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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Regulation for Industrial Accelerator Act - European Commission replies to MS questions : Chapter IV

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Chapter IV – Foreign Investment Contribution

Questions	Replies
• Which measures under the IAA are - at least partly - measures announced under the Joint Communication of 3 December 2025 on strengthening Economic Security?	**The measures under IAA follow the aims outlined by the Economic Security Communication and are in line with the pillars of promoting competitiveness, protecting against risks and partnering with like-minded countries.** **Specifically, the FDI conditions also build on the high-risk areas identified by the Communication, mainly on "attracting value-added inbound investment that reinforces the EU's economic security". Under this risk area, the Communication also referred to the example of battery electric vehicles investment where related tools should be considered. Moreover, "developing and maintaining leadership across critical technologies" and "strengthening supply chain resilience" are also cornerstones of this Chapter.**
• How will the measures under the IAA be coordinated with other measures announced in the abovementioned Joint Communication, e.g. the Economic Security Information Hub?	**The Economic Security Information Hub is a monitoring initiative as opposed to the harmonised investment conditions introduced by the IAA.**
• Have the **results of the risk assessments** already carried out in the framework of the Economic Security Strategy been **taken into account** in **designing the**	**Yes, the IAA is clearly grounded in the vulnerabilities identified through the economic security strategy's supply chain risk**

IAA? In which way? How will these as well as results of future risk assessments be taken into account in the **implementation of the IAA**? • How does the IAA align with the Communication on Strengthening Economic Security (2025), especially regarding the (ongoing) risk assessments and prioritizing critical value chains for long-term economic stability? • How does the IAA support the EU's Economic Security Strategy (2023) and Communication (2023) in protecting strategic sectors from foreign influence while also strengthening economic sovereignty? • In the **Joint Communication on strengthening Economic Security** the **only measure** announced in connection with **investment screening** are **additional guidelines** to ensure a coherent implementation of the new FDI Screening Regulation)? **Why** does the EC consider **additional legal provisions** - **partly not compatible** with those under the FDI Screening Regulation - **necessary**? Why is it obligatory to screen **greenfield investments** under the IAA, but not under the FDI Screening Regulation?	**assessment as well as other strategic dependency assessment, even if not formally referenced as such. Risk assessments carried out vis-á-vis other sectors could be taken into account in other sectoral legislation.** **Including FDI conditions in IAA is in line with the strategic aims communicated in the Clean Industrial Deal and the Industrial Action Plan on the future of the Automotive Sector. The IAA aims to achieve a different policy objective compared to the FDI Screening Regulation: to maximise added value of FDI in targeted sectors, to reduce forum shopping between Member States and ensure the supply security in the Union. It is necessary to cover greenfield investments to avoid investments that are limited to setting up assembly lines in the EU to avoid trade restrictions.**
• What will be the **relationship** between the new **investment screening provisions under the IAA** and the provisions under the **new FDI Screening Regulation**? • Finally, how does the Commission intend to coordinate this mechanism with existing national FDI screening frameworks in Member States, in order to avoid overlaps or divergences in assessment and prevent fragmentation within the Single Market? • While the legal basis of the IAA and the Investment Screening Regulation may be different, there are practical and pragmatic questions to answer as to how the two systems might operate in tandem if provisions of both regulations were to apply to the same investment. The recitals to the IAA note the complementarity nature of the IAA with the existing Foreign Direct Investment	**The IAA introduces targeted measures and harmonised conditions on large investment targeting a specific and narrow scope of sectors, where more than 40 % of the global manufacturing capacity is held by the third country of which the foreign investor is a national or undertaking. The conditions are set at European level to maximise the added value of these investments for the Single Market.**

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framework but offers no suggestion as to how this complementarity would operate in practice. Can some guidance be offered on how these two regulations will interact and which would potentially take precedence? • Why has the Commission introduced screening with a view to economic security, in parallel to the FDI-screening Regulation and its proposal for revision thereof, instead of solely focusing on economic considerations? • How does Chapter IV relate to the forthcoming regulation on the screening of foreign direct investments in the Union? Could certain investments be subject to parallel procedures under both frameworks?	**Although the FDI Regulation increases harmonisation for FDI within the internal market, it is based on a "national security" perspective, without prescribing common conditions at European level.** **Accordingly, separate notifications and approval proceedings will have to be conducted.** **In addition, the explanatory memorandum and impact assessment both explain how unconditioned foreign investments in strategic manufacturing sectors could leave the Union with assembly-only operations, weak technology retention and fragile value chains. The Commission therefore identified a framework that goes beyond purely economic cost-benefit screening and explicitly targets resilience, supply-chain integration, know-how and jobs.**
• Will it be **possible** that the **existing FDI screening authorities** of the MS **also** take over the role of the **investment authorities under the IAA**? • Who should be the investment authorities of the Member States? Since establishing new authorities or institutions is an administrative burden for MS, is it possible that such an Investment Authority be an interministerial group for example?	**The proposal requires Member States to designate an Investment Authority, but it does not prescribe the institutional details. It must be provided with the necessary resources and legal and administrative means to perform tasks foreseen by Chapter IV. This leaves room for different national institutional designs, as long as one designated authority carries the legal responsibility.**

