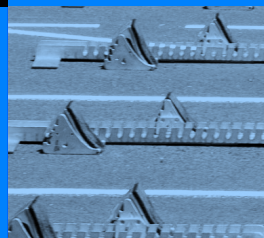
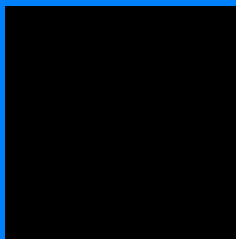
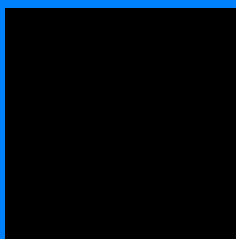


Public procurement under the Industrial Accelerator Act

How to create a European market for clean industry?

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1. Introduction

The energy crisis triggered by the Russian invasion of Ukraine in 2022 has weakened the competitiveness of European industry vis-à-vis export-oriented economies, particularly in the face of the active industrial policies pursued by China and the US. The situation was exacerbated by further shocks – US tariff hikes in 2025 and the blockade of the Strait of Hormuz during the US-Iranian war in 2026 – compounded by the costs of the energy transition, which have become a significant burden on businesses.

Prepared in response to these challenges in September 2023, the report by Mario Draghi's team contained recommendations for the EU in the areas of security, climate and the social model. The report highlighted the need for a "radical increase in investment and deeper integration", on a scale comparable to the post-war reconstruction (at least €750 billion), which provided the impetus for the announcement of the Clean Industrial Deal. The aim of the CID is to strengthen European industry whilst accelerating decarbonisation. One of the key elements of the CID has been the Industrial Accelerator Act – designed to create pioneer markets for low-carbon technologies, primarily through public procurement criteria that prioritise strategic areas of low-carbon materials production within the EU.

The European Parliament and the Council's assessment of the proposals and preparation of amendments will continue until at least the third quarter of 2026. The measures adopted will determine the future operating conditions for European industry. The regulation will therefore affect not only the pace of decarbonisation, but also the competitiveness of businesses and investment decisions within the European Union. The IAA is particularly significant for: businesses in energy-intensive sectors, manufacturers of low-carbon technologies, public authorities responsible for implementing industrial and climate policy, institutions financing the transition, and industrial consumers. It is therefore worth analysing its main provisions and potential consequences for stakeholders.

2. Green product criteria and country of origin as tools of industrial policy

Key provisions of the IAA concern two measures aimed at stimulating demand for selected industrial products: low-carbon criteria for selected products (in the current proposal: steel, cement and aluminium) within the framework of green public procurement; and criteria regarding the origin of products from the EU or trusted partner countries ('Made with Europe'). The low-carbon and origin criteria are guided by a common logic of selective market access.

2.1. Green public procurement in industrial transition

Green public procurement involves public contracting authorities taking environmental and climate criteria into account when awarding contracts. Its effectiveness as an industrial policy instrument stems from the large scale of public procurement – in the EU, it accounts for as much as 14% of GDP, particularly through the generation of demand for cement, steel and aluminium in the construction and transport sectors – enabling the states to consciously shape markets by creating the stable demand that is crucial for the commercialisation of advanced but still cost-uncompetitive technologies, which allows companies to scale up their operations and reduce costs (although this requires a well-developed business base and a supportive regulatory and infrastructural environment). This instrument does not, however, generate a significant increase in costs for the contracting authority, as the proportion of 'clean' materials in the final product is usually small – for example, replacing 10% of the steel and aluminium in a car with their low-carbon equivalents increases the final cost by only 0.1% (and by 1.2% in the case of a complete replacement), whilst in the case of a building, a similar substitution of concrete, steel and aluminium results in a cost increase of 0.2% and 2% respectively¹.

¹ See also the discussion of the advantages and disadvantages of different options for implementing green public procurement in Box 1 in [Chapter 2](#).

How to incorporate environmental criteria into public procurement?

