VCI Position

INDUSTRIAL ACCELERATOR ACT (IAA)

Overall rating

The IAA is the industrial policy centrepiece of Ursula von der Leyen's second presidency for energy-intensive industry. On the positive side, the Commission is finally explicitly recognising the strategic importance of the chemical industry. The IAA is intended to bridge the gap between CRMA (and RePowerEU) and NZIA.

For the chemical and pharmaceutical industries, however, the Commission's proposal does not constitute a major industrial policy success overall. At best, it provides only limited incentives for existing production facilities and new investments. Instead, the approach remains selective, relies heavily on dirigiste elements, increases administrative burdens, and diverts attention from more fundamental decisions. Individual elements, such as measures to accelerate permitting procedures, could have a positive impact if they are properly designed and effectively implemented.
Overall, the IAA is far from sufficient to enable a successful transformation. This would require comprehensive structural improvements in framework conditions, in particular competitive energy prices and an industry-oriented further development of the EU emissions trading system (ETS), or regulatory simplification. The IAA must not become a fig leaf for unresolved structural weaknesses: without these core prerequisites, it is unlikely to generate meaningful investment and value creation.
Furthermore, the IAA represents one building block within a broad set of partly sector-specific legislative initiatives and regulatory frameworks, such as the SUPD, PPWR, ESPR, NZIA and many others, with additional initiatives already on the horizon. Against this backdrop, it is essential to ensure the necessary **transparency and consistency** across all relevant legislative acts for economic operators.

1. Chemical industry as a "strategic sector"

In Annex I, the IAA expands the circle of strategic sectors to include chemicals (NACE code C20), refined products (NACE 19) and plastics (NACE 22). **The VCI sees this as fundamentally positive**, as the IAA also closes an existing gap between the Net Zero Industry Act (NZIA) and the Critical Raw Materials Act (CRMA), at least in part. In the IAA, the chemical industry is (finally) specifically named as a central *enabler* of diverse value chains. This recognition has high symbolic value for a strong industrial location and the success of the industrial transformation. However, the link to chemistry applies primarily in the context of the Acceleration Areas.
The IAA's strong emphasis on "lead markets" and homogeneous goods undermines its ambition to recognise chemistry as a strategic sector. Such an approach is ill-suited to an "industry of industries" like chemistry, which is characterized by highly diverse and interlinked value

chains. As a result, even in Annex II, the Commission limits its focus to simple, relatively homogeneous products such as steel, aluminium, and cement.

2. "Demand-side instruments": preferences for "origin" and "environmental performance"

Overall, from the VCI's point of view, it is positive that only public and not private procurement is regulated in the IAA in order to test the application of the first of its kind instruments. This narrow focus must remain, even if it shortens the level of demand-oriented policy. Nevertheless, the IAA will lead to considerable extra verification bureaucracy for the economy, especially for SMEs.

2.1 Hedging Open Markets Instead of "Made in Europe" Risks

The IAA introduces "Made in Europe" provision while allowing openness to key trading partners (Art. 8, "Made with Europe"). **The VCI welcomes this approach, as it does not undermine existing partnerships and can create incentives in new trade agreements.** However, the actual level of openness remains unclear, since key details will only be determined later by delegated acts. This entails risks for predictability and investment security. The VCI therefore calls on the EU to remain a reliable partner and clearly pursues open markets and to avoid protectionist tendencies. Europe's industry will remain competitive, innovative, and investment-friendly only if international relations and cooperation continue to be rules-based, open and partnership-oriented.
At the same time, the EU operates in an environment in which trading partners are deviating from existing rules and resorting to protectionist measures. Against this backdrop, it is prudent to introduce the mechanism foreseen in the IAA proposal, which would restrict or withdraw privileged access to the EU public procurement market for partners to trade agreements and the Government Procurement Agreement (GPA) where a sufficient degree of reciprocal market access is not effectively ensured.At the same time, anchoring "Made in" or "Made with Europe" rules requires proof of origin (Art. 7), which risks creating significant additional administrative burden. This burden would fall particularly on SMEs compared to the status quo, as more origin documentation may be required. **Lean procedures relying on existing standards must be a top priority.**
In a limited number of clearly defined strategic industrial sectors, stricter requirements may be appropriate on a temporary basis, provided that stakeholders along the value chains consider them to be effective and desirable.