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• How will be the **interplay** of **several screening procedures** concerning the **same transaction**, e.g. under the new FDI screening Regulation, the investment provisions of the IAA, the DFS Regulation and the Merger Control Regulation against the background of **simplification**, **reducing bureaucracy** and the **one stop shop** principle? • The IAA introduces a burdensome and lengthy licensing procedure for foreign investments. This increases unnecessary bureaucracy at a time when we should instead aim to reduce the regulatory burden. Isn't there a contradiction here? • How does the Commission envisage the interaction between this new IAA screening mechanism and merger control, in cases where the investment confers control within the meaning of the EU Merger Regulation? Will two separate prior notifications be required, as is the case for the interface with the FSR? • How will the Commission reduce the administrative burden on national authorities involved in FDI screening, and how will this impact the efficiency of current national systems? • Has the Commission examined to what extent the proposed FDI conditions, including the proposed administrative procedure, could lead to a redirection of FDI to non-EU countries? • Has the Commission examined to what extent the proposed FDI conditions, including the proposed administrative procedure, could lead to a redirection of FDI to non-EU countries? • Has the Commission investigated what bureaucratic build-up the FDI conditions, including the administrative procedure, would cause both in the Member States and in the affected companies? Were companies explicitly asked? • How should continuous monitoring be carried out? How does this run counter to the goal of reducing bureaucracy? • How does synchronization with other EU regulations, including the Foreign Subsidies Regulation, Merger Control Regulation, and FDI Screening Regulation, take place?	**The IAA concerns only a small number of transactions, due to its limited scope and aims to tackle a different issue compared to the other legislation mentioned.** **The proposal addresses potential administrative burden considerations by making the regime selective and harmonised. Each Member State must designate an Investment Authority and provide it with sufficient resources and legal means. Member States are free to designate the Investment Authority that fits best with their national systems and administration(s). Nevertheless, the Commission recommends exploring institutional synergies to maximise effectiveness and decrease admin burden. The one-off notification cost for businesses is limited, and uniform conditions across the EU reduce forum shopping and simplify business conditions compared with fragmented national approaches. The proposed harmonisation ensures a consistent approach across the Single Market.** **Continuous monitoring is built into the approval decision itself: the Investment Authority must set reporting obligations on the investor, and Article 22 requires regular reporting throughout the operation of the investment. This adds administrative burden, but the framework is narrow enough to keep the number of cases limited, while**

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• It is essential that the new requirements for third country investments do not trigger trade countermeasures or deter potential third country investors. How can we ensure that the currently proposed broad requirements will not be like that? • What does this mean for the EU's appeal to foreign investors? • What insights has the Commission gained in their impact assessment regarding the effectiveness of FDI conditioning and possible consequences, e.g., on the attractiveness of the EU for investors compared to third countries competing with the EU for FDI? • Could the Commission clarify how the proposed framework for foreign direct investment is expected to impact the EU's attractiveness for investors and to what extent it may risk relocating investments outside the Union?	**reducing broader Single Market fragmentation through a uniform EU framework.** **The attractiveness of the Single Market, the Union demand and integration to Union value chains serve as a significant incentive to invest in Europe. The impact assessment discusses possible deterrence risk, increased costs for some investors, and possible short-term relocation incentives. It also sets out the intended positive effects, as for example and not limited to more embedded upstream activities, technology and know-how transfer, better availability of EU-based suppliers, stronger local value chains, more R&D and know-how retention, and resilient Union job market. Moreover, Article 18(4) on the review of FDI from the foreign investor's subsidiary is a tool to avoid circumvention through third country subsidiaries.** **The measures foreseen by the IAA are carefully designed in accordance with the commitments undertaken in the Clean Industrial Deal and the Industrial Action Plan for the European automotive sector. Moreover, they take into consideration similar measures already in place in other geographies at global level, especially where the global supply capacity threshold foreseen by the act is already achieved.**

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	The aim of the Commission is not to deter investments but to ensure that these investments contribute to the functioning and the prosperity of the internal market and the supply security of the Union with high added value. **The impact assessment recognises that the mandatory approach may temporarily deter some investments in the short term, especially those relying heavily on imported inputs or global staffing models. However, as the rules will only affect investments from countries where more than 40 % of the global manufacturing capacity is held, the impact will be geographically limited and will support the diversification of supply chains. The Impact Assessment also argues that a predictable, harmonised EU-wide regime would create more significant economic and technological benefits and stable and value adding investment over time.**
• How does EC perceive foreign investors potentially having to hand in their transaction to several authorities with potentially diverging views in their respective final decision on one and the same transaction may be **conducive to overall EU investment climate?** • Art. 19 (6) regarding cross-border investments and Art. 21 where the Commission, on its own initiative, may decide to undertake the assessment of a foreign investment makes it less clear for the investor who has the final say. Could you provide some further clarity as to when and why the Commission would take over the assessment?	**Please refer to Article 19(6) of the Regulation. 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. The Member States 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. In case there is no agreement between the Member States concerned, the Commission**

