Industrial Accelerator Act

Views from Swedish Enterprise

June 2026

Summary

We support the Industrial Accelerator Act objective of improving the conditions for European industry, facilitating and accelerating the transition and creating more resilient supply chains. Europe's industry faces major challenges in the form of, inter alia, high energy prices, a substantial regulatory burden and tough global competition which is partly not market based. The proposal, however, risks being counterproductive and undermining Europe's competitiveness and attractiveness for international investments. It is furthermore characterised by significant uncertainty as regards legal interpretations, scope and effects.

We see particular risks in the introduction of European preference in public procurement and financing. The proposal affects individual companies and sectors differently, where some companies may be expected to benefit from the proposal, while others risk being significantly negatively affected. This is also reflected in the position that companies generally take towards the proposal. Overall, however, it is assessed to lead to increased costs for both the public sector and the business sector in a broad sense, through increased administrative burden and limitations on companies' possibilities to design their value chains in an optimal way. We consider that this is the wrong way forward in a situation where extensive efforts are being made to reduce the regulatory burden for companies and strengthen competitiveness. Furthermore, there is a need to increase Europe's attractiveness for investments regardless of origin – rather than introducing obstacles.

We do, however, welcome the proposal on low-carbon products. If properly designed, the proposal can create increased demand for such products and thereby create more predictable investment conditions and accelerate the transition towards products with a lower carbon footprint. This can strengthen the competitiveness of European and in particular Swedish companies, which are often at the forefront of technology development and manufacture of such products.

We consider that the proposal otherwise requires extensive revision. Our starting point is that it would be preferable if the proposals on European preference and further restrictions on foreign investments are not implemented. If the proposal on European preference remains, it should be narrowed and only apply to the automotive industry. This is because there are already rules with similar purposes for net-zero products, and because we assess the requirements for certain materials from energy-intensive industry to be too unclear in terms of how they are to be implemented and what effects they may lead to. The proposal on industrial acceleration areas is considered problematic, both from a responsibility perspective and due to distortion of the market.

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Introduction

The Industrial Accelerator Act (IAA) aims to strengthen the domestic manufacturing industry, accelerate the transition and regulate foreign investments in strategic sectors, as well as promote products of European origin and low-carbon products.

The Confederation of Swedish Enterprise broadly shares the Commission’s assessment that key parts of European industry are currently facing significant challenges and are in need of policies that enhance competitiveness. The green and digital transitions entail higher costs, while at the same time offering an opportunity to strengthen competitiveness and take a leading role in a new, green economy through innovation and sustainable products. In an increasingly intense geopolitical environment, it is crucial that the EU and its Member States implement reforms that create stable and favourable long-term conditions for business.

The European Commission’s proposed IAA aims to strengthen competitiveness and increase European production and resilience in certain sectors and technologies. However, the measures put forward risk undermining competitiveness through increased administrative costs, reduced scope for optimising supply chains, and a decline in foreign direct investment into Europe. We therefore consider that industrial competitiveness should primarily be strengthened through other policy measures, and that distortions of global competition resulting from non-market policies should mainly be addressed through the EU’s existing instruments.

In this position paper, we set out our analysis and conclusions regarding the Commission’s IAA proposal, as well as our views on how it should be revised.

Chapter I – General Provisions

Article 2 – Industrialisation objective

In Article 2, the Commission proposes a target according to which the Union's manufacturing industry shall by 2035 account for at least 20 per cent of the Union's GDP. We understand that this is an overarching political objective which is not detailed in nature, but expresses a political ambition. However, such objectives should also be designed in a way that they measure the right things and are not misleading. A target formulated as the industry's *share* of total GDP means that the achievement of the target depends on how other parts of business develop. A flourishing services sector, for example, would indicate low target fulfilment, even if industry grows in absolute terms.

A long-term declining manufacturing industry as a share of GDP is generally a natural part of structural transformation, and a fact in virtually all advanced economies in the world. The EU has maintained roughly the current level of manufacturing share of GDP since around 2008. Achieving a level of 20 per cent of GDP by 2035 would correspond to a reversal of the structural development by approximately 30–35 years, which has no historical precedent among comparable advanced economies. As a comparison, the share of manufacturing in GDP in the United States has steadily decreased from around 16 per cent in the 1990s to approximately 10 per cent today. For China, the development is moving in the same direction, from 32 per cent in 2004 to 25 per cent in 2024.