Green criteria usually take two forms: an element of tender evaluation (option 1) or a condition for admission to the tender procedure (option 2).

Option 1: Points for 'greenness'

Contractors receive additional points for environmentally friendly solutions, alongside price and quality. This model promotes competition – anyone can bid, but suppliers of green products are rewarded, whilst other criteria (e.g. price) also remain relevant.

Option 2: 'Green credentials' as a condition for participation

A more restrictive approach – meeting environmental requirements becomes a condition for participation, eliminating other contractors from the outset. This increases the pressure for market transformation, but limits the number of bidders and competition, which may discourage contracting authorities from setting ambitious criteria for fear of a lack of bids.

Comparison: which option is better?

Option 2 risks a disproportionate increase in costs – narrowing the pool of contractors drives up prices, particularly given the limited supply of green products, which may prompt contracting authorities to make use of exemption clauses. Option 1, on the other hand, can be too weak where 'greenness' significantly affects cost. At the initial stage of market development, Option 1 appears to be the better choice – it supports climate objectives without stifling competition, particularly in the case of steel or cement, where the higher price of green materials usually has little impact on the total cost of the project.

2.2. Product origin and local content criteria

Criteria favouring goods or services of a specific origin (local content/Made in X) require a balance to be struck between short-term economic efficiency and long-term development objectives. A preference for domestic producers means higher costs for the contracting authority where these firms are not yet cost-competitive with foreign ones and additionally risks straining trade relations. At the same time, stable demand from public procurement enables companies to achieve economies of scale, acquire know-how and build capacity in new sectors, thereby turning public expenditure into an investment in import independence. The application of these criteria may help to reduce the structural market imbalances generated by states that actively support domestic production, provided that this does not lead to a permanent increase in public expenditure or an escalation of trade disputes. Support must, after all, be tailored to the specific characteristics of a given sector, in line with the proposal in the Draghi report that the scope of support should depend on the position of European producers in global markets and the EU's strategic objectives.

Table 1. Recommended support instruments depending on the characteristics of the industry

Sector characteristics	Recommended public sector strategy
Sectors in which competitors' cost advantage over the EU is too great for European manufacturers to compete effectively.	▪ Import of essential technologies. ▪ Leaving the financing of development to the taxpayers of the exporting countries. ▪ Diversification of supply, reduction of the risk of excessive dependence.
Sectors in which the location of production is more important than the source of the technology.	▪ Mobilising foreign direct investment (FDI). ▪ A trade policy that offsets the cost advantage resulting from foreign subsidies.
Sectors in which a strategic priority for EU companies is to maintain key technological capabilities and production capacity in the event of geopolitical tensions.	▪ Increasing the long-term profitability of new investments in Europe, for example through local content requirements. ▪ Ensuring a minimum level of technological sovereignty, e.g. through joint-venture requirements. ▪ Periodic review of sectors deemed strategic, e.g. for security reasons.
Sectors in which the EU has an innovative edge and sees high potential for future growth.	▪ The use of measures restricting foreign trade until a given sector reaches sufficient scale.

Source: Own analysis based on the report by M. Draghi (2024).

3. Public procurement requirements under the IAA – content of the regulations and potential challenges

3.1. Public procurement requirements under the IAA

- **Objective:** to create pioneer markets for strategic products through requirements for EU origin or low-carbon status in public procurement (i.e. in procedures covered by Directives 2014/23/EU, 2014/24/EU and 2014/25/EU)
- Obligation to exclude tenders from contractors controlled by entities from third countries without a market access agreement with the EU
- **Low-carbon criteria** and minimum shares of green products in procurement:
 - ♦ 25% low-carbon steel
 - ♦ 5% low-carbon concrete/mortar of EU origin
 - ♦ 25% low-carbon aluminium of EU origin
- **Origin criteria:** based on the EU Customs Code. Goods originating from countries with GPA or FTA agreements with the EU are treated as equivalent to those originating in the EU. The IAA reserves the right for the Commission to exclude this status
- **Requirements for foreign direct investments (FDI):** verification mechanisms for investments worth over €100 million in emerging strategic manufacturing sectors (including batteries, electric vehicles and the recycling of critical materials), where more than 40% of global production capacity is located in the investor's country of origin. Scrutiny of investments by Member States based on six criteria, including the scale of the foreign investor's stake, the transfer of intellectual property, employment and local content.
- **Exceptions to the application of the criteria:** lack of alternative suppliers/products, a recurring lack of bids, and disproportionate costs (exceeding 25% of the value)