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	shall decide which conditions shall be applied to the foreign direct investment. **Article 21 sets out another set of circumstances in which the Commission may undertake the assessment of the foreign direct investment under Article 21. The circumstances under which it may do so are set out in that Article. The Commission takes over decision powers under Article 21.**
• **Investors and investments** covered by **economic partnership** and **free trade agreements** with the EU with relevant commitments concerning investments are **excluded** from the application of the investment chapter of the IAA - does this **also apply to WTO Members** as far as relevant commitments under the WTO Agreement (e.g. the TRIMS) are concerned? If not - how is the **WTO-compatibility** of these provisions guaranteed? • With regard to Art. 18 (2) (f): Could the Commission clarify if and how it considers this provision to be consistent with the Union's obligations under the TRIMS Agreement? • How does the IAA ensure that the EU meets its international obligations, such as those under GATS, and how do these obligations affect the FDI screening process? • With regards to Art. 17 (3) (a): can the Commission clarify under which economic partnership and free trade agreements currently in force or provisionally applied it considers to have made "relevant commitments" for the purposes of this article?	**Article 17(3)(a) excludes investments in services and 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 their Union subsidiaries.** **Regarding TRIMS, the IAA merely sets out a sourcing strategy requirement where investments "shall endeavour" sourcing from within the Union.** **With regards to Art. 17 (3) (a), "relevant commitments" in economic partnership and free trade agreements would be those such as in investment liberalisation chapters or chapters that include liberalisation provisions guaranteeing market access. Moreover,**

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• Existing EU FTA agreements are excluded from the FDI-chapter's scope, meaning that the investment protection provisions included in FTAs are covered through this exclusion. By contrast, investment protection agreements (IPAs) negotiated by the EU as standalone agreements (Singapore, Vietnam, Indonesia) are not excluded from the scope. To date, none of the EU's investment protection agreements are in force, but would there be a possibility for treaty conflicts if/when these agreements would enter into force? (Incl. taking into consideration that IAA allows Member States to apply conditions/restrictions also to investments made by subsidiaries of third-country investors already operating within the EU).	**Article 17(3)a) is phrased in a broad manner, namely "*economic partnership and free trade agreements in force or provisionally applied by the Union*". This is to exclude all international agreements concluded by the Union with relevant commitments.**
• With regards to Art. 17(1) and (3)(b) as well as Art. 18(2): The wording in Art. 17(3) and Art. 18(2) ["... made directly by foreign investors ..."] seem to imply that Union subsidiaries of third country investors are exempt. Does this not contradict the definition in Art. 3(31-34)?	**As a general rule, the conditions set out in IAA apply to investments made directly be the foreign investor. However, investments made by the subsidiary of foreign investors may also be reviewed under the conditions set out in Article 18(4).**
• With regards to Art. 17(2): What is the added value of or rationale for adding the word "emerging" to "strategic sectors"?	**"Strategic sectors" for the purposes of the IAA proposal are those set out in Annex I. "Emerging strategic sectors" are those in scope of the provisions of Chapter IV.**
• How did the Commission define the sectorial scope of this mechanism, given that the covered sectors do not appear to be in the same situation and have few common characteristics? • How does the Commission intend to determine and verify the 40% threshold of global production capacity held by the investor's third country? Which data sources will be used, and how will the Commission ensure that this assessment is updated and passed on to Member States and their competent national authority in a timely manner in order to prevent any circumvention of the	**The sectorial scope was defined based on a careful consideration of identified sectors' characteristics, in order to establish a common approach in the applied conditions and thresholds. These are sectors of high strategic importance, where large investments are coming into Europe from dominant global players, often without sufficient added value to the internal market and negatively impacting EU industrial business environment. Moreover, Europe needs to retain**

