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## UFE's position on the Industrial Accelerator Act (IAA)

The Industrial Acceleration Act comes at a pivotal moment for Europe. As the EU seeks to reconcile climate ambition, industrial competitiveness and energy security, the regulation provides a timely opportunity to strengthen European manufacturing, reinforce strategic value chains and reduce critical dependencies.

UFE, the association representing the French Electricity industry, welcomes the European Commission's Industrial Accelerator Act and support its objective of strengthening Europe's energy and industrial sovereignty. In particular, UFE welcomes the measures aimed at accelerating the development of net zero technologies, streamlining permitting procedures and establishing Industrial Acceleration Areas to facilitate access to financing and low-carbon energy.

To ensure the regulation effectively contributes to these objectives, UFE puts forward a set of **targeted recommendations on the scope of the "Made in Europe"** framework, Union-origin requirements for key technologies and electric vehicles, low-carbon content criteria, and the governance of Industrial Acceleration Areas.

The credibility of the "Made in Europe" objective depends on a clear and robust definition. UFE **therefore regrets that the Commission has adopted an overly broad definition of "Made in Europe"** that undermines the ambition of the Industrial Accelerator Act. By equating de facto production carried out in all the third countries with which the EU has passed a commercial agreement with production located in Europe, **this definition departs from the very essence of the "Made in Europe" principle. Such an approach would significantly weaken the effectiveness of the IAA** in fostering the development of European industrial production value chains. UFE instead supports an opt-in approach by limiting the scope to EU-27 (plus EEA, EFTA countries and UK) and empowering the Commission to define a limited number of "trusted partners" only after the entry into force of the Regulation.

Against this background, UFE would like to provide a set of recommendations to ensure that the IAA effectively fulfils its initial ambition of serving as a genuine instrument for energy and industrial sovereignty.

## Our key asks

### Scope (page 3)

- **Adopt a stricter definition of “Made in Europe”**, based primarily on production within the EU-27 plus the UK, EEA and EFTA countries, and empower the Commission to define, through delegated acts, the third countries whose content may be deemed of Union origin.

### Net-zero technologies (page 4 to 6)

- **Introduce European-origin requirements for grid components**, prioritising those with high criticality, sensitivity or exposure to strategic dependency risks.
- **Strengthen the level of ambition for nuclear fission technologies** by requiring that four key components originate in the Union, with immediate application upon entry into force of the regulation.
- **Apply a gradual approach for heat pumps and stationary batteries**, initially focusing on a limited number of components (e.g. modules) and final assembly in Europe.

### EV Union-origin requirements (page 7)

- **Increase the EU-content threshold to 75%** (instead of 70%).
- Provide **greater implementation flexibility** to avoid upward pressure on EV prices.

### Low-carbon requirements (page 8)

- **Extend Union-origin requirements to steel**, in line with the CO<sub>2</sub> standards for cars, which already grant credits for the use of low-carbon steel.
- **Introduce periodic revisions of low-carbon content requirements** to reflect the electrification potential of each sector.

### Industrial Acceleration Areas (page 9)

- **Accelerate industrial electrification by recognising electrification as a criterion** for Member States when designating the areas, and by facilitating the financing of electrification projects within them.
- **Fully involve electricity network operators (DSOs and TSOs) in the designation of Industrial Acceleration Areas**, given the central role these areas will play in grid planning.

## Recommendations on the definition of Union origin and on the content equivalent to Union origin in public procurement and other forms of public interventions (Art. 7, 8, 9, 28e, 28f, 28g)

To ensure the IAA becomes a key driver of industrial localisation in Europe, **UFE advocates for a stricter definition of “European origin”**, primarily based on the actual production within the 27 Member States. Given the high level of integration of the industrial supply chains between the EU and third countries from the EEA, the EFTA (Iceland, Norway, Liechtenstein and Switzerland) and the United Kingdom, these countries should de facto be included within the scope.

