

Feedback on Industrial Accelerator Act (IAA), draft policy

[Link to the IAA and annexes](#)

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Policy area	Proposed feedback
Overarching Feedback	<p>Europe cannot credibly talk about strategic autonomy while outsourcing the battery value chain. By 2030, Europe could still represent around 25% of global Battery Electric Vehicle production, but only around 5% of global battery cell production, while running a battery cell trade deficit of roughly 650 GWh, worth around €40 billion. China, meanwhile, is projected to control around 70% of global battery cell production. In plain terms: Europe risks keeping final assembly while surrendering the core technology, the industrial value added and the supply security behind it.</p> <p>That is no longer just a competitiveness problem. It is a security problem. In 2024, the EU imported around €28 billion worth of batteries, including around €22 billion from China, while China held around 83% of global battery production capacity. No serious geopolitical actor can accept this level of dependence in a foundational technology that underpins not only cars, but also defence, power systems, telecoms, data centres and critical infrastructure. Dependency in batteries means vulnerability in Europe's industrial and security backbone.</p> <p>This is why the Industrial Accelerator Act must be strong. Anything weaker would be strategic self-harm. Under a weak-policy scenario, Europe could lose up to 1 million automotive jobs by 2035 and around €90 billion in automotive value added. Europe now needs a front-loaded and unapologetically strategic response: real market pull for European batteries, accelerated investment across the full value chain, and clear recognition that batteries are strategic dual-use infrastructure. If Europe does not build this capability at home, it will not only import batteries. It will import dependency.</p>
1. Strong support for the core direction: demand-side support for EU battery manufacturing	<p>The most important positive element for Lyten is that the IAA does not rely only on permitting or rhetoric. It tries to create actual market pull through public procurement, public support schemes, and auctions. For batteries, this matters because the proposal links support eligibility to Union-origin requirements for battery energy storage systems and, in the vehicle annex, to increasingly strict EU-origin rules for EVs and their battery content. That is exactly the kind of framework that can support investment cases for local battery manufacturing.</p> <p>Lyten position: strongly support the IAA's objective of using public demand and public support to strengthen EU battery and clean-tech manufacturing.</p>

	<p>Can be further strengthened: Lyten believes the IAA could be more concrete around how to generate actual demand for EU-based manufacturing of EVs and BESS with EU-based batteries. It needs to be more specific in the way of subsidies for vehicles or BESS installation that could encourage investment, (e.g., opex support for the manufacturer to encourage fulfilment of requirements). (This can be either for the manufacturer, developer, or end-consumer). This is really where business cases tip in favor towards investment than rejection.</p>
<p>2. The BESS rules are helpful, but the battery component definitions need more clarity</p>	<p>For BESS in public support schemes, the proposal starts by requiring Union-origin BESS and, for systems above 1 MWh, a Union-origin battery management system. After three years, the requirement tightens so that BESS must contain battery cells, a battery management system, and one additional main specific component of Union origin. This is directionally positive for battery makers because it rewards deeper localisation over time.</p> <p>The problem is that terms like “originate in the Union” and “main specific component” will become commercially decisive. If these are not defined precisely and pragmatically, they could create uncertainty for project developers, support authorities, and manufacturers trying to build compliant supply chains. This also relates to other parts of the IAA where implementation clarity is still lacking.</p> <p>Lyten feedback: request clear implementing guidance on:</p> <ul style="list-style-type: none"> • what level of processing counts as Union origin for battery cells and components, • what components qualify as “main specific components,” • how mixed supply chains are treated during transition periods, • and how compliance will be evidenced in practice.
<p>3. The automotive provisions are strategically important for batteries, but they are demanding</p>	<p>The vehicle annex is highly relevant to Lyten even if Lyten is not itself an OEM. For publicly procured or publicly supported PEVs, OVC-HEVs, and FCVs, the vehicle must be assembled in the EU, at least 70% of the value of non-battery components must be of Union origin, and the battery must initially contain three Union-origin main specific battery components including cells. After three years, the battery must contain five such components, including battery cells, cathode active material, and BMS, and additional requirements kick in for e-powertrain and main electronic systems.</p> <p>This is potentially very positive for EU battery manufacturers because it creates a stronger pull for local cells and deeper local value chains. But it also raises practical concerns: if the requirements move faster than the supply chain, OEMs may struggle to comply, and public fleet demand may not convert smoothly into actual orders. While the stricter requirements are designed to let supply chains strengthen over time, the balance is delicate.</p> <p>Lyten feedback: support the phased tightening, but ask for:</p>

	<ul style="list-style-type: none"> • realistic transition periods, • a clear compliance methodology, • and a review mechanism tied to actual EU supply-chain readiness. • The public procurement requirements should also be extended to big corporate fleets <p>Importance of a strong framework in place, that communicates a clear and long-term commitment to building the industry. Only then will industry players and suppliers be willing to invest.</p> <p>In addition, more specificity is needed around Union origin requirements, where careful consideration around the likelihood of Union supply chains being established within the 3-5 year window. For commodities at the core for the battery sector, this means considering the development of mines and their permitting & development timelines. If there are too few projects being realized in the coming 3 years, it's unlikely a commercially viable Union source will be possible.</p>
<p>4. Exemptions may be too broad and could dilute the battery market signal</p>	<p>This is one of the biggest practical weaknesses in the current proposal. IAA includes multiple exemptions where Member States or contracting authorities can opt out. Two main such exemptions are:</p> <ol style="list-style-type: none"> 1. If EU-made / low-carbon solutions are considered too expensive For public procurement, contracting authorities may treat compliance as disproportionately costly where cost differences exceed 25%. (30% for public support schemes and 20% for auctions). 2. If they would cause significant delays Delays above seven months may be presumed significant. <p>Other exemptions include insufficient competition, technical incompatibility, equivalent origin (FTA countries), Commission-level exclusions, i.e., the The Commission can include or exclude countries based on reciprocity, dependency risks and security.)</p> <p>These carve-outs may be justified in principle, but if applied too broadly they could hollow out the industrial effect of the law.</p> <p>Lyten agrees with external analysis that these exemptions are an important practical feature and that broadly speaking implementation will depend heavily on how these flexibilities are used.</p> <p>Lyten feedback: narrow the exemptions or require stricter justification and transparency before waiving Union-origin requirements, especially in strategically important battery and EV categories.</p>
<p>5. The 45% coverage threshold for public support schemes may be too low</p>	<p>The proposal requires Member States to apply the relevant requirements to public support schemes accounting for at least 45% of the total national budget allocated to covered schemes in Annex II, while Annex III vehicle schemes are subject to 100% budget coverage. From a battery</p>

