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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee
Subject:	Regulation on accelerating industrial capacity and decarbonisation (Industrial Accelerator Act) - Guidance for further work

Background

The Industrial Accelerator Act (IAA) proposes to establish EU lead markets for low-carbon steel, aluminium, cement, electric vehicles, and net zero technologies through the targeted application of 'Union origin' and low carbon criteria for public procurement, and other public support schemes. The aim is to establish harmonised conditions for disbursing public money with the purpose of strengthening the Union's industrial capacity and thus reducing economic dependencies.

Member States broadly support this objective, but further work is required to achieve consensus on how Union origin should be designed and implemented. The second Presidency compromise text published on 30th July, 2026 proposed a methodology for 'partner origin' that would treat goods originating in qualifying trading partners as equivalent to Union origin goods in many, but not all product categories. This treatment would be granted on the basis of an assessment of the legal provision for and practical implementation of reciprocal market access and national treatment through the GPA, or FTA or customs union for the product in question.

Geographic Scope

To achieve a Council position on the IAA it is essential to reach agreement on the geographic scope of partner origin requirements and the extent to which access to public procurement and other public interventions may be restricted to third countries on the basis of product /content origin. To date, discussions at technical level have focussed mainly on three distinct options; -EU27 only; extension to GPA/FTA partners on the basis of equivalent commitments and reciprocity; and extension to GPA/FTA partners, regardless of those partners offering reciprocal commitments.

i. An EU27 only approach would create the strongest investment signal for manufacturing within the Union, strengthen resilience, reduce dependencies and be relatively straightforward to implement. Nevertheless, such an approach could create capacity constraints or supply chain disruption in some sectors, increase costs and may present challenges in terms of compatibility with international commitments.

ii. Extension of the geographic scope beyond EU27 to include GPA and FTA partners on the basis of reciprocal market access would allow the Union to pursue its policy objectives and maintain access to trusted partners. However, this approach may be less effective in terms of boosting EU27 manufacturing capacity and delivering on the overall objectives of IAA.

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iii. A broader approach covering all FTA and GPA partners regardless of reciprocity would provide legal certainty, reduce disruption to supply chains and minimise the risk of retaliation. However, this option may not deliver meaningful additional manufacturing investment within the Union, as production could instead relocate to third countries that would continue to enjoy market access. Furthermore, this option could mean that third-country products have access to public procurement or public support in the EU on terms that are more favourable than those available to EU products in the corresponding third-country market. Such a broad geographic scope is likely to limit the efficacy of the lead market measures within the proposal and may weaken the EU's negotiating position in future trade agreements.

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More recently, some delegations have put forward novel proposals that nuance or augment the options outlined above. This includes a proposal to provide measures that would, among other things, enable the exclusion of specific companies or groups from third countries where there is evidence of deliberate circumvention. Another proposal calls for a graduated approach to the inclusion of partner countries, which would involve three layers of access with thresholds and geographic scope varying by product.

Ownership and Public Procurement

Under the Commission proposal, public procurement bodies would be required to exclude economic operators from in-scope procurement procedures based on the geographic location of their ownership or control.

An assessment of the ownership of bidders for public procurement tenders could provide an additional safeguard against circumvention. Without such a mechanism, companies from third countries without an international agreement with the Union could establish manufacturing facilities in eligible countries and benefit from market access potentially undermining the broader objectives of the IAA. Some delegations consider ownership and control an important element of resilience and economic security, others believe that the location of the product’s manufacture should be the sole consideration.

However, public procurement bodies may find it difficult to assess and verify ownership in practice. It may create a significant administrative burden and potentially require digital tools and the development of practical guidance by the European Commission.

In discussions at technical level, some Member States have pointed to the measures related to determination of the origin of economic operators in the proposed Public Procurement Act (PPA) as a possible way forward. The PPA relies on the International Procurement Instrument (IPI) Regulation where the concept of substantive business operations and dominant influence underpin the determination of origin.

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Geographic Scope across Types of Public Intervention

A third issue under consideration is whether the same origin rules should apply across all public interventions or whether different geographic scopes should be used depending on the type of intervention, such as public procurement or public support schemes.

A single geographic scope would be the least complex option to implement and would provide legal certainty for public authorities, manufacturers and consumers. This would reduce administrative burden by avoiding the need to assess different eligibility criteria depending on the intervention being used. Some delegations have stressed that consistency would make compliance easier for businesses, particularly those operating across multiple policy instruments. However, it has also been pointed out that a single geographic scope for all interventions may provide access to public supports for third country products beyond what the Union is obligated to provide under international agreements.

Others have indicated a preference for differentiated geographic scopes, arguing that procurement and support measures pursue different policy objectives and are subject to different international obligations. In their view, a more targeted approach would allow the Union to account for sectoral characteristics, manufacturing capacity and strategic priorities when designing interventions.

The IAA will need to carefully balance the complexity of market access rules, with ease of implementation for public bodies and clarity of investment signals for manufacturers.

Questions

Q1.How should the IAA define the geographic scope of 'partner origin' countries for products in the scope of the regulation?

Q2. Should the procurement provisions in the IAA exclude tenders from bidders based on the country of their ownership?

Q3. Should the geographic scope of 'partner origin' countries remain the same across public procurement and other public interventions, or should the list of countries vary based on the type of intervention?

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