3.2. Challenges in implementing the IAA in its current form

Are these criteria stringent just on paper? Exemptions versus bonus points in tenders

IAA requirements based on access criteria may stimulate production within the EU and reduce emissions, but at this early stage of the green procurement market's development, they risk excluding many potential suppliers. The low proposed

percentage thresholds – depending on definitions that have yet to be finalised – may prove both too low to mobilise modernisation investments and too high for existing production lines, which risks contracting authorities abusing exclusion clauses. A better solution would therefore be to award points to goods meeting the criteria during the tender evaluation stage and to use scoring systems and proportionality rather than exclusion clauses, which would give an advantage to suitable suppliers without unduly excluding others.² .

A risky combination of FDI requirements and the 'Made with Europe' approach

The IAA's requirements for foreign investment, combined with the principle of equal treatment for products from partner countries, mean that it may be more advantageous for investors from third countries to circumvent EU requirements and channel strategic investments into partner countries – where these requirements do not apply. The EU, together with its trading partners, should therefore develop a harmonised approach to the assessment of investments in order to prevent investors from circumventing the IAA provisions and to provide its partners with guarantees of economic benefits. An opt-in mechanism based on the principle of reciprocity could be a solution.

² E3G, [Industrial Transition Accelerator \(2025\)](#), Building the EU's Clean Industrial Future: Unlocking Investment through Lead Markets.

4. Summary and recommendations in the context of the IAA negotiations

European industry stands to benefit from the development of markets and supply chains for green public procurement; however, this requires the IAA provisions to be appropriately shaped. Upgrading to green standards would ensure that European producers of strategic materials remain competitive in an environment characterised by supply chain securitisation and a preference for *local content*, provided that favourable criteria are negotiated and properly implemented by contracting authorities, which would open up a large and receptive European public procurement market. It is worth leveraging both demand-side and supply-side advantages together to build a coherent ecosystem of green production – otherwise, we risk losing export markets to more dynamic competitors, and in the worst-case scenario, we ourselves will be forced to rely on green imports for the public sector, which, from a strategic security perspective, would be difficult to accept.

Emissions and origin criteria: from the access stage to the evaluation and selection of bids

The access criteria are too restrictive and not flexible enough. If they are set too low, they will have no effect; if they are set too high, they will stifle emerging markets. Proportional scoring criteria at the tender selection stage (with the option of gradually raising them) would allow fully green and EU-sourced products to be rewarded, whilst also allowing a wider range of suppliers to compete. This would provide a better incentive than a rigid entry threshold.

"Made with Europe" – an opt-in approach rather than automatic recognition of origin

The EU needs to strike a balance between strengthening demand-side incentives and preserving the benefits of cooperation with trusted partners. The level of openness in the opt-in mechanism should be tailored to the stage of development and strategic importance of individual technologies. The use of opt-in mechanisms based on the principle of reciprocity could:

- help reduce the overall burden associated with implementing IAA requirements,
- support the development of resilient supply chains based on trusted partners,
- reduce the risk of circumventing EU requirements whilst respecting the interests of partners.

Clarifying the definition of 'low-carbon' for sectors covered by the IAA

A system of definitions based on cross-references to other regulations makes it difficult for Member States and stakeholders to adopt the IAA's requirements 'blindly'. To ensure transparency and certainty in trade, either precise criteria should be set out within the IAA itself, or at the very least the relevant legislative procedures for the acts defining these criteria should be coordinated.

