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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing a framework of measures for the acceleration of industrial capacity and decarbonisation in strategic sectors and amending Regulations (EU) 2018/1724, 2024/1735 and 2024/3110

(Text with EEA relevance)

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EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

This explanatory memorandum accompanies the proposal for a Regulation establishing a framework of measures for the acceleration of industrial capacity and decarbonisation in strategic sectors: the 'Industrial Accelerator Act'.

In today's geopolitical landscape, the frequent and targeted use of economic tools to advance strategic objectives poses a serious threat to the Union's resilience, competitiveness, economic security and strategic autonomy. As highlighted in the Draghi report on European Competitiveness, the weaponisation of EU dependencies of trading partners in strategic sectors puts the EU's security, competitiveness and economy at risk.[1] The Union's capacity to respond and reduce third country dependencies lies in the strength of its industrial base, innovation capacity and integrity of the Single Market.

The transition to a clean and digital economy presents a major opportunity to strengthen the EU's industrial base, as outlined, *inter alia*, in the Commission Communication on Clean Industrial Deal. Global competition, rapid technological change, structural cost disadvantages, unfair global market distortions such as the increasing use of foreign subsidies to create a competitive edge, and the weaponisation of economic dependencies are reshaping global value chains. At the same time, rising geopolitical tensions are intensifying existing vulnerabilities and creating new ones. Against this backdrop, the EU must act strategically to secure and further strengthen its resilience and industrial base, long-term competitiveness and ensure that the climate transition becomes an engine of industrial growth.

The manufacturing sector is essential for safeguarding and boosting the EU's long-term economic resilience and to meet its climate neutrality goal. In 2024, it accounted for 18.3% of employment in the EU business economy[2] and 14.3% of the EU's total GDP,[3] while generating 26.2% of EU's greenhouse gas emissions.[4] Despite its continued economic importance, the sector's share of GDP has declined over the past decades from 17.4% in 2000 to its current level of 14.3%.[5] This regression is not only an economic reality, but a strategic warning signal with potentially structural impacts to the EU's prosperity and social cohesion. At the same time, the manufacturing sector increasingly faces challenges, such as high energy prices, global overcapacities, high capital and operational costs for decarbonisation and new technology deployment, low investment compared to other regions, as well as regulatory hurdles.[6]

That is why the Industrial Accelerator Act aims to ensure that **by 2035, this trend is reversed and that manufacturing represents 20% of the EU GDP.** It will do so by accelerating permitting for all manufacturing projects, and by providing a toolbox to provide access to the European single market in a way that prevents strategic dependencies, creates manufacturing

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1 Joint Communication, Strengthening EU economic security, JOIN(2025) 977 final.

2 Eurostat, Enterprises by detailed NACE Rev. 2 activity and special aggregates [sbs_ovw_act_custom_20259000], last updated 08 December 2025, DOI: 10.2908/sbs_ovw_act.

3 Eurostat, Gross value added and income by main industry (NACE Rev.2) [nama_10_a10__custom_20259318], last updated 20 February 2026, DOI: 10.2908/nama_10_a10.

4 Eurostat, Air emissions accounts by NACE Rev. 2 activity [env_ac_ainah_r2__custom_20259376], last updated 28 November 2025, DOI: 10.2908/env_ac_ainah_r2.

5 Eurostat, Gross value added and income by main industry (NACE Rev.2) [nama_10_a10__custom_20259318], last updated 20 February 2026, DOI: 10.2908/nama_10_a10.

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

jobs, boosts decarbonisation and climate performance and secure access of European citizens and companies to vital commodities and products at all times.

Achieving the EU's strategic autonomy while maintaining industrial competitiveness and, at the same time, decarbonising requires a strong business case. In that context, strengthening the competitiveness of strategic sectors and technologies, notably net-zero technologies as well as energy intensive industries, and the automotive supply chain, is essential for the EU's resilience, strategic autonomy and climate objectives. A failure to secure and diversify crucial supply chains would create significant economic and societal risks, leading to potential disruption of public order in the Union. Reducing external vulnerabilities could contribute to strengthening our economy, boosting investments and supporting the business case for the ongoing deep industrial transformation process.

The sectors covered by the Industrial Accelerator Act – in particular energy intensive industries, net-zero technologies manufacturing, and automotive industry – account for a limited share of EU manufacturing output but play a disproportionate strategic role. **Taken together, the strategic sectors targeted by the Industrial Accelerator Act account for around 15% of EU manufacturing production**. Their importance therefore lies less in their aggregate size than in their central role as upstream suppliers and enablers of downstream industrial ecosystems, including construction, mobility, energy as well as space and defence.

Delayed or insufficient progress on climate action could intensify the economic and social impacts of climate change, with implications for social stability. Action is especially needed in the following sectors:

Energy intensive industries (EIIs) are a key pillar of European prosperity and a cornerstone of the continent's industrial base, underpinning most industrial ecosystems. Yet, production volumes in EIIs have substantially decreased since 2021, compared to other manufacturing sectors.[7] Cost gaps with other world regions have widened and import shares have increased, in particular for basic metals and chemicals.[8] Capacity utilisation rates remain at unsustainably low levels.[9] Decarbonising these industries requires substantial investments[10]; however, the pace of decarbonisation is not fast enough to reach the EU climate objectives. Although many decarbonisation projects have been announced and some are on the way, since 2023 more than half of the projects remain unimplemented.[11] Modernising these sectors is fundamental not only to achieving our climate objectives, but also for Europe's ability to anchor industrial value chains and provide high- quality jobs. Among energy-intensive industries, steel and cement are the largest emitters, while the chemical industry is the third-largest contributor to the EU GHG emissions. Aluminium is also highly electro-intensive and is recognised as a strategic raw material, with demand expected to increase by 33% until 2050. At the same time, these industries have lost significant EU's market share in the past decade. In view of their high emissions intensity and strategic role for the clean and digital transition, these sectors are considered priority to establish demand-side measures. They are also characterised by a limited cost impact on downstream industries.

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7 Internal European Commission analysis, see Impact Assessment report.

8 OECD Working Papers, A comprehensive overview of the Energy Intensive Industries ecosystem, 2025/09.

9 A European Steel and Metals Action Plan, COM (2025) 125 final, 19 March 2025.

10 Approximately EUR 500 billion are needed by 2040 for the chemicals, basic metals, non-metallic minerals and pulp and paper industries - Draghi, M. (2024). The future of European competitiveness – In-depth analysis and recommendations (Part B), p. 99 and Commission Staff Working Document, Impact assessment report, Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society, Part 3, pp.164-167.

11 JRC analysis, see Impact Assessment report.

Net-zero technologies face competitiveness challenges and significant supply chain vulnerabilities.[12] While deployment in the EU – and the world - is progressing, the EU's manufacturing global market share of these technologies is declining. Production is highly concentrated in China, which accounts for over 80% of battery manufacturing capacity and solar photovoltaic, including solar inverters which carry an essential function in the Union's critical infrastructure. In other net zero technologies, such as heat pumps and geothermal, EU production depends heavily on components from non-EU suppliers. Wind power technologies are experiencing cost pressures from low-priced Chinese imports, while carbon capture technologies lag in CO2 transport and storage. Without decisive action, the EU risks becoming even more dependent on imported clean technologies, precisely at the moment when global partners are accelerating their industrial strategies[13] and weaponising their industrial strengths. At the same time, net-zero technologies are a source of EU's industrial strength and should be granted a global level-playing field in light of unfairly subsidised overcapacities by third countries.

Downstream industries are also under pressure. The competitiveness of the **European automotive industry** – a symbol of Union industrial leadership - has significantly decreased, with the average profitability of European automotive suppliers dropping from 7.4% in 2017 to 5% in 2023 and more than 100,000 job cuts announced in 2024/25.[14] Recent surveys show that half of the European automotive component suppliers plan to reduce production capacity in the EU in the next years. This decline threatens hundreds of thousands of jobs and the integrity of Europe's industrial future.

Against this backdrop, the proposal addresses three main sub-problems:

(1) Supply chain vulnerabilities in strategic sectors and technologies. Global, not always fair, competition and international value chain dependencies undermine Europe's ability to increase or retain production in strategic sectors and technologies. An area of concern is the lack of technology know-how and manufacturing expertise in the EU for certain key net-zero and digital technologies. This concern is exacerbated by a fragmented EU approach towards foreign investments, which oftentimes do not come with technology transfer, job creation and value chain integration in the EU.

(2) Limited demand/no lead markets for European low-carbon industrial products. High production costs, different levels of technological readiness and a lack of industrial scaling effects limit the development and market uptake of low-carbon products in energy intensive industries, therefore undermining or delaying the decarbonisation investments. This is further accentuated by the challenges in distinguishing low-carbon industrial products from high-carbon equivalents and the limited willingness of downstream sectors to pay a low-carbon premium.

(3) Industrial technologies are not deployed at scale. Lengthy, fragmented and uncertain permitting procedures for industrial decarbonisation projects, including infrastructure connection, delay the deployment and scale-up of new technologies. Decarbonising industrial processes requires deep and costly transformation of assets and operations, entailing substantial investments, which may become frozen throughout lengthy permitting processes. Difficulties in de-risking investment and accessing funding represent a major bottleneck.

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12 Competitiveness Progress Report on Clean Energy Technologies, COM(2025) 74 final, 26 February 2025.

13 BloombergNEF, New Energy Outlook.

14 European automotive industry: What it takes to regain competitiveness, McKinsey, 10 March 2025.

Against this scenario, the Clean Industrial Deal announced a new regulatory initiative to address permitting bottlenecks, introduce resilience and sustainability criteria, and create lead markets for European clean and resilient industrial products and technologies.

This proposal delivers on the political commitment made by President von der Leyen, who announced in the 2025 State of the Union Address an **Industrial Accelerator Act (IAA)** to boost demand for clean and Made in EU products in strategic sectors and technologies. It is also announced in the European Economic Strategy Communication of 3 December 2025.

The legislative proposal aims to strengthen the EU's long-term economic resilience, prosperity and strategic autonomy by supporting industrial production and accelerating decarbonisation. It has the following objectives:

- Leverage access to and the scale of the Single Market to boost demand for European low-carbon industrial products and net-zero technologies, including by facilitating differentiation for low-carbon steel to increase its value and marketability.
- Maximise the quality and benefits for the Single Market of foreign investment in the EU in the most strategic sectors.
- Deploy manufacturing projects at scale by speeding-up and simplifying permits for manufacturing projects, as well as by facilitating the development of industrial clusters in industrial manufacturing acceleration areas ('acceleration areas').

To achieve these objectives, the proposal introduces a balanced regulatory approach to enhance the competitiveness of the industry and mitigate, as well as prevent, strategic dependencies in key sectors. It is limited to the set of minimum requirements necessary to address the problems currently faced by a selected number of strategic sectors, without unduly constraining the market and technological development or disproportionately increasing the cost of specific materials and products. Moreover, the proposal sets a framework to streamline permitting procedures and promote a coordinated approach to investment projects across the Union.

- **Consistency with existing policy provisions in the policy area**

The proposal responds to the Clean Industrial Deal, the 'Competitiveness Compass for the EU' and the Joint Communication on Strengthening EU Economic Security, all of which acknowledge the need for urgent action to safeguard the EU's future as an economic powerhouse, an investment destination and a manufacturing centre. It delivers on the Automotive Action Plan, which states that public support benefiting the automotive industry will be made conditional on resilience and sustainability criteria and calls on the Industrial Accelerator Act to promote Made in EU requirements on battery cells and components in EVs sold in the EU, in line with the Union's international commitments.

It also delivers on the automotive package, adopted on 16 December 2025, which, *inter alia*, provides for the granting of super-credits for small affordable electric vehicles made in the Union prior to 2035 and establishes, from 2035 onwards, a 90 % tailpipe emissions reduction target, with the remaining emissions to be compensated through the use of low-carbon steel made in the Union or renewable and low-carbon fuels. This proposal, which amends Regulation (EU) 2019/631, empowers the Commission to lay down the criteria under which products within its scope may qualify as 'small zero-emission vehicles made in the Union', and 'low-carbon steel made in the Union'. To ensure coherence and legal certainty across the two instruments, this Regulation provides harmonised definitions of 'small affordable electric vehicles made in the Union' and 'low-carbon steel made in the Union'. Accordingly, the proposal of 16 December should be adapted to refer to the horizontal approach adopted pursuant

to this Regulation, rather than to delegated acts, in order to ensure consistency of the legal framework.

This Regulation is consistent with the Union Customs Code, which lays down the Union's non-preferential rules of origin. For the purposes of determining the origin of products covered by this Regulation, the Union's non-preferential rules of origin, as established under that Code, apply.

- **Consistency with other Union policies**

The IAA contributes to the legislation relevant for EU economic security, industrial competitiveness and decarbonisation. Given the role of energy intensive industries and net-zero technologies in many sectors of the economy and industrial value chains, several sets of European policies and legislation are relevant.

First, the IAA is consistent with and complements the Net Zero Industry Act (NZIA) by extending streamlined permitting provisions, such as single points of contact and time limits to all energy intensive industrial decarbonisation projects, and by introducing Made in EU requirements for some specific net-zero technologies components, in order to prevent circumvention, further build EU manufacturing capacity as well as resilient and competitive domestic value chains.

Second, the proposal is consistent with the European Climate Law, as it aims to contribute to achieving the climate neutrality goal by supporting investments in the decarbonisation of industry and in net-zero technologies.

Third, the proposal is consistent with the most recent initiatives to streamline permitting procedures and enhance the competitiveness of the automotive sector. In particular, the IAA aims to streamline key permitting processes, notably through digitalisation and the reuse of data. It builds on the menu of measures made available under the Environmental Permitting proposal, applying it to the specific needs of the sector.

The proposed Regulation is also consistent with the Automotive Package adopted on 16 December 2025 to support the sector's efforts in the transition to clean mobility.

The proposal is also consistent with other EU legislation aimed at supporting the transformation of the European industry to a clean, circular and climate neutral economy. For example, the IAA is consistent with and complements forthcoming product-specific environmental legislation. In the construction sector, it complements the Construction Products Regulation (CPR), including the harmonised standard for GHG emissions and the planned low-carbon concrete label. In the steel sector, the forthcoming delegated act on steel products under the Ecodesign for Sustainable Products Regulation (ESPR) will provide the necessary elements to implement the lead market provisions for steel taking into account the differing decarbonisation characteristics of primary and secondary steel producers and rewarding circularity. In designing labelling and information requirements based on performance thresholds, such thresholds should take account of the recycled content of the industrial product, the threshold decreasing with the increase of recycled content in the products. Similarly, the IAA complements the Batteries Regulation, which sets the framework for environmental ambition for EU battery manufacturing, allowing lead market provisions under the Accelerator Act to focus on Made in EU requirements. It complements the upcoming environmental performance rules for PV modules under the Ecodesign and Energy Labelling by promoting EU manufacturing of compliant products. In terms of boosting low-carbon and bio-based solutions it aligns with the new EU Bioeconomy Strategy.

The proposal is also consistent with the rest of the EU climate legislation. The EU Emission Trading System (EU ETS) is the main climate policy instrument to reduce GHG emissions and

plays a central role in incentivising emission reductions in energy intensive industries as well as power generation. This proposal complements the price signal provided by the EU ETS, supporting the creation of lead markets for low-carbon industrial products. It is also aligned with the Carbon Border Adjustment Mechanism Regulation (CBAM).

In terms of upcoming initiatives, the Circular Economy Act proposal will complement the IAA by boosting recycling and access to secondary raw materials, reducing dependencies and vulnerabilities also for energy intensive industrial products. Consistency between the sector specific measures in the Accelerator Act and the overarching framework of the upcoming Public Procurement revision will also be ensured.

The proposal takes into account the Union's international commitments in public procurement under the WTO Agreement on Government Procurement (GPA), and relevant bilateral EU trade agreements. Operators established in countries covered by such commitments can benefit from enforceable access to specific procurement procedures defined in the relevant coverage schedules. These commitments are structured across categories of contracting authorities, including central government, sub-central authorities, bodies governed by public law and utilities, and across procurement types such as goods, services and construction works. Their applicability therefore depends on the contracting authority conducting the procurement and the subject matter of the contract. Besides, the Union retains the right to apply general or security exceptions.

As a result, the Union's procurement commitments do not confer uniform or comprehensive access to all partners, and it is not possible to establish a single list of third countries with fully secured access to the entire EU procurement market. Detailed information on procurement commitments and supplier eligibility is available to contracting authorities[15], which supports the consistent application of international procurement obligations while preserving the Union's ability to pursue its policy objectives as set out in this proposal.

While the IAA establishes the framework for *what* 'Made in Europe' procurement entails, covering energy-intensive industrial products, net-zero technologies and automotive components, the forthcoming revision of the public procurement legal framework will clarify *how* such procurement is to be carried out. In particular, it will integrate and implement sector-specific requirements set out in relevant legislative acts within a common procurement framework and, for key sectors, provide contracting authorities with clear tools to give preference to tenders composed mainly of European products. This approach ensures coherence and legal certainty for both public buyers and economic operators.

The proposed Regulation also takes account of the Union's trade defence instruments, including the recently proposed measure addressing the negative effects of global overcapacity on the EU steel market. In addition, it operates in complementarity to the existing Foreign Direct Investment framework, which is about security and public order. Finally, the proposal is without prejudice to the application of the EU's competition rules.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The appropriate legal basis is Article 114 of the Treaty on the Functioning of the European Union ('the Treaty') which allows the Union to adopt harmonisation measures. Given the

[15] Detailed information is available through the European Commission's "Procurement for Buyers" tool on the Access2Markets portal and will help EU contracting entities to find out which bidders are eligible to participate in public procurement procedures in EU member states, based on the provisions of the WTO Agreement on Government Procurement (GPA) and bilateral EU trade agreements.

complexity and transnational character of resilience and industrial decarbonisation, such measures are needed to ensure the proper functioning of the Single Market in particular for strategic sectors.

Moreover, it is also necessary to use Article 207 of the Treaty on the EU common commercial policy as an additional legal basis regarding certain measures introduced under this Regulation. Provisions on foreign investments capture a specific set of sectors to ensure minimum investment conditions, and value-added production in the Union. Therefore, the provisions are primarily aimed at the proper functioning of the Single Market. Nevertheless, foreign direct investments are explicitly included in the scope of the EU common commercial policy.

- **Subsidiarity (for non-exclusive competence)**

Competitiveness, sustainable prosperity, economic security and decarbonisation are matters of high EU relevance. No single Member State alone is capable of effectively addressing industrial decarbonisation due to the integrated nature of the challenge: energy markets, climate change mitigation efforts and the need for the proper functioning of the Single Market for energy-intensive industrial products and net-zero technologies. The competitiveness challenges currently facing industry are likely to prompt Member States to implement unilateral measures. While such efforts may be justified, leaving them uncoordinated risks negatively impacting the functioning of and fragmenting the Single Market, making the EU more vulnerable to external shocks and unable to leverage the assets of the Single Market to deliver benefits to local and European ecosystems.

A harmonised EU-level approach is therefore necessary under Article 114 TFEU to ensure the well-functioning of the Single Market and to address the challenges of resilience and industrial decarbonisation, while safeguarding the EU's competitiveness. The measures included in this initiative would not be as effective (if at all) if implemented by Member States acting alone, as the challenges they address concern the Single Market. They are not limited to individual Member States or to a subset of Member States, but they relate to the EU industrial base and EU-wide value chains. In addition, measures implemented at Member States' level only are unlikely to adequately meet the needs of closely interconnected supply chains within the Single Market and could lead to further market fragmentation and risks of supply chain disruption.