- **UFE calls for reversing the current approach by limiting the definition to production within the 27 EU Member States, plus UK and EEA and EFTA countries, and empowering the Commission the possibility to define, through delegated acts, the third countries whose content may be deemed of Union origin.** Extending the scope to other countries should reflect the existing integration of supply chains in strategic sectors such as electricity, as well as strong and effective reciprocity in access to public procurement and respect of competition rules. Any extension of the scope should be based on objective criteria and could also consider the strategic importance of the third country for the EU (geographical proximity, level of expertise, innovation capacity, etc.) as well as its contribution to achieving the Union’s industrial, energy sovereignty and climate objectives.
- While UFE considers an opt-in approach to be the most appropriate, **UFE calls for rapid clarity on the exact scope and on any potential future changes.** Should an opt-out mechanism nevertheless be introduced, adequate **grandfathering provisions** would be needed to avoid undermining investment decisions taken under the previous framework. Sufficient lead times should also be ensured to allow for a smooth adjustment of supply chains and investment decisions.
- **UFE also stresses the need to ensure regulatory coherence and simplicity in the application of made in Europe and cybersecurity requirements across the different pieces of EU legislation**, in particular regarding the interaction between the IAA and the NZIA. In this context, UFE calls on the European Commission to issue guidelines for Member States to support a cost efficient and less burdensome implementation of the various Made in Europe requirements.

Furthermore, **UFE emphasises the necessity of establishing robust control and enforcement mechanisms for the requirements relating to “Made in Europe”**, in order to prevent any circumvention, ensure legal certainty, and guarantee the effective implementation of these provisions. To this end, Member States should allocate adequate human, administrative and financial resources to carry out such controls. In parallel, the European Commission should ensure strong coordination and cooperation between Member States, notably through common guidance and information-sharing mechanisms.

## Recommendations on the revision of the NZIA and the Union origin requirements for net zero technologies (Art. 34)

Overall, UFE welcomes the introduction of Union origin requirements, with European local content obligations for key components and binding implementation deadlines. This approach allows to **go beyond the NZIA's logic of diversification of supply and more effectively addresses the EU's critical dependencies on third countries** by explicitly incentivising production within Europe. At the same time, UFE supports the **differentiation of the requirements depending on the technology**, reflecting the varying supply chain challenges and levels of maturity across sectors.

Following this approach, UFE would like to provide technology-specific recommendations for the different net-zero technologies:

### Grids technologies

UFE regrets that **Union origin requirements for grids technologies have not been considered**. This exclusion is inconsistent with the Net-Zero Industry Act, which already recognises several grid-related technologies as net-zero technologies, and weakens the IAA's credibility as an industrial policy instrument.

**Electricity grids are at the core of the energy transition**: system operators (TSOs and DSOs) connect low-carbon energy facilities, electric vehicle charging infrastructure, the industrial sector, and data centers, while integrating critical technologies<sup>1</sup>. **Electricity grids are entering a renewal cycle**: around 30% of Europe's distribution grids are already over 40 years old, and this share could reach 90% by 2050<sup>2</sup>. This reflects the normal investment cycle, as many assets are simply reaching the end of their technical lifetime.

**This results in massive and immediate investment needs**: the Commission estimates that around EUR 1.2 trillion will be required for electricity grids by 2040. In this context, the IAA should not solely focus on end-use decarbonised technologies, but also explicitly address the industrial ecosystem enabling electrification, including electricity grids.

**As large-scale grid deployment and renewal are already underway across Europe, strengthening Made in Europe requirements for grid components is necessary now to ensure that today's investments contribute to the development of European industrial capacities**. In this regard, Enedis in France has recently paved the way by awarding four medium- and long-term contracts worth EUR 2.7 billion to 24 suppliers, covering medium-voltage cables, power transformers, digital protection and control systems and medium-voltage switchgear, with most production sites located in the EU. RTE, the French TSO, for its part awards over 90% of its procurement volume of approx. EUR 2 billion p.a. to European suppliers.