2.2 Public demand for "green" products: chemistry or not chemistry?

The VCI could support demand-side measures to promote transformation only if they specifically address market failures through public procurement and incentives and effectively create demand for climate-friendly and circular products.

For the chemical industry, however, instruments such as content requirements or quota regulations for downstream customers would need to be applied to a large number of end products in order to create sufficient, efficient and technology-neutral incentives along the entire value chain as the chemical industry produces thousands of products and applications.
At the same time, there is a large number of intermediate products between chemicals and final goods. In addition, many methodologies for determining the CO_2 content or circularity of products are not yet widely established or legally recognised. **Therefore, it is appropriate that the chemical industry is initially excluded from "lead markets". A reassessment will only be possible once the necessary progress has been achieved, for example with regard to the recognition of mass balance approaches.**
If chemical products are brought within the scope of demand-side measures under the IAA, the criteria of "sustainable carbon" and "low carbon" must form the basis for any preferences.
For the definition of "low carbon" the Commission should be compliant with ISO 14067 on horizontal GHG product accounting and new carbon accounting methodologies that are proposed from the chemical industry (e.g. sector initiatives). Furthermore, it is important that for the calculation of low carbon the Credit Mass Balance is fully reflected in life cycle assessment methodologies (PEF and EPDs EN15804). The revision of both methodologies must align with the above-mentioned ISO 14067.

Lead market measures should be based on requirements related to products obtained from sustainable carbon sources and on low-carbon requirements. Demand-side measures are needed for the feedstock/circular dimension of the transition (recycled, bio-based and carbon capture and utilisation sources) and to support the business case for the transition to net-zero production processes at scale. The inclusion of both improves consistency with the objective of supporting the transition towards climate neutrality across industrial value chains.
Therefore, we propose to include sustainable carbon sources in Art. 1 paragraph 2b and to broaden Article 16 (1) to also include low-carbon products.

Although the chemical industry is a strategic sector, it is not yet covered by the concrete rules under Section 2.3 of the IAA applicable to public procurement and support schemes. An entry point is created through Article 16; however, this has not yet been activated. Article 16 provides for such inclusion through the adoption of delegated acts. It is important that the measures under Art. 16 focus on end markets as pointed out in Art. 16 (1b). We do not support measures on substance / chemical level as Art. 16 (1a) makes it possible.

While such an extension of the scope could be beneficial under certain conditions and for specific segments of the sector, further consideration is required: this would necessitate a feasibility study and a comprehensive impact assessment. Any additional far-reaching regulatory measures **must** remain within the remit of the co-legislators. **It is essential that the relevant industries are properly involved throughout the value chain.**

2.3 The "support schemes" lever

The scope of the preference-relevant "support schemes" has not yet been sufficiently defined. From the VCI's perspective, there is therefore a significant need for clarification by the European Commission as to which funding instruments are intended to be covered. An overly broad interpretation could not only tie up scarce public funds but also make private investments – including those for transformation – unnecessarily more expensive.

3. Faster planning and permitting approval – but please do it correctly and comprehensively

Against the background of the difficult economic situation facing the chemical industry and the continued complexity of permitting procedures, the VCI believes that it is necessary to expand the scope of Art. 3 (1). The definition of an "industrial manufacturing project" should explicitly include existing industrial sites where a new permit or change of permit is required. This would better reflect industrial reality, enhance planning certainty, and ensure that transformation and modernization investments are not constrained by narrow conceptual boundaries.