Furthermore, climate change is a trans-boundary challenge requiring both international and EU-level action to effectively complement and reinforce measures taken at regional, national and local levels. The cost of inaction is pan-European. The necessary industrial transformation will impact many sectors across the EU economy, making coordinated action at the EU-level indispensable to drive transformative, just and cost-effective transition and upward convergence. Uncoordinated national measures risk imposing diverging rules on market operators, non-harmonised public procurement practices, such as under green public procurement practices, and permitting procedures, and ultimately undermining the functioning of the Single Market.

Without further EU action, the status quo is likely to persist, increasing the risk of the EU losing strategic industrial capacities and capabilities, of the Single Market to be further fragmented, and of the EU becoming critically dependent on third countries for green, digital, defence, and economic security objectives. This in turn could have negative implications on the Union's economic security, social and territorial cohesion, primarily through impacts on employment, regional development, and equitable access to industrial opportunities.

In line with this logic, the proposed actions focus on areas where there is a demonstrable value added in acting at Union level due to the scale, speed and scope of the efforts needed - actions

aimed at improving the business case for EIIs to invest in decarbonisation and for EU strategic sectors and technologies to strengthen their competitiveness.

Article 5(3) TEU provides that the principle of subsidiarity applies in areas which do not fall within the exclusive competence of the Union. Article 3(1)(e) TFEU provides that the Union has exclusive competence in the area of common commercial policy. Article 207(2) TFEU falls into the category of exclusive competences. Therefore, the question of subsidiarity does not arise insofar Article 207 TFEU is used as an additional legal base for measures implementing the Union's common commercial policy.

- **Proportionality**

The proposed measures meet the principle of proportionality, demonstrating added value in acting at the EU level due to the scale, urgency and scope of the efforts needed.

The measures on permitting will impose obligations on Member States to streamline processes. The digitalisation of the permitting procedures will lead in the long term to time and cost savings for both authorities and businesses, enabling the acceleration of clean manufacturing and industrial deployment across the EU.

The low-carbon and made in EU requirements are proportionate to the European industrial production capacities and designed as to not place significant financial burdens on the Member States' administrative budgets. Establishing lead markets is pivotal to increasing the competitiveness of the key sectors and technologies, thereby strengthening the EU's industrial base and ensuring autonomy in these strategic sectors.

Mandatory conditions on foreign direct investment are necessary to achieve the objective of maximising the benefits of these investments across Member States, strengthening the Single Market benefits and leveraging the access to the Single Market. They will ensure investment comes with know-how development, job creation, and value chain integration.

The measures on industrial manufacturing acceleration areas leave Member States responsible for identifying and designating such areas, while providing benefits aimed at enabling better and more competitive conditions for the manufacturing industry.

- **Choice of the instrument**

A regulation is considered the most appropriate instrument as it makes it possible to set requirements that apply directly to national authorities and relevant economic operators. This will help ensure that the requirements are implemented in a timely and harmonised way, leading to greater legal certainty.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

Not applicable.

- **Stakeholder consultations**

In line with the Better Regulation Guidelines, the Commission carried out a comprehensive stakeholder consultation process, with the aim of collecting reliable information using a range of methods, consulted parties and tools. The Commission ran multiple activities: an online open consultation between April 15th and July 8th 2025 (314 responses and 133 attached position papers); a call for evidence for the impact assessment (295 replies); a targeted consultation open to associations and companies from the EIIs sector (62 responses); a reality check workshop open to companies from the EIIs sector (40 participants); a reality check workshop on EU low-

carbon steel label, open only to steel companies (34 participants); a reality check workshop open to Member States (46 participants), with all three reality checks including the possibility to submit position papers; and a targeted consultation open for the battery ecosystem and its downstream sectors (63 respondents). The results of the public consultation are summarised in the factual summary report published with the answers to the call for evidence on the 'Have your say' portal.

Overall, stakeholders argued the challenges faced by the EU energy-intensive industries as being the lack of sufficiently affordable, renewable energy, unfair international competition, high capital and operational costs attributed to decarbonisation, low willingness for downstream sectors to pay for green premium, complex, long permitting procedures and difficulty accessing funding for decarbonisation projects.

The Commission received broad support for the idea of creating and protecting lead markets for low-carbon, EU made industrial products, as a key mechanism to stimulate demand and foster investment in decarbonisation. Similarly, stakeholders agreed that the creation of lead markets will serve to protect the competitiveness of EU clean tech and automotive industries. They further confirmed that Made in EU requirements are important for ensuring that the market for low-carbon industry products and clean tech products is not undermined by non-EU competition. The majority of stakeholders from the batteries sector also supported Made in EU requirements in various policy measures, for both public procurement and products placed on the market. Streamlining and speeding up permitting procedures saw a high support, in particular from SMEs, which have less resources to manage the administrative workload. Stakeholders viewed provisions for foreign investment positively, noting that such measures could attract much-needed capital along with additional benefits.

- **Impact assessment**

In line with the Better Regulation Guidelines, this regulatory proposal is based on an impact assessment that analyses the problem and sub-problems related to the need for the EU industry to accelerate the decarbonisation of processes and products, in a global context of competitiveness challenges. The impact assessment identifies possible policy options to address problem-drivers and assesses their likely impacts. The impact assessment was structured to reflect the consultation of the Commission's Inter-Service Steering Group on the Industrial Accelerator Act.

The impact assessment received a negative opinion from the Regulatory Scrutiny Board (RSB) on 26 September 2025. The Board recommended to:

- Develop the dynamic baseline, including a better explanation of the magnitude of decarbonisation investment slowdown and decarbonisation speed gap.
- Improve analysis on problem drivers, including drivers related to permitting and FDIs, and, based on this, revise the general and specific objectives in a S.M.A.R.T manner, as well as improve the measures.
- Conduct a more in-depth analysis of the availability and economic viability of industrial decarbonisation technologies, and the demand for low-carbon alternatives, including price elasticity and substitutability.
- Improve, by better quantifying, the costs and benefits analysis, including the improvement of Annex 3.
- Acknowledge the robustness of the modelling for the costs and benefits analysis, and transparently report the assumptions used for the calculation.

All the above-mentioned points were addressed to the best extent possible. When the revised impact assessment was resubmitted, the Board issued a positive opinion with reservations on 20 November 2025. The reservations pointed at the need to improve the analysis on the expected impacts of the general objective, as well as the interplay with economic security implications. It also noticed the need to further explain the limitations related to the modelling, as well as the cost benefit calculations and impacts on consumers and downstream sectors. The comments have been addressed via an improved analysis and to the extent feasible. The Board's opinions as well as the final impact assessment and its executive summary are published together with this proposal.

The impact assessment is built around a set of 5 specific objectives that tackle the problem drivers identified. It sets out three policy options for each specific objective, based on the level of policy intervention, the scope, the efficiency and coherence, as well as the proportionality and subsidiarity principles.

Policy option 1 (PO1) proposes a carbon intensity label for all energy-intensive sectors. It aims to create lead markets, by introducing low-carbon requirements for energy intensive materials (steel, cement[16] and aluminium) in selected downstream sectors (automotive and construction) in public procurement and support schemes. It also proposes introducing minimum Made in EU requirements for batteries, solar PV systems and vehicle components in public procurement procedures and for public support schemes. Regarding the objective of maximising benefits for FDIs, it introduces voluntary conditions for investments above a specified threshold for battery supply chain and potentially for relevant EIIs. To streamline permitting, the option proposes a unified digital procedure for all permits, applicable to the entire manufacturing sector. Lastly, it recommends Member States to facilitate public funding for projects in industrial areas.

Policy Option 2 (PO2) builds upon the first option by broadening the scope and requirements. Regarding lead markets, under PO2, low-carbon and Made in EU requirements are introduced for steel, cement and aluminium used in selected downstream sectors (automotive and construction) in public procurement and support schemes. Conditions for specific investments are mandatory rather than voluntary. PO2 increases support for the permitting process by introducing additional measures dedicated to EIIs. Lastly, it requires, instead of recommends, Member States to designate industrial areas. The label decreases however its scope by mandating a specific carbon intensity label for steel, with detailed rules that can later be expanded to include other energy-intensive materials.

Policy Option 3 (PO3) further extends the previous two options. On lead markets, it introduces low-carbon and Made in EU requirements for all steel, cement and aluminium placed on the market for use in automotive and construction It also extends Made in EU requirements to all batteries, solar PVs and key vehicle components placed on the market. On permitting, it introduces dedicated measures for industrial areas.

Overall, the preferred option is PO2, as it would meet the objectives in the most effective and efficient way. It also has a more positive impacts in terms of proportionality that the other two options, as it suggests introducing low-carbon and made in EU for public procurement and public support only, while also showing the most coherence. PO2 could bring about one-off net reductions of about EUR 240 million in terms of administrative burden for businesses, mainly from permitting provisions (see Annex 4 of the impact assessment). The costs and benefits

[16] For the lead markets measures related to cement, the requirements are established at the level of concrete and mortar, as these are the relevant final products used in construction.

analysis concluded that PO2 results in overall net benefits of about EUR 8 billion for the economy in 2030, despite showing some adjustment costs for downstream sectors impacted by the low-carbon and/or Made in EU requirements. However, these losses are largely offset by long-term benefits in terms of value-added creation enhanced economic security, resilience and job creation of the European strategic industries, which ultimately provide stability and sustainable economic prosperity. PO3 would be more effective in achieving certain objectives, especially concerning the lead market provisions, but it would disproportionately increase the costs for the economy.

Differences compared to the preferred option in the impact assessment

The proposal for the Regulation contains measures that diverge from the preferred policy option presented in the impact assessment, namely:

- Concerning permitting procedures, specific measures for industrial manufacturing clusters (namely, tacit approval at intermediate stages and priority assessment of connection requests), which were not in the preferred policy option, have been introduced, in view of the synergetic benefits expected with the rest of the provisions on industrial manufacturing acceleration areas.
- In terms of scope, the provisions on public procurement procedures, auctions and support schemes cover additional net-zero technologies than those analysed in the impact assessment. The proposal introduces Made in EU requirements also for solar thermal, heat pumps, wind, nuclear fission, and hydrogen, in line with the goal of increasing EU's economic security, resilience, sustainability and security of supply. A dedicated annex in the impact assessment has been added to present the key impacts of these measures. While batteries and solar PV already today face a unique combination of high global overcapacities and high EU dependencies on single sources of supply, the other net-zero technologies in scope face intense (not always fair) global competition and could experience similar market developments. Therefore, the Commission has decided to introduce such provisions, in order to anticipate and mitigate potential future supply and market risks.

  Regarding steel, the proposal limits requirements for steel used in the automotive and construction sectors to low-carbon criteria (rather than combining low-carbon and EU-origin requirements) within the framework of public procurement and support schemes. In light of the recently proposed trade measure addressing the negative trade-related effects of global overcapacity on the Union steel market, introducing a European preference for steel is not considered necessary.
- For the purposes of compliance with the low-carbon requirements, concrete will be considered low-carbon where it meets the criteria for "low-carbon concrete" laid down in the implementing measures adopted under the Construction Products Regulation (CPR). Likewise, low-carbon steel products used in construction and covered by a harmonised technical specification must comply with the low-carbon definition established under the CPR framework. Steel products falling outside the scope of the CPR will be considered low-carbon where they meet the conditions for "low-carbon steel" to be set out in the delegated acts under the ESPR. This approach will ensure regulatory consistency with the existing product specific legislation.
- In addition, the proposal includes amendments to Article 25 of NZIA on public procurement to clarify the technology scope in including only technologies that are commonly publicly procured. It also includes changes in Article 26 of NZIA in relation to auctions. This is to take account of the growing importance of auctions for securing

the Union's energy supply and safeguarding its technological sovereignty. It also includes amendments to Article 1 and 22 of the Construction Products Regulation.

- The proposal does not follow the preferred policy option to adopt a voluntary steel label in support of low-carbon steel investment decisions. Instead, the focus is put on implementing rapidly existing commitments, such as in the context of the ESPR, and to design an empowerment to be able to supplement the lead market provisions with the development of voluntary labels on the low-carbon performance classes of energy intensive industrial products.

  All these measures remain within the overall framework assessed in the impact assessment and do not significantly affect the comparison of options. For clean technologies, the scope extension implies that the resulting impacts on electricity markets could be of higher magnitude, including for downstream users. However, the same safeguards that were analysed in detail for batteries and solar apply as well to other net zero technologies.

- **Regulatory fitness and simplification**

This proposal is designed to mitigate the impacts of Union origin and low-carbon requirements, and foreign direct investment conditionalities, on regulatory burden. Other parts e.g. on permitting directly reduce it for economic operators.

The administrative costs for businesses that will apply directly with this Regulation are expected to be offset by efficiency gains from streamlined permitting and long-term benefits in terms of greater resilience of supply chains. They relate to obligations to demonstrate compliance for lead market provisions for companies operating in relevant downstream sectors. In terms of conditionalities on investments, the uniform application of the conditions across the Union would largely prevent forum shopping and race to the bottom in attracting foreign investments, while harmonising and simplifying the business conditions.

For Member States, additional administrative costs are expected, connected to the monitoring and implementation of lead markets provisions in public procurement and support schemes. Similarly, the implementation of conditions on foreign investment, including prescription, monitoring and penalising, will add to the administrative costs. Permitting provisions are also expected to increase costs for public authorities in the short term, while, on the other hand, digitalisation and simplification will deliver substantial cost and time savings in the medium and long term, for both the industry and public authorities. Lastly, the designation of acceleration areas as well as implementation of benefits for industrial areas will come with an additional administrative cost for Member States, against the benefits for individual companies operating within the areas.

- **Fundamental rights**

Article 16 of the Charter of Fundamental Rights of the European Union ('the Charter') provides for the freedom to conduct a business. The measures under this proposal create innovation capacity and foster demand for energy intensive industry products in the Union, which can reinforce the freedom to conduct a business in accordance with Union law and national laws and practices.

4. BUDGETARY IMPLICATIONS

The proposal has budgetary implications for the Commission. Specifically, it will require approximately 6 full-time equivalents per year to implement, an additional recurring cost of EUR 20 000 per section for the expansion of Annex 1 of the SGDR with the envisioned

permitting provisions and a one-off cost of EUR 20 000 for investment in the back-end of the Single Digital Gateway (SDG) system. Compared to the Impact assessment report, the figures have been adjusted to reflect to wider scope of the measures proposed in the Act.

The budget implications are mainly to carry out the work foreseen to (i) review foreign direct investment notifications submitted by the Investment Authorities within Member States; (ii) monitor enforcement of Member States' obligations on lead market provisions and (iii) implement the expansion of Annex II of the SGDR and the back-end SDG system to meet permitting provisions.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The Commission will evaluate the coherence, results, impacts, proportionality and subsidiarity of this proposal three years after the date on which it becomes applicable. A review clause is proposed after five years, to assess whether lead market provisions remain necessary in light of market developments, or whether such measures should be considered for other sectors critical to the EU's economic security. The measures proposed are conceived as targeted and time-bound interventions to accelerate the Union's industrial capacity and boost economic security of strategic sectors only. This guarantees that the tailor-made approach remains flexible, evidence-based and can be adapted to the evolving needs of Europe's industrial base.

In order to conduct the evaluation, Member States and national competent authorities will provide necessary and relevant information to the Commission, as appropriate, at its request.

- **Detailed explanation of the specific provisions of the proposal**

Chapter I of the Regulation outlines the general provisions of the Regulation, including the subject matter, namely the improvement of the functioning of the internal market by establishing a framework to ensure the Union's access to a secure, sustainable, and resilient supply of relevant manufacturing products and their supply chains; the scope of the Regulation, the industrialisation objective and the definitions needed for the purposes of this Regulation.

Chapter II outlines the enabling conditions for industrial production and decarbonisation. It sets out provisions that ensure streamlined, efficient and digital permit-granting procedures for industrial manufacturing projects. It also introduces provisions on permit-granting procedures for energy intensive industry decarbonisation projects and net zero industry projects.

Chapter III establishes a framework for the application of Union origin and low-carbon requirements to certain products and services from strategic sectors in the context of public procurement and public support schemes.

It sets out low-carbon requirements for steel, and Union origin and low-carbon requirements for concrete and mortar and aluminium used in specific downstream sectors, namely buildings, infrastructure and transport, as well as Union origin requirements for vehicles. In addition, it provides an empowerment for laying down demand-side measures concerning products from the chemical industry.

Chapter IV establishes the framework for the imposition of conditions on foreign direct investments in emerging strategic sectors, where the investment value exceeds EUR 100 million. Such investment will not take effect until the relevant conditions have been fully complied with. The Investment Authorities designated by Member States will be responsible for reviewing and monitoring compliance with those conditions, with the Commission playing a coordinating role.

Chapter V establishes a framework for the designation of industrial manufacturing acceleration areas by Member States based on a defined set of criteria. These areas are intended to facilitate the geographical clustering industrial activities and to promote favourable conditions for the industries established therein. Industrial manufacturing acceleration areas will be developed in synergy with other Union initiatives.

Chapter VI establishes the common, final provisions of the Regulation by setting out implementation rules, including evaluation, monitoring, review, exercising the delegation power and penalties. It also includes amendments to Regulation (EU) 2018/1724 [Single Digital Gateway Regulation]; Regulation (EU) 2024/1735 [Net-Zero Industry Act], including provisions on origin requirements for public procurement procedures; cybersecurity requirements for public procurement and strengthened cybersecurity provisions for auctions; origin requirements for auctions and for other types of public intervention. Finally, it includes amendments to Regulation (EU) 2024/3110 [Construction Products Regulation] in order to ensure coherence and synergies with, and to support the objectives of, this proposal.

Annex I sets out the list of strategic sectors.

Annex II defines low-carbon content requirements, Union origin requirements, or both, for certain products of energy intensive industries in the context of public procurement procedures and public support schemes.

Annex III sets out Union origin requirements for vehicles for public procurement procedures and public support schemes. It also sets the criteria for a small zero-emission vehicle to be considered ‘made in the EU’ for the purposes of Article 5 of Regulation 2019/631.

Annex IV sets out the amendment to Annex II to Regulation (EU) 2018/1724.

2026/[…] (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing a framework of measures for the acceleration of industrial capacity and decarbonisation in strategic sectors and amending Regulations (EU) 2018/1724, 2024/1735 and 2024/3110

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 and 207(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee[17],

Having regard to the opinion of the Committee of the Regions[18],

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) The global COVID-19 pandemic, Russia's illegal and unprovoked war of aggression against Ukraine, hostile economic actions, cyberattacks, foreign interference, the weaponisation of Union economic dependencies, arbitrary deployment of trade measures, the increasing effects of climate change and rising geopolitical tensions have exposed the Union's vulnerabilities and pose a serious threat to the Union's societies, economies, and undertakings. The Union's economic security is therefore inextricably linked to its capacity to strengthen resilience and mitigate risks arising from hostile economic interconnections. The Union is committed to protecting its economic security and addressing threats to its supply chains, infrastructure, key technologies and threats coming from the weaponisation of its economic dependencies.[19] The Union's economic and social security is inextricably linked to its capacity to strengthen its resilience and mitigate the risks arising from economic interconnections. That requires the strengthening of the resilience of its supply chains and the safeguarding of its internal market and industrial capacity, while maintaining territorial, social and economic cohesion, including by fostering a strong and competitive industrial base in strategic sectors, such as clean and digital technologies, energy intensive industries and the automotive sector, to secure access to strategic materials and technologies and retain high-quality jobs in the Union.

