Industrial Accelerator Act position paper

Executive Summary

The Industrial Accelerator Act (IAA) represents a timely and welcome initiative to foster climate neutrality by accelerating industrial decarbonisation and to support the development, competitiveness and resilience of the Union's manufacturing sector. EUROFER strongly supports the Act's objective of creating lead markets for low-carbon steel as a critical tool to unlock the massive investments needed for the green transition of the European steel industry and facilitate the market uptake of low-carbon steel.

The direction of the IAA is correct, however, the current proposal falls short in its ambition creating demand signals for low-carbon steel made in the EU. Without robust Union origin requirements linked to steel originally melted and poured within the EU, public procurement and support schemes risk being met by imported steel, undermining decarbonisation investments in Europe. The proposal must also raise the demand for low-carbon steel quantities predictably, and ensure consistency across instruments.

EUROFER calls on the co-legislators to strengthen the IAA with the following recommendations:

1. Introducing mandatory Union origin requirements (based on steel originally melted and poured in the EU[1]) for low-carbon steel in public procurement and public support schemes.
2. Adopting a single, consistent definition of Union origin across all relevant articles to prevent circumvention and market confusion. Only steel originally melted and poured in the EU should qualify, including for the automotive CO_2 emission performance standards credits.
3. Greater ambition and broader scope in public procurement and public support schemes: Raise minimum shares to at least 50% low-carbon Union-origin steel, applied to 100% of support scheme budget allocations, and extend requirements to NZIA technologies and strategic components.
4. Swift, effective and efficient low-carbon steel labelling to support transparent lead markets.

[1] This approach is fully consistent with the new EU steel trade measure (replacing the safeguard mechanism from July 2026), which introduces a "melt and pour" requirement to improve traceability and prevent circumvention. Under that measure, importers must provide evidence (such as mill certificates) of the country where the steel was originally melted and poured, rather than relying solely on the last substantial processing operation.

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5. Allowing flexible designation of Acceleration Areas to cover geographically dispersed industrial sites.
6. Include strategic sectors such as wind, and components made from electrical steels in Foreign Direct Investment (FDI) screening.
7. The 'energy intensive industry' definition should not be conditional on being in an acceleration area.

These improvements are essential to match the steel industry's decarbonisation ambitions, secure long-term competitiveness, and deliver on the EU's climate neutrality and strategic autonomy objectives.

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The European Commission proposal for the Industrial Accelerator Act (IAA) has been highly anticipated, as it is expected to be a key policy for enabling European steel industry decarbonisation. In particular, the IAA intends to create lead markets for low-carbon[2] steel in targeted downstream sectors, as part of the wider decarbonisation and strategic autonomy objectives for the entire EU industrial value chain.

The transition to low-carbon steel represents one of the European Union's most significant industrial challenges. Steel is indispensable for the European Union's green transition and strategic autonomy. It provides critical inputs for the automotive sector and infrastructure, yet its decarbonisation requires substantial investments and the rapid development of a viable market for low-carbon steel.

In the absence of predictable demand for low-carbon steel produced within the EU, there is a substantial risk that investments will stall or be redirected to third countries. Such an outcome would not only jeopardise the EU's climate objectives but also weaken its industrial base and long-term competitiveness.

We therefore welcome the ambition to increase the share that manufacturing contributes to the EU economy to at least 20% of gross domestic product, however the measures proposed need to go further to secure sufficient demand for low-carbon steel that is made originally in the EU. This is important because the ambition of the EU steel industry within the next 4 years and beyond needs to be matched by an equivalent ambition in stimulating market demand for low-carbon products.

Whilst the proposal marks a good first step, specific aspects of the proposal can be improved as follows:

1. Mandatory Union origin requirements for low-carbon steel to prioritise decarbonisation investments in the EU

To enable effective lead markets, the IAA must ensure that demand for low-carbon steel supports production in the EU. Minimum shares of low-carbon steel for public procurement and public support schemes are a positive step, but without Union origin requirements, they risk being met by imports.

