

Invest Europe Position Paper on the Industrial Accelerator Act

Mobilising private capital for Europe's industrial transformation

Invest Europe, the European association representing the Venture Capital (VC), Private Equity (PE) and Infrastructure sectors, as well as their investors, supports the objective of strengthening Europe's industrial capacity, economic resilience and ability to develop and manufacture strategic technologies.

Europe needs to turn more of its innovation into successful companies, expand its manufacturing capacity and reduce critical dependencies while remaining competitive in global markets. The Industrial Accelerator Act (IAA) can contribute by accelerating industrial projects, creating stronger demand for European production and supporting more resilient value chains.

Its success will ultimately depend on whether it generates additional investment. The Draghi report estimated that Europe requires between €750 billion and €800 billion in additional investment each year to meet its competitiveness, resilience and transformation needs. This cannot be delivered through public funding alone. It will require capital from European and international investors, deployed through companies and projects capable of generating sustainable growth.

VC, PE and infrastructure funds are central to this effort. They provide the equity, governance and long-term investment companies need to develop new technologies, commercialise innovation, build productive capacity, modernise established businesses and finance strategic infrastructure. International capital is also an established part of Europe's investment ecosystem, supporting both European fund managers and direct investment into European companies.

The IAA must therefore reinforce Europe's industrial objectives without weakening its ability to attract the capital required to deliver them. It should address clearly identified dependencies and economic-security risks without treating the international origin of capital as a risk in itself. It should create demand for European production without introducing requirements that companies cannot predict, verify or meet through available supply chains.

This is particularly important because the IAA could shape the direction of future European industrial policy. Choices made now on foreign investment, ownership, Union origin and trusted partners will influence where investors establish operations, where companies expand production and whether internationally active businesses continue to view Europe as an attractive destination for long-term capital.

The final framework should be measured against a straightforward test: does it make Europe a more attractive place to build, finance and grow industrial businesses?

Executive summary

The IAA can help strengthen European industrial capacity and create more predictable demand for European production. To succeed, however, it must mobilise private investment rather than add new obstacles to deploying capital in Europe. Invest Europe identifies three priorities.

First, focus on genuine economic-security risks. Independently managed investment funds should not be treated in the same way as foreign states, state-controlled entities or strategic industrial investors solely because the fund manager or its investors are established outside the EU. The assessment should focus on whether the individual transaction creates an identifiable risk of losing European capabilities, production capacity, talent, sensitive data or competitiveness.

Second, make Union-origin requirements predictable and workable. European companies operate through international and multi-tier supply chains. The final text should preserve applicable recognition of FTA, customs-union and GPA partners, apply consistent origin rules across the EU, and give companies sufficient time and flexibility where qualifying products or components are not yet available.

Third, avoid an additional and overlapping investment-screening process. Investments in European companies may already be reviewed under national Foreign Direct Investment (FDI) regimes, merger control and the Foreign Subsidies Regulation (FSR). Any additional IAA review should be limited to a distinct concern not addressed under existing instruments and should reuse information, align timelines and coordinate conditions with the parallel review processes.

The direction should be clear: create stronger European demand, target genuine economic-security risks and preserve access to the capital and trusted supply relationships needed to deliver Europe's industrial ambitions.

Private capital is indispensable to Europe's industrial ambitions

Europe's industrial transformation requires equity investment across the full company lifecycle.

VC supports the development and commercialisation of new technologies. Growth and PE provide the investment and operational expertise companies need to scale, modernise production and expand internationally. Infrastructure funds finance the physical and digital systems that underpin Europe's economic resilience, energy transition and productive capacity.

These investments often involve risks and time horizons that cannot be supported through public or bank financing alone. New industrial technologies may require substantial expenditure before generating revenue. Established companies may need significant capital to decarbonise production, digitalise operations, build new facilities or enter new markets. Strategic infrastructure projects depend on long-term capital and stable regulatory frameworks.