(2) The European Economic Security Strategy, and the Economic Security Communication of 3 December 2025 clearly set the Union's pathway towards addressing geo-economic

17 […]
18 […]
19 https://www.consilium.europa.eu/en/policies/european-economic-security/

tensions and technological shifts to avoid economic dependencies in critical industrial supply chains, technologies and infrastructures which can lead to local shortages and to a threat to the Union's competitiveness, economy and ultimately its social cohesion.

(3) Despite the Union's objectives of economic security, resilience, quality jobs and climate neutrality, manufacturing capacity has decreased over the last 20 years despite its essential role for the above-mentioned objectives. The share of manufacturing in total GDP has declined from 17.4% to 14.3% between 2000 and 2024. It is therefore necessary to strengthen economic resilience, competitiveness and job creation, while also ensuring that the Union's climate and energy targets are met. The Union's manufacturing capacity should aim to account for at least 20% of the Union's gross domestic product by 2035. The development of industrial manufacturing projects within the Union should be facilitated to contribute to this objective.

(4) Divergent and lengthy permit-granting procedures across Member States undermine investor confidence, increase costs, and risk redirecting investment flows within the Union. By offering differing levels of administrative efficiency and conditions, national frameworks may fragment the internal market. This Regulation should establish harmonised measures in order to ensure the proper functioning of the internal market.

(5) To ensure legal certainty, reference should be made to the most recent revision of the European Classification of Economic Activity (NACE, Rev. 2). In order to ensure consistency with existing Union legislation and enable the uniform application of this Regulation across the Union, industrial manufacturing as well as energy intensive industries should be defined by referring to the NACE classification codes.

(6) Energy intensive industries are a key pillar of the Union's prosperity. They enable a wide range of downstream industries and contribute to the Union's economy by creating jobs, supporting growth and fostering innovation. However, they also account for around 22.3% of the Union's greenhouse gas emissions and require substantial investments in decarbonisation, leading also to reduced pollution. The combination of high energy prices, the need for large-scale decarbonisation investments and unfair global competition places energy intensive industries at a competitive disadvantage, and there are growing signs of industrial decline.

(7) Net-zero technologies are pivotal to achieving the Union's energy and climate targets. They play a crucial role in reducing greenhouse gas emissions and enabling the decarbonisation of a wide range of economic sectors, including building, transport and the industry. They are also key in advancing sustainable energy solutions, by enabling the decarbonisation of the energy supply and providing innovative solutions to enable the needed expansion and digitalisation of electricity grids and the energy system as a whole. However, the Union's net-zero technology manufacturing sector faces significant challenges, including increasing global competitive pressures and supply chain vulnerabilities which endangers the Union's competitiveness and economic resilience.

(8) The bioeconomy is able to provide sustainable biomass and bio-based solutions for industrial production. The Commission communication "A Strategic Framework for a Competitive and Sustainable EU Bioeconomy"[20] identifies lead markets, such as bio-based plastics and polymers, bio-based chemicals and biobased construction products,

[20] Communication from the Commission to the European, the Council, the European Economic and Social Committee and the Committee of the Regions, A Strategic Framework for a Competitive and Sustainable EU Bioeconomy (COM(2025)960).

as well as lead technologies that can support EU strategic autonomy and the decarbonisation of the industrial sectors identified in this initiative.

(9) The automotive industry is a cornerstone of the Union economy. With a view to delivering on the Union's climate policy objectives, over the past years, the European automotive industry has been investing heavily in the development of cleaner vehicles and innovative components. Electric vehicles and electric vehicle components, including traction batteries, e-powertrain components and electronic systems, are essential technologies for advancing the decarbonisation of road transport. However, as a result of costs disadvantage and the transformation of the value chain with an increasing value share for batteries, e-powertrain and electronics, the level of Union content in vehicles produced in the Union is decreasing. It is no longer possible to postpone effective measures to avoid the risk of local production being displaced. In the absence of such measures, the current circumstances would lead to a full reliance on third countries for key vehicle components. That would be a serious threat to the Union's economic security and future resilience, as well as for its climate goals.

(10) The unpredictability, complexity and, at times, excessive length of national permit-granting procedures undermine the cost-effectiveness of investments necessary for the development of industrial activities. Therefore, and in order to ensure and speed up the effective implementation of industrial manufacturing activities, Member States should apply streamlined and digitalised permit-granting processes. A competent authority should coordinate all permit granting processes and issue a comprehensive decision within the applicable time limit.

(11) The implementation of single access points should be based on the European Business Wallets established pursuant to [Commission Proposal 2025/0358/COD, Regulation on the establishment of European Business Wallets], as they provide a secure, standardised, and interoperable platform for businesses to interact with public sector bodies. This should enable the efficient and effective submission of applications, while ensuring a high level of data protection, cybersecurity, and integrity of information. The European Business Wallets will also enable the streamlining of investments that were made and the avoidance of unnecessary duplications, allowing for the optimisation of resources and the reduction of administrative burdens for businesses.

(12) In order to ensure streamlined and simplified permit-granting procedures, a single application covering all necessary permits should be provided for all industrial manufacturing projects except for the manufacturing sector under the C12 code. It should not apply where specific permit-granting or licensing procedures or requirements are established in Union harmonisation legislation for industrial manufacturing projects, such as pursuant to Regulation (EU) 2024/1735 and Regulation EU 2024/1252. Sectorial EU legislation governing medicines and medical devices has recently undergone or is undergoing further streamlining of harmonised rules and timelines for authorisations and certifications, with options to speed up the process if necessary. Those rules should therefore not be considered permit-granting procedures within the context of this initiative.

(13) Regulation (EU) [202X/XX] of […][21]establishes a common acceleration framework for environmental assessments in order to boost the Union's roll out of key technologies, reduce dependencies and strengthen competitiveness. Procedures linked to environmental assessments should be accelerated and streamlined for plans,

[21] Proposal for a Regulation of the European Parliament and of the Council on speeding-up environmental assessments (COM/2025/984 final).

programmes and projects across all sectors of the economy while maintaining high levels of protection of human health and of the environment. Some sectors may, however, require yet faster environmental assessments. Therefore, and in order to safeguard the coherence of the legal framework of environmental assessments, while allowing for the additional needs for acceleration in certain strategic sectors, Regulation (EU) [202X/XX] establishes a dedicated toolbox that should therefore be used in the context of this Regulation (EU) [202X/XX-IAA]. Given their essential role in ensuring the achievement of the Union's climate objectives, and their contribution to the Union's resilience and economic security, energy-intensive industry decarbonisation projects, industrial manufacturing projects located in industrial manufacturing acceleration areas, and net-zero technology projects should be considered strategic projects within the meaning of Regulation (EU) [202X/XX] and therefore benefit from the dedicated toolbox established under that Regulation.

(14) Regulation (EU) 2024/1735 of the European Parliament and of the Council[22] sets out provisions that streamline administrative and permit-granting processes for net-zero technology manufacturing projects. Some specific components in the supply chain of net-zero technologies are produced through energy-intensive production processes. Energy-intensive industry decarbonisation projects fall within the scope of Regulation (EU) 2024/1735 where the relevant facilities produce components that are part of the supply chain of a net-zero technology. However, energy-intensive facilities that do not produce components that are used in net-zero technologies are currently excluded from the scope of Regulation (EU) 2024/1735. This creates the risk of uneven conditions of between energy intensive industries and slows down decarbonisation efforts. All energy intensive decarbonisation projects should therefore be subject to the same permit-granting processes.

(15) The Union should adopt a more strategic approach in leveraging its economic weight and the value of access to its internal market. In this context, the strategic use of public intervention is essential to prevent critical dependencies in the Union. Public procurement amounts to 15% of the Union's GDP. Contracting authorities and entities should therefore, where appropriate, ensure that public procurement requirements foster economic security and resilience of supply chains. Public support schemes also play an important role in stimulating demand in downstream sectors that account for a significant share of demand for certain strategic products and technologies. Such schemes should therefore favour beneficiaries that make a greater contribution to strengthening the Union's resilience and advancing its decarbonisation objectives. Auctions are crucial for the deployment of net-zero technologies and should be designed to foster demand for such technologies including components originating from the Union.

(16) The Union and Member States maintain an open investment environment, as enshrined in the Treaty on the Functioning of the European Union (TFEU) and embedded in their international commitments. Under the World Trade Organisation Agreement on

[22] 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 (OJ L, 28.6.2024, ELI: http://data.europa.eu/eli/reg/2024/1735/oj).

Government Procurement (GPA)[23], as well as bilateral trade agreements, the Union retains the right to apply general or security exceptions. These exceptions allow for the necessary and proportionate restriction of access to public procurement procedures. At the same time, the Union is committed to building strong collaboration with trusted partners. To facilitate such collaboration, the Union should be able to identify such third countries, where content originating from such third countries can be deemed equivalent to content originating from the Union.

(17) Economic security aims at protecting and strengthening the internal market. Member States cannot rely on economic security to prevent, condition, or otherwise hinder in any way investments coming from other Member States.

(18) The progressive integration of candidate countries and potential candidates into the Union's internal market, including through their gradual participation in Union policies and programmes, is essential to support their alignment with the acquis, strengthen their competitiveness, promote their deeper integration into Union value chains and enhance the Union's economic security. This Regulation should therefore contribute to fostering such gradual integration, including by facilitating the participation of economic operators from those countries in Union-wide value chains, Union public procurement, public support schemes and auctions where appropriate and in line with the Union's interests and objectives. When identifying trusted partners for the purposes of this Regulation, the Union should take into account candidate countries that show effective alignment with Union procurement acquis.

(19) Acknowledging the importance of the Union's advancing towards greater strategic autonomy and resilience, the Union should also recognise for reasons of coherence the proactive efforts of partner countries to prioritise domestic participation in economic activities, similar to the measures established within this Regulation. In the context of implementing Union origin requirements within certain categories of public procurement and public schemes procedures, the Union should thoughtfully consider partner countries' content conditions for strategic Union-funded or supported investments in these partner countries, accepting its presence. This strategic approach is expected to enhance mutual economic benefits, strengthen strategic partnerships, and align with the Union's overarching objectives of international partnerships.

(20) Demand-side measures should focus on establishing low-carbon requirements for steel, cement and aluminium used in buildings, infrastructure and transport, where appropriate, since those sectors are the most energy-intensive industries. To avoid the risk of plant closure and de-industrialisation, loss of competitiveness, strategic autonomy, and related social unrest, low-carbon requirements should be combined with Union origin requirements to adequately support the transition of such industries. Targeted Union wide demand-side measures can help create lead markets for low-carbon and Union-produced energy-intensive industrial products, supporting decarbonisation while strengthening the Union's industrial base.

(21) Downstream sectors that account for a large share of demand for certain energy-intensive materials, such as the construction and automotive sectors, should be prioritised under this Regulation when establishing low-carbon requirements, Union origin requirements, or both. This is particularly appropriate given that these sectors are significantly subject to public procurement and support schemes, while the share of

[23] World Trade Organisation Agreement on Government Procurement 2012, available at https://www.wto.org/english/docs_e/legal_e/rev-gpr-94_01_e.pdf.

energy-intensive input in total production value is relatively small and therefore minimises the impact of any price premium.

(22) In order to ensure regulatory consistency with existing Union product legislation, steel, concrete and aluminium in construction should be considered low-carbon in compliance with the requirements set out in the implementing measures adopted pursuant to Regulation (EU) 2024/3110[24] and Regulation (EU) 2024/1781.[25]

(23) The Clean Industrial Deal Communication[26] highlighted the need to create lead markets for industrial products with a low greenhouse gas emissions intensity, including by promoting such products on the internal market through the establishment of a Union labelling scheme, starting with the steel sector. This should be seen in the context of Union products legislation already designed to introduce labelling and information requirements, including comprehensive product labelling requirements to be established under the delegated acts pursuant to Regulation (EU) 2024/3110 and Regulation (EU) 2024/1781. Considering the importance of both primary and secondary steel production for the long-term resilience of the Union industrial base, such requirements should be based on classes of performance that acknowledge the different decarbonisation effort of the technologies routes, also rewarding circularity, adjusting emission intensity thresholds based on percentage of scrap metal used in production, as necessary. It should also be possible to complement the delegated acts adopted pursuant to Regulation (EU) 2024/3110 and Regulation (EU) 2024/1781 in order to support or supplement, for products not covered under these Regulations, the creation of lead markets by informing investment decisions towards products granted a lower greenhouse gas intensity performance class. To do so, it should be possible to establish voluntary classification systems based on the greenhouse gas intensity of industrial products. To provide environmental integrity and administrative feasibility, it is important to rely on well-established and monitored emissions accounting methodologies. For domestic installations and sub-installations, the EU Emissions Trading System (EU ETS) provides relevant products benchmarks and system boundaries in Annex I to Commission Delegated Regulation (EU) 2019/331[27] and sound emissions accounting rules in Commission Implementing Regulation (EU) 2018/2066[28]. Concerning imported products, in order to limit administrative burden, it is appropriate to enable the use of data already verified in the context of the Carbon Border Adjustments Mechanism (CBAM), in accordance with implementing rules adopted pursuant to Article 7(a) of

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24 Regulation (EU) 2024/3110 of the European Parliament and of the Council of 27 November 2024 laying down harmonised rules for the marketing of construction products and repealing Regulation (EU) No 305/2011 (OJ L, 2024/3110, 18.12.2024, ELI: http://data.europa.eu/eli/reg/2024/3110/oj).

25 Regulation (EU) 2024/1781 of the European Parliament and of the Council of 13 June 2024 establishing a framework for the setting of ecodesign requirements for sustainable products, amending Directive (EU) 2020/1828 and Regulation (EU) 2023/1542 and repealing Directive 2009/125/EC (OJ L, 2024/1781, 28.6.2024, ELI: http://data.europa.eu/eli/reg/2024/1781/oj).

26 Communication From the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of The Regions - A Green Deal Industrial Plan for the Net-Zero Age, COM/2023/62 final.

27 Commission Delegated Regulation (EU) 2019/331 of 19 December 2018 determining transitional Union-wide rules for harmonised free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC of the European Parliament and of the Council (OJ L 59, 27.2.2019, pp. 8–69, 27.2.2019, ELI: http://data.europa.eu/eli/reg_del/2019/331/oj).

28 Commission Implementing Regulation (EU) 2018/2066 of 19 December 2018 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council and amending Commission Regulation (EU) No 601/2012 (OJ L 334, 31.12.2018, pp. 1–93, 31.12.2018, ELI: http://data.europa.eu/eli/reg_impl/2018/2066/oj).

Regulation (EU) 2023/956 of the European Parliament and of the Council[29]. In view of reflecting accurately the greenhouse gas intensity of the industrial product, in addition to covering the direct emissions typically related to the installation's activities covered by Annex I of Directive 2003/87/EC of the European Parliament and of the Council[30], it is appropriate to also account for the most important sources of indirect emissions, including those from electricity, hydrogen and heat production used in the manufacturing process. To ensure consistency and limit administrative burden, methodologies used to define low-carbon requirements under this Regulation should make use of emissions of data reported under the EU ETS and CBAM, where available and relevant.

(24) In order to ensure the attainment of the objectives of this Regulation, in particular the creation of lead markets for European low-carbon industrial products, minimum mandatory technical specifications should be provided for low-carbon and Union origin requirements in public procurement procedures Those requirements should apply to the procurement of those products in public supply contracts and in public works, public services contracts and concessions, where those products will be used for activities conducted under those contracts. In compliance with the public procurement framework, those minimum mandatory technical specifications should avoid artificially restricting competition and avoid favouring a specific economic operator. Contracting authorities and contracting entities should conduct the public procurement procedures in compliance with Directives 2014/23/EU[31], 2014/24/EU[32] and 2014/25/EU[33] of the European Parliament and of the Council and applicable sectoral legislation. The Union origin of products and components should be determined in accordance with the Union customs legislation.

(25) In order to ensure the feasibility of the requirements at reasonable cost and avoid restricting competition, it is necessary to lay down the conditions under which contracting authorities may, on an exceptional basis, decide not to apply the low-carbon and Union origin requirements. Those conditions should cover cases where the application of such requirements would result in technical incompatibilities in the operation or maintenance of a project such as situations where the use of such products would risk compromising the fulfilment of basic requirements for construction works of the building or infrastructure, set out in Regulation (EU) 2024/3110[34].

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29 Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism (OJ L 130, 16.5.2023, pp. 52–104, 16.5.2023, ELI: http://data.europa.eu/eli/reg/2023/956/oj).

30 Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, pp. 32–46, 25.10.2003, ELI: http://data.europa.eu/eli/dir/2003/87/oj).

31 Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts (OJ L 94, 28.3.2014, pp. 1-64, ELI: http://data.europa.eu/eli/dir/2014/23/oj).

32 Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, p. 65, ELI: http://data.europa.eu/eli/dir/2014/24/oj).

33 Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, p. 243).

34 Regulation (EU) 2024/3110 of the European Parliament and of the Council of 27 November 2024 laying down harmonised rules for the marketing of construction products and repealing Regulation (EU) No 305/2011 (OJ L, 2024/3110, 18.12.2024, ELI: http://data.europa.eu/eli/reg/2024/3110/oj).

(26) The Commission proposal of 16 December 2025 to amend Regulation (EU) 2019/631[35] provides, *inter alia*, for the granting of super-credits for small affordable electric vehicles made in the Union prior to 2035 and establishes, from 2035 onwards, a 90 % tailpipe emissions reduction target, with the remaining emissions to be compensated through the use of low-carbon steel made in the Union or renewable and low-carbon fuels. In order to ensure legal certainty and consistency with Regulation (EU) 2019/631, as amended, this Regulation should lay down definitions of 'small affordable electric vehicles made in the Union' and 'low-carbon steel made in the Union'.

(27) In order to simplify procedures and reduce administrative burden, the verification of compliance with the requirements laid down in this Regulation should not impose a disproportionate burden on economic operators or contracting authorities. The verification system should therefore be based on a self-declaration by economic operators. This approach is consistent with the general framework for public procurement established by Directive 2014/24/EU, in particular Article 59 thereof, which provides for self-declaration of compliance, subject to subsequent verification of the successful tenderer. For vehicles, manufacturers should, at the time of issuing the certificate of conformity in accordance with Regulation (EU) 2018/858, provide an accompanying document certifying for the vehicles that comply with the relevant Union origin requirements. This document should be equivalent to a self-declaration and form part of the documentary evidence demonstrating compliance with the requirements set out in this Regulation.

(28) To ensure that the requirements established by this Regulation remain appropriate even as market conditions, technological developments and the climate and internal market policy objectives of the Union continue to evolve, the Commission should be empowered to revise the requirements based on objective criteria and monitoring results. When assessing whether to revise Union origin requirements, low-carbon requirements, or both, the Commission should take into account developments in the relevant legislative frameworks, including the customs legislation on rules of origin, Emissions Trading System,[36] the Carbon Border Adjustment Mechanism,[37] and trade defence instruments.