A consistent approach across sectors is therefore essential. Public procurement and public support schemes should include minimum shares of low-carbon steel of Union origin (Annex II).

[2] The Commission's wording 'low-carbon' in the IAA proposal could be confused with terminology to describe the chemical composition of steel (steel is an alloy of iron with varying amounts of carbon). A different terminology could be considered such as 'low CO_2 steel' to avoid any potential confusion within the industry.

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In the automotive sector, the proposal creates an inconsistency: while CO_2 credit schemes require steel of Union origin, this does not apply to vehicles purchased under public procurement and public schemes that require low-carbon steel. This risks market confusion and weakens the demand signal. Therefore, products that are classed as 'Made in EU' should also include a substantial minimum share of low-carbon steel of Union origin (Annex III).

Aligning requirements across all instruments is essential to avoid demand being met by imports - especially given the continued availability of significant tariff-free steel quotas. Tarriff free quotas will still apply to 18 million tonnes of imported steel under the new trade measure, whist the Commission's impact assessment suggests a lead market demand of about 7 million tonnes[3]. It is also important to note that the New Trade Measure has a different purpose, which is primarily designed to address the effects of global overcapacity and to restore the capacity utilisation of steel production within the EU to an economically sustainable level.

2. Single definition of Union origin for public procurement and support schemes: Steel must be melted and poured in the EU

The proposal uses different definitions for what is considered equivalent to Union origin for public procurement and public schemes, which can cause market confusion as to which definition applies to which projects. In all cases the definition of 'Union origin' is overly broad, which risks making the requirement ineffective. For steel this is particularly problematic: since over 75% of EU steel imports come from free-trade-agreement countries, the rule could allow products from nearly 80 countries to qualify as 'Made in EU.' EUROFER believes that having such a broad eligibility to access lead markets will weaken demand for EU produced low-carbon steel, and perversely use public funds to incentivise imports and weaken the investment case within the EU. The current definition would also allow producers from third countries, e.g. China, to maintain market access by shifting investment to partner countries qualifying under EU trade arrangements (e.g. Morocco, Turkey or Serbia), without strengthening European industrial capacity. Union origin should therefore be limited to EU countries.

Article 7 defines 'Union origin' by referring to the general rules of origin laid down in Regulation (EU) No 952/2013 (Union Customs Code). Under these rules, the origin of a product is determined based on the last substantial transformation carried out in the Union. For steel products, Union origin may therefore be conferred on imported semi finished products (e.g. slab or hot rolled

[3] The IAA impact assessment estimates a CO_2 reduction of 3.37 million tonnes from the incentives proposed on low-carbon steel (PO2 scenario). The average low-carbon steel value was calculated at 0.575 tCO2/t, which was equivalent to an average saving of 0.485tCO/t steel. 3.37 Mt divided by 0.485 = 6.95 million tonnes of low-carbon steel.

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coil) that undergo a final processing step in the EU (such as cold rolling, coating or cutting) even though the upstream carbon intensive production processes have taken place outside the Union.

In the context of the IAA and the low-carbon steel credits under the vehicle CO_2 regulation, this creates a structural inconsistency. Low-carbon steel incorporated into vehicles may qualify as Union origin content for the purposes of vehicle CO_2 compliance even if the underlying steel was produced outside the EU. As a result, the current wording of Article 7 risks weakening the demand pull effect intended by the IAA, failing to differentiate between EU based and imported low-carbon steel.

Article 7 must clearly stipulate that only steel originally melted and poured[4] in the EU can qualify as Union origin. Any reference to Regulation (EU) No 2013/952 must be deleted, as its 'last substantial transformation' rule would undermine the objective by allowing third-country steel to gain Union origin status through minor downstream processing. Such a loophole would risk diverting decarbonisation investments away from Europe and rewarding imports of partly finished products instead of supporting genuine EU -based production.