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mechanism and to remain as responsive as possible, particularly in view of the rapid evolution of global industrial capacities in the sectors concerned? • With regards to Art. 17 (2): can the Commission clarify how, for the four strategic sectors outlined in Art. 17 (2) (a) to (d), it will calculate the "global manufacturing capacity" for the purposes of establishing whether a country holds +40% in these sectors (for example, as regards (d), will it assess separately market shares for extraction, processing and recycling of CRMs, or will these three production steps be taken together). • How is the €100 million threshold calculated? In particular, what if a foreign investor makes a foreign direct investment by spreading it over a period of time to ultimately reach €100 million, for example after three years? For instance, in the FSR, foreign subsidies are considered over the 3 last consecutive years to prevent circumvention by splitting the foreign subsidy. • How does the Commission intend to assess the notion of "global production capacity held by a third country" where the investor is a multinational entity, or where complex investment structures exist (intermediate subsidiaries, investment funds, joint ventures, etc.)?	**and further strengthen its competitive and technological edge in these sectors.** **The Commission will base the verification of the 40% threshold on its monitoring activities, already performed pursuant to the NZIA and the CRMA obligations. The data is currently monitored on a country level, and is planned to be monitored on a country level within the framework of IAA as well. Article 23(2) prescribes that the Commission publishes such data on a yearly basis.** **The EUR 100 million threshold is established in accordance with the aggregation rules set out in Article 19(2). Accordingly, an EUR 50 million and an EUR 60 million investment made after the entry into force of the Regulation would be aggregated for the purpose of the threshold.**
• With regards to Art. 18(2)(a): Does the Commission mean "Union target or asset" part of the proposed investment? If so, does the Commission consider the wording sufficiently clear?	**The conditions listed in IAA apply vis-á-vis the respective investment in all cases, as stated by "shall only approve foreign direct investments made […]" in Art 18(2).**
• With regards to Art. 18(2)(b): How will the Commission define "effective participation of Union partners in management, technology transfer, and capacity building"? Will this be included in the implementing act mentioned in paragraph 5?	**The Commission will establish the detailed rules on the fulfilment of the conditions through the implementing act set out in Article 18(5). The aim is to ensure that the JV agreement provides sufficient participation to the Union entity.**

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• With regards to Art. 18(2)(d): Does the Commission consider it necessary to clarify that the R&D spending should be relevant to the strategic sectors mentioned in Art. 17(2) to avoid various spending to be nominally classified as R&D spending (or for that matter irrelevant R&D spending) as a way of circumventing the purpose of the proposed Regulation? Will this be included in the implementing act mentioned in paragraph 5?	**The objective of the R&D spending condition is to remain broad in what activity is to be supported by the investment, as long as it is within the Union territory. Therefore, the investment could promote its internal R&D, as well as support another entity (e.g. university).**
• With regard to Art. 18(2)(e) we would welcome further clarification on the scope and interpretation of the mandatory 'workforce' requirement, as it is currently unclear which elements this term is intended to cover in practice. • Article 18 - Can the Commission explain the methodology and reasoning for the specific thresholds in the conditions outlined in paragraph 2? For example, in paragraph 2(e) what is the assessment of the percentage (50%) of Union workforce based on? How does it factor in the possibility that in some cases the required amount of Union workforce is not available on the labour market or is not feasible to recruit within the necessary location or timeframe? Regarding the envisaged requirements on workforce composition expected in the FDIs, could the Commission clarify why the draft legislation does not appear to reflect the common situation in which new investments initially rely on a higher share of foreign workers, with localisation occurring only after a transitional period? • At the same time, while EU based cell manufacturing is expanding, upstream refining of critical raw materials largely remains outside the Union. This structural gap risks creating distortions in origin calculations and compliance pathways. It would be helpful to understand how the Commission plans to address these inconsistencies, particularly in the early years of implementation, when upstream localisation will still be limited. • The Commission proposal contains a requirement for non-EU investors to ensure at least 50% of the workforce employed in the EU possesses "Union	**The workforce requirement intends to ensure that at least 50% of the employees in the context of the FDI are "Union workers", across all levels (i.e. including managers). This includes recruitment, training, skill development and direct benefits to communities, and aims to avoid a race to the bottom on labour conditions across Member States.** **The specific threshold is to ensure that the Union worker contribution is sufficient to ensure technological and know-how development in the Union, as well as that industrial economic activity in the single market has a direct positive impact on Union communities and union citizens.** **The 50% threshold needs to be complied with at all levels of the workforce, including managers, which contributes to effective Union participation in the steering of the Target.**

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Worker" status, i.e., holds EU citizenship or permanent residency. Does the Commission possess evidence to underpin the necessity and proportionality of the proposed requirement? Is the Commission aware of any instances, past or present, in which such a requirement would have (had) effect? • Which workers are excluded from the definition of "Union worker"?	**The Union worker definition excludes third country workers who do not have the valid working permits at the time of the recruitment.**
Article 18(2)f) • On what basis will the Commission assess compliance with the minimum threshold of 30% EU-manufactured components, and how will this threshold be monitored over time after the investment has been authorised (*ex post* control)? • Does the Commission foresee conducting a sectoral impact assessment (for the sectors covered by the mechanism) in order to evaluate the relevance of the 30% threshold for EU components and its effects on local industrial spillovers? • Linked to this, manufacturers with ongoing industrial investments need clarity on transitional arrangements. Many projects were launched before the full localisation of the battery value chain — including CAM, BMS, anode and cathode production — could be secured within the Union. We would therefore welcome more detail on what flexibility mechanisms the Commission envisages to ensure that these investments can remain viable during the transition period.	**The monitoring of the continuous fulfilment of conditions lies with the Investment Authorities. It is important to note that the 30% 'local sourcing' is a shall endeavour obligation, and the investments are required to publish on their website a strategy for enhancing Union value chains and prioritising the sourcing of inputs for the manufacturing activity from the Union. Therefore, verifying compliance with this obligation should be accessible to the authorities. Given the nature of this obligation, the Commission does not consider it resulting in value chain bottlenecks during the transitional period. Moreover, ongoing investments are not affected as the proposal does not prescribe any retroactivity.**
• With regards to Art. 18(4): Is this paragraph supposed to establish an ex officio procedure for Member States and thus only be applied only to non-notified investments? Please elaborate on the functioning of this paragraph.	**Article 19 establishes that all investments falling in scope of Article 17 shall be notified. These include investments made by subsidiaries, in line with the foreign investor and foreign direct investment definitions in Article 3. Therefore, such investments need to be notified but they are not automatically subjected to the conditions laid down in Article 18. Accordingly, the review of such investments**