In parallel, **it is essential that the introduction of Union-origin requirements for grid components do not lead to supply chains' bottlenecks and disproportionate costs**. Their introduction must therefore be well calibrated considering the supply chains' situation of the different components.

- UFE calls for the introduction of European origin requirements for grids at component level, prioritising components based on criticality, sensitivity and exposure to strategic

<sup>1</sup> Specifically, DSOs connect 70% of renewable energy facilities, 90% of electric vehicle charging infrastructure, and around 50% of the industrial sector in France.

<sup>2</sup> Eurelectric Grids for Speed study: <https://www.eurelectric.org/publications/grids-for-speed/>

dependency risks. To this end, **UFE will propose a list of grid components to be included**. As a first step, the IAA should target active, digital and controllable components whose compromise could affect network operation, system resilience, data security or Grids operators' ability to manage the energy transition: SCADA and control systems, digital protection and automation systems, smart meters and metering systems, inverters, converters, storage-related control systems, EV charging control equipment and other smart grid components. In parallel, there is a real need for long-term measures aimed at reducing vulnerabilities and preventing the creation of new strategic dependencies, including for 'passive components' such as cables, conductors and cabinets.

- In addition, UFE considers that any subsequent extension of this list to other grid components or to grid technologies as a whole, through delegated acts<sup>3</sup>, by the EU Commission should only take place **after close consultation with DSOs and TSOs and following thorough impact assessment**.

### Heat pumps

**UFE welcomes the inclusion of hydronic heat pumps in the scope of the IAA**, to ensure the resilience of the supply-chain while maintaining their competitiveness towards fossil counterparts. Key driver of electrification and energy efficiency in the building sector, hydronic heat pumps rely on a strong European industrial footprint, with more than 300 production sites that must be supported and further developed. Their design and assembly are carried out almost entirely within the EU, although critical components are still predominantly manufactured outside the EU, with limited prospects for short-term reshoring.

- In this context, **Made in Europe requirements should apply at the level of the heat pump assembly** – not the components level – to avoid creating an immediate structural barrier that could slow down electrification.

### Nuclear fission technologies

- UFE calls for a higher **level of ambition**, by requiring that **four main specific components**, rather than two, originate in the Union. Based on current European manufacturing capacities, this threshold would be realistic and would strengthen the resilience of the European supply chain. **It is also necessary to ensure that the components are manufactured in factories located in Europe** – specifying that these factories are owned by entities or shareholders that are predominantly European - and that **the intellectual property generated from the components' design and manufacturing remains in Europe** and is likewise owned by European entities.
- The Made in Europe requirements should apply immediately after **the entry into force of the regulation**, instead of four years later. This is necessary to align with the expected timeline for the selection of the main projects for the construction of new nuclear power plants in Europe, which will take place around 2028.
- The NZIA delegated act on the main specific components list should be extended to consider steam dryers/superheaters and high-pressure feedwater heaters, two strategic component that should be eligible for EU-origin requirements under the IAA.

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<sup>3</sup> In accordance with the existing IAA provisions.

## Renewable Energy Technologies

UFE supports the inclusion of renewable technologies within the IAA but stresses the need to reflect short-term supply chain realities and preserve fair competition within sectors.

- UFE therefore recommends that the exemption mechanisms already foreseen in the IAA be consistently made available by Member States in cases where unforeseen and exogenous supply-chain developments make compliance with “Made in Europe” commitments objectively impossible despite best efforts from bidders. Ensuring the effective use of such exit clauses would strengthen legal certainty while preserving the overall ambition of the Regulation.

## Stationary batteries

For stationary batteries, most components are currently produced outside the EU, making Made in Europe requirements difficult to meet.

- UFE recommends a **gradual approach, initially focusing on limited components (e.g. modules) and final assembly in Europe**, allowing time to build a competitive EU supply chain without hindering short-term project deployment.

In parallel, UFE welcomes the direction taken by the Commission through its proposed amendments to the **Net-zero Industry Act** which go in the right direction by reinforcing the role of sustainability and resilience criteria in net-zero technology auctions. In particular, UFE supports:

- **The upward revision of the cost-difference threshold** above which projects may be exempted from applying these criteria (from +15% to +20%)
- **The increase in the share of auctioned volumes** per year and per Member State subject to these criteria (from 30% to 40%).