(29) Investment, including from foreign entities, plays a critical role in fostering a strong internal market, particularly by promoting innovation and driving economic growth in the Union which is essential for its competitiveness. However, in exceptional circumstances, particularly large investments originating from third countries that hold a very significant market position in the global risk disrupting important supply chains and the security of emerging strategic sectors that are of particular importance in the development of the internal market. Divergent conditions applied by Member States for such investments fragment the internal market by creating unequal conditions for investors allowing investments that do not contribute genuine added value to the Union economy while creating significant risk for the development and supply security in these

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35 Proposal for a Regulation of the of the European Parliament and of the Council amending Regulation (EU) 2019/631 as regards CO2 emission performance standards for new light duty vehicles and vehicle labelling and repealing Directive 1999/94/EC (COM(2025) 995 final).

36 Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, pp. 32–46, ELI: http://data.europa.eu/eli/dir/2003/87/oj).

37 Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism (OJ L 130, 16.5.2023, pp. 52–104, ELI: http://data.europa.eu/eli/reg/2023/956/oj).

sectors and creating an incentive for "regulatory arbitrage" by investors. Allowing such investments to proceed without any conditions may mean that the added value creation associated with strategic technologies and innovative manufacturing activities remains outside the Union, which have detrimental effect for the Union's supply security and technological development in emerging strategic sectors. Moreover, unconditional exposure of the internal market to such large investments risks putting into questions the Union's technological advancements necessary for its twin transition and defence capabilities. Therefore, the provisions of this Regulation should ensure that such large investments coming from third countries that hold a particularly significant market position do not disrupt the Union's supply security and economic security, and ensure its technological advancement in emerging strategic sectors. If such investments do not provide for sufficient EU participation and technology transfer, the long-term supply security of emerging strategic sectors is hampered due to lack of Union capacities independent from the country dominating the respective market share. Furthermore, it has been observed that certain investments of this type do not involve meaningful employment of Union workers, which jeopardizes the development of skills crucial for the development of emerging strategic sectors in the internal market.

(30) In order to ensure that the internal market remains attractive for investment, and that investment adds value to the Union's economy and society, it is necessary to establish common conditions for foreign direct investment in manufacturing emerging strategic sectors. Those sectors should be manufacturing sectors with innovative potential where Union entities are not at or near the global innovation frontier, and where appropriate Union capacities and participation should be ensured. Harmonised criteria should apply to foreign investors of a third country which holds over 40% of the global manufacturing capacity in emerging strategic sectors. To ensure the effectiveness of the provisions of this Regulation, the Commission should monitor the global manufacturing capacity of those sectors and publish the results.

(31) Greenfield foreign investments occur where the foreign investor or a foreign investor's subsidiary in the Union sets up new facilities or a new undertaking in the Union. Both Greenfield and Brownfield foreign investments should fall within the scope of this Regulation to the extent that they involve the acquisition of control over a Union target or Union asset,, as they both have the possibility to impact the well-functioning internal market.

(32) The review of the investments and application of the harmonised conditions should be carried out in accordance with this Regulation. It should take into account all information available and adhere to the principle of proportionality. Moreover, all measures taken by national authorities or the Commission with respect to the review of foreign investments should comply with Union law, and in particular with Articles 49 and 63 TFEU.

(33) The provisions of this Regulation should apply to foreign direct investments in emerging strategic sectors considering the thresholds established by this Regulation, notwithstanding the screening mechanism established under Regulation (EU) 2019/452. Moreover, the provisions of this Regulation should apply without prejudice to Union competition law instruments, including Regulation (EU) 2022/2560 and Council Regulation (EC) No 139/2004.

(34) The foreign direct investment criteria should capture emerging strategic sector investments in the Union by third-country investors ('foreign investors') in the Union. However, it could also be necessary to include investments in the Union by

entities that are controlled, directly or indirectly, by a third-country person or entity regardless of the ultimate owner's location ('foreign investor's subsidiary'), as they are equally capable of disrupting the functioning of the internal market, including its supply and economic security, due to the control exercised from the third country having a significant market share Therefore, Investment Authorities should apply the investment criteria where they are clearly needed to effectively ensure the protection of public security, the supply and economic security, and environmental sustainability in the Union, and where it is essential for the technological advancements of the internal market for the green and digital transition and defence purposes. Moreover, to prevent the circumvention of the Regulation's provisions, where no alternative measures are reasonably available. To ensure the proportional application of conditions prescribed to investments made by the foreign investor's subsidiary, the Commission should have the opportunity to assess the notification and request the Investment Authority to prescribe certain conditions. Apart from review of foreign direct investments made by the foreign investor's subsidiary as established by this Regulation, investments coming from other Union Member States should not be conditioned or deterred.

(35) It is necessary to ensure that a lasting link between the foreign investor and the Union target, whether it is carried out directly by a foreign investor or through an entity established in the Union and controlled by a foreign investor, is addressed by the provisions of this Regulation. However, that should not apply to the acquisition of company securities that are intended purely for financial investment and without any intention to influence the management or control of the company ('portfolio investments').

(36) Restructuring operations within a corporate group and investments made in financial institutions in application of a resolution tool as well as of write down and conversion powers should fall outside of the scope of this Regulation. Internal restructurings should only be excluded from the scope of application to the extent that they are conducted solely for the purpose of the internal reorganisation of a Union target or of the corporate group to which the Union target belongs, without resulting in any changes in the beneficial ownership or control of the Union target. In particular, internal restructurings should be excluded where they do not result in a situation where a new foreign investor acquires ownership or control over the Union target or over a company that directly or indirectly owns or controls that Union target, where there is an increase in the shares held by foreign investors, or where the transaction results in additional rights for foreign investors that may lead to a change in the effective participation of one or more foreign investors in the management or control of the Union target.

(37) The foreign direct investment criteria should only apply to emerging strategic sector foreign direct investments reaching an investment value threshold that is able to disrupt the functioning of the internal market. A threshold of EUR 100 million should be considered as having potential for to impact the well-functioning of the internal market in emerging strategic sectors. Such foreign direct investment covered by the scope of this Regulation would bear high risk on the security and environmental sustainability of the Union, while not producing enough added value including ensuring Union contribution in the investment, enhancement of the Union's technological development,

employment of Union workers and contribution to Union value chains for the internal market without compliance with the harmonised conditions.

(38) In order to ensure the effective application of this Regulation, each Member State should designate an investment authority that will be responsible for assessing the conditions of investment by foreign entities in emerging strategic sectors. Moreover, it should be equipped with the legal, administrative, and financial resources to carry out its tasks effectively and independently, with due regard to the authorities already responsible for implementing Regulation (EU) 2019/452[38].

(39) To enable Member States to effectively identify the investments defined in this Regulation, foreign investors should notify competent authorities prior to acquiring or establishing significant stakes in undertakings or assets within the Union. Setting a threshold at 30 percent ownership or other rights establishing control for both undertakings and assets should ensure that the mechanism captures investments capable of impacting the well-functioning of the internal market.

(40) To minimise the risk of circumvention through fragmented or indirect acquisitions, where several foreign investors act in concert, or where investments are made through affiliated entities or complex ownership structures, their respective interests should be aggregated by the Investment Authority for the purpose of determining the investment value and the notification threshold. Aggregation should also apply to existing holdings in the same Union undertaking or asset, whether direct or indirect, individual or joint, to ensure that successive transactions leading to significant influence or control are duly notified.

(41) In order to ensure Union participation in large foreign direct investments originating from third countries having a significant global position, this Regulation should establish limits on the extent of ownership and control that foreign investors may acquire in Union undertakings and assets. Accordingly, foreign investors should not, whether directly or indirectly, establish, acquire, hold, or exercise ownership interests exceeding forty-nine percent (49%) of the share capital, voting rights, or equivalent ownership interests in any Union target, nor establish or obtain equivalent ownership, leasehold, or other rights conferring control over a Union asset.

(42) To ensure that foreign investors and Union entities cooperate in emerging strategic sectors while ensuring sufficient participation of Union partners, joint venture requirements should be prescribed, which should include contractual arrangements. In the joint venture, the foreign investor should not hold more than 49% of the share capital, voting rights, or equivalent ownership interests or other rights conferring control in any of the Union entities participating in the joint venture This condition should also contribute to the strategic autonomy of the Union and ensure value added to the internal market.

(43) It is necessary to assess, as part of the conditions to be considered for having a foreign direct investment approved, whether the transfer of technology can contribute to achieving the objectives of this Regulation. To that end, the foreign investors should be encouraged to license to the Union Target, the joint venture or the legal entity acquiring or owning the Union asset the relevant intellectual property rights, and know-how, which are necessary for carrying out the concerned economic activity in the context of

[38] Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union(OJ L 79I, 21.3.2019, pp. 1–14, ELI: http://data.europa.eu/eli/reg/2019/452/oj).

the foreign direct investment. Appropriate intellectual property licensing agreement(s) should therefore be granted by the foreign investor to the Union Target, the joint venture or the legal entity acquiring or owning the Union asset. The scope and conditions of these agreements, such as the exact IP rights concerned, the exclusive nature of the license, the duration of the license or confidentiality-preserving measures, should be appropriate to the circumstances and to the objective pursued under this Regulation and the relevant investment. The foreign investor should commit to granting the appropriate licenses of intellectual property rights and relevant know-how they hold, as required for the economic activity concerned. That could be achieved by providing a description of the main aspects of the possible licensing agreements, on a confidential basis, with the Competent Authority.

(44) Where the Union Target or the legal entity acquiring or owning the Union asset owns intellectual property rights in an invention, a work or any other asset subject to intellectual property protection prior to the foreign investment, these intellectual property rights should fully and exclusively remain under the control of the Union Target or the legal entity acquiring or owning the Union asset. The foreign investor should not claim any intellectual property right nor undertake any activity that would affect the ability of the Union Target or the legal entity acquiring or owning the Union asset to own and exercise the intellectual property rights on their inventions, works, trademarks, designs or any other relevant asset obtained prior to the foreign investment. Where an invention, a work or any other asset subject to intellectual property protection is the result of a collaborative work between the Union Target or the legal entity acquiring or owning the Union asset and the foreign investor or as a result of the joint venture, the intellectual property rights should be owned jointly by the foreign investor, the Union Target or the legal entity acquiring or owning the Union asset, depending on the circumstances. The conditions accompanying the co-ownership of intellectual property rights should, to the extent possible, be defined and communicated to the Competent Authority, ahead of the approval of the foreign direct investment. These conditions should include clarifications as to the possibility for one co-owner to grant a licence and start infringement procedures as well as the financial agreements as regards the filing and registration of intellectual property rights and licensing agreements. In the case of a joint venture without a legal personality, clarifications should be provided to the Competent Authority regarding the ownership of intellectual property.

(45) It is necessary to ensure that the foreign investors' expertise of the large foreign direct investment under the scope of this Regulation should contribute to enhancing the Union's technological development both within and outside the Union Target, the joint venture or the legal entity acquiring or owning the Union asset. To that end, foreign investors should invest in research and development projects to be executed within the Union while ensuring that the Union will benefit from the results produced. It is therefore necessary to assess, as part of the conditions to be considered for having a foreign direct investment approved, whether the foreign investors' commitments are adequate to achieve that objective. Such commitments could include investments to the benefit of research institutions established in the Union, including in the context of joint projects with the Union Target, the joint venture or the legal entity acquiring or owning the Union asset. They could also include investments to be made within the Union target, the joint venture or the legal entity acquiring or owning the Union asset, for developing or executing specific research and development activities. Such commitments could furthermore consist of investment in the training of Union workers,

or direct or indirect financial support to research and development projects within the Union Target, the joint venture or the legal entity acquiring or owning the Union asset.

(46) To ensure technological development both within and outside the Union Target, the joint venture or the legal entity acquiring or owning the Union asset, foreign investors should commit to invest in research and development projects to be executed within the Union. These commitments could include investments to the benefit of research institutions established in the Union, including in the context of joint projects with the Union Target, the joint venture or the legal entity acquiring or owning the Union asset. These commitments could also include investments to be made within the Union target, the joint venture or the legal entity acquiring or owning the Union asset, for developing or executing specific research and development activities. These commitments could furthermore consist of investment in the training of Union workers, or direct or indirect financial support to research and development projects within the Union Target, the joint venture or the legal entity acquiring or owning the Union asset. Such commitments should be without prejudice to Union competition law instruments, including Regulation (EU) 2022/2560 and Council Regulation (EC) No 139/2004.

(47) To promote sustainable integration of investments by foreign entities to the internal market and the development of skills in emerging strategic sectors, and to ensure meaningful social contribution at the place of the investment, such investments should employ a proportion of Union workers and should provide appropriate training and capacity-building measures, involving education and training providers, as well as social partners. The foreign investor should ensure that the thresholds established in this Regulation are fulfilled across all categories of workforce, including the operational, technical, supervisory, and managerial positions.

(48) To strengthen the industrial capacity of emerging strategic sectors and to integrate foreign direct investment into the Union's industrial ecosystem, a certain share of inputs manufactured in the Union should be included in products placed on the Union market by such investments.

(49) In order to ensure that foreign direct investments fulfil at least 5 out of 6 conditions established by this Regulation, the competent Investment Authority should examine each notification and issue a reasoned decision on its approval or rejection. Investment Authorities should establish the fulfilment of the conditions, or as appropriate, the intent of the foreign investor to comply with the conditions. Such investments should not be implemented without the explicit approval of the Investment Authority. Accordingly, foreign investors should comply with a set of conditions before starting their economic activity regarding the relevant foreign direct investment. Investment Authorities should decide in a timeframe ensuring both procedural efficiency and legal certainty. Where justified by the complexity of the case or the need for additional information, that timeframe could be extended, for justified and duly substantiated reasons.

(50) Member States should inform the Commission about notifications received to allow the Commission to effectively monitor the investment landscape and ensure a harmonised investment framework across the internal market.

(51) In order to ensure the horizontal application of this Regulation in the internal market, the Commission should be able to provide an opinion on whether the investment fulfils the conditions set out in this Regulation. Such opinion should be made publicly available. If the opinion is negative, Member States should be able to extend the approval process for two additional months in order to properly assess the Commission's

arguments. When taking a decision, Member States should justify how they took the Commission's opinion into account.

(52) In order to ensure that the specificities of foreign direct investments are taken into account and to provide the necessary flexibility when applying the conditions, foreign investors should be able to request exemptions from certain investment conditions. To ensure the coherent application of this Regulation across the internal market, such exemptions requests should be submitted to the Commission with duly justified reasons. The exemptions should not be valid without the approval of the Commission, to ensure the coherent application of this Regulation across the internal market.

(53) In order to ensure the horizontal application of this Regulation on the Single Market, the Commission should be provided the possibility, to review foreign direct investments under this Regulation, based on its own initiative of the initiative of a Member State affected by the foreign direct investment. This should be particularly the case for investments where several member states are impacted, as well as high value investments and investments with particular strategic importance for the Union due to their effect on the Single Market.

(54) The Investment Authorities should not only ensure compliance with the conditions at the time of the foreign direct investment's notification, but also throughout its operation, as appropriate, to ensure that the benefits of the foreign direct investment are maximised on the internal market.

(55) To ensure that foreign direct investment criteria for the emerging strategic sectors remain appropriate even as market conditions, technological developments and the competitiveness policy objectives of the Union continue to evolve, the Commission should monitor the global manufacturing trends of strategic sectors and be empowered to adopt implementing acts imposing foreign investment criteria to additional strategic sectors. The Commission should assess in particular the threshold value, as well as whether all of the investment criteria referred to in this regulation are appropriate and necessary to meet the objectives of this regulation.

(56) Clustering industrial activity can contribute substantially to achieving the objectives of this Regulation and to strengthening strategic sectors in the internal market. It is therefore appropriate to promote the development of industrial manufacturing acceleration areas. Such areas should be limited in geographical scope in order to foster industrial symbiosis. When designating the areas, Member States should, in cooperation with regional authorities where appropriate, take into account industrial production (in particular for strategic sectors) and their regions' general level of development, with a focus on the less developed regions and those in transition. Furthermore, in order to strengthen the resilience, strategic autonomy and competitiveness of the Union's industrial base, the designation of industrial manufacturing acceleration areas should align with strategic projects and other Union initiatives such as Net-Zero Acceleration Valleys.

(57) The industrial acceleration measures under the acceleration areas should seek appropriate synergies with other Union initiatives, including strategic projects recognised in Union legislation, Net-Zero Acceleration Valleys and Union funding opportunities. In order to align the strategic priorities in the internal market and benefit industrial installations vital for the strategic autonomy and competitiveness of the Union. Those benefits should also apply to undertakings awarded with the

competitiveness seal under Regulation (EU) XXXX/[XX] (European Competitiveness Fund), unless specifically excluded by the Member State.[39]

(58) To enable an adequate supply of critical raw materials for projects in the acceleration areas, the European Critical Raw Materials Board established by Article 35 of Regulation (EU) 2024/1252 should be used to provide a platform to exchange information on critical raw materials related supply chain bottlenecks in the acceleration areas. Projects in relevant areas may benefit from the Joint purchasing mechanism established in Article 25 of Regulation (EU) 2024/1252 set up by Regulation (EU) 2024/1252 to aggregate their demand for strategic raw materials and increase their negotiating power with potential sellers, especially when they contain small or medium-sized enterprises (SMEs) and small mid-cap companies (SMCs). Moreover, Member States should facilitate the priority access of the acceleration areas to critical raw materials from the stockpiles set up under this Regulation.

(59) Sufficient and timely energy supply to the acceleration areas constitutes a fundamental enabling condition for their effective deployment and for the development of manufacturing activities. Reliable and accurate information on future energy demand contributes to cost-effective grid development. Member States should therefore prepare an analysis for each acceleration area, identifying its future energy needs. Such analysis should serve the purpose of providing information for the national grid planning thereby contributing to purposeful anticipatory grid investments and faster energy connections for the acceleration area. When defining the scope, Member States should take into account the availability of relevant transport and network infrastructure. The results of these assessments should be reflected in national network development plans to adequately capture future points of energy demand in upcoming grid planning.

(60) Where industrial manufacturing acceleration areas are set up, their designation should correspond to the potential to access or organise education and training opportunities to ensure the availability of skilled labour.

(61) To promote the development of industrial manufacturing acceleration areas and to expedite the permit-granting procedures necessary for industrial activities within those areas, Member States should establish an aggregated baseline permit reflecting the specific characteristics of each identified industrial acceleration area and tailored to the industrial manufacturing sector or sectors to be deployed therein. That aggregated baseline permit issued by public authorities should cover the permits commonly required for such activities within the area, excluding those permits that are installation specific, such as those required under the Industrial and Livestock Rearing Emissions Directive[40] and the grid connection permit. Consequently, project promoters should be required to obtain additional permits only for activities not covered by the aggregated baseline permit as well as environmental assessments where required. In case of activities potentially affecting Union and nationally protected sites, relevant permits should be granted only after having ensured that the activities are compatible with the conservation objectives of these sites. Such approach should significantly accelerate

[39] Proposal for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund ('ECF'), including the specific programme for defence research and innovation activities, repealing Regulations (EU) 2021/522, (EU) 2021/694, (EU) 2021/697, (EU) 2021/783, repealing provisions of Regulations (EU) 2021/696, (EU) 2023/588, and amending Regulation (EU) (COM/2025/555 final).