Another circumstance that should be taken into account is that the IAA only covers sectors corresponding to approximately 15 per cent of the EU's total production, and of this only a smaller part is directly affected in the form of steering of public procurement and public support (and also permitting processes and potentially industrial acceleration areas). Even if public procurement accounts for 15 per cent of EU GDP, procurement represents a significantly smaller share of the market for certain products, for example passenger cars. This calls into question the appropriateness of having a target that measures the entire industry while the measures only affect a small part of it. It could be considered to have targets that only cover the sectors affected by the proposals. However, this would likely become too detailed, as the purpose of having a target as a "portal provision" is rather to signal political intent, and for that a concise objective is needed.

If a target is to be set, it should not be misleading or steer in the wrong direction. It is better to use an absolute measure that relates to the industry's level of production and how it should develop going forward. In that respect, one could use the average annual growth rate in industrial production up to 2035. EU Industrial production has since 2000 had an average growth rate of 0.6 per cent. In the early 2000s, the growth rate was around 2 per cent. Since then, the growth rate has been affected by several crises as well as structural challenges. The growth rate since the pandemic has been negative, with an average of -0.4 per cent during 2021–2024.

An ambitious target would be to set a target of an annual average growth of 2.0 per cent from the entry into force of the legislative proposal until 2035, thereby returning to the same growth rate as in the early 2000s. Given the negative development that industry has experienced in recent years, this is a level that borders on unrealistic. One could therefore consider a more realistic (but still ambitious) level of 1.0–1.5 per cent annual growth as more appropriate, and place the focus on first reversing the current negative trend.

We urge for a focus on competitiveness, which should generally be assessed on the basis of parameters such as productivity, value creation and innovation, rather than with reference to a specific sector's share of GDP. A strong industrial base in the EU is important, but not through a high or increasing share of manufacturing in GDP formulated as a target in itself.

Article 3 – Definitions

The definition of energy-intensive industry in Article 3 and Annex I should not be related to acceleration areas and production values.

The IAA proposal defines energy-intensive industries in Annex I, point 1, by reference to the sector's NACE codes. This definition should not depend on whether the industry is located in an acceleration area or not. The heading of Annex I should therefore be amended as follows:

Strategic sectors for industrial ~~manufacturing~~ acceleration ~~areas~~.

The definition of "energy-intensive industry decarbonisation projects" contains a reference to the definition of energy-intensive industries in the Energy Tax Directive. This entails a further limitation of which companies are considered energy-intensive. This risks excluding companies with high production values and creating unequal treatment between competitors in different countries. The reference to Directive 2003/96/EC should be removed as follows:
'energy-intensive industry decarbonisation projects' means the construction or conversion of the commercial facility of an energy-intensive business ~~as defined in Article 17(1), point (a), of Council Directive 2003/96/EC~~ in the energy-intensive industries listed in point 1 of Annex I to this Regulation that reduce emission rates of CO_2-eq of industrial processes significantly and permanently to an extent which is technically feasible

Chapter II - Permit procedures

Through the IAA, requirements are introduced for coordinated and fully digitalised handling of the permitting process. This reflects requirements already set out in the Net-Zero Industry Regulation (EU) 2024/1735 (NZIA) and the Critical Raw Materials Act (EU) 2024/1252 (CRMA). In those cases, however, the obligations apply to specific sectors and entail preferential treatment for strategic projects. The IAA expands the scope, and the efficiency measures proposed apply to projects within the entire manufacturing industry.

High ambitions for permitting processes are welcome. It remains important to achieve more efficient and predictable permitting procedures for all companies. We have long called for more efficient permitting procedures to be introduced across the entire business sector, rather than being limited to specific industries. The proposal extends several of the measures developed under the NZIA and CRMA to a broader range of companies and investments, which is a positive step. However, the proposal should at least treat all industrial establishments in the same way. Companies operate in integrated value chains, and fast-track permitting for a single project will not be sufficient if suppliers and upstream actors are subject to standard procedures or long permitting processes. Fragmenting permitting processes will not lead to efficiency gains, as activities exist within ecosystems in which most require permits.