At the same time, UFE calls for:

- **An effective implementation of these flexibility clauses by Member States**, in order to avoid disproportionate costs. In particular, the derogation when the required net-zero technology can only be supplied by a specific economic operator and no reasonable alternative exists is critical to maintain a level playing field and avoid supply disruption and excessive prices.
- In addition, **exit clauses** should be introduced for IAA requirements related to net-zero technologies. Tender applicants meeting Made in Europe criteria should not be penalised if supply constraints—beyond their control—prevent compliance during the execution of the contract. Any exemption should remain strictly limited to exogenous events and be based on objective and quantifiable criteria.

## Recommendations on the Union origin requirements for electric vehicles (Art. 13, 14 & Annex III)

UFE welcomes the introduction of Union origin requirements for electric vehicles in public procurement, as well as in public financial support schemes for the purchase or lease of corporate vehicles. UFE notably supports the Commission's approach which focuses not only on final assembly but also on the price of vehicle components and the number of battery components originating in the Union, including battery cells. As such, existing **eco-conditionality criteria** in France for granting certain aids (such as social leasing schemes) and for the electrification of corporate fleets can be considered as best practice.

To preserve the electrification of the automotive sector, **UFE also stresses the importance of maintaining strong targets in related legislation**, including the 2035 CO<sub>2</sub> standards for cars and vans, the Clean Corporate Vehicles proposal, and ambitious national procurement targets following the 2027 review of the Clean Vehicles Directive.

**UFE recommends strengthening the level of ambition of some provisions**, in order to better reflect the current performance of the European automotive industry and better support the objective of maintaining and expanding domestic manufacturing:

- **Increasing the criteria on the share of the total ex-works prices of vehicle components** – excluding the vehicle battery – originating in the Union to **75%**, instead of 70%. It would be more in line with current market trend: today, approximately 75% of the value of ICE vehicles is created in Europe<sup>4</sup>, while only 60% of electric vehicles sold in 2023 were manufactured in the EU, compared to 80% in 2015<sup>5</sup>.
- **Extending the Union origin requirements as a condition for eligibility under public financial support schemes to all battery-electric vehicles (BEVs)** purchased, leased, rented or hire purchased through public procurement, rather than limiting this conditionality to corporate vehicles.

At the same time, **UFE calls for greater flexibility in the implementation of these requirements to prevent increases in EV prices**. This should be achieved through regular reviews of the EU content requirements for EV batteries, in line with actual industrial capabilities to avoid undermining electrification.

Finally, UFE supports provisions on **Foreign Direct Investment (FDI)**, as they can facilitate technology transfer and strengthen European EV and battery supply chains, as well as for PV industry.

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<sup>4</sup> <https://presse.economie.gouv.fr/le-gouvernement-reunit-la-filiere-automobile-et-porte-une-preference-europeenne-assumee/>

<sup>5</sup> <https://www.assemblee-nationale.fr/dyn/opendata/RINFANR5L17B0791.html>

## Recommendations on the low-carbon and Union origin requirements for energy intensive industries (Art. 10 & Annex II)

UFE welcomes the provisions of Article 10, which **empower the Commission to establish voluntary classification systems**. UFE considers that these classification systems can play a key role in steering demand towards more sustainable and resilient industrial production, provided that their scope and underlying criteria are sufficiently comprehensive.

In this regard, UFE recommends:

- **Extending these classification systems beyond greenhouse gas intensity to incorporate broader criteria such as energy efficiency and other environmental impacts, as well as contribution to Europe's energy independence** (e.g. share of value added generated in Europe and job creation).
- Integrating a **life-cycle analysis** to ensure a realistic and transparent assessment of products' environmental performance.