[40] Directive 2010/75/EU on industrial and livestock rearing emissions (integrated pollution prevention and control) as last amended by Directive (EU) 2024/1785, (OJ L, 2024/1785, 15.7.2024, ELI: http://data.europa.eu/eli/dir/2024/1785/oj).

permit-granting procedures and reduce the administrative burden associated with them whilst maintaining high level of environmental standards.

(62) In order to establish a framework to ensure the Union's strategic autonomy and economic security through access to a secure, sustainable and resilient supply of relevant manufacturing products, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of changes to the list of trusted partners whose content is treated as equivalent to Union origin; the introduction or amendment of Union origin and low-carbon requirements, including for additional net-zero technologies and for products and services listed in Annexes II and III; lay down Union-level demand-side measures for products from the chemical industry; the extension of foreign direct investment criteria to additional emerging strategic sectors; the specification of common procedural rules for foreign direct investment criteria; establishing classification systems based on the greenhouse gas intensity for products. It is of particular importance that the Commission carries out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Inter-institutional Agreement of 13 April 2016 on Better Law-Making. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

(63) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission as regards establishing a list of reference standards and specifications and procedures under the digital permitting systems; and threshold values for the classification and performance class for hot rolled carbon steel. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council[41].

(64) The Commission should evaluate this Regulation based on the information provided by Member States. Pursuant to paragraph 22 of the Interinstitutional Agreement on Better Law-Making of 13 April 2016, this evaluation should be based on the five criteria of efficiency, effectiveness, relevance, coherence and Union value added. It should also serve as the basis for impact assessments of possible further measures.

(65) To ensure compliance with the obligations laid down in this Regulation, Member States should provide for penalties to be imposed on undertakings that do not comply with their obligations. Such penalties should be without prejudice and in addition to specific penalty requirements set out by this Regulation, for instance on foreign direct investments. It is therefore necessary that Member States lay down effective, proportionate and dissuasive penalties in national law for failure to comply with this Regulation. It is also necessary for Member States to ensure that project promoters have access, where relevant, to administrative or judicial review in accordance with national law.

(66) In order to allow businesses and manufacturing industry project promoters, including for cross-border projects, to directly enjoy the benefits of the internal market without incurring an unnecessary additional administrative burden,

[41] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13, ELI: http://data.europa.eu/eli/reg/2011/182/oj).

Regulation (EU) 2018/1724 of the European Parliament and of the Council[42], which established the Single Digital Gateway, provides general rules for the online provision of information, procedures and assistance services that are relevant to the functioning of the internal market. The information that needs to be submitted to any relevant authorities as part of the permit-granting process under this Regulation is covered in Annex I to Regulation (EU) 2018/1724. The related procedures are included in Annex II to that Regulation to ensure that project promoters can benefit from fully online procedures and the Once-Only Technical System Services. In particular, promoters of manufacturing industry projects should be able to fully access and complete any procedure related to the permit-granting process online, in accordance with Article 6(1) of and Annex II to Regulation (EU) 2018/1724.

(67) Regulation (EU) 2024/1735, the Net-Zero Industry Act, introduces resilience requirements for a range of net-zero technology final products. Those requirements will reduce dependencies on individual third countries of supply, but they are not sufficient to enable Union industries to scale up the potential of the internal market and carry a risk of circumvention. Therefore, in order to address such challenges, the legislative framework should ensure the need to attract and retain technological know-how within the Union, through targeted additional intervention.

(68) The provisions on public procurement laid down in this Regulation should build on the provisions of Regulation (EU) 2024/1735 on resilience; and complement them by introducing additional requirements for battery energy storage systems, solar photovoltaic technologies, heat pumps, onshore and offshore wind technologies, electrolysers and nuclear fission energy technologies. Such additional requirements should ensure that a certain share of the products and their main specific components originate in the Union. That approach should ensure sufficient diversification while strengthening strategic manufacturing capacity and technological sovereignty within the Union. The system for verification of compliance with the requirements should limit the administrative burden and align with common public procurement practice as well as the existing system of verification of compliance under Regulation (EU) 2024/1735. It should therefore rely on a self-declaration by economic operators.

(69) In addition to complementing the public procurement provisions of Regulation (EU) 2024/1735, this Regulation should also streamline them. The scope of Article 25 of Regulation (EU) 2024/1735 should be limited to those net-zero technologies for which public procurement of a relevant scale is expected to take place, thereby enhancing the legal clarity of the provision.

(70) In line with the same policy objective pursued for renewable energy auctions under Regulation (EU) 2024/1735, this Regulation should extend the additional Union origin requirements to renewable energy auctions for certain renewable energy technologies, in order to contribute to strengthening the Union's industrial base and ensuring resilience of net-zero technology supply chains. To reflect the specific characteristics of renewable energy auctions, the additional requirements should apply to the net-zero technologies that are most relevant in the context of auctions, which are battery energy storage systems, solar photovoltaic technologies, electrolysers, as well as on- and offshore wind technologies. Where Union origin requirements apply to auctions, other

[42] Regulation (EU) 2018/1724 of the European Parliament and of the Council of 2 October 2018 establishing a single digital gateway to provide access to information, to procedures and to assistance and problem-solving services and amending Regulation (EU) No 1024/2012 (OJ L 295, 21.11.2018, pp. 1–38).

provisions setting similar requirements for public support schemes should not apply to those auctions.

(71) To reinforce the effectiveness of the framework, and to reflect recent increases in geopolitical risks and global market distortions, the share of auctions covered by the requirements should be increased and a higher cost threshold for the opt-out from these requirements should be introduced. That should also prevent excessive use of exemptions and provide an effective incentive to boost European production of renewable energy technologies.

(72) Businesses and households are an essential part of the demand for net-zero technologies in the Union. Public support schemes designed to support consumer demand for such products are important tools for strengthening the Union's economic security and accelerating the green transition. In order to build on the Net-Zero Industry Act's provisions on resilience, it is necessary to complement the provisions of Regulation (EU) 2024/1735 by introducing additional requirements for battery energy storage systems, solar photovoltaic technologies and heat pumps. Such additional requirements should ensure that certain main specific components and, in some cases, the whole final product, originate in the Union. That approach is in line with the general objective of support schemes to promote socially-desirable outcomes, in view of making progress on the ambitions of the European Pillar of Social Rights as well as environmental and climate objectives. Furthermore, it should ensure sufficient diversification while strengthening strategic manufacturing capacity and technological sovereignty within the Union. Public authorities in charge of support schemes should have the possibility either to condition the eligibility of the scheme to the fulfilment of the requirements, or to grant additional financial compensation when the requirements are fulfilled. In the latter case, the additional financial compensation should have an incentivising effect. However, if State aid is involved, the additional financial compensation should not exceed the applicable maximum aid intensity.

(73) Digital technologies continue to transform the way we generate, distribute, and consume energy. Such digital evolution, while presenting unprecedented opportunities, has also introduced complexity and interdependence within modern energy systems, which are now susceptible to a growing array of cyber threats. The integration of digital technologies into energy systems increases the attack surface for malicious actors, who can exploit vulnerabilities to disrupt operations, steal sensitive data, or manipulate energy markets. Such disruptions not only threaten the security and stability of our energy infrastructure and continuous supply of energy but also have cascading effects on all sectors of the economy that rely on stable energy inputs. Furthermore, energy system disruptions could undermine investor confidence and deter investment in essential modernisation and decarbonisation efforts. Therefore, safeguarding the cybersecurity of these systems is paramount to ensuring economic security, maintaining trust, and fostering resilience against future challenges.

(74) The proposal for a revised Cybersecurity Act[43] [CSA2] defines high-risk suppliers. The provisions in this Regulation should build on the identification of those high-risk suppliers by requiring that high-risk suppliers may not supply to bidders of renewable

[43] Proposal for a Regulation of The European Parliament and of the Council on revision of the Cybersecurity Act, streamlining and supplementing cybersecurity legislation and repealing Regulation (EU) 2019/881 of the European Parliament and the Council of 17 April 2019 on ENISA (the European Agency for Cybersecurity) and on information and communications technology cybersecurity certification and repealing Regulation (EU) No 526/2013 (Cybersecurity Act).

energy auctions, tenderers of public procurement procedures, and final products supported by government intervention in the scope of this Regulation.

(75) Furthermore, the cybersecurity provisions of Article 26 of Regulation (EU) 2024/1735 should not only apply to 30%, but to all renewable energy auctions in light that cybersecurity is essential to the stability and integrity of the Union's energy system as a whole. A gap even in just one element of an energy system's cybersecurity could endanger the stability of the whole system. In addition to the high level of cybersecurity ensured in critical sectors by Directive (EU) 2022/2555 and in products with digital elements under Regulation (EU) 2024/2847, extending the scope of the cybersecurity requirements of Regulation (EU) 2024/1735 to all renewable energy auctions should further reduce the vulnerabilities of the Union's energy system and contribute to securing energy and economic stability.

(76) The application of the requirements on Union origin and cybersecurity for net-zero technologies should complement the requirements on sustainability and resilience set out in Regulation (EU) 2024/1735. They should therefore be inserted in that Regulation (EU) 2024/1735 to ensure consistency and simplify implementation by the relevant authorities.

(77) In line with the measures for public procurement, auctions and public support schemes, this Regulation should also complement Regulation (EU) 2024/1735 with Union origin requirements for Member State support to the construction of nuclear power plants and to the manufacturing of hydrogen electrolysers. Nuclear power offers a compelling solution for the Union's decarbonisation, energy security, grid stability, and industrial competitiveness objectives. Although investment in the sector has been modest over the past few decades, the Union's nuclear supply chain still features substantial expertise and competence. Nevertheless, to meet the challenges posed by the new nuclear builds, the supply chain industry needs stronger support. To secure long term Union sovereignty, energy security, and sector resilience, it is essential that the new nuclear plants, both large scale reactors and small modular reactors, prioritise as much as possible Union sourced technologies and components while maintaining the highest quality standards. Such strategy will not only boost domestic capabilities but also position the Union as a reliable, competitive player in the global nuclear market. However, in order to prevent risks related to technological lock-in, the Union origin requirements for nuclear power plants should only apply to new-builds, excluding refurbishments and lifetime extensions of existing nuclear power plants.

(78) Hydrogen is a crucial energy carrier for the energy transition in many industry applications and is instrumental in driving the transition to cleaner energy systems. To accommodate the emergence of gigawatt scale electrolyser deployments in the Union, a concerted, enhanced support system is essential. Achieving long-term Union sovereignty and sector resilience hinges on new electrolysers sourcing a significant number of components from within the Union, while maintaining the highest quality and safety standards. Such approach will bolster Union capabilities, create economies of scale and reinforce the position of the Union as a competitive player in the global low-carbon hydrogen market.

(79) Where Union origin requirements require that a certain number of components should originate in the Union without specifying which ones, the choice should be left to the economic operators.

(80) Regulation (EU) 2024/3110 lays down harmonised rules for the placing and making available on the market of construction products and aims, inter alia, to reduce the

environmental impact of construction products. In addition, Regulation (EU) 2024/3110 should also prioritise the resilience of the Union's manufacturing industry in the construction product sector. Regulation (EU) 2024/3110 should therefore be amended to reflect that objective.

(81) Regulation (EU) 2024/3110 empowers the Commission to adopt delegated acts to establish environmental sustainability labelling requirements for specific product categories and families of construction products, provided that a product is typically chosen by consumers and does not have a different overall environmental performance over its life cycle depending on its installation. Such strict conditions should be removed in order to enable the Commission to set requirements for the labelling of construction products on the basis of their carbon intensity, including for those products that are not typically sold to end consumers.

(82) Furthermore, it is necessary to update the list in Annex I to Regulation (EU) 2024/3110 regarding basic requirements for construction works to which the essential characteristics of construction products should be linked. The list should include the possibility for a requirement regarding the origin of products in order to foster the resilience of the Union's manufacturing industry.

(83) To the extent that any of the measures envisaged by this Regulation constitute State aid, the provisions concerning such measures are without prejudice to the application of Articles 107 and 108 TFEU.

(84) Since the objective of this Regulation, namely to support resilient and decarbonised industrial production, cannot be sufficiently achieved by the Member States and can rather, by reason of the scale or effects of the action, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective,

HAVE ADOPTED THIS REGULATION:

CHAPTER I
GENERAL PROVISIONS

Article 1

Subject matter and scope

1. This Regulation aims at improving the functioning of the internal market by establishing a framework to support the development, competitiveness and resilience of the Union's manufacturing sector, with a focus on strategic sectors, while contributing to the Union's climate objective, economic security and high-quality jobs.

2. To achieve the general objective referred to in paragraph 1, this Regulation lays down measures aiming to

   (a) Speed-up permit-granting procedures for industrial manufacturing projects, including energy intensive industry decarbonisation projects;

   (b) create lead market for certain products in strategic sectors, by laying down Union origin requirements, low-carbon requirements, or both, in the context of public procurement, public support schemes;

   (c) set conditions on foreign direct investments in emerging strategic sectors;

(d) designate industrial manufacturing acceleration areas by Member States for the purposes of boosting industrial activities.

Article 2
Industrialisation objective

The Commission and Member States shall seek to ensure that by 2035 the manufacturing industry of the Union accounts for at least 20% of the Union's gross domestic product.

Article 3
Definitions

For the purposes of this Regulation, the following definitions apply:

1. 'comprehensive decision' means the decision or set of decisions taken by a Member State authority or authorities, following a unified digital permit-granting procedure, not including courts or tribunals, that determines whether or not a project promoter is authorised to build, expand, convert and operate a industrial manufacturing project;
2. 'industrial manufacturing project' means the construction, conversion or extension of an industrial site intended for carrying out an economic activity classified under NACE Code C (Manufacturing), with the exception of NACE Code C12;
3. 'energy intensive industries' means the industries listed as such in Annex I;
4. 'energy-intensive industry decarbonisation projects' means the construction or conversion of the commercial facility of an energy-intensive business as defined in Article 17(1), point (a), of Council Directive 2003/96/EC[44] in the energy intensive industries listed in Annex I to this Regulation that reduce emission rates of CO2 -eq of industrial processes significantly and permanently to an extent which is technically feasible;
5. 'net-zero technology manufacturing project' means a planned commercial facility or an extension or repurposing of an existing facility to manufacture net-zero technologies as listed in Article 4(1) of Regulation (EU) 2024/1735;
6. 'permit-granting procedure' means a process that covers all relevant permits to build, expand, convert and operate industrial manufacturing projects, including building, chemical and grid connection permits as defined in in Article 1 of [the Proposal for a Directive amending Directives (EU) 2018/2001, (EU) 2019/944, (EU) 2024/1788 as regards acceleration of permit-granting procedures[45]], and environmental assessments and authorisations where required, and encompassing all applications and procedures from the acknowledgement that the application is complete to the notification of the comprehensive decision on the outcome of the procedure;
7. 'comprehensive decision' means the decision or set of decisions taken by a Member State authority or authorities, not including courts or tribunals, that determines

[44] Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity (OJ L 283, 31.10.2003, pp. 51–70, ELI: http://data.europa.eu/eli/dir/2003/96/oj).

[45] Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2018/2001, (EU) 2019/944, (EU) 2024/1788 as regards acceleration of permit-granting procedures ((2025/0400 (COD)).

whether or not a project promoter is authorised to build, expand, convert and operate an industrial manufacturing project;

8. ‘contract’ means public contract as defined in Article 2(1), point (5), of Directive 2014/24/EU[46], supply, works and service contracts as defined in Article 2, point (1), of Directive 2014/25/EU[47], and concessions as defined in Article 5, point (1), of Directive 2014/23/EU;

9. ‘contracting authority’ means a contracting authority as defined in Article 6 of Directive 2014/23/EU, Article 2(1), point (1), of Directive 2014/24/EU and Article 3 of Directive 2014/25/EU;

10. ‘contracting entity’ means a contracting entity as defined in Article 7 of Directive 2014/23/EU and Article 4 of Directive 2014/25/EU;

11. ‘economic operator’ means the manufacturer, the authorised representative, the importer, the distributor, the dealer and the fulfilment service provider and, for the purposes of public procurement procedures, it means economic operator as set out in Article 5, point (2), of Directive 2014/23/EU, Article 2(1), point (10), of Directive 2014/24/EU and Article 2, point (6), of Directive 2014/25/EU;

12. ‘fuel cell vehicle’ or ‘FCV’ means a vehicle equipped with a powertrain containing exclusively energy converters transforming chemical energy (input) into electrical energy (output), or vice versa, and electric machines as propulsion energy converters;

13. ‘motor vehicle’ means any vehicle of categories M and N referred to in Article 4(1), points (a) and (b), of Regulation (EU) 2018/858 of the European Parliament and of the Council[48];

14. 'off-vehicle charging hybrid electric vehicle' or 'OVC-HEV' means a vehicle equipped with a powertrain containing at least two different categories of propulsion energy converters where one of the propulsion energy converters is an electric machine that can be charged from an external source';

15. ‘public procurement procedure’ means either of the following:

    (a) a procedure for the award of works or a service concession covered by Directive 2014/23/EU;

    (b) any type of award procedure covered by Directive 2014/24/EU for the conclusion of a public contract or Directive 2014/25/EU for the conclusion of a supply, works and service contract;

16. ‘chemical industry’ means activities classified under NACE Rev. 2, Code C20 (Manufacture of chemicals and chemical products), carried out by manufacturers established in the Union;

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46 Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, pp. 65–242, ELI: http://data.europa.eu/eli/dir/2014/24/oj).

47 Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, pp. 243–374, ELI: http://data.europa.eu/eli/dir/2014/25/oj).

48 Regulation (EU) 2018/858 of the European Parliament and of the Council of 30 May 2018 on the approval and market surveillance of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles, amending Regulations (EC) No 715/2007 and (EC) No 595/2009 and repealing Directive 2007/46/EC (OJ L 151, 14.6.2018, p. 1, ELI: http://data.europa.eu/eli/reg/2018/858/oj).

17. ‘sustainable carbon sources’ means biomass that complies with the sustainability criteria laid down in Article 29 of Directive (EU) 2018/2001, waste and carbon from capturing carbon dioxide emissions.