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	should only be carried out on the basis of Art 18(4), which indeed establishes an ex officio procedure for Member States.
• With regards to Art. 20(1): Does the Commission consider a specification of the deadline in calendar days in line with for example the FDI screening regulation to best practice in terms of legal certainty? • In relation to the proposed FDI provisions, has the Commission considered introducing a binding decision deadline, potentially coupled with tacit approval in the absence of a timely decision, and could it clarify whether decisions falling under the Commission's competence would be subject to any form of legal remedy?	**There is a binding decision deadline included in Article 20 of IAA, however it does not contain a tacit approval provision.** **Legal remedies will be available also to the Commission decision, also in accordance with Article 21(4).**
• With regards to Art. 19: could the Commission clarify why it has chosen 30% as a threshold for an investor to be considered to have control?	**In order to trigger the application of the provisions with certainty, a fixed threshold for control was established, in line with national FDI regime approaches. Setting a threshold at 30 percent ensures that the mechanism captures investments capable of impacting the well-functioning of the internal market.** **The aim of the provisions is to review investments where the foreign investor may exercise significant control and influence over the target, which is the case if at least 30% is acquired. This is also in accordance with the existing practice of other instruments (where control might be established already at 25%), while keeping in mind the administrative burden implications resulting from a higher number of applications in case the threshold is defined too low.**

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• With regard to Art. 20(3): Does the phrase "the Investment Authority shall issue a reasoned decision approving or declining the foreign direct investment" refer to issuing the decision also to the investor or only to the Commission? Paragraph 4 seems to imply the latter. After all, would the additional two-month assessment period otherwise not boil down to a mere legal formality and administrative delay?	**It is issued to the investor but also communicated to the Commission within 3 days of adoption as per the last subparagraph of Article 20(3).** **In case the Investment Authority want to divert from the Commission opinion, it shall examine the notification for 2 additional months and issue a reasoned decision by the end of such period.**
• With regards to Art. 21(1)(b): Will Member States be able to determine unilaterally whether there would potentially be "significant impact on its territory"? Will this also be the case in paragraph 2.b or will the Commission determine this?	**The Member State will be able to determine whether there would potentially be "significant impact on its territory", however they have the possibility to request the Commission to undertake the assessment.**
• With regards to Art. 21(1)(c-e): How, if at all, will the Commission further define or issue guidance on defining the relevant indicators? ("(c) potential of disrupting security of supply chain ... (d) detrimental environmental effect ... (e) high value compared to other investments")	**Generally, investments will be examined on a case-by-case basis.**
• Are the conditions of FDI's applied retroactively to investments already made before IAA? • Article 18: Value added foreign direct investment criteria. Taking into account that there are some foreign direct investments with progressive disbursements, and assuming hypothetically that some of these disbursements can be carried out when the IAA Regulation is already in place, could the COM clarify whether these abovementioned investments that were approved by the	**No, conditions apply only to investments after the entry into force of IAA.**

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National Investment Authorities before the entry into force of the IAA Regulation could be subject to the criteria laid down in Chapter V.	
• Does the Commission see risks of retaliatory measures by third countries?	**The measures foreseen by the IAA are designed considering a cost-benefit analysis and taking into consideration similar measures already in place in other geographies at global level.**
• As regards to FDI conditioning, the Commission refers to "established international practices." In the IAA impact assessment (Annex 13) examples of such practices include measures used by China (similar to those proposed in the IAA), as well as those by Canada and the United States. The later ones, however, relate to conditionalities attached to incentives designed to attract investment (financing, taxation). It would be interesting to hear why the Commission chose to propose restrictive conditioning measures instead of incentive measures to attract investments that generate local added value?	**The IAA does not foresee any supporting financing tool. The Commission aims to leverage the attractiveness of the Single Market with targeted measures for a limited number of sectors and investments.**
• Is and how the European Commission will take into account the issue of third-country company's controlling influence over a company in determining the threshold for control (a minimum of 30%) acquired through foreign investment? • Article 19(1) stipulates that a foreign direct investment must be notified to the investment authority. The third paragraph specifies when a foreign investor is deemed to have control. Where the acquisition or establishment of an investment by a foreign investor result in foreign investors collectively exceeding ownership or control thresholds, such acquisition or establishment must be notified. How should Member States obtain data to verify compliance with the conditions set forth in the fifth paragraph (considering combined shares held directly or indirectly, including through related parties, chains of ownership, or foreign investors acting in concert)? Based on information	**Article 19 addresses this. An investment is deemed controlled where it reaches 30% or more of share capital or voting rights in a Union target, or 30% or more of ownership or control rights over a Union asset. In that case, the investment needs to be notified to the Investment Authority.** **It also says that, where foreign investors collectively cross those thresholds, the investment must be notified, and that aggregated interests held directly or indirectly, including through affiliates, chains of ownership or investors acting in concert, must be taken into**