The proposed efficiency measures moreover concern the procedural part of national permitting systems, which does not fall within the Commission’s competence.

The objective of increasing predictability and efficiency should instead be achieved by reviewing legislation that shapes permitting processes, such as the Water Framework Directive, the Birds Directive and the Habitats Directive.

It is welcome that the definition of overriding public interest is clarified, whereby projects aimed at reducing carbon emissions in energy-intensive industry will be presumed to be such an interest.

The digitalisation of permitting procedures, including the possibility to reuse data, is welcome, provided that data protection and confidentiality are fully ensured. Furthermore, the establishment of a single contact point to coordinate the permitting process and guide applicants through the procedure is a particularly positive and much-needed measure.

Chapter III – Union origin and low-carbon requirements

In this section, we address Chapter III, as well as Article 34 in Chapter VI, which introduces corresponding provisions in the NZIA. We begin by describing the proposal on European preference, and conclude by addressing the proposal on low carbon footprint.

It should initially be noted that the proposal on European preference affects individual companies and sectors differently, where some companies may benefit from the proposal, while others risk being significantly negatively affected. This is also reflected in the position that companies generally take towards the proposal. Within the Swedish business sector, there are companies which assess that the proposal would overall benefit them, not least certain companies which primarily have their production and/or value chain within the EU, and/or face intense competition from third countries when this takes place on non-market terms. There are differences even within the same industry, often depending on how the individual company has structured its production and value chains (and thereby how it is concretely and immediately affected by the proposal) and what strategy it has for meeting global competition and what assessments it makes regarding the future.

The Confederation of Swedish Enterprise is generally opposed to the introduction of conditions based on a national, and in this case European, preference. From several perspectives, such measures are fundamentally protectionist in nature. Rather than strengthening companies' competitiveness, they protect companies from global competition, which leads to higher costs along value chains and weaker competitiveness. The proposals may also lead to increased administrative burdens and limit and distort competition in various ways.

One of the main arguments for introducing European preference is to exclude competitors from third countries that operate under non-market conditions. Another argument is the need to address harmful dependencies on certain individual third countries with regard to certain strategic products or raw materials. Such circumstances increase the legitimacy of considering measures that intervenes in the markets. The measures to be considered should primarily be aimed at strengthening the competitiveness of European companies, as well as measures that aim to facilitate companies' own diversification of their value chains. When this is not considered sufficient, and measures that are more intrusive in the functioning of the market are necessary, such measures should as a starting point be proportionate, WTO-compatible and lead, to the greatest extent possible, to limited additional costs for companies.

In the Swedish Government's fact memorandum on the IAA, it is stated that the EU has several strategic high-risk dependencies within the technologies and products needed for the energy transition, the climate transition as well as industry's competitiveness and resilience. This and other similar terms are often used in relation to the IAA by stakeholders and decision makers.

We would in this context like to point out the importance of the concept of "strategic high-risk dependencies" (and other similar concepts) being defined and operationalised in an appropriate manner. The concept captures several relevant circumstances that should be taken into account. Strategic implies that it concerns matters of great importance for meeting the many challenges facing the business sector and society at large. It indicates that it does not concern products in general. That it concerns a dependency is in itself nothing unusual; trade in itself is based on dependencies which are always to some extent mutual, where buyers and sellers depend on each other, and where different countries depend on different products that they buy and

sell to each other. If it is furthermore a high-risk dependency, this indicates that one party is highly dependent on the other, with difficulties in immediately replacing or diversifying trade patterns, and that the dependency is weighted so that one party is more dependent on the other party than vice versa. This may, for example, concern input goods which have limited value in themselves, but where interruptions in supply have disproportionately large consequences if they lead to entire factories having to stop production. In such cases, there is an asymmetry, where the buyer is more dependent on the seller. Finally, a high-risk dependency should also imply that there are incentives, the ability and perhaps also a history of being able to exploit this dependency in practice, by using the dependency relationship as leverage in some form of conflict or negotiation. When all this is present, it is entirely legitimate to speak of “strategic high-risk dependencies”, or for that matter the simpler concept of “harmful dependencies”, where the term “harmful” can be given a similar meaning to “strategic high-risk”.