18. ‘substance’ means substance as defined in Article 2, point (7), of Regulation (EC) No 1272/2008;

19. ‘mixture’ means a mixture as defined in Article 2, point (8), of Regulation (EC) No 1272/2008;

20. ‘pure electric vehicle’ or ‘PEV’ means a vehicle equipped with a powertrain containing exclusively electric machines as propulsion energy converters and exclusively rechargeable electric energy storage systems as propulsion energy storage systems;

21. ‘main specific components of batteries’ means the main specific components as listed in the Annex to Commission Implementing Regulation 2025/1178;

22. ‘vehicle’s traction battery’ means the electric vehicle battery specifically designed to provide electric power for traction as defined in Article 3 (14) of Regulation (EU) 2023/1542 of the European Parliament and of the Council of 12 July 2023 concerning batteries and waste batteries;

23. ‘e-powertrain components’ means power electronics, transport propulsion electric motors and e-axles and their components, rotors and stators;

24. ‘main electronic systems’ means advanced driver assistance systems (including lidars, radars, sensors, cameras, ECUs and integration platforms), central computing units, wireless access systems, in-vehicle infotainment head units and chassis electronics;

25. ‘vehicle component’ means any part of a vehicle, including processed material;

26. ‘assembled’ means the process of the final assembly of the vehicle;

27. ‘vehicle manufacturer’ means a natural or legal person who is responsible for all aspects of the type-approval of a vehicle, system, component or separate technical unit, or the individual vehicle approval, or the authorisation process for parts and equipment, for ensuring conformity of production and for market surveillance matters regarding that vehicle, system, component, separate technical unit, part and equipment produced, irrespective of whether or not that person is directly involved in all stages of the design and construction of that vehicle, system, component or separate technical unit concerned;

28. ‘made available on the market’ means any supply of a product for distribution, consumption or use on the Union market during a commercial activity, whether against payment or free of charge;

29. ‘foreign direct investment’ means an investment, including greenfield investments, into a Union target or a Union asset by a foreign investor or by the foreign investor’s subsidiary aiming to establish or to maintain lasting and direct links between the foreign investor and the entrepreneur to whom or the undertaking to which the capital is made available, or at using an Union asset, in order to carry on an economic activity in a Member State, including investments which enable effective participation in the management or control of a company carrying out an economic activity;

30. ‘foreign investor’ means a natural person of a third country who does not hold the nationality of a Member State or an undertaking of a third country, intending to make or having made a foreign direct investment;

31. ‘foreign investor’s subsidiary’ means an undertaking controlled, directly or indirectly, by a foreign investor regardless of its location of establishment;

32. ‘Union target’ means an undertaking established under the laws of a Member State;

33. ‘Union asset’ means an immovable asset used or intended to be used for manufacturing products in the territory of the Union;

34. ‘Union worker’ means any natural person who has an employment contract or employment relationship as defined by law, a collective agreement or practice in force in a Member State and is either a citizen of the Union or a third country national legally residing in a Member State at the moment of recruitment with a valid work permit;

35. ‘portfolio investment’ means the acquisition of company securities that are intended purely for financial investment and without any intention to influence the management or control of the company;

36. ‘turnover’ means the amount derived by an undertaking within the meaning of Article 5(1) of Council Regulation (EC) No 139/2004[49];

37. ‘greenhouse gas intensity’ means emissions (measured in tCO2eq) released during the production of industrial products referred to in Article 8(2), calculated in accordance with methodology set out in the delegated acts establishing the relevant voluntary label pursuant to that Article;

38. ‘manufacturer’ means any natural or legal person that manufactures a product or that has a product designed or manufactured, and markets that product under their name or trademark;

39. ‘system boundary’ means the group of chemical or physical processes included in the calculation of the greenhouse gas intensity of products;

40. ‘active material’ means a material which reacts chemically to produce electric energy when the battery cell discharges or to store electric energy when the battery is being charged;

41. ‘electric vehicle battery’ means an electric vehicle battery as defined in Article 3(1), point (14), of Regulation (EU) 2023/1542

42. ‘supplier’ means a manufacturer established in the Union, the authorised representative of a manufacturer who is not established in the Union, or an importer, who places a product on the Union market;

43. ‘precursor’ means any input material into a production process that is part of the system boundaries.

[49] Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (OJ L 24, 29.1.2004, p. 1).

CHAPTER II
ENABLING CONDITIONS FOR INDUSTRIAL PRODUCTION AND DECARBONISATION

Article 4

Single access points

1. Member States shall set up a single access point at national level for permit-granting procedures for industrial manufacturing projects referred to in Articles 5(1) and Article 24. This single access point shall automatically attribute the permit applications to the relevant competent authority.

2. Such single access points shall make use of the European Business Wallets established pursuant to [OP please add - Proposal for a Regulation on the establishment of European Business Wallets].

3. The single access points shall, by making use of the European Business Wallets, inform the applicant about all steps of the permit-granting procedure, the status of the procedure and of the decisions of the relevant authorities, and enable the applicant, by making use of the European Business Wallets, to check compliance with applicable deadlines.

   Through the use of European Business Wallets, the single access points shall enable:

   (a) interoperability and automated data exchange between competent authorities;

   (a) re-use of data and documents already held by public authorities;

   (b) a high level of cybersecurity, and integrity of information;

   (c) transparency and accountability of the permit-granting procedure.

Article 5

Permit-granting procedure

1. Member States shall establish a single permit-granting procedure based on a single application covering all permits required for industrial manufacturing projects.

   The single application referred to in paragraph 1 shall be accessible through the single access points referred to in Article 4(1).

2. Member States shall designate a competent authority to coordinate the permit-granting procedure referred to in paragraph 1 in order to ensure the adoption and issue of a comprehensive decision within the applicable time limit.

3. No later than 45 days from the receipt of the application for a permit referred to in paragraph 1, the competent authority shall either acknowledge that the application is complete or request any missing information needed to process the application.

   Where, after the submission of any missing information, the application is still deemed to be incomplete, the competent authority may, within 30 days of the submission of the requested missing information, make a second request for any information still missing. The competent authority shall not request information in areas not covered in the first request for additional information and shall request further information only as necessary to cover the missing information. The permit-granting procedure for a

particular application shall start on the day on which the competent authority acknowledges the completeness of the application.

4. Where permit-granting or licensing procedures or requirements are established in Union harmonisation legislation for industrial manufacturing projects, those procedures or requirements shall apply to industrial manufacturing projects in place of this Article.

Article 6

Energy intensive industry decarbonisation projects

1. Notwithstanding Article 5, Chapter II, Section II, of Regulation (EU) 2024/1735 shall apply to all energy-intensive industry decarbonisation projects.

2. All energy intensive industry decarbonisation projects shall be considered strategic projects contributing to resilience and decarbonisation or resource efficiency for the purposes of [Article 14 of Proposal for a Regulation on speeding-up environmental assessment. Points 1, 2 and 3 of the Annex in that Regulation shall apply.]

CHAPTER III
STRENGTHENING THE UNION'S STRATEGIC INDUSTRIAL VALUE CHAINS

Article 7

Union origin

1. For the purposes of this Chapter, content of Union origin refers to content originating in the Union.

2. For the purposes of Articles 9 and 10, the Commission shall adopt delegated acts in accordance with Article 27 by [OP: Please insert the date = six months after the date of entry into force of this Regulation] to supplement this Regulation by establishing, for products and services covered by Annex II and Annex III, the third countries or specific manufacturers from which content shall be treated as equivalent to content of Union origin. In identifying such trusted partners, the Commission shall take into account, in particular:

   (a) reciprocal bilateral and international commitments such as the Government Procurement Agreement;

   (b) contribution to the Union's competitiveness, diversification and resilience of Union supply chains, and economic security objectives;

   (c) specific manufacturers of Union's strategic interest established in third countries;

   (d) legal provisions in place in a third country recognising Union products as originating in that third country.

3. The Commission is empowered to adopt delegated acts in accordance with Article 27 to revoke treatment of products originating from a third country or specific manufacturers in the case of a serious breach of their commitments towards the Union or in the case of public order or economic security concerns or circumvention.

4. The origin of products and components shall be determined in accordance with Regulation (EU) No 952/2013 of the European Parliament and of the Council.

Article 8

Low-carbon products

1. For the purposes of this Chapter, a product covered by Annex II and III shall be considered low-carbon when it complies with the requirements set out in delegated acts, as follows:

(a) For construction products as defined in Regulation (EU) 2024/3110 and covered by a harmonised technical specification or a European Technical Assessment, the delegated acts adopted pursuant to Article 5(5) or Article 22(9) of that Regulation;

(b) For all other products, delegated acts adopted pursuant to Article 4 of Regulation (EU) 2024/1781, as applicable.

2. To support the creation of lead markets by informing investment decisions towards products granted a lower greenhouse gas intensity performance class, the Commission is empowered to adopt delegated acts in accordance with Article 27 in order to supplement this Regulation by establishing classification systems based on the greenhouse gas intensity for products manufactured through activities listed in Annex I of Directive 2003/87/EC ('industrial products') when they are placed on the Union market, to the extent that these products are not regulated by a Delegated Act under Regulation (EU) 2024/1781 or Regulation (EU) 2024/3110.

Emissions and all other relevant data used for the calculation of the greenhouse gas intensity shall be verified by verifiers accredited under Commission Implementing Regulation (EU) 2018/2067 or verifiers accredited under the delegated acts adopted pursuant to Article 18 of Regulation (EU) 2023/956, as appropriate. Emissions shall be monitored in accordance with the rules laid down in Chapter III of Commission Implementing Regulation (EU) 2018/2066 and the data monitoring methods and quality requirements set out in Annex VII to Delegated Regulation (EU) 2019/331. For imported products, emissions may be monitored in accordance with Annex IV to Regulation (EU) 2023/956 and the data monitoring methods and quality requirements established by implementing acts adopted pursuant to Article 7(7), point (a), of Regulation (EU) 2023/956, where it provides for an equivalent dataset.

Such delegated acts shall specify, as appropriate, the following elements:

(a) the identification of the product for which a manufacturer may apply for a label on greenhouse gas intensity;

(b) the relevant system boundaries, covering emissions from the industrial manufacturing process, emissions from relevant precursors and emissions from electricity consumption. These emissions are considered independently of whether these emissions occur in the manufacturer's facility or in other facilities, recognising that certain precursors might be acquired from other installations.

(c) the methodology for the calculation of the greenhouse gas intensity of the product

(d) a classification with performance classes;

(e) complementary rules concerning the governance of the label, including competent entities; and

(f) complementary rules on accreditation, monitoring and verification,

In developing those rules, the Commission shall at least take into account:

(a) the latest applicable product benchmark values as defined under Directive 2003/87/EC;

(b) data already available under the EU ETS and CBAM;

(c) new Union rules concerning accounting for emissions, including from electricity consumption, low-carbon fuels and renewable fuels of non-biological origin;

(d) emerging low-carbon production technologies, as well as the estimated emissions' reduction potential of emerging technologies;

(e) the need to reward the uptake of scrap in all production routes, and

(f) the alignment with climate neutrality objectives, as laid down in Regulation (EU) 2021/1119 of the European Parliament and of the Council.

Article 9

Public procurement

1. Contracting authorities and contracting entities shall exclude from access to procurement procedures referred to in Annexes II and III 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.

2. Public procurement procedures referred to in Annexes II and III shall apply Union origin requirements, low-carbon requirements, or both, in accordance with Articles 7 and 8.

3. Contracting authorities and contracting entities may procure products and services that do not meet the requirements set out in Annexes II and III where any of the following conditions are fulfilled:

(a) the required products or services can only be supplied by one specific economic operator, and no reasonable alternative or substitute exists, and the absence of competition is not the result of an artificial narrowing down of the parameters of the public procurement procedure;

(b) no suitable tenders or no suitable requests to participate were submitted, including in response to a similar former public procurement procedure launched by the same contracting authority or contracting entity in the two years preceding the start of the planned new procurement procedure;

(c) their application would require a contracting authority or contracting entity to acquire goods, services or works having disproportionate costs or would result in technical incompatibility in their operation and maintenance. Estimated cost differences exceeding 25%, based on objective and transparent data, may be presumed by contracting authorities and contracting entities to be disproportionate.

4. Contracting authorities and contracting entities shall require economic operators supplying products or services to submit a self-declaration, or an equivalent document, demonstrating compliance with the requirements set out in this Article.

Article 10

Other forms of public intervention

1. Without prejudice to Articles 107 and 108 TFEU, Member States shall design public support schemes in a way that they contribute to the objective of strengthening the Union's strategic industrial value chains via the Union origin requirements, low-carbon content requirements, or both, laid down in Part II of Annex II and the Union origin requirements laid down in Part III of Annex III.

   Member States shall apply the requirements referred to in the first subparagraph to public support schemes accounting for at least 45% of the total national budget allocated to the public support schemes covered by Part II of Annex II and accounting for 100% of the total national budget allocated to the public support schemes covered by Part III of Annex III.

2. When designing and implementing a public support scheme covered by Part II of Annex II or Part III of Annex III, the authority shall assess the contribution of products and technologies to the overall target laid down therein on the basis of an open, non-discriminatory and transparent process.

3. The authority may implement support schemes that do not meet some or all the requirements if their application would lead to significant delays due to the unavailability of the required components or final products. Estimated delays in excess of seven months, based on objective, transparent and verifiable data, may be presumed to be significant. For Union origin content requirements, low-carbon content requirements, or both, laid down in Part II of Annex II and the Union origin requirements laid down in Part III of Annex III, the authority may implement support schemes that do not meet some or all the requirements if their application would incur disproportionate costs. Disproportionate costs may be presumed to exist where, based on objective, transparent and verifiable data, compliance would increase the cost of the underlying final product or technology by more than 30%.

Article 11

CO2 emission performance standards credits

1. For the purposes of Article 5(1) and (2) of Regulation (EU) 2019/631 [as amended by the Proposal for a Regulation of 16 December 2025 amending Regulation (EU) 2019/631 as regards CO2 emission performance standards for new light duty vehicles and vehicle labelling], the 'made in the EU' criterion for small zero-emission vehicles requires compliance with the criteria set out in Part III of Annex III.

   This 'made in the EU' criterion shall be considered equivalent to the 'Union origin' referred to in Article 7 of this Regulation.

1. For the purposes of Article 5b of Regulation (EU) 2019/631 [as amended by the Proposal for a Regulation of 16 December 2025 amending Regulation (EU) 2019/631 as regards CO2 emission standards for new light duty vehicles and vehicle labelling], 'low-carbon steel made in the EU' shall be understood as follows:

   (a) 'low-carbon' requires compliance with the conditions referred to in Article 8;

   (b) 'made in the EU' is equivalent to the 'Union origin' referred to in Article 7.

Article 12

Certification of a vehicle's compliance with Union origin requirements

From [OP please insert date: six months after entry into force], when issuing a vehicle's certificate of conformity in accordance with Articles 36 and 37 of Regulation (EU) 2018/858, for the vehicles that comply with the relevant Union origin requirements laid down in Annex III to this Regulation, manufacturers shall provide an accompanying document certifying the compliance of the vehicle.

Article 13

Delegation of powers

1. The Commission is empowered to adopt delegated acts in accordance with Article 33 to supplement this Regulation by laying down Union-level demand-side measures for products from the chemical industry in order to promote the following activities:

   (a) The production and sales of substances and mixtures of Union origin derived from sustainable carbon sources;

   (b) The use in products made available on the market of substances and mixtures of Union origin derived from sustainable carbon sources.

   In the preparation of the delegated acts, the Commission should take into account:

   (a) the recommendations of the Critical Chemicals Alliance;

   (b) the contribution of the requirements to the Union's objective of economic security, resilience and climate neutrality set out in Regulation (EU) 2021/1119;

   (c) the market situation at Union level, as identified through monitoring activities, including declining Union market shares and Union industry producing at below capacity

   (d) the impact of setting such measures on the overall competitiveness and greenhouse gas emissions of the relevant sectors, as well as on costs for downstream consumers and small and medium enterprises and public budgets.

2. The Commission is empowered to adopt delegated acts in accordance with Article 27 in order to amend Annex II or III concerning the Union origin requirements, low-carbon requirements or both that are set out for products referred to therein, taking into account the following criteria:

   (a) the market situation at Union level, as identified through monitoring activities, including declining Union market shares and Union industry producing below capacity;

   (b) technological progress;

   (c) the contribution of the requirements to the Union's objective of public order, economic security, resilience and climate neutrality set out in Regulation (EU) 2021/1119;

   (d) demand for the relevant products or technologies driven by the downstream sectors' growth;

   (e) share of product or technology in total production value of the downstream sector;

(f) the impact of setting Union origin requirements, low-carbon requirements, or both on the overall competitiveness and greenhouse gas emissions of the relevant sectors, including on costs for downstream consumers and small and medium enterprises and public budgets.

3. The Commission is empowered to adopt implementing acts to specify the method for calculating the proportion of volume of products and components originating in the Union in accordance with Regulation (EU) No 952/2013, and where appropriate, to provide for the use of standardised templates for certificates of compliance.

Such implementing acts may also establish the methods and procedures to be applied by the relevant competent national authorities, including contracting authorities and contracting entities, to verify compliance with the requirements laid down in this Regulation and, where appropriate, to make use of digital tools for the purposes of calculation, verification and demonstration of compliance.

Those implementing acts shall be adopted in accordance with Article 28.

CHAPTER IV
FOREIGN INVESTMENT CONTRIBUTION

Article 14
Scope

1. This chapter shall apply to foreign direct investments in emerging strategic manufacturing sectors exceeding a value of EUR 100 million in which more than 40 % of the global manufacturing capacity is held by the third country of which the foreign investor is a national or undertaking.

Such investments shall not be implemented unless explicitly approved by the Investment Authority, referred to in Article 16, in accordance with the provisions laid down in this Chapter.

2. This chapter shall not apply to:

(a) investors and investments covered by economic partnership and free trade agreements in force or provisionally applied by the Union to the extent relevant commitments have been made under those agreements, including investments made by the Union subsidiaries of such foreign investors;

(b) investments targeted at providing services, including investments made by the Union subsidiaries of investors;

(c) portfolio investments.

3. This chapter shall apply to foreign direct investment in manufacturing in any of the following emerging strategic sectors:

(a) battery technologies and its value chain for battery energy storage systems;

(b) pure electric vehicles, off-vehicle charging hybrid electric vehicles and fuel-cell electric vehicles, including components related to electrification and digitalisation;

(c) solar PV technologies;

(d) extraction, processing and recycling of critical raw materials.

Article 15

Value added foreign direct investment criteria

1. Member States shall, by [OP insert date: 1 month after entry into force of this Regulation], designate an Investment Authority which shall perform the review of foreign direct investment and implementing the provisions of this Chapter.

   Member States shall provide that Investment Authority with the necessary resources, legal and administrative means for performing the tasks set out in this Regulation.

2. By [OP insert date: 12 month after entry into force of this Regulation], Investment Authorities shall approve only those foreign direct investments made directly by foreign investors that fulfil at least five out of the following six conditions:

   (a) foreign investors do not acquire, hold, or exercise ownership interests representing more than forty-nine percent (49%) of the share capital, voting rights, or equivalent ownership interests in any Union target, or equivalent ownership, leasehold or other rights conferring control over a Union asset;

   (b) foreign direct investments are undertaken through a joint venture with one or more Union entities, with the foreign investor holding no more than 49% of the share capital, voting rights, or equivalent ownership interests or other rights conferring control in any of the Union entities participating in the joint venture. Such joint ventures shall be structured to ensure effective participation of Union partners in management, technology transfer, and capacity building.

   (c) Foreign investors have in place appropriate agreements providing for the licensing of their intellectual property rights and of their know-how to the benefit of the Union Target, or the legal entity acquiring or owning the Union asset, to enable it to carry out its economic activities in the context of the foreign direct investment. All intellectual property rights or assets developed by the Union Target or the legal entity acquiring or owning the Union asset prior to the foreign investment or without the collaboration of the foreign investor shall be fully and exclusively owned by the Union Target or the legal entity acquiring or owning the Union asset. All intellectual property rights or assets either developed in that context as a result of a collaboration with the foreign investor's other business assets, or in the case of point b, developed by the joint venture, shall be owned jointly by the Foreign Investor and the Union Target, the joint venture defined in point b or the legal entity acquiring or owning the Union asset.

   (d) The foreign investor commits to the Investment Authority to annually direct to research and development spending in the Union an amount equivalent to at least 1% of the gross annual revenue of the Union target, the joint venture or the legal entity acquiring or owning the Union asset, as applied in proportion to the foreign investor's share of control.