UFE also **supports the consideration of low-carbon and Union origin requirements**, which will incentivise the production of low-carbon steel, concrete, mortar and aluminum in Europe. In order to complement and reinforce the impact of those requirements in terms of emission reductions and relocation of manufacturing capacity in Europe, UFE calls for:

- **Extending the Union origin requirements, currently only applicable to cement, concrete and mortar, to steel**. UFE sees no reason why steel should be excluded from these requirements. Moreover, this extension would be fully coherent with the revision of the CO<sub>2</sub> standards for cars, which currently provides manufacturers with credits for the use of low-carbon steel;
- **Periodically reviewing the minimum share of low-carbon content for energy-intensive products**, with an ambitious trajectory, to reflect the decarbonisation and electrification potential in each sector. For instance, targeting only a 5% share of low-carbon content in concrete and mortar by 2029 would fall significantly short of the sector's decarbonisation potential.
- **Defining a clear and ambitious definition of low-carbon steel made in the EU and classification system**, which are currently missing from the text, to ensure that the requirements deliver effective and measurable emission reductions. This requires establishing a strict baseline for CO<sub>2</sub> emission intensity, as well as clear criteria, such as the share of recycled content used for production and the exclusive use of low-carbon or renewable hydrogen in the manufacturing process.
- Ensuring the implementation of a **realistic, robust and flexible EU framework on "low-carbon products"**, hand-in-hand with the **right enabling conditions**, including access to decarbonised electricity and energy, access to financing tools, sufficient infrastructure capacity and all the necessary incentives to safeguard industrial competitiveness.

## Recommendations on streamlining permit-granting procedures and industrial acceleration areas (Art. 4, 5, 6, 25, 26, 27)

UFE supports the provisions aimed at streamlining and expediting industrial projects, notably the creation of a single permit-granting procedure, single access points, and industrial acceleration areas<sup>6</sup>. These measures will help reduce approval times and enhance Europe's attractiveness for investments.

At the same time, **UFE strongly believes that the link between the industrial acceleration areas and the need to accelerate industrial electrification should be strengthened**, both in terms of selection criteria and benefits provided within these areas. Europe still relies on fossil fuels for nearly two-thirds of its energy consumption and rising hydrocarbon prices only reinforce the urgency to accelerate industrial electrification.

Moreover, **the electrification potential is enormous**, given that 62 % of the final energy not yet electrified consumed by European industry can already be electrified. In France, the low-carbon industrial areas ("ZIBAC") in some industrial regions (Dunkirk, Fos-sur-Mer, Saint-Nazaire etc.) explicitly recognise electrification as a key technological solution for decarbonising these areas.

- **The electrification potential of the industry should be duly considered among the criteria for Member States when designating industrial acceleration areas;**
- **Accelerating electrification should be recognised as a one of the key enabling factors** in Article 26, by promoting electrification investments and facilitating financing of electrification projects in the areas (including access to Horizon Europe, Innovation Fund, Invest EU and LIFE programme), whether in terms of CAPEX or OPEX;
  - Decarbonisation projects in these areas should also benefit from priority access to the **European decarbonisation bank**.
- **All "net-zero technology manufacturing projects" within these areas should be designated as "strategic projects"** and therefore benefit from reduced maximum approval times for permit-granting, in accordance with the NZIA.
- More overall, as under the NZIA, **the IAA should introduce maximum approval times for permit-granting procedures applicable to the industrial decarbonisation projects covered by the Annexes to the Regulation. These procedures should not exceed 18 months.**

Last but not least, **UFE stresses the need for the early and full involvement of DSOs in the designation process for industrial acceleration areas**, notably in view of the role these areas will play in grid planning. Furthermore, DSOs' expertise is essential to identify areas where network capacity is already available, as well as to assess local constraints and infrastructure needs.

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<sup>6</sup> UFE also welcomes the introduction of a **45-days completeness check deadline** for permitting procedures, the establishment of a **digital one-stop-shop portal** for document submission and monitoring, and the introduction of **tacit approval** when authorities decide not to respond within set deadlines for projects located in industrial acceleration areas.