The negative effects that risk following from European preference are, however, assessed to be extensive, for example in the form of more expensive input goods, limited flexibility for companies, inefficient design of value chains, more difficult diversification and thereby the creation of resilience, an increased administrative burden, regulatory uncertainty and legal costs, particular difficulties for SMEs, as well as the risk of countermeasures from third countries. Restrictions on companies’ freedom to optimally design their value chains may also lead to more difficult-to-capture negative effects that go beyond pure cost minimisation. This makes companies less dynamic and adaptable, as it reduces the possibility to continuously revise production and value chains on a global playing field in order to capture new innovations, production methods and synergies and benefit from these in their own production.

Taken together, this leads us to assess that a European preference does not belong among the tools that should be prioritised for addressing problems of this kind.

In the event that a European preference nevertheless remains as part of the IAA, it is important to make the proposal clearer, more predictable and streamlined, as well as to include a broad group of countries in order to reduce the negative consequences of the proposal.

Countries covered – content corresponding to Union origin

It is positive that content originating from third countries with which the Union has concluded a free trade agreement or a customs union, or which are parties to the WTO Agreement on Government Procurement (GPA), is considered to correspond to Union origin, provided that the Union has relevant commitments under these agreements. This means that the preference rules constitute a lesser obstacle for companies when designing their value chains in an optimal way, so that they can gain access to the right technologies, of the right quality and at the right price. It also honours the international commitments that the EU has entered into, and would otherwise discourage other third countries from concluding new free trade agreements with the EU. At the same time, the potential to use the proposal to stimulate increased market opening in other countries for European companies is fundamentally positive.

However, there are significant uncertainties regarding which countries meet the relevant criteria. The agreements in question do not necessarily cover procurement, nor all relevant goods and technologies. On the contrary, there are often exceptions, limitations and asymmetries in all of these agreements. In certain free trade agreements, there are transition periods to be taken into account. In summary, it is unsatisfactory that it is not clear which countries are included in the definition, and that it therefore becomes the responsibility of each individual party, both companies and public actors, to carry out their own mapping and risk analysis for each individual product and each individual country. This becomes a very extensive task to carry out. Already at the entry into force of the Regulation, there are major difficulties and uncertainties, which are further exacerbated by the fact that the Commission is also given the possibility to exclude countries on what we

consider to be unclear and partly arbitrary grounds. Taken together, this creates an unreasonable level of uncertainty for companies to manage.

In light of this, we propose the following:

- Maintain the Commission's proposal to include countries with free trade agreements, customs unions and GPA for public procurement. Strive to use the proposal to stimulate increased market opening in other countries for European companies. Apply any such criteria in a flexible way, by also including countries with trade agreements that do not ensure full symmetry, coupled with a specified period during which negotiations with the EU may be conducted to achieve a sufficient level of market opening to remain covered by the IAA. Explore how to include such a criterion for the selection of countries that are included when it comes to public financing in the same way as for procurement.
- The countries included must be stated explicitly in order to create legal certainty and predictability. This should preferably be done in the form of a new annex attached to the Regulation. Further streamlining of the Regulation becomes even more important in order to reduce the number of products covered and which therefore need to be included in the annex.
- Companies need long-term and stable framework conditions – this is more important than enabling the Commission to quickly change which countries are covered, and continuously use the Regulation as a negotiating tool. If countries are listed in an annex to the Regulation, this can be revised through a legislative procedure following the first review of the framework three years after entry into force as provided for in Article 29.
- If amendments through a new legislative procedure concerning which countries are covered are not feasible, and the Commission is given the power to determine changes through delegated acts, then the process should be further structured in relation to the provisions on powers set out in Article 30. It may be considered whether the process should follow an annual cycle, where decisions are taken annually on any adjustments to the annex/list, and that entry into force of the update should not take place until one year later, to give at least some opportunity for companies to begin adjusting their value chains where necessary.
- Finally, with regard to the proposed provisions on Union origin for net-zero products, a narrower framework is envisaged for the products covered by Article 28c, *Union origin requirements for Member State support to the construction and manufacturing of net-zero technologies*.