   (e) 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, be made up of Union workers across all categories of the workforce, including operational, technical, supervisory, and managerial positions. Such employment shall be accompanied by adequate training and capacity-building measures. Where a Union target or Union asset already performing manufacturing activities before the investment is acquired, including after bankruptcy, maintaining the existing workforce or re-employment of the former workforce shall be prioritised, in line with national law and application of

collective agreements. In the event that the foreign investor, the Union target or the Union asset receives public funding, without prejudice to article 107 TFEU, it must commit not to decrease the number Union workers for a period of five years. Non-compliance with this obligation shall entitle the relevant national authorities to recover the funding awarded.

(f) Products placed on the Union market in the context of the foreign direct investment shall incorporate inputs of which at least 30% are manufactured within the Union.

3. Investment Authorities may apply some or all of the conditions set out in paragraph 2 to direct investments made within the Union by a foreign investor's subsidiary where doing so is indispensable to achieve the objectives of this Regulation by:

(a) preventing the circumvention of this Regulation by the foreign investor; or

(b) 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 Regulation.

4. The Commission shall adopt an implementing act in accordance with the examination procedure referred to in Article 28(3) to specify the detailed rules for verifying the fulfilment of the conditions by [OP please insert date: 6 months after entry into force of this Regulation].

Article 16

Prior notification of planned foreign direct investments

1. A foreign investor shall notify any planned direct investment within the scope of Article 14 to the Investment Authority of the Member State where the Union target or Union asset is located which would result in control over the Union target or Union asset as defined by paragraph 3.

The notification shall contain all necessary information to allow the Investment Authority to perform the investment review pursuant to Article 17.

2. For the purposes of determining whether the investment value reaches the threshold set out in Article 14(1), only previous investments of a foreign investor made in the same Union target or Union asset by the foreign investor after the entry into force of this Regulation shall be aggregated.

3. Foreign investors shall be considered to have control, where the investment in question reaches either of the following threshold:

(a) 30 percent or more share capital or voting rights in a Union target;

(b) 30 percent or more of ownership of a Union asset, and leasehold or other rights conferring control over a Union asset.

4. If a foreign investor's acquisition or establishment of an investment would result in foreign investors collectively holding more than the ownership or control thresholds specified in paragraph 3, that acquisition or establishment must be notified.

5. For the purposes of calculating whether the threshold referred to in paragraph 3 has been reached aggregated interests held directly or indirectly, including through affiliates, chains of ownership or by foreign investors acting in concert shall be considered.

6. Where the relevant Union targets or assets are located in more than one Member State, the foreign investor shall notify the competent Investment Authorities of all Member States concerned and the Commission on the same day with reference to the other notifications. Each Member State concerned shall coordinate the review of such notifications and agree on the conditions imposed with the other Member States concerned, as well as with the Commission.

The Commission shall decide which conditions shall be applied to the foreign direct investment in case there is no agreement between the relevant Member States.

Foreign direct investment notified pursuant to the first subparagraph shall be required to fulfil the same conditions laid down in Article 15 in all Member States concerned.

Article 17

Review and approval

1. The Investment Authority shall decide on the admissibility of the notification pursuant to Articles 14 and 16 within 30 days of receiving the notification. That deadline may be extended by a further 15 days where the Investment Authority demonstrates satisfactorily that an extension is justified by the circumstances.

Where the Investment Authority decides a notification is admissible, it shall immediately transmit the full notification to the Commission including all documents received.

2. Within 30 days after receiving the notification, the Commission may issue a written opinion on whether the foreign direct investment falls within the scope of Articles 14 and 16, whether it fulfils the conditions laid out in Article 15, and whether the investment should be approved or not by the Investment Authority.

3. After issuing the written opinion, the Commission shall transmit it to the Investment Authority without delay. The Commission may share this opinion with the Investment Authorities of other Member States or publish the written opinion on its official website, with due regard to confidentiality.

4. No sooner than 30 days after transmitting the notification to the Commission and no later than 60 days, or 75 days if the deadline extension in paragraph 1 was applied, after receipt of the notification, the Investment Authority shall issue a reasoned decision approving or declining the foreign direct investment. In its decision, the Investment Authority shall approve the foreign direct investments if it fulfils 5 out of 6 conditions as laid out in Article 15. This deadline may be extended by a further 30 days where the Investment Authority demonstrates satisfactorily that an extension is justified by the circumstances.

The Investment Authority shall communicate such decisions to the Commission within three days of adoption.

5. If the decision of the Investment Authority is diverging from the Commission opinion on whether the investment fulfils the conditions laid down in Article 15, the Investment Authority shall assess the notification in greater detail for an additional period of two months.

Investment Authorities shall, in their decision issued pursuant to paragraph 3, justify how the opinion of the Commission was taken into account.

6. The Investment Authority may in its decision pursuant to paragraph 4 exempt an investment from fulfilling a maximum of two conditions pursuant to Article 15(2), at its own initiative or at the request from the foreign investor or the Commission.

The reasons for the exemptions shall be duly justified in that decision.

7. If the Investment Authority provides an exemption pursuant to paragraph 6, the Commission shall respond within 30 days either confirming or not the exemption. In complex cases, the Commission may extend that deadline by an additional 10 days. The decision containing the exemption shall be valid only upon the confirmation of the Commission or, in the absence of a Commission response, upon the expiry of the deadline.

8. The Investment Authority shall, in its approval decision, set out details of reporting obligations on the investor concerned, with a view to assessing the ongoing fulfilment of the conditions laid down in Article 15.

9. Any party subject to a decision issued pursuant to paragraphs 1 or 5 shall have the right to seek judicial recourse against such decision.

Article 18

Review of foreign direct investments by the Commission

1. Based on the transmitted notification made pursuant to Article 16(1), the Commission may decide to undertake the assessment of the foreign direct investment instead of the Investment Authority:

   (a) on its own initiative, where the foreign direct investment has the potential to significantly impact added value creation in the Union market; or

   (b) on the request of an Investment Authority handling a notification, or an Investment Authority of another Member State, in which the foreign direct investment in question would have a significant impact on its territory.

2. For the purpose of paragraph 1, the foreign direct investment shall be deemed as having the potential to significantly impact the added value creation in the internal market where it:

   (a) is of particular strategic importance for the internal market; or

   (b) has considerable economic impact on the territory of more than one Member State; or

   (c) has high potential of disrupting the security of supply of that emerging strategic sector or related value chains in the Union, or security in more than one Member State; or

   (d) has high potential of having detrimental environmental effect in more than one Member State; or

   (e) is of a particularly high value compared to other investments in that emerging strategic sector.

3. Based on the transmitted notification made pursuant to Article 16(1), the Commission may decide to undertake the assessment of an investment referred to in Article 15(3), instead of the Investment Authority. The Commission may carry out its assessment on its own initiative, or on the request of an Investment Authority handling

a notification, or an Investment Authority of another Member State on/in which the foreign direct investment in question would have a significant impact.

Based on its assessment, the Commission may require the Investment Authority to apply in a proportionate manner some or all of the conditions set out in Article15(2) or to abstain from doing so.

4. Where the Commission decides to assess the foreign direct investment pursuant to this Article, the provisions set out in Article 17 shall apply, mutatis mutandis, starting from its decision to undertake the assessment.

Article 19

Monitoring and enforcement by the Investment Authority

1. The Investment Authority shall regularly monitor that the foreign direct investment continues to fulfil the conditions laid down in Article 15. For that purpose, the foreign investor shall regularly report to the Investment Authority on compliance with the conditions.

2. Upon request by the Commission, the Investment Authority shall transmit the investor's reports submitted pursuant to paragraph 1 to the Commission together with its own assessment on each report.

3. The Investment Authority shall establish penalties in case of non-compliance with the provisions of this Chapter, in particular where foreign investors or investments fail to comply with the following requirements:

   (a) the notification requirements in accordance with Article 16;

   (b) the conditions laid down in Article 15;

   (c) the monitoring obligations established by this Article.

4. Penalty payments established by the Investment Authority shall not amount to less than 5% of the average daily aggregate turnover of the foreign investor undertaking in case of the violation pursuant to paragraph 3(a).

   In case where foreign investor is a private person, the Investment Authority shall establish a penalty payment of at least 5% of the investment value in case of the violation pursuant to paragraph 3(a).

   The penalty payments established by the Investment Authority shall be effective and proportionate to the violation laid down in paragraph 3.

   The Investment Authority shall inform the Commission without undue delay of any non-compliance referred to in this paragraph and of the consequential penalties imposed.

Article 20

Monitoring by the Commission

1. For the purposes of Article 14(1), the Commission shall monitor the global manufacturing capacity for each of the emerging strategic sectors, building on existing monitoring activities performed, in particular pursuant to Regulation (EU) 2024/1735.

2. The Commission shall provide and publish updated information on the most recent year for which data is available for each of the emerging strategic sectors referred to in Article 14(3).

Article 21

Delegation of powers

1. The Commission is empowered to adopt delegated acts in accordance with Article 27 to supplement the list of emerging strategic sectors to be covered by this chapter to sectors critical to the Union's economic security, including net-zero technologies listed in Article 4(1), points (b), (d), (e), (g), (h), (j), (k), (n), (p), and (s), as well as nuclear fuel cycle technologies referred to in Article 4(1), point (i), and electric propulsion technologies for transport referred to in Article 4(1), point (r) of Regulation (EU) 2024/1735.

2. The Commission shall base the delegated act set out in paragraph 1 on the following:

   (a) an assessment of whether modifying the list of emerging strategic sectors would unduly deter or discourage foreign direct investment in the Union;

   (b) number of foreign direct investments in that sector, taking into account their contribution to the Union's security of supply and their added value to the Union's economy;

   (c) market situation and conditions, including supply chain disturbances, on Union level;

   (d) technological developments and the Union's competitiveness in that sector in comparison to third countries;

   (e) supply chain dependence in the relevant sector on one or more countries.

3. The delegated act adopted pursuant to paragraph 1 shall contain:

   (a) the threshold value referred to in Article 14(1) for each of these additional sectors;

   (b) whether the investment criteria referred to in Article 15 are appropriate and necessary to meet the objectives of this Chapter with respect to the sector concerned, and if not, which of these criteria should be applied.

CHAPTER V
INDUSTRIAL MANUFACTURING ACCELERATION AREAS

Article 22

Designating national industrial manufacturing acceleration areas

1. Member States shall designate at least one industrial manufacturing acceleration area on their territory by [OP please insert date: 12 months following the entry into force of this Regulation] to cluster industrial manufacturing projects in one or several of the strategic sectors listed in Annex I.

2. Member States shall designate industrial manufacturing acceleration areas on the basis of the following elements:

   (a) the impact of the industrial manufacturing acceleration area's production on the security of the Union's supply for strategic sectors;

   (b) the potential of the industrial manufacturing acceleration area to support the deployment of production capacity in strategic sectors, to strengthen Union value chains and the Union's innovation potential to accelerate sustainable manufacturing industrial activities including decarbonisation and circular

business practices, and to foster the functioning of the internal market, in alignment with strategic projects and other initiatives such as Net Zero Acceleration Valleys carried out pursuant to other Union legislation;

(c) the number of SMEs and SMCs that would benefit from the provisions of this Chapter within the industrial acceleration area;

(d) the Member State's regions' level of development, including least developed areas, regions in transition, and those undergoing industrial transformation;

3. When designating industrial manufacturing acceleration areas, Member States shall:

(a) define a clear geographic scope for the acceleration area;

(b) prioritise locations where the deployment of a specific sector or sectors of industrial manufacturing projects is not expected to have a significant environmental impact;

(c) prioritise locations outside Natura 2000 sites and outside areas designated under national protection schemes for nature and biodiversity conservation, as well as other areas identified on the basis of sensitivity maps;

(d) take into account climate risks in the areas designated;

(e) prioritise artificial and built surfaces, industrial sites, and brownfield sites, as well as already identified strategic projects pursuant to other Union legislation.

4. When designating industrial manufacturing acceleration areas, Member States shall take into account, as relevant, the following considerations:

(a) the infrastructural needs of the acceleration area;

(b) the financing needs of manufacturing industry located in the acceleration area and the possibility to support that industry, where applicable, in line with applicable State aid rules;

(c) the supply chain needs within the acceleration area and the essential materials, particularly secondary materials, necessary for manufacturing activities;

(d) the feasibility of connecting the acceleration area with sufficient low-carbon energy supply for the acceleration of industrial manufacturing activity;

(e) skill needs, the shortages and employment trends and support measures to achieve the adequate reskilling and upskilling of the local workforce;

(f) the need, as relevant, for depollution of the acceleration area to facilitate the commencement of new industrial activities;

(g) research and innovation needs for accelerating the manufacturing industrial activity in the area;

(h) relevant location-specific information made publicly available by industry, including corporate climate transition plans, related targets and actions, investment needs, and required enabling policy frameworks.

5. Before their adoption, the plans or programmes on the designation of the industrial manufacturing acceleration areas shall be subject to an environmental assessment pursuant to Directive 2001/42/EC of the European Parliament and of the Council, and, if they are likely to have a significant impact on Natura 2000 sites, to the appropriate assessment pursuant to Article 6(3) of Directive 92/43/EEC and, where applicable, to the relevant assessment to comply with Article 4(7) of Directive 2000/60/EC.

6. Member States shall inform the Commission the designation of an industrial manufacturing acceleration area, within 30 days from the adoption of the relevant decision.

Article 23
Enabling conditions

Member States shall take all necessary measures to facilitate the development of industrial manufacturing acceleration areas. In particular, Member States shall take the following measures:

(a) facilitate financing of projects in the acceleration areas by ensuring coordination between authorities and streamlining internal procedures, in synergy with Union programmes and in line with existing State aid rules where applicable, taking into account in particular the participation of SMEs and SMCs;

(b) Promote research and innovation investments to accelerate the innovative potential and Union's competitiveness and technology leadership in the acceleration areas;

(c) conduct, and review at least every three years, a comprehensive analysis of the energy needs of each acceleration area and identifying the required energy infrastructure capacity for the proper functioning and development of industrial manufacturing projects located in the acceleration area.

This analysis shall be conducted, at least, when designating the industrial acceleration area and for the milestones of years 2030, 2040 and 2050, ensuring alignment with the Union's decarbonisation pathway;

(d) ensure that the network development plans prepared by transmission system operators pursuant to Article 51 of Directive (EU) 2019/944 and distribution system operators pursuant to Article 32 of Directive (EU) 2019/944 take due account of the analysis prepared pursuant to point (c) of this paragraph, considering the potential of anticipatory investments to accommodate future system needs;

(e) exchange information on relevant supply chains, identify potential bottlenecks, and strengthen coordination between acceleration areas on critical raw materials issues within the framework of the European Critical Raw Materials Board established by Article 35 of Regulation (EU) 2024/1252;

(f) promote entities in the acceleration areas and facilitate their participation, where relevant, in the joint purchasing mechanism established by Article 25 of Regulation (EU) 2024/1252, including by providing guidance, support, and information to ensure effective engagement;

(g) support the development and availability of a highly skilled workforce and provide appropriate training and apprenticeship opportunities, thereby contributing to high-quality employment within those acceleration areas;

(h) exchange information on the necessary skills, potential shortages of those skills and best practices applied in the acceleration areas within the framework of the Industrial Forum expert group established by COM/2020/102;

(i) ensure synergies and promote the benefits provided under the Pact for Skills[50] or entities established in the acceleration areas, with particular attention to Large-Scale Skill Partnerships and Regional Skills Partnerships included therein.

Article 24

Permit-granting procedure in acceleration areas

1. For each designated industrial manufacturing acceleration area, Member States shall prepare and issue an aggregated baseline permit authorising industrial activities located within that area. This aggregated baseline permit shall cover the permits and administrative authorisations required for the industrial manufacturing projects located within the acceleration area, excluding those permits that are installation specific.

2. Before issuing the aggregated baseline permit referred to in paragraph 1, Member States shall carry out all necessary assessments, including relevant environmental assessments, planning procedures and evaluations applicable at the level of the acceleration area. Member States shall take into account the assessment carried out pursuant to Article 22(5).

1. Industrial manufacturing projects located within an industrial manufacturing acceleration area shall be required to obtain only those additional permits or authorisations that fall outside the scope of the aggregated baseline permit referred to in paragraph 1.

2. All industrial manufacturing projects located within an acceleration area shall be considered strategic projects contributing to resilience and decarbonisation or resource efficiency for the purposes of [Article 14 of Proposal for a Regulation on speeding-up environmental assessment. Points 1, 2 and 3 of the Annex in that Regulation shall apply.]

CHAPTER VI
FINAL PROVISIONS

Article 25

Evaluation

1. By … [OP: Please insert the date = three years after the date of entry into force of this Regulation], and every three years thereafter, the Commission shall carry out an evaluation of this Regulation and of its contribution to the functioning of the internal market. The evaluation shall consider the progress made in achieving the following objectives:

(a) the objectives specified in Article 1, particularly on resilience, economic security and decarbonisation of industrial production;

(b) the industrialisation objective pursuant to Article 3, taking into account the challenges and opportunities in the internal market and global markets;

(c) the related administrative costs, economic impacts on downstream sectors, small and medium enterprises and impacts on public budgets.

[50] Communication from the Commission to the European Parliament, the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, European Skills Agenda for sustainable competitiveness, social fairness and resilience ((COM(2020) 274 final).

Article 26

Review

1. By … [OP: Please insert the date five years after the date of entry into force this Regulation], the Commission shall assess the need to amend Chapters III and IV. That assessment shall be carried out periodically every three years after the first review.

   When carrying out its review, the Commission shall pay particular attention to the need to introduce Union origin requirements for products from sectors critical to the Union's economic security.

Article 27

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Articles 7, 8, 13 and 21 shall be conferred on the Commission for an indeterminate period of time from the entry into force of this Regulation.
3. The delegation of power referred to in paragraph 1 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect on the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to this Article shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 28

Committee procedure

1. The Commission shall be assisted by a Committee. That Committee shall be a committee within the meaning of Regulation (EU) No 182/2011[51].
2. Where reference is made to this paragraph, Article 4 of Regulation (EU) No 182/2011 shall apply.

[51] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers

3. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 29
Penalties

Member States shall lay down rules on penalties applicable to infringements of this Regulation and shall take all necessary measures to ensure that they are implemented. The penalties provided for shall be effective, proportionate and dissuasive. Member States shall, without delay, notify the Commission of those rules and measures and shall notify it, without delay, of any subsequent amendment affecting them.

Article 30
Amendments to Regulation (EU) 2018/1724

Annexes I and II to Regulation (EU) 2018/1724 are amended in accordance with Annex V to this Regulation.

Article 31
Amendments to Regulation (EU) 2024/1735

Regulation (EU) 2024/1735 is amended as follows:

1. Article 3 is amended as follows:

   (a) point (27) is replaced by the following: '(27) 'auction' means a mechanism for competitive tendering procedures to support the production or consumption of energy from renewable sources or the deployment of capacity mechanisms that does not fall under Directive 2009/81/EC of the European Parliament and of the Council[52] or Directive 2014/23/EU, 2014/24/EU or 2014/25/EU;

   (b) the following point (34) is added: '(34) 'industrial battery' means an industrial battery as defined in Article 3(1), point (13), of Regulation (EU) 2023/1542 of the European Parliament and the Council[53];'

   (c) the following point (35) is added: '(35) 'stationary battery energy storage system' means a stationary battery energy storage system as defined in Article 3(1), point (15), of Regulation (EU) 2023/1542;'

   (d) the following point (36) is added: '(36) 'hydronic heat pump' means a space heater using ambient heat from an air source, water source or ground source, and/or waste heat for heat generation and heating space through a water circuit.'