Private-capital managers contribute more than financing. Through active ownership and professional governance, they can support management teams, strengthen operations and

invest in long-term transformation. Depending on the company and its stage of development, this may include new production capacity, research and development, workforce development, energy efficiency and expansion into international markets.

Europe's private-capital ecosystem is also international. European managers raise capital from pension funds, insurers, sovereign investors, endowments and other institutional investors from around the world. Internationally headquartered managers invest directly in European companies, employ European teams and operate through regulated European structures.

This internationally connected model increases the capital available to European companies and connects them to expertise, markets and commercial networks beyond their domestic economies.

The origin of the capital or the location of the manager does not, by itself, determine the strategic purpose of an investment. Institutional investors in a fund typically do not select individual transactions or direct portfolio-company operations. Investment decisions are taken through the governance arrangements of the fund and by the manager acting under its mandate and fiduciary responsibilities.

An independently managed fund is also different from an integrated industrial group. A fund may exercise meaningful governance rights over a portfolio company, but that does not mean the investment is strategically directed by the country in which the manager or its investors are established. Portfolio companies generally remain separate European businesses, with their own management, workforce, assets and operations, and are not integrated into the industrial strategy or supply chain of the manager's home jurisdiction.

The IAA should reflect this economic reality. Otherwise, internationally headquartered VC, PE and infrastructure managers with a longstanding commitment to Europe are at risk of being treated in the same way as foreign industrial groups or state-directed investors.

This would disproportionately affect internationally headquartered buyout funds, for which ownership and governance are central to the ability to invest substantial equity and remain accountable for the company's strategy during the holding period. Limiting ownership will not merely change the structure of the transaction. It will prevent the investment model from operating altogether.

Focus on genuine economic security risks

Private-capital investment is often active by design. VC, PE and infrastructure managers may appoint directors, exercise certain governance rights and support strategic development. In most cases, however, the portfolio company's workforce, intellectual property, production and decision-making remain in Europe. These features should not, by themselves, be treated as evidence that the investment is strategically directed from outside the EU.

The relevant distinction is between independently managed financial investment and investment directed by a foreign state, state-controlled entity or strategic industrial operator.

The location of a manager, the nationality of its institutional investors and the exercise of ordinary shareholder rights should not be sufficient to establish foreign strategic direction.

The IAA should require an Investment Authority to identify how a third-country state or strategic operator could direct the investment, access sensitive assets or influence the company's industrial strategy. This would preserve scrutiny of genuine economic-security risks while keeping internationally raised and professionally managed capital available to European businesses.

Retain the 40% safeguard and assess risks case by case

The 40% global manufacturing-capacity threshold is the proposal's most important safeguard for trusted partners. As a cumulative gateway, it limits the new regime to investments linked to countries with a dominant position in a covered sector and keeps most international trusted investors outside scope.

Where the threshold is met, it should trigger a closer examination rather than an automatic presumption of risk. Manufacturing concentration describes a country and sector. It does not establish the purpose or risk profile of every investor connected to that jurisdiction. An independently managed fund may have a diversified international investor base and no connection to state or industrial-policy objectives.

An Investment Authority should therefore assess the individual investor, transaction and intended strategy for the European company. This safeguard will remain important as production patterns and the covered sectors evolve, potentially bringing investors from trusted partner jurisdictions within scope. Conditions should be imposed only where the transaction creates an identifiable risk to European capabilities, capacity, talent, data or competitiveness.

Mandatory conditions prevent investment rather than enabling it

The proposed six conditions relating to ownership, joint ventures, intellectual property, employment, research and development, and sourcing go to the heart of how an investment and the underlying company operate.

Most VC and PE investors already seek to grow the European businesses in which they invest. They finance product development and research, help companies recruit and retain skilled employees, support commercial expansion and invest in production and operational capacity. Buyout investors may also undertake substantial transformation programmes during the holding period, including investments in digitalisation, decarbonisation and international growth.

These activities create value for investors precisely because they strengthen the company. These contributions are already integral to the investment model and should not be converted into a standard set of mandatory conditions.