  This provision governs situations in which Member States support the construction or manufacturing of final products within hydrogen and nuclear technologies. For these technologies, there is no extension of the Union preference to include countries covered by free trade agreements (FTAs) or customs unions, as is otherwise the case under the IAA.

  We see no justification for this distinction and therefore consider that this provision should also encompass the EU's trading partners on the same basis as the rest of the proposal.

Increased administrative burden

The proposed framework entails an increased administrative burden for both companies and public entities. Companies are obliged to declare that products or content fulfil the requirements for Union origin, while contracting authorities and granting authorities are expected to verify compliance. This considerably expands the number of companies subject to requirements for origin declarations, far beyond those currently obliged to make such assessments under rules relating to tariffs or quotas.

At the same time, the number of authorities that must assess origin is significantly expanded. Contracting and granting authorities need to determine the origin of products, interpret customs legislation and assess complex concepts such as "last substantial transformation". This would delay procedures, increase administrative complexity, create legal uncertainty and increase the risk of legal disputes.

At a time when significant efforts are being made, both at EU level and by the Member States, to reduce regulatory burdens and complexity for companies, it is surprising and deeply regrettable that the Commission's proposal leads in the opposite direction. We assess that the resulting increase in administrative burden will be considerable and risks diverting resources and attention from measures that could have a more sustainable and long-term positive effect on competitiveness.

This makes it even more important to narrow the proposal and simplify the way in which compliance can be certified and verified. European preference should not apply to specified materials, as this aspect is characterised by particularly high uncertainty and difficult delimitation issues. The criteria used should be limited in number and adapted to what is practically feasible for companies to comply with and document. The vehicle category should be made more specific, in order to capture the differences between different types of vehicle manufacturing, primarily passenger cars, lorries and buses. Consideration should be given to how compliance with the requirements can be certified and verified in a more systematic way, without requiring a thorough assessment in each individual case.

Delegated acts give the Commission too broad a mandate

The Commission is proposed to be granted extensive possibilities, through delegated acts, to influence the scope and detailed design of the framework, inter alia by defining key elements of the concept of European preference, including both product scope and origin requirements. We consider that the mandate is too broad in both these respects. Delegated acts should be used for purely technical aspects with a high level of detail and where there is a need to regularly update the framework. They are not an appropriate method where this at the same time risks changing the direction, scope or effects of the proposal beyond marginal adjustments.

In Article 16, paragraph 1, it is proposed that the Commission shall be given a mandate to introduce "Union-level demand-side measures" for products within the chemical industry. This is an issue where it is fundamentally important that all legislators are involved, and that interested parties are given the opportunity to provide their views in an orderly process. It is also an issue that should be preceded by a proper impact assessment. Paragraph 1 should therefore be deleted. The same applies to net-zero technologies, where a new Article 28h(2) in the NZIA allows the Commission to add new end products to the scope. This provision should also be deleted.

In Article 16, paragraph 2, the Commission is given a mandate to revise Annexes II and III through delegated acts, which govern requirements for Union origin and low-carbon products. The levels and criteria proposed determine the level of ambition of the proposal, which has political relevance, and will likely be one of the issues discussed intensively in the Council and the Parliament. It would be strange if the Commission were later given the opportunity to amend this at its own discretion without a proper political balancing by the other

institutions. The Commission's mandate therefore needs to be at least limited in this respect. The same amendment should be made in Article 28h(1).

Other forms of public intervention

According to the proposal, different forms of public intervention in the form of "public support schemes" shall also be subject to requirements for European preference. It is unclear how such public support schemes are to be defined in more detail, and whether this concept, for example, corresponds to the concept of "State aid" under the EU State aid rules (Article 107(1) TFEU). If this is the case, it would mean that support measures such as tax exemptions and tax reductions would also be covered by the provision. The design of State aid is already subject to a complex regulatory framework, and in particular aid in the form of tax measures is complicated to design and implement in compliance with the framework. If tax measures are also included, this may limit their use as a policy instrument due to the additional complexity.