2. in Article 9, a paragraph (14) is added: 'All net-zero technology manufacturing projects shall be considered strategic projects contributing to resilience and decarbonisation or resource efficiency for the purpose of Article 14(1) of [Proposal for a Regulation on speeding-up environmental assessment].

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52 Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC (OJ L 216, 20.8.2009, p. 76).

53 Regulation (EU) 2023/1542 of the European Parliament and of the Council of 12 July 2023 concerning batteries and waste batteries, amending Directive 2008/98/EC and Regulation (EU) 2019/1020 and repealing Directive 2006/66/EC (OJ L 191, 28.7.2023, p. 1, ELI: http://data.europa.eu/eli/reg/2023/1542/oj).

3. Article 25 is amended as follows:

(a) in paragraph 1 ‘Article 4(1), points (a) to (k)’ is replaced by ‘Article 4(1), points (a) to (d), (h) and (i)’.

(b) in paragraph 7, the first subparagraph is replaced by the following: ‘The tender’s resilience contribution shall be taken into account in the case of public procurement procedures, work contracts and works concessions referred to in paragraph 1, in accordance with this paragraph.’

4. The following Article 25a is inserted:

‘Article 25a

Origin requirements for public procurement procedures

1. For public procurement procedures referred to in Annex II, contracting authorities and contracting entities shall exclude from access to such procurement procedures 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.

2. Public procurement procedures referred to in Annex II shall apply the Union origin requirements laid down therein.

3. Contracting authorities and contracting entities may decide not to apply one or several requirements set out in this Article where any of the following conditions are fulfilled:

(a) the required products can only be supplied by one specific economic operator, and no reasonable alternative or substitute exists, and the absence of competition is not the result of an artificial narrowing down of the parameters of the public procurement procedure;

(b) no suitable tenders or no suitable requests to participate have been submitted, including in response to a similar former public procurement procedure launched by the same contracting authority or contracting entity in the two years preceding the start of the planned new procurement procedure;

(c) their application would require a contracting authority or contracting entity to acquire goods, services or works having disproportionate costs or would result in technical incompatibility in operation and maintenance. Estimated cost differences in excess of 25%, based on objective and transparent data, may be presumed by contracting authorities and contracting entities to be disproportionate.

(d) their application would lead to significant delays to the delivery of the project due to the unavailability of the required components or final products. Estimated delays in excess of seven months, based on objective, transparent and verifiable data, may be presumed to be significant.

4. Contracting authorities shall require economic operators supplying products falling within the scope of this Article to submit a self-declaration, or an equivalent document, demonstrating compliance with the requirements set out in this Article.’

5. Article 26 is amended as follows:

(e) the heading is replaced by the following: ‘Auctions for net-zero technologies’

(f) paragraph 1 is amended as follows:

(a) The introductory wording is replaced by the following: ‘When designing auctions for net-zero technologies listed in Article 4(1), points (a) to (g), (i) and (j), Member states shall include:’

(b) in point (a), the following point (iv) is added: ‘ (iv) high-risk suppliers as defined in Article 2 point (39) of Regulation xxxx/xxxx [CSA2]: For auctions that include control systems, management control systems, supervisory control and data acquisition systems, remote access systems or firewalls, suppliers identified as high-risk suppliers in accordance with with Regulation xxxx/xxxx [CSA2]shall not be involved in the following processes:

(a) the supply of those products or systems;

(b) the design, development or production of those products or systems;

(c) the management, control or operation of those products or systems;

(d) the development, maintenance, operation, or updating of their software

(c) point (b), is replaced by the following: ‘pre-qualification criteria or award criteria as referred to in paragraphs 2 and 2a’.

(g) The following paragraph 2a is inserted: ‘2a. Where the auctions have net-zero technologies listed in Annex II as part of their subject-matter, Member States shall include the pre-qualification or award criteria laid down in Annex II.’

(h) in paragraph 3, the first subparagraph is replaced by the following: ‘The Commission is empowered to adopt an implementing act further specifying the pre-qualification and award criteria referred to in paragraph 1(a), points (i), (ii) and (iii), and paragraph 2.’

(i) paragraph 4 is replaced by the following: ‘4. Member States shall give to each of the criteria referred to in paragraphs 2 and 2a, when applied as award criteria, a minimum weight of 5 % and a combined weight of between 15 % and 30 % of the award criteria. That is without prejudice to the possibility to give a higher weighting to the criteria referred to in the fourth subparagraph of paragraph 2, in accordance with any limit for non-price criteria set out in State aid rules.’.

(j) paragraph 5 is replaced by the following: ‘5. Member States shall not be required to apply one or several of the pre-qualification and award criteria laid down in paragraph 1, points (a), (i), (ii) and (iii), and paragraph 1, point (b), where the application of those criteria would result in disproportionate costs or in significant delays to the delivery of the project due to the unavailability of the required components or final products. Estimated cost differences in excess of 20% per auction, based on objective and verifiable data, may be presumed by Member States to be disproportionate. Delays in excess of seven months, based on objective, transparent and verifiable data, may be presumed to be significant.’

(k) paragraph 7 is replaced by the following: ‘7. Paragraphs 1 to 5 shall apply to at least 40% of the volume auctioned per year per Member State or alternatively to at least 8 Gigawatt per year per Member State. Paragraph 1, points (a)(ii) and (iv), shall apply to 100% of the volume auctioned per Member State.’

(l) in paragraph 8, the introductory wording is replaced by the following: ‘By 31 December 2027, the Commission shall carry out a comprehensive assessment of

the application of the criteria referred to in paragraph 2 and their effect on the accelerated deployment of renewable energy technologies. By 31 December 2029 and every two years thereafter, the Commission shall carry out a comprehensive assessment of the application of the criteria referred to in paragraphs 2 and 2a and their effect on the accelerated deployment of renewable energy technologies. In particular, the Commission shall assess the impact of the criteria on:'

6. The following Articles 28a to 28e are inserted:

Article 28a

Origin requirements for other forms of public intervention

1. Without prejudice to Articles 107 and 108 TFEU, support schemes referred to in Annex II shall include the requirements laid down therein.

2. When designing and implementing a scheme pursuant to paragraph 1, the authority shall assess the fulfilment of the requirements on the basis of an open, non-discriminatory and transparent process.

3. When additional financial compensation is granted, it shall not exceed 15% of the cost of the final product for the consumer, including transport and installation costs where relevant, with the exception of schemes targeting citizens living in energy poverty, as defined in Article 2, point (1), of Regulation (EU) 2023/955 of the European Parliament and of the Council ([57]), for which the limit shall be 20 %.

Article 28b

Limitations to high-risk suppliers for other forms of public intervention

For support schemes within the scope of Articles 28 and 28a that include control systems, management control systems, supervisory control and data acquisition systems, remote access systems or firewalls, Member States shall design those schemes in such a way as to ensure that beneficiaries shall be eligible to the scheme only where suppliers identified as high-risk suppliers in accordance with Regulation xxxx/xxxx [CSA2] are not be involved in the following processes:

(a) the supply of those products or systems;

(b) the design, development or production of those products or systems;

(c) the management, control or operation of those products or systems;

(d) the development, maintenance, operation, or updating of their software.

Article 28c

Union origin requirements for Member State support to construction and manufacturing of net-zero technologies

1. Without prejudice to Articles 107 and 108 TFEU and in accordance with the Union's international commitments, when supporting the construction or manufacturing of net-zero technology final products referred to in Annex II of this Regulation, Member States shall ensure that the Union origin requirements laid down in that Annex are met.

2. Member States may decide not to apply one or several requirements referred to in paragraph 1 where any of the following conditions are fulfilled:

(a) the required components can only be supplied by one specific economic operator, and no reasonable alternative or substitute exists, and the absence of competition is not the result of an artificial narrowing down of the parameters of the public procurement procedure;

(b) their application would result in disproportionate costs or technical incompatibility in operation or maintenance. Estimated cost differences in excess of 25%, based on objective and transparent data, may be presumed to be disproportionate;

(c) their application would jeopardise the project or lead to significant delays to the delivery of the project due to the unavailability of the required components or final products. Delays in excess of seven months, based on objective, transparent and verifiable data, may be presumed to be significant.

3. Without prejudice to Articles 107 and 108 TFEU and in accordance with the Union's international commitments, when supporting the manufacturing of net-zero technology final products referred to in Annex II of this Regulation and that include control systems, management control systems, supervisory control and data acquisition systems, remote access systems or firewalls, Member States shall ensure that suppliers identified as high-risk suppliers in accordance with Regulation xxxx/xxxx [CSA2] are not involved in the following processes:

(a) the supply of those products or systems;

(b) the design, development or production of those products or systems;

(c) the management, control or operation of those products or systems;

(d) the development, maintenance, operation, or updating of their software.

Article 28d

Union origin

1. For the purposes of Articles 25a, 26 and 28a and 28c, content of Union origin refers to content originating in the Union.

2. For the purposes of Article 25a and 28a, the Commission shall adopt delegated acts in accordance with Article 44 by [OP: Please insert the date = six months after the date of entry into force of this Regulation] to supplement this Regulation by establishing, for products and services covered by Annex II, the third countries or specific manufacturers from which content shall be treated as equivalent to content of Union origin. In identifying such trusted partners, the Commission shall take into account, in particular:

(e) reciprocal bilateral and international commitments such as the Government Procurement Agreement;

(f) contribution to the Union's competitiveness, diversification and resilience of Union supply chains, and economic security objectives;

(g) specific manufacturers of Union's strategic interest established in third countries;

(h) legal provisions in place in a third country recognising Union products as originating in that third country.

3. The Commission is empowered to adopt delegated acts in accordance with Article 44 to amend the treatment referred to in first paragraph 2 by excluding third countries or specific manufacturers in the case of a serious breach of their commitments towards the Union or in the case of public order or economic security concerns, or circumvention.

4. The origin of products and components shall be determined in accordance with Regulation (EU) No 952/2013 of the European Parliament.

Article 28e

Delegation of power

1. The Commission is empowered to adopt delegated acts in accordance with Article 44 in order to amend the Union origin requirements laid down in Annex II, taking into account the following criteria:

   (a) the market situation at Union level including declining Union market shares and Union industry producing below capacity;

   (b) the contribution of the requirements to the Union's objective of public order, economic security, resilience and climate neutrality set out in Regulation (EU) 2021/1119;

   (c) technological progress;

   (d) demand for the relevant net-zero technologies;

   (e) the impact of setting Union origin requirements on the overall competitiveness and greenhouse gas emissions of the relevant sectors.

2. The Commission is empowered to adopt delegated acts to supplement Annex II with Union origin requirements for additional specific net-zero technology final products referred to in Article 4(1), points (g), (h), (j), (k), (n), (p), and (s), as well as solar thermal technologies referred to in Article 4(1), point (a), nuclear fuel cycle technologies referred to in Article 4(1), point (i), and electric propulsion technologies for transport referred to in Article 4(1), point (r), which shall be required in accordance with Articles 25a, 26, 28a and 28c. In doing so, the Commission shall take the following into account:

   (a) the market situation at Union level, as identified through monitoring activities, including declining Union market shares and Union industry producing below capacity;

   (b) the contribution of the requirements to the Union's objective of public order, economic security, resilience and climate neutrality;

   (c) the impact of setting Union origin requirements, low-carbon requirements, or both on the overall competitiveness and greenhouse gas emissions of the relevant sectors, as well as on downstream costs for consumers and small and medium enterprises and on public budgets.

   (d) demand for the relevant products or technologies.

3. The delegated acts referred to in paragraph 2 shall set out:

   (a) the products and components to which the minimum Union origin requirements shall apply;

   (b) the scope of application of the minimum Union origin requirements;

4. Article 42 is amended as follows:

(c) the following paragraph 2a is inserted: '2a. Member States, public authorities, procuring authorities and procuring entities applying Chapter IV of this Regulation shall report on the application of exemptions in accordance with the provisions of that Chapter.'

(d) in paragraph 3, 'paragraph 2' is replaced by 'paragraphs 2 and 2a'.

5. The following Annex II is added:

ANNEX II

Union origin requirements for net-zero technologies

Part I – Public procurement

1. In accordance with Article 25a, for public procurement procedures published after the entry into force of this Regulation falling within the scope of Directives 2014/23/EU, 2014/24/EU or 2014/25/EU where contracts, works contracts or work concessions include the procurement of the following net-zero technologies, procurement documents shall include the requirements laid down below:

(e) Battery energy storage systems:

(a) From [OP: Please insert the date = 1 year after entry into force of this Regulation] until [3 years after entry into force of this Regulation], the battery energy storage systems shall originate in the Union and, for projects including battery energy storage exceeding 1 Megawatt-hour, contain a battery management system as well as one additional main specific component that originate in the Union.

(b) From [OP: Please insert the date = 3 years after entry into force of this Regulation], the battery energy storage systems shall originate in the Union and contain battery cells, a battery management system as well as two additional main specific components that originate in the Union.

(f) Solar PV technologies: From [OP: Please insert the date = 3 years after entry into force of this Regulation], the PV inverter and at least three additional main specific components shall originate in the Union.

(g) Hydronic heat pumps: From [OP: Please insert: 3 years after the entry into force of this Regulation] the hydronic heat pump shall originate in the Union.

(h) Onshore and offshore wind technologies:

(a) From [OP: Please insert the date = 1 year after the entry into force of this Regulation] until [OP: Please insert the date = 3 years after entry into force of this Regulation], one main specific component shall originate in the Union.

(b) From [OP: Please insert the date = 3 years after the entry into force of this Regulation], two main specific components shall originate in the Union.

(i) Nuclear fission technologies:

(a) For public procurement procedures published after [OP: Please insert the date = 4 years after entry into force of this Regulation] where works contracts or work concessions include the construction on a new-build nuclear power plant, including small modular nuclear reactors (SMR), at least two main specific components shall originate in the Union.

(b) For public procurement procedures published after [OP: Please insert the date = 6 years after entry into force of this Regulation] where works contracts or work concessions include the construction on a new-build nuclear power plant, including small modular nuclear reactors (SMR), at least three main specific components shall originate in the Union.

(c) These requirements shall not apply to research, development and innovation projects including first industrial deployment of nuclear power plants.

Part II – Auctions

In accordance with Article 26, when auctions have the following net-zero technologies as part of their subject-matter, Member States shall include the pre-qualification or award criteria laid down below:

(a) Battery energy storage systems:

(a) For auctions published from [OP: Please insert the date = 1 year after entry into force of this Regulation] until [OP: Please insert the date = 3 years after entry into force of this Regulation], the battery energy storage system shall originate in the Union and, for projects including battery energy storage exceeding 1 Megawatt-hour, contain a battery management system as well as one additional main specific component that originate in the Union.

(b) For auctions published after [OP: Please insert the date = 3 years after entry into force of this Regulation], the battery energy storage system shall originate in the Union and contain battery cells, a battery management system as well as two additional main specific components that originate in the Union.

(b) Solar PV technologies: For auctions published after [OP: Please insert the date = 3 years after entry into force of this Regulation], PV inverter as well as three additional main specific components shall originate in the Union.

(c) Hydrogen:

(a) For auctions published after [OP: Please insert the date = 1 year after the entry into force of this Regulation], the electrolysers used to produce the hydrogen shall originate in the Union, and the stacks as well as one additional main specific component shall originate in the Union.

(b) For auctions published after [OP: Please insert the date = 3 years after the entry into force of this Regulation], the electrolysers used to produce the hydrogen shall originate in the Union, and the stacks as well as two additional main specific components shall originate in the Union.

(d) Onshore and offshore wind technologies:

(a) For auctions published from [OP: Please insert the date = 1 year after entry into force of this Regulation] until [OP: Please insert the date = 3 years after entry into force of this Regulation], one main specific component of the wind turbine shall originate in the Union.

(b) For auctions published after [OP: Please insert the date = 3 years after entry into force of this Regulation], two main specific components of the wind turbine shall originate in the Union.

Part III – Other forms of public intervention

In accordance with Article 28b, when deciding to set up new schemes or to update existing schemes benefitting households or companies that support the demand for net-zero technology final products listed in this paragraph, Member States, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law, shall design the schemes in such a way as to ensure that beneficiaries shall be eligible to the scheme or to additional financial compensation only where the requirements laid down below are fulfilled:

(a) Battery energy storage systems:

  (a) For schemes set up or updated between [OP: Please insert the date = 1 year after entry into force of this Regulation] and [OP: Please insert the date = 3 years after entry into force of this Regulation], the battery energy storage systems shall originate in the Union and, for projects including battery energy storage exceeding 1 Megawatt-hour, contain a battery management system as well as one additional main specific component that originate in the Union.

  (b) For schemes set up or updated from [OP: Please insert the date = 3 years after entry into force of this Regulation], the battery energy storage systems shall originate in the Union and contain battery cells, a battery management system as well as two additional main specific components that originate in the Union.

(b) Solar PV technologies: For schemes set up or updated from [OP: Please insert the date = 3 years after entry into force of this Regulation], the PV inverter as well as three additional main specific components shall originate in the Union.

(c) Hydronic heat pumps: For schemes set up or updated from [OP: Please insert the date = 3 years after entry into force of this Regulation], the hydronic heat pump shall originate in the Union.

IV – Member State support to construction or manufacturing of net-zero technologies

In accordance with article 28c, when supporting the construction or manufacturing of the following net-zero technology final products, Member States shall ensure that the Union origin requirements laid down below are fulfilled:

(a) Hydrogen:

  (a) From [OP: Please insert the date = 1 year after entry into force of this Regulation] when setting up new support schemes for investments into supporting the manufacturing capacity of electrolysers, Member States shall ensure that the electrolyser originates in the Union and the stack and at least one additional main specific component of the electrolyser originate in the Union.

  (b) From [OP: Please insert the date = 3 years after entry into force of this Regulation] when setting up new support schemes for investments into supporting the manufacturing capacity of electrolysers, Member States shall ensure that the electrolyser originates in the Union and the stack and at least two additional main specific components of the electrolyser originate in the Union.

(b) Nuclear:

(a) For projects for which the application for support takes place after [OP: Please insert the date = 4 years after entry into force of this Regulation] when supporting the construction of new-build nuclear power plants, including small modular nuclear reactors (SMR), Member States shall ensure that at least two main specific components of the nuclear fission technology final products originate in the Union.

(b) For projects for which the application for support takes place after [OP: Please insert the date = 6 years after entry into force of this Regulation] when supporting the construction of new-build nuclear power plants, including small modular nuclear reactors (SMR), Member States shall ensure that at least three main specific components of the nuclear fission technology final products originate in the Union.

(c) These requirements shall not apply to research, development and innovation projects including first industrial deployment of nuclear power plants.

Article 32

Amendments to Regulation (EU) 2024/3110

Regulation (EU) 2024/3110 is amended as follows:

1. in Article 22(9), the first subparagraph is replaced by the following:

'In order to ensure transparency for users and to promote sustainable products, the Commission is empowered to adopt delegated acts in accordance with Article 89 to supplement this Regulation, by establishing specific environmental sustainability labelling requirements for particular product families and product categories.';

Article 33

Entry into force and application

This Regulation shall enter into force on the […] day following that of its publication in the *Official Journal of the European Union*.

Articles 4 and 5 shall apply from [OP: Please insert the date = [one] year after the date of entry into force of this Regulation].

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*