	<p>manufacturing perspective, the 45% threshold risks making support too partial and too uneven across Member States, especially in the early years when investment signals matter most.</p> <p>This point aligns with external critiques that the proposal lacks a sufficiently clear pathway for scaling the share of procurement and incentives covered over time.</p> <p>Lyten feedback: support a phased increase in coverage over time, or at minimum a review clause aimed at raising coverage once the EU supply base matures.</p>
<p>6. Equivalent-origin treatment for FTA/customs-union countries could weaken EU battery localisation unless used carefully</p>	<p>Article 9 says that content from third countries with which the EU has a free trade area or customs union is deemed equivalent to Union origin, unless the Commission later excludes that country based on non-reciprocity, dependency risk, or other grounds. This is commercially important. Depending on how broadly this is applied, it could either support allied diversification or weaken the industrial logic of building capacity in the EU itself.</p> <p>For Lyten, this is a nuanced point. Flexibility for trusted partners may be useful, but if “equivalent” status is too broad, some of the intended battery-manufacturing pull could leak outside the EU.</p> <p>Lyten feedback: support partner-country equivalence only where it clearly reinforces resilient supply chains and does not undermine the objective of scaling manufacturing capacity in the EU.</p>
<p>7. The FDI chapter is strategically understandable, but the design could deter useful capital</p>	<p>The IAA applies value-added screening to foreign direct investments above €100 million in batteries and their BESS value chain, EVs, solar PV, and critical raw materials. It also requires Member States to designate Investment Authorities and review such investments against value-added criteria.</p> <p>While the exact implementation is still evolving, the framework includes expectations such as: 1) Local value creation, meaning manufacturing activity in the EU and not just assembly. 2) Employment – having a meaningful share of EU-based workforce. 3) Technology transfer of knowledge, R&D, and innovation to the EU. 4) Supply chain integration, i.e., use of EU suppliers / components.</p> <p>From Lyten’s perspective, the principle makes sense: the EU wants large investments to deliver real local value, not just assembly-only footprints. The Commission factsheet frames this in terms of EU jobs, technology transfer, local value, and resilience.</p> <p>But the risk is over-correction. For example, the screening system could discourage investment in sectors that are strategic to the transition. Here Europe can learn from the practical shortcomings of U.S.-style industrial policy (IRA) and not create unnecessary complexity or rigidity.</p>

	<p>Lyten feedback: support FDI conditions that ensure local value creation, but ask for a framework that remains investable, predictable, and fast enough for battery manufacturing timelines.</p> <p>Question: What rules will apply to existing factories (such as CATL in Spain) which employ mostly foreign workers. Will those batteries be considered “Made in EU” per the new FDI requirements, or will the “meaningful share of EU-based workforce“ rule be applied retrospectively?</p>
<p>8. Industrial Manufacturing Acceleration Areas are promising, but they need to work in practice for battery projects</p>	<p>The permitting pillar is potentially important for Lyten’s manufacturing footprint. The model is described as a single digital application, a national access point, and designated acceleration areas with consolidated baseline permitting. The proposal also links these areas to raw-material coordination, energy and network planning, and workforce support.</p> <p>That is a positive concept for battery factories, which depend on fast permitting, energy availability, grid access, raw materials, and workforce readiness. But Lyten is careful not to overstate the value until the Member State implementation model is clear.</p> <p>Lyten feedback: support the acceleration-area concept, while asking for:</p> <ul style="list-style-type: none"> • rapid designation in Member States, • strong grid and energy planning, • and practical support for strategic manufacturing projects, including battery materials and cells. <p>May be an overreach for the EU to create designated areas. Leave that to the member states and their municipalities to enable. Where the EU can create conditions for investment is continuing to encourage the development of grid development, EU interconnections, and modernization. Better optimization of existing grid infrastructure through more sophisticated demand/supply management, and more increased number of BESS systems, will be critical in unlocking bottlenecks that enable investment.</p>
<p>9. The proposal is helpful for batteries, but much less explicit on ramp-up finance than the Battery Booster</p>	<p>This is an important strategic difference. The IAA may support demand and market access, but it does not directly solve the financing challenge of industrial ramp-up in the way the Battery Booster is supposed to. For Lyten, that means the IAA is valuable but not sufficient: it improves market conditions, but does not replace dedicated support instruments for first industrial deployment and ramp-up.</p> <p>Lyten framing: the IAA and Battery Booster should be presented as complementary. The IAA creates market pull and a stronger investment environment; the Battery Booster is needed to close financing and scaling gaps in battery manufacturing.</p>

General feedback

What is potentially missing in the IAA is that the framework doesn't address the role of education in enabling long-term competitiveness. Support mechanisms which enable universities to graduate more technical expertise, and encourage innovation, PhDs, etc, will help ensure a pipeline of talent that will feed future manufacturing.