In materials submitted to the Government, the Swedish Agency for Economic and Regional Growth states that up to 16 existing Swedish measures may be covered by the IAA. These range from investment aid to various forms of tax reductions. Even if existing measures are not covered by the requirements, the requirements become mandatory after the entry into force of the Regulation when the measures are to be extended or revised. It therefore needs to be clarified in more detail which public interventions are covered, and how compliance can be certified and verified in a reasonable manner that does not create an extensive administrative burden.

Unclear definitions in Annex II - Low-carbon and Union origin requirements for energy intensive industries

We assess that the difficulties of tracing and documenting the material content in products covered by public procurement or receiving public support will be particularly significant. According to Annex II, public procurement and other forms of public intervention shall require that 5 per cent of the volume of all concrete and mortar used in buildings and infrastructure, as well as 25 per cent of the volume of aluminium used in buildings, infrastructure and vehicles, fulfil the requirement of Union origin.

The scope of the requirement does not only cover procurement of the raw materials as such – concrete, mortar and aluminium – but also "any product whose function mainly depends on concrete and mortar/aluminium". Assessing whether a product has a function that mainly depends on a particular material appears difficult to carry out, and somewhat arbitrary. It is unclear how public authorities and companies are expected to determine where the threshold lies for when a product's function is considered to mainly depend on a particular raw material.

Only in cases where a product procured or included in public support schemes has a function that mainly depends on concrete, mortar and/or aluminium does the manufacturer need to be able to demonstrate the origin of the metal in the product. Origin is also in this occasion determined by using the rules of origin in the EU Customs Code, where origin is determined based on where the product underwent its last substantial transformation. Even if one focuses on the material itself, it should be considered, for example, that aluminium undergoes its last substantial transformation when the product in which the aluminium is included undergoes its last substantial transformation. This means that these materials are not traced back to primary production; rather, the product including the materials generally obtains its origin where it is given its final form, for example through final assembly. As regards construction of infrastructure, concrete undergoes its last substantial transformation at the location where, for example, a bridge is built. We therefore question whether the rules on European preference have any effect on the respective value chains in which concrete, mortar and aluminium are included, particularly at the upstream part of the value chain where primary production takes

place. It rather seems to become a Union preference for products in which these materials are included. Thus, the effects described by the Commission, in terms of supporting European production of these raw materials, are not achieved.

Given the otherwise considerable difficulties in determining in which situations the rules are to be applied, the increased administrative burden and the difficulties in designing public support systems, it appears particularly inappropriate to introduce requirements for European preference in this area. We therefore advocate that requirements for European preference for concrete, mortar and aluminium be removed from Annex II, and that the Annex should only stipulate which requirements for low-carbon products are to be fulfilled.

The Net-Zero Industry Regulation already contains rules for increased resilience

Another consideration is that there are already provisions in the NZIA aimed at strengthening the Union's resilience and security of supply in the area of net-zero technology, by promoting diversification of supply chains and improving manufacturing capacity for net-zero technology within the Union. These provisions are set out in Article 25 of the Regulation, and according to the implementing regulation (EU) 2025/1178 they are to apply from 30 December 2025. Contracting authorities shall include certain conditions in procurements where these concern net-zero products for which a third country accounts for more than 50 per cent of supply (and 40 per cent if the share of supply has increased by on average at least ten percentage points over two consecutive years). These conditions include, inter alia, that no more than 50 per cent of the value of the specific net-zero technology concerned in this provision may be supplied from any single third country. This is a complex framework which has recently entered into force, and it is unclear how it will function in practice, both for contracting authorities and companies, and whether it will have any market-steering effects.

The framework has advantages in that it does not categorically exclude certain countries from the procurement market, and it does not force companies in turn to restrict value chains solely according to a principle of European preference. Instead, it steers towards increased diversification in areas where the EU has a significant dependency on a single third country. Since it concerns technologies that are important for investments in fossil-free energy production, and in some cases key components and other input goods where interruptions in supply chains have major harmful effects already in the short term, it may be reasonable to stimulate increased diversification through changed purchasing behaviour by the public sector. Another advantage is that the Commission does not continuously change the scope of the rules. Instead, the statistics are updated annually on which countries and technologies exceed the specified thresholds, and where the rules therefore become applicable. In this way, greater clarity and easier application are promoted, without changing the structure and scope of the rules.