A uniform permit application is only meaningful progress if it accelerates procedures, rather than creating additional delays. Experience in Germany shows that permits under water law often take longer than permits under emission control law. If the slowest procedure determines the overall timeline, any intended acceleration effect is lost. Binding deadlines are therefore needed for all procedural steps, not just for the subsequent submission of documents. In addition, conflicting objectives between EU regulations – such as the Nature Restoration Regulation, the Industrial Emissions Directive (IED), Water Framework Directive and the Soil Protection Directive – must be resolved at European level to prevent national authorities from being caught between contradictory requirements. Overall, from the VCI's perspective, it is regrettable that the IAA does not currently provide for substantive legal simplifications in planning and permitting procedures.

Furthermore, there is a risk that the approaches under the IAA will not deliver the intended positive effects, particularly in federal systems. This calls for further adjustments. Digital systems can support the desired acceleration in this context.

What is needed is a uniform, clearly structured permitting procedure with consolidated requirements and building acceleration deadlines applicable across all sectors, rather than special pathways for selected "strategic" industries. Only a harmonised and coherent permitting **framework** can create genuine planning security.

4. Acceleration Areas: Winners and Losers?

The Industrial Manufacturing Acceleration Areas (Baseline permit) are also closely linked to planning and permitting procedures. It is not yet possible to make a well-founded assessment

of the planned Acceleration Areas, as essential details are still open. The inherent selectivity resulting from the link to decarbonisation objectives and the NZIA raises concerns. To preserve integrated value chains, it would be preferable to extend the procedural advantages across the EU and to industrial sites more broadly, rather than limiting them to selected areas or sectors. In Germany alone, there are over 60 chemical parks facing the challenges of transformation. Any benefits arising from the IAA should be extended to all chemical parks.

5. Investment incentives instead of investment hurdles

The planned new rules on foreign direct investment (FDI) are also of particular concern. Articles 17–24 of the IAA provide for a new screening and authorisation regime for major investments (>€100 million) in strategic sectors, provided that a third country controls more than 40% of global production capacity in the sector in question.
The new provisions would apply in addition to the existing EU FDI screening framework.

Experience shows that additional control mechanisms lead to further clarification needs, review procedures and compliance requirements for investing companies – and thereby increasing regulatory burden beyond the already existing investment screening regime. At the same time, the EU is facing intense international competition and urgently needs more industrial investment and know-how to secure transformation, innovation and long-term value creation in the long term. Overly restrictive additional FDI rules risk reducing the EU's attractiveness as an investment location and may delay or even prevent investment projects.

From the VCI's point of view, regulatory interventions in the FDI area should therefore be risk-oriented and investment-friendly in order not to slow down the urgently needed investment momentum. The VCI has considerable doubts as to whether the relevant passages of the IAA meet these goals. A comprehensive analysis of the effects is urgently required. Even though the IAA is taking on a new area of responsibility with 'greenfield investments' and setting its sights on a new objective through strategic industrial policy, the following still applies: It is of particular concern that the new investment approval regime is to be drawn up in parallel and in addition to the previous investment assessments. This poses significant risks to legal certainty – particularly with regard to WTO requirements – as well as the risk of regulatory overlap.
So far, the scope for the new rules has been limited, but scope extensions are possible – from the VCI's point of view, this should not be extended further, and the effect should be critically examined.

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- Identification no. in the EU Transparency Register: 15423437054-40
- The VCI is registered with registration no. R000476 in the Lobbying Register for the Representation of Special Interests vis-à-vis the German Bundestag and the Federal Government.

The VCI is Europe's largest association representing the chemical and pharmaceutical industries. Through its 22 sector associations and 7 regional associations, it represents the interests of around 2,000 companies – ranging from global players to highly specialized medium-sized enterprises. With revenues of €230 billion in 2025 and around 545,000 employees in Germany, VCI member companies are powerful drivers of innovation, prosperity, and the future. To ensure a strong chemical and pharmaceutical industry today and tomorrow, the VCI is active in Germany, across Europe, and worldwide.