Requiring every captured investor to satisfy a predetermined number of conditions can nevertheless make an investment prohibitive, particularly for buyout funds. Their model depends on being able to deploy substantial equity and exercise effective governance. A fixed

ownership ceiling or compulsory joint venture can therefore prevent the transaction rather than increase its contribution to Europe.

Conditions affecting intellectual property, employment, sourcing or research can similarly restrict the company's ability to adapt its business plan and can affect valuation, financing arrangements and future exits, even where the investor already intends to maintain and expand substantial activity in Europe.

The final framework should replace the automatic requirement to satisfy a predetermined number of conditions with a transaction-specific assessment. Authorities should recognise existing and planned European activity and impose only commitments that are necessary to address a demonstrated concern. Ownership caps or compulsory joint ventures should not be required where a less restrictive commitment can address the identified risk.

Make Union-origin requirements predictable and workable

Public procurement and public support can create reliable demand for European production and give companies confidence to invest in additional capacity. To achieve this, the applicable origin rules must be known before investment decisions are made, implemented consistently across the EU and workable for companies operating through international supply chains.

Union-origin requirements will affect companies throughout the European economy. Manufacturers, project developers and suppliers will need to determine whether their products and components qualify for procurement or public support. These rules will therefore influence production locations, capital expenditure and supplier choices before a tender is launched or an application for support is submitted.

Companies consider future market access when deciding where to establish production, which suppliers to use and whether to invest in new capacity. Investors similarly assess whether a portfolio company's products will remain eligible in relevant markets, whether its supply chain can support its business plan and whether future regulatory changes may require costly restructuring.

For VC, PE and infrastructure investors, this uncertainty can affect capital expenditure decisions, company valuations and the long-term viability of projects and growth strategies.

Partner-country equivalence must be clear and durable

European industrial production is integrated with international supply chains. Companies source raw materials, specialised components and enabling technologies from several jurisdictions while carrying out substantial production, engineering, intellectual-property development and employment in Europe.

The IAA should reward genuine European economic activity while recognising that resilient European production also depends on trusted partners.

For public procurement, the final text should preserve the Commission proposal's equivalence for products and components covered by relevant FTAs, customs unions and the WTO

Government Procurement Agreement (GPA), where the applicable international commitments cover the product or procedure concerned. This provides a clear basis for working with trusted partners while preserving the Union's existing international commitments.

The legislation should explain clearly that GPA-based equivalence applies to covered procurement, while equivalence for public-support schemes follows the applicable FTA or customs-union commitments. Companies should be able to identify these differences before investing or entering into long-term supply arrangements.

The power to withdraw procurement equivalence through delegated acts should be removed. Any fundamental change to the treatment of a partner country should be based on clear evidence, subject to legislative scrutiny and accompanied by sufficient advance notice and transitional protection for existing investments, contracts and supply arrangements.

Requirements must reflect how supply chains operate

Origin requirements can be considerably more complicated than determining where a finished product was assembled.

Depending on the product and the applicable requirement, companies will need to identify where particular components were produced, calculate the qualifying share of a product's value or obtain information from suppliers operating several tiers down the supply chain.

This can create substantial practical challenges. Companies will need to obtain origin and value information from several levels of their supply chains in order to substantiate their declarations. That information will most probably not be readily available, particularly where components are sourced from different factories or jurisdictions, and some of it may be commercially sensitive.

The burden will be particularly significant for smaller companies and businesses that may not already have established customs and supply-chain compliance systems. However, even large companies can face considerable complexity where products involve extensive and frequently changing supplier networks.

The framework should influence the direction of supply-chain investment without turning procurement and public support into repeated forensic audits of products and suppliers.

The IAA should require one common EU approach to demonstrating origin. Before the requirements apply, the Commission should publish clear guidance and standard declarations identifying which products and components must be traced. Evidence should be reusable across procurement and support procedures, and companies should be able to rely reasonably on information supplied through their value chains.