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provided by the foreign investor? How should Member States verify the authenticity and accuracy of the data or statements? • FDI are often made by investment vehicles with complex shareholder structures involving multiple layers of shareholding companies and joint shareholders from different third countries with varying percentages of indirect shareholdings in the investment vehicle. By what criteria are the competent authorities to determine if an investment is considered to be made by an undertaking / national from the respective third country covered by Art. 17 (1)?	**account. The proposal therefore does capture complex and collective structures of potential investors.**
• Why does the EU Commission limit its proposal to the four sectors? On what basis did the Commission decide upon the scope of Chapter IV? Does the COM see a need for action in other 'emerging strategic sectors' such as, for example, AI, semiconductors, quantum technology or space or critical sectors like semiconductors and biotech? Does the EU Commission therefore consider the existing regulatory instruments in those sectors to be sufficient? Why are AI, quantum or biotechnology not identified as "strategic sectors"? • Commission is empowered to adopt delegated acts to supplement the list of emerging strategic sectors. Why does nuclear fission technologies not appear in this list? What are the reasons to include only fuel cycle technologies? • How can Member States influence the expansion of strategic sectors by the Commission, and what guarantees are in place to ensure transparency and fair involvement in this process? • Is Article 24 (1) to be understood that digital technologies, artificial intelligence, quantum technologies and semiconductors are explicitly excluded from potential extensions of the provisions in Chapter IV by means of delegated acts? Has such an explicit exclusion also been considered for Chapter III?	**Article 17(2) limits Chapter IV to four emerging strategic manufacturing sectors: battery technologies, electric vehicles and related components, solar PV technologies, and extraction, processing and recycling of critical raw materials. The proposal's logic is that these are sectors where supply-chain concentration, localisation risk and manufacturing value-added concerns are currently particularly acute. However, Article 24 allows delegated acts to add further sectors deemed critical to economic security, for example net zero technologies of Regulation (EU) 2024/1735. The proposal also says such delegated acts are without prejudice to other Union acts establishing investment criteria for those sectors.** **AI, quantum and semiconductors are explicitly excluded. Article 24(1) lists certain additional net-zero, nuclear fuel cycle and electric propulsion sectors that could be added via delegated act to the list of emerging strategic sectors covered by the Chapter.**

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	Chapter III follows a different logic and therefore different criteria have been applied to select sectors covered in Chapter III.
• Has the Commission considered the views expressed by industry organisations regarding the introduction of mandatory intellectual property requirements within the FDI framework? • Have companies and business associations already been consulted on the proposed FDI conditions and its administrative procedure? If so, which ones and what was their reaction?	**The Commission consulted stakeholders on the proposed provisions. The impact assessment describes a broad consultation process involving business associations, companies, Member States, targeted consultations and workshops. Stakeholders had an overall positive view of the foreign-investment provisions.**
• With regard to Article 18.2(c), a mandatory or quasi-mandatory licensing of intellectual property rights for foreign investors and sharing know-how as a condition of investment approval may create a disproportionate interference with property rights as protected under Article 17(2) of the EU Charter of Fundamental Rights, particularly in the absence of a case-by-case assessment. The requirement to share confidential know-how does not appear to align with the Trade Secrets Directive, which is based on the protection of confidential business information. Can the Commission clarify how these will be aligned?	**The technology transfer condition set out in Article 18(2)c) intends to promote the technological development of emerging strategic sectors in the Union and avoid investments without any research and development (e.g. only assembly or packaging). Moreover, it protects the IP created by the Union target. Article 18 includes several elements that allow for a proportionate measure. First, the limited scope of the concerned FDIs reduces the impact of the measure. Second, as the foreign investor can choose which four of the six criteria to comply with in order to be compliant with the provision, the investor can choose not to comply with this condition. Thirdly, the IPR licensing must be done to enable the Union target/asset to carry its economic activities in the context of the foreign direct investment, limiting the scope of the IPR licensing to what is necessary. As explicitly mentioned in the recital, these licensing**