3. Requirements on public procurement and public schemes should be expanded to other sectors such as Net-Zero Industry Act (NZIA) technologies, and show greater support for Union origin low-carbon solutions

The EU steel industry has ambitious plans to invest in production of significant volumes of low carbon steel. The lead market demand signal needs to match the projected volumes that will be available by 2030. The volumes of steel subject to public procurement and public schemes are variable for each member state, while public support schemes in construction are difficult to quantify. For example, 25% of public procurement represents less than 5% of the total steel market. This creates high uncertainty that sufficient demand will be created for low-carbon steel especially if requirements are set at such a low level.

Union origin requirements also risk being undermined through cost-based exemptions. Where European suppliers are >25% more expensive, contracting authorities may revert to non-EU alternatives, particularly in sectors exposed to heavily subsidised competitors. This weakens the intended demand-pull effect for EU-based low-carbon steel production.

In addition, the IAA proposal does not sufficiently address vulnerabilities in key clean-tech sectors such as wind, electrical steel and electric vehicles, which are increasingly exposed to rising

[4] This approach is fully consistent with the new EU steel trade measure (replacing the safeguard mechanism from July 2026), which introduces a "melt and pour" requirement to improve traceability and prevent circumvention. Under that measure, importers must provide evidence (such as mill certificates) of the country where the steel was originally melted and poured, rather than relying solely on the last substantial processing operation.

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imports and growing dependence on non-EU manufacturers. We must avoid repeating the solar-PV experience, where weak early safeguards allowed Asian—particularly Chinese—producers to dominate global markets and erode Europe's industrial base.

EUROFER therefore calls for the following improvements:

- Require at least **50%** of steel purchased in public procurement and public schemes to be low-carbon **and of union origin** (Annex II) in order to stimulate sufficient lead market demand[5].
- **Extend the scope to include NZIA technologies in Annex II**, such as wind and solar, as well as electric vehicles and electric motors. These sectors are naturally suited to early adoption of low-carbon steel, meaning the Act could play a decisive role in scaling demand across industries capable of rapid uptake. Such requirements would only add minimal costs to final products (<5% to the cost of wind power procurement costs for instance). Without these reinforcements, Europe risks deepening its dependence on non-EU suppliers and missing a critical opportunity to anchor low-carbon steel demand, rebuild strategic supply chains, and strengthen its clean-tech industrial base.
    - Requirements on specific components of NZIA to be of Union origin (Annex IV) are generally unclear and should explicitly include strategically important materials such as electrical steels in transformers and motors.
    - **Wind Technologies:** Wind is one of Europe's most strategic clean-tech sectors, but current origin provisions are too weak to rebuild supply chains. The box ticking proposal for 1 EU component in the first 1–3 years and 2 EU components after 3 years would still allow manufacturers to import high-value components while sourcing a single low-value part from Europe.
        - ***Recommendations:*** Replace the component-counting approach with a value-based requirement, ensuring that at least 60% of the value of each main specific component originates in the Union.
- **Electric Vehicles (Annex III):** Annex III of the proposed IAA introduces positive provisions on EU local content for the production of automotive and critical components. However, the framework should be reinforced to strengthen Europe's strategic autonomy in electric mobility and to prevent loopholes in critical parts of the EV supply chain.
    - ***Recommendations:*** Ensure that EVs benefitting from public support use low-carbon steel of Union origin. This would also ensure coherence with the Automotive Package, which requires carmakers to use low-carbon steel made in the Union.

[5] 50% is double the Commission proposal in order to secure sufficient demand for low-carbon steel but still offering flexibility. This more ambitious target could also be gradually introduced over several years.

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- Increase the local-content requirement for e-powertrain components, including NGOES[6] -based traction motor, **from 50% to 80%[7].** This would ensure compliance goes beyond simple assembly (representing around 60% of the total content) and help retain EU production, innovation and know how.
- Include the same provisions to cover the segment of small affordable batteries electric vehicles (BEVs of the M1E newly created cars segment).