Despite the fact that these rules have just entered into force, and that there is therefore no practical experience regarding their application or effects, the Commission is now proposing new rules for the same type of products and with similar purposes. This means that contracting authorities and companies providing net-zero products need to handle two complex set of rules that must both be complied with. This argues for the view that rules on European preference should not be introduced for net-zero technology.

European preference – summary of our views

As has been set out above, our preferred option is that European preference be removed in its entirety from the proposal. Should this not be politically possible, we consider that the proposal should only apply to the automotive sector. This is because similar rules already exist in the NZIA which has recently entered into force, and overlapping frameworks with similar purposes should be avoided. European preference should also not apply to specified materials, as this leads to particular lack of clarity and complexity, while the effects remain unclear. The scope of countries should follow the Commission's proposal, i.e. include countries that have

concluded free trade agreements or customs unions with the EU, or that have signed the WTO GPA. The countries and products covered, in both procurement and public support, should be explicitly set out in a list that provides companies and contracting authorities with predictability and legal certainty. In the assessment of which countries should be covered, we welcome using the proposal to stimulate increased market opening in other countries for European companies, applied with certain flexibility. Any changes to the scope of countries should be preceded by a structured and predictable process that gives companies some adjustment time in the event of changes. The Commission’s possibilities to amend the proposal so that the scope and level of ambition are altered should be significantly restricted. Greater clarity is also needed as regards which public support schemes are specifically covered by the provisions. The administrative burden needs to be minimised through requirements that are as clear and limited as possible, while still being capable of creating the intended incentive effect. Consideration should be given to how compliance with the requirements can be certified and verified in a systematic way, without requiring a thorough assessment in each individual case.

Low-carbon products

The requirements which, according to the proposal, are to be imposed on low-carbon products in public procurement and public support schemes, and which cover steel, aluminium as well as concrete and mortar, can create more predictable investment conditions and accelerate the transition towards products with a lower carbon footprint. This can strengthen the competitiveness of European, and in particular Swedish, companies, which are often at the forefront of technological development and production of such products.

We welcome that the proposal on low-carbon products refers to the ESPR processes and the Construction Products Regulation. It is of decisive importance that delegated acts are designed in connection with the already existing ESPR process and the Construction Products Regulation respectively. We welcome that the Commission appears to have abandoned the idea of developing delegated acts based on data from the ETS and CBAM.

In Annex II, it is proposed that contracting authorities in public procurement shall require that at least 25 per cent of steel and aluminium used in buildings, infrastructure and motor vehicles, as well as 5 per cent of concrete and mortar used in buildings and infrastructure, shall be low-carbon. It is important that the level set is both ambitious and realistic. Given that the definition of low-carbon has not yet been established, it is difficult at this stage to analyse the consequences of different requirement levels and which level is reasonable in order to create the appropriate level of incentives.

Chapter IV – Conditions for foreign direct investment

We are critical of this proposal and consider that, for several reasons, it should not be adopted. Fundamentally, regulatory frameworks that restrict investments should be used sparingly and only when there are very strong reasons, as they limit companies' freedom and risk deterring foreign direct investment. The EU needs to attract more foreign direct investment, which is an important driver of growth and competitiveness. There is a risk that the willingness to invest in Europe will decrease, which could otherwise stimulate increased industrial production and potentially reduced dependence on production in third countries of certain goods where the EU currently has limited domestic production.

The recently adopted revised FDI Regulation contains tools to intervene against investments that are risky from a national security perspective and entails an extensive review where circumstances and conditions of the kind now proposed can already be taken into account. It is highly unsatisfactory if a parallel regulatory framework is created to be applied on top of the already extensive FDI regulatory framework that exists, as well as other frameworks that must be applied in relation to foreign investments, primarily the Regulation on foreign subsidies and the merger control rules under competition law. In addition, there are national frameworks that complement and, in some cases, partly overlap with the EU notification requirements. Taken together, this creates a patchwork of regulatory frameworks that contributes to unpredictability, a significant administrative burden and the risk of inconsistent interpretations, prolonged assessment processes and legal disputes. The risk of investing in the EU increases, as does the cost of managing all these frameworks.