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	agreements need to be appropriate to the circumstances. There will therefore also be a case-by-case analysis of the situation by the designated investment authority.
• The proposed automatic consigning of newly developed IP to the Union, and prescriptive rules on joint ownership in collaborative scenarios (Article 18.2(b)) may conflict with national laws governing initial ownership and freedom of contract and divergent Member State rules on co-ownership and exploitation. In high-technology sectors such as battery chemistry, EV systems or solar technologies where cross-border R&D collaboration, background IP integration and complex licensing structures are standard and as such, the proposed ownership and licensing conditions may prove commercially impracticable and could ultimately have a chilling effect on innovation-driven investment.	**Article 18 aims at ensuring that the IP being developed as a result of a collaboration is jointly owned by the collaborating parties.**
• How does the 40% threshold apply to joint ventures where foreign investors hold up to 49% ownership? What impact does this have on their legal status within the EU under the IAA?	**Two thresholds operate separately. The 40% threshold is about the foreign investor's home country share of global manufacturing capacity in the sector and determines whether Chapter IV should be applied. The 49% threshold in Article 18 concerns one of the value-added conditions for approval: it requires that the foreign investor does not exceed 49% ownership/control in the Union target or in the joint venture. Therefore, a joint venture can still fall within Chapter IV if the investor's home country exceeds 40% global capacity, even where the foreign investor holds only 49% or less in the EU JV. In that case, the investment can only be approved if it meets at least four of the six Article 18 conditions, one of which may be the 49% ownership/JV structure.**

• How does the EU preference principle, which prioritizes investments that strengthen the EU's industrial capacity, align with the Commission's approach to FDI screening under the IAA?	**The two are parts of the same industrial logic, but they operate on different margins. The "Made in EU" and low-carbon provisions stimulate demand and create lead markets where public money is involved. Chapter IV steers the quality and structure of supply-side investment in a small number of strategic sectors, so that foreign investment strengthens EU value creation and industrial capacity rather than simply using the Union as a market outlet or assembly base.**
• Why does the Commission have the power to independently initiate FDI assessments and block foreign transactions? How will this affect the EU's investment climate and Member States' economic interests?	**Under Article 21, the Commission may take over the assessment where the investment has the potential to significantly impact added value creation in the Union market, where the foreign direct investment has value exceeding EUR 1 billion, where a Member State requests it because the investment would significantly affect its territory, or in cross-border cases where relevant. The logic is to protect Union-wide interests where a purely national review might not be able to properly assess spillovers across the Single Market. This is an exceptional competence for a very narrow set of sectors and limited number of transactions.**
• How does the Commission ensure that the €100 million threshold for FDI screening is proportional, particularly for smaller Member States or emerging sectors where such investments may have a disproportionate impact? • How did the Commission arrive at the cut-offs of 100m EUR investments from countries with at least 40% global manufacturing?	**Chapter IV is meant to catch only very large direct investments in a small set of emerging strategic manufacturing sectors, and only where the foreign investor comes from a country with a very high degree of concentration in global manufacturing capacity. That is the targeting logic behind EUR 100 million and the 40% global-capacity**

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• What is the rationale for the proposed criteria of 100 Mio. EUR and 40% global market share? How many investors would have been affected in recent years due to these criteria? In which sectors have these investments been made? • How will the €100 million threshold affect smaller or emerging markets within the EU? Will it help or hinder foreign investment in these regions?	**threshold. The proposal also says the Commission will itself monitor global manufacturing capacity in the relevant sectors and publish updated information (see reply above).** **As mentioned above, the intended effect is to screen only a narrow subset of large investments, which should reduce overreach. The impact assessment accepts that some investments may be deterred in the short term, but a harmonised framework should strengthen long-term value creation and reduce arbitrage/risk of "forum shopping" between Member States, therefore potentially strengthening their negotiation power vis-à-vis international operators.**
Reducing high-risk strategic dependencies • How does the IAA contribute to reducing the EU's high-risk strategic dependence on non-EU countries, especially in critical sectors like technology, energy, and infrastructure? In other words; How does this strengthen the EU's ability to withstand external shocks? • Which tools will the Commission use under the IAA to mitigate economic risks from foreign investments, and how will these be coordinated with existing EU mechanisms for investment control and economic security? In the Communication on Strengthening Economic Security, a reference is made to a EU toolbox with both defensive and offensive instruments. How are these tools linked to the IAA?	**The answer is threefold. IAA creates lead markets for EU-made low-carbon industrial products and selected net-zero technologies, it introduces targeted FDI conditions to maximise added value and know-how retention from FDIs in strategic manufacturing sectors, and it speeds up deployment of manufacturing projects through permitting simplification and acceleration areas. The explanatory memorandum explains the link between IAA provisions and preventing strategic dependencies and ensuring secure access to vital goods and products in times of global market uncertainty. These tools, in addition to existing tools, are crucial for the EU's economic security.**