- Limit public authority flexibility by **increasing minimum budget allocation to 100% of the total national budget allocated to the public support schemes** covered by Part II of Annex II (up from 45% proposed for public support schemes related to buildings, infrastructure and motor vehicles for civil purposes – Article 12). This will prevent public authorities from excluding critical steel lead market sectors from the budget allocation. Furthermore, those requirements shall also apply to all forms of public intervention, including, but not limited to, public subsidies, support to industrial projects, innovation funds, Important Projects of Common European Interest (IPCEIs), and any other investments financed wholly or partially through public resources. It is also important to limit get out clauses and to stress that the disproportionate cost difference threshold of 25% and 30% (for public procurement and public support schemes respectively) applies to the final product or project costs and not on the individual cost difference of basic materials.
- Ensure the level of ambition in requirements between competing materials maintains a level playing field (e.g. if one material has easier requirements it could lead to unintended material substitution and sub optimal designs).

4. Low-Carbon steel requirements (including on labelling) are needed to support transparent lead markets

In principle, the steel industry can support mandatory labelling of GHG intensity through delegated acts under the Construction Products Regulation and Ecodesign for Sustainable Products Regeulation, instead of applying a voluntary label under the IAA (Article 10). To effectively support lead markets for low-carbon steel, the labelling requirements must be implemented swiftly, effectively and efficiently.

[6] Non Grain Oriented Electrical Steel

[7] An 80% Union origin content requirement would ensure that Union origin e-powertrain components reflect genuine EU value creation. Data shows a rapid and unsustainable rise in imports across the electric-motor value chain, from semi-finished components such as laminations and stacks to finished e-propulsion motor components - going from 16% imports in 2020 to 48% in 2025. At the same time, the EU market share of NGOES for e-powertrain applications is declining, as imports increasingly target higher-value NGOES grades.

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Regardless of the type of label proposed, the information needs to be:

- Easy to understand and meaningful
- Based on robust verified data, sufficient to capture the most relevant impacts
- Ensuring comparability of GHG performance

5. Acceleration Areas bring benefits, but these benefits should not be exclusive to narrowly defined geographical clusters

The concept underlying Acceleration Areas is to provide targeted and coordinated support to industrial regions undergoing decarbonisation. This is welcome, as it can unlock important synergies across interconnected value chains, similar to the logic of Net-Zero Valleys. Steel production can be embedded in broader industrial ecosystems and located in close proximity to downstream manufacturing clusters. Industrial decarbonisation projects can also be distributed across one or multiple Member States rather than concentrated in a single geographical location.

To maximise the impact of the Acceleration Areas for their intended purpose, Member States should ensure that all eligible manufacturing sites — particularly those contributing to strategic value chains and climate neutrality efforts — can benefit from the simplified permitting, infrastructure support, and other advantages provided under these areas (Article 25, 26, 27). These benefits should therefore not necessarily be restricted to an area. A well-designed regional approach could therefore support the decarbonisation of the steel sector, provided that Union origin requirements effectively prioritise genuinely EU-based production and reinforce the investment case for decarbonisation within these industrial clusters.

6. Foreign Direct Investment (FDI) Screening

Strategic sectors such as wind and components made from electrical steels, face increasing risks from non-market-economy investment strategies, yet these technologies remain excluded from the IAA's FDI screening (Chapter IV). To safeguard Europe's industrial base, enhanced FDI screening should be extended to wind component manufacturing and electrical steel component manufacturing assets (such as laminations, stacks, motors and transformers), with particular vigilance applied to financing originating from non-market economies.

7. The 'energy intensive industry' definition should not be conditional

The IAA proposal defines energy intensive industries in Annex I point 1 with reference to sector NACE codes. This definition should not be dependent on whether the industry is situated in an accelerator area or not. Hence, the headline of Annex I should be changed to "Strategic sectors". The definition of 'energy intensive industry decarbonisation projects' includes a reference to the energy tax directive definition of energy intensive industries. This includes an extra limitation of which company that is considered energy intensive. This risks excluding companies with high

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production values, creating different treatment among competitors. The reference to Directive 2003/96/EC should therefore be deleted.

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