Given the questionable benefits of the proposal, particularly in light of the many regulatory frameworks that already surround investments from third countries, it cannot be considered proportionate or appropriate to proceed with the proposal at this stage. New requirements of this kind would need to be introduced as part of the existing FDI screening, and not without a more thorough impact assessment that covers all regulatory frameworks for investment screening, as well as whether there is indeed a need to apply the proposed conditions, or whether much of this can be achieved through less costly methods.

Finally, it should be recalled that the EU has been highly critical of similar conditions when they have been introduced by other countries. If the EU introduces a similar regulatory framework, it will become more difficult for the EU to persuade these countries to open up to European investments without restrictive conditions, and risks provoking corresponding conditions or restrictions on European investments in additional countries.

Chapter V – Industrial Manufacturing Acceleration Areas

We are generally sceptical of the use of specific geographical areas that are granted particular advantages as a means of improving conditions for industry. Measures aimed at accelerating industrial investments should, as far as possible, be technology-neutral, generally applicable and based on simplification of regulations and permitting procedures that benefit the entire business sector. The Commission's proposal risks leading to investments being directed and located in a manner that is suboptimal from a market perspective. Such an approach may lead to distortions of competition between companies that are active within, or choose to locate in, these areas and those located outside them.

Experience shows that industrial policy based on identifying and promoting specific projects or clusters tends to favour larger established actors and more mature technologies, while smaller companies and alternative solutions are disadvantaged. This risks distorting competition, slowing innovation and reducing incentives for market-driven transition. It becomes an expression of harmful selective industrial policy, where public authorities in practice prioritise certain solutions, companies or production models over others, rather than ensuring competitive neutrality and stable, predictable framework conditions in the long term.

It is therefore important that the proposal does not become mandatory for Member States but remains voluntary to implement, just as Member States may voluntarily decide to establish net-zero acceleration clusters under the NZIA. We therefore advocate that the provisions in Chapter VI should be voluntary for Member States to implement. Consequently, we consider that Article 34.1 should be amended as follows: *Member States ~~shall~~ may designate industrial acceleration areas where industrial activity within key strategic sectors is geographically concentrated, administrative procedures are simplified and access to financing and materials is facilitated.*

We welcome the fact that the measures to be applied in an industrial acceleration area are voluntary for Member States to introduce, with the exception of what is referred to as a basic permit.

The basic permits are intended to cover the permits and administrative approvals needed for such industrial production as is to be promoted within the acceleration area. This does not include permits that are specific to each individual production facility. The proposal on a basic permit as a way of accelerating permitting procedures in an area that may be relevant for several industrial establishments or expansions of existing facilities is interesting, but is associated with many uncertainties. If it is to constitute a genuine simplification, it is necessary that a significant part of the permitting issues can be decided at a general level, and that a large part of the permitting issues are not dependent on the specific circumstances applicable to each individual investment. This needs to be clarified both generally and specifically for Swedish conditions. If this does not lead to a significant reduction in time for a permitting process from a company perspective, it may be questioned whether it is justified to introduce new concepts and processes. Other questions are also raised, such as responsibility for financing a basic permit, and who will be responsible for boundary-drawing and interpretation.

Chapter 6 – Final provisions

Article 29 – Review

According to the article, the Commission shall assess, three years after the Regulation has entered into force, the need to revise Chapters 3 and 4, i.e. the central provisions on Union origin, low-carbon products and conditions for foreign direct investment. A legislative proposal shall be presented if there is a need to repeal or amend the Regulation. Such a review shall thereafter be carried out every three years. It is welcome that the Regulation is reviewed in this way and that amendments are made in the form of new legislative proposals. For this purpose, the Commission's semi-annual evaluations under Article 28 will also constitute a good basis. However, we oppose that individual sectors are singled out as potential candidates for inclusion in a future revision of the requirements on European preference, as the Commission does in Article 29 by mentioning building of ships and rail rolling stock.