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• The European Commission has decision making powers regarding the approval of new investments in certain situations (large investments, lack of agreement between Member States in multinational transactions) - this may potentially create challenges with regard to the autonomy of Member States in this area.	**The proposal gives the Commission an important role: it may issue an opinion in ordinary cases, it would decide on the applicable conditions where several Member States are concerned and they do not agree, and under Article 21 it may itself undertake the assessment in defined situations. However, the core of the decision-making powers remain with the Member States. The Commission's legal and policy justification is that a harmonised framework is needed to avoid forum shopping, fragmentation and a race to the bottom inside the Single Market. It can also be useful if a Member State would feel restrained to take a decision for a fear retaliation.**
• Regarding Chapter IV, Article 18 - How did the Commission envisage the verification of compliance with the conditions set forth in the first paragraph of Article 17 (an investment exceeding EUR 100 million in strategic sectors where a third country, whose citizen or company is the foreign investor, holds more than 40% of the global production capacity in that sector or sectors). How many such potential cases are there? It is stated that, for the purposes of verifying the threshold of a 100 million EUR investment and 40% of global production capacity, the foreign investor's investments in target entities within the Union made since the entry into force of the Regulation are aggregated. How does one obtain this data, especially if multiple Member States are involved? • Does the COM have an overview of how many investment projects, differentiated by Member States and by greenfield investments vs. participation in existing EU companies (i.e. M&A transactions), would have been affected by the new FDI conditions in the past 5 years?	**For the 40% global-capacity threshold, Article 23 puts the monitoring burden on the Commission, which must monitor global manufacturing capacity in the relevant sectors and publish updated information on a yearly basis. For the EUR 100 million threshold, Article 19(2) says only previous investments by the same foreign investor in the same Union target or Union asset since entry into force are aggregated. In cross-border cases, Article 19(6) requires the investor to notify all Member States concerned and the Commission on the same day, and the Member States must coordinate for their assessment.**

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• Art. 18, paragraph 2 establishes a requirement for authorities to only approve foreign direct investments that fulfil either four or more of the following six conditions. However, paragraph 4 in the same article mentions certain requirements before applying these conditions, including that no alternative measures are available. • Could you clarify further, essentially whether there is a requirement or not to include the mentioned conditions before approving investments?	**Art. 18, paragraph 4 applies only to investments made by the foreign investor's subsidiary.**
• How should the verification of compliance with the conditions set out in Article 18(2) be carried out? Based on data provided by the foreign investor? The veracity and accuracy of the data? The EC will issue an implementing act, but we are still interested in how it envisions the practical implementation of this provision.	**The proposal is built around investor-provided information, followed by authority review and then continuing monitoring. Notifications go first to the Investment Authority, the full file is then transmitted to the Commission, and if the investment is approved, the authority must set reporting obligations to monitor continued compliance over time. Article 22 then requires regular investor reporting and empowers authorities to impose penalties for non-compliance with notification, conditions or monitoring obligations.**
• Article 22 stipulates that the investment authority regularly monitors the foreign investment and that the foreign investor regularly reports to it on compliance with the conditions. What if they do not report? How can the accuracy and veracity of the reported data be verified?	**Article 22 explicitly covers monitoring and consequences of non-compliance. The Investment Authority must monitor the investment, the foreign investor must report regularly, and the authority must establish penalties for failure to comply with the notification, the Article 18 conditions, or the monitoring obligations. Minimum penalty floors are set for certain notification breaches. The proposal therefore anticipates non-reporting and inaccurate reporting through a penalty-based compliance model.**

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• Has the Commission conducted an impact assessment on negative effects like possible relocation of investments to third countries, as well as the degree to which intended positive effects would be achieved, like increased hiring of local workforce, higher Union share of value-added and improvements in the know-how and technological position of the Union economy? Can the Commission provide an analysis of the effects which comparable regulations have had in third countries?	**Annex 13 of the impact assessment focusses on this issue, titled "Overview of third countries conditionalities for FDI", and it refers to international experience gathered on the subject.**
• Which means of recourse do Member States have if in their view, the Commission incorrectly assumed that the FDI has the potential to significantly impact added value creation in the Union market (cf. Art. 21 (1) (a) and (2)) and is therefore undertaking the assessment on its own initiative instead of the Member State, where the FDI is envisaged?	**The proposal expressly gives a right to seek judicial recourse to "any party subject to a decision" under Article 20(1) or (3). It does not create a separate appeal right for Member States against the Commission's decision to take over under Article 21. Therefore, the formal safeguard visible in the text is judicial review.**
• How does the proposal address FDI in the markets of our free trade partners and the associated risk of circumvention of the FDI measures contained in the proposal?	**The proposal addresses this by excluding investors and investments covered by relevant EPA/FTA commitments, including Union subsidiaries of such investors, from Chapter IV altogether. The circumvention risk can be addressed by Article 18(4), pursuant to which authorities may screen investments from FTA countries if they are the subsidiary of the foreign investor in scope.**

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