Member States and contracting authorities should not introduce additional origin methodologies or evidence requirements. Where IAA requirements interact with the future EU procurement framework or sectoral legislation, the definitions, treatment of partner countries and supporting evidence should be aligned before the rules take effect.

Phase in requirements as qualifying supply becomes available

Public procurement and public support can make new European production commercially viable by giving companies confidence that demand will exist. However, a legal requirement cannot create components or production capacity overnight.

Before origin requirements apply or become more demanding, the Commission should assess whether qualifying inputs and components are available at sufficient scale and cost. Requirements should then be phased in according to the expected development of European and qualifying partner-country supply, with timelines that allow companies to invest, qualify new suppliers and adjust production.

Where qualifying supply remains unavailable or compliance would make the underlying project economically unviable, the derogations provided by the IAA should be practical, predictable and available before investment decisions are taken. The objective should be to expand European capacity over time, not simply reduce the number of companies able to participate in procurement or access support today.

Avoid a fourth, overlapping transaction review

Investments in strategic European businesses may already require merger-control clearance, an FSR notification and screening under the EU and national FDI framework. Although these instruments pursue different objectives, they often examine the same investor, transaction, target and business plan.

The IAA will add a fourth complex review with its own timetable, information requests and conditions. An additional IAA assessment should apply only where the authority identifies a distinct concern that has not been addressed under the existing frameworks.

Where an IAA review remains necessary, authorities should use a single contact point, align review periods wherever possible, reuse information already submitted and coordinate any conditions with measures imposed under the other regimes. This would reduce cost and uncertainty while preserving the ability to address a genuine regulatory gap.

Preserve certainty throughout the investment lifecycle

The IAA's impact should be assessed across the full investment lifecycle. At entry, uncertainty over the applicable review and possible conditions affects bids, financing and valuations. During ownership, operating and origin requirements constrains the company's ability to respond to market or technological change. At exit, restrictions on potential purchasers reduces the buyer pool and affect the company's value.

These effects influence whether capital is invested in the first place. The IAA should therefore establish commercially workable review periods, apply changes prospectively and protect investments and supply arrangements entered into under the previous rules. Its future review

should consider not only formal approvals and compliance, but also whether investment has been delayed, reduced or redirected.

Where the IAA provides SME-specific procurement, support or simplification measures, eligibility should reflect the company's own economic characteristics and actual access to resources. Aggregating a portfolio company with its fund, manager or unrelated portfolio companies can overstate its size even where there is no common balance sheet, cash pooling or operational integration.

Economically independent portfolio companies should therefore not lose access to IAA opportunities solely because they have attracted VC or PE investment. This would ensure that the Act supports companies according to their genuine scale and capacity rather than their financing structure.

Conclusion

The IAA offers an opportunity to combine stronger European industrial demand with faster investment, more resilient value chains and greater capacity to develop strategic technologies in Europe.

Private capital can help turn that ambition into productive assets, stronger companies and long-term growth. VC can finance innovation and commercialisation. PE can support companies as they scale and transform. Infrastructure funds can provide the long-term capital required for the energy, digital and physical systems on which European industry depends.

International investors and trusted supply-chain partners will remain essential to that effort. Europe's industrial strategy will be strongest when it combines a larger domestic investment base with continued access to global capital, expertise and markets.

The IAA should therefore complement existing screening tools rather than add unnecessary complexity. It should focus on identifiable economic-security risks and distinguish independently managed funds from state-directed or strategic industrial investment. Its conditions should reinforce genuine European activity without prescribing ownership or operating models that prevent investment.

Union-origin requirements can create valuable demand for European production if the rules preserve applicable partner-country equivalence, use a consistent EU compliance framework and are phased in as qualifying supply becomes available. This will give companies the confidence to invest in European capacity while adapting their supply chains in an orderly way.

With targeted investment safeguards, stable origin rules and coordinated review processes, the IAA can give investors and companies the confidence to build more capacity in Europe.