitoring obligations may result in penalties. For failure to notify, the penalty payment established by the national authority or the EC, as applicable, is of at least 5% of the average daily aggregate turnover of the foreign investor.

²⁰ The IAA clarifies that this may be the case if the foreign investment: is of particular strategic importance for the internal market; has considerable economic impact on the territory of more than one Member State; has high potential of disrupting the security of supply of that emerging strategic sector or related value chains in the EU, or security in more than one Member State; has high potential of having detrimental environmental effect in more than one Member State; is of a particularly high value compared to other investments in that emerging strategic sector.

5. Investment Approval Conditions

The IAA permits approval of the foreign investment only if it fulfils at least four of the following six conditions, which must necessarily include the employment requirement under E), below. Compliance with these conditions will be subject to a periodic monitoring, with the investor reporting to the relevant authority.

A. Ownership Cap

The foreign investor acquires a share interest or voting rights only up to, 49% in the relevant target (or in the relevant asset).²¹

B. JV Requirement

The investor invests through a JV with at least one EU entity, ensuring effective EU partner participation in management, technology transfer and capacity building.

C. IP and Technology Transfer

The foreign investor shares its technology with the EU target, by licensing its IP rights and sharing its know-how. Any new IP or technology developed by the EU target belongs to it only (if developed alone) or is jointly owned (if developed together with the foreign investor).

D. R&D Commitment

The foreign investor directs at least 1% of the EU target's global revenues to R&D activities conducted in the EU.²²

E. Employment Requirements

At least 50% of workers "employed in the context of the foreign investment", across all levels,²³ are EU

²¹ This limitation applies to share capital, voting rights, equivalent ownership interests, leasehold, or other rights that confer control over the relevant asset.

²² Calculated on the basis of the global revenue of the EU target or the gross annual revenue generated by the EU asset, pro rata to the foreign investor's share of control.

²³ This encompasses all categories of workforce, including operational, technical, supervisory and managerial positions, accompanied by appropriate training and capacity-building measures.

workers,²⁴ both when the investment starts and continuously afterwards, and the foreign investor provides proper training for them.

Where the foreign investor or the EU target receives public funding, it shall commit not to reduce the number of EU workers for a period of five years, failing which it would need to return the funding awarded.

F. Local Content Requirements

The foreign investor adopts and publishes a strategy for enhancing EU value chains, and endeavours to source at least 30% of inputs from the EU for products placed on the EU market.

Exemptions for the Foreign Investor's Subsidiaries

The IAA sets forth partly different rules in case the investment is made by an EU subsidiary of a foreign investor.

In particular, as a general rule investments by such subsidiaries are not subject to fulfilling any of the above requirements. However, national authorities reviewing their investments may impose one or more such requirements if this is essential to achieve the IAA goals, and especially if this is necessary to prevent the circumvention of the IAA by the foreign investor and no alternative measure is reasonably available and less restrictive.

6. Next Steps

The EC's proposal will now follow the standard legislative procedure of the trilogue, involving readings from the European Parliament and Council. Given its political sensitivity, we should expect a longer timeline, and possibly also substantial changes in text of the IAA.

Based on the current version of the IAA, the FDI screening regime envisaged thereunder will enter into force 12 months after its publication on the Official Journal.

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²⁴ Defined as an employee who is either an EU national or a third country national resident in or with a work permit from an EU Member State.