

EXPLANATORY MEMORANDUM FOR EUROPEAN UNION LEGISLATION WITHIN THE SCOPE OF THE UK/EU WITHDRAWAL AGREEMENT AND THE WINDSOR FRAMEWORK

COM (2026)100

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a framework of measures for the acceleration of industrial capacity and decarbonisation in strategic sectors and amending Regulations (EU) 2018/1724, (EU) 2024/1735 and (EU) 2024/3110

Submitted by the Department for Business and Trade, 8 May 2026

SUBJECT MATTER

1. On 4 March 2026, the EU Commission published the proposal for the Industrial Accelerator Act (IAA) to accelerate EU industrial competitiveness by boosting manufacturing in strategic sectors, as well as strengthen its economic security and climate resilience. The proposal introduces new procurement, subsidy, and investment rules, and focuses on three strategic areas:
 - a. Energy-intensive industries, including steel, cement, chemicals and aluminium.
 - b. Net-zero technologies, including batteries, solar PV, wind, heat pumps, and nuclear fission.
 - c. Automotive supply chains, focussing on hybrids and electric vehicles (EVs) and digital components
2. In the proposal, most UK content is considered equivalent to “Union origin” by default through the UK-EU Trade and Cooperation Agreement and the WTO Agreement on Government Procurement (GPA). This means that products or components originating in the UK are deemed equivalent to those that originate in the EU and therefore are treated as if they were made within the EU. Traders must submit a self-declaration or equivalent document to certify their products meet origin requirements, which are determined in line with the Union Customs Code (Regulation (EU) No 952/2013)
3. However, the Commission is empowered to adopt delegated acts to exclude a third country (including the UK) from this status where reciprocity or security of supply concerns arise. The picture is more uncertain for the automotive sector as the Commission has proposed strict EU-only requirements for hybrids and electric vehicles, including EU-based assembly and high EU content thresholds.
4. Within the EU, the proposal mandates streamlined, digitalised permit-granting procedures for all industrial manufacturing projects. It would require EU member states to designate at least one area to cluster strategic industrial activities, benefitting from aggregated baseline permits to speed up deployment.

5. The proposal also introduces mandatory criteria for public procurement and support schemes, including low-carbon requirements which are applied to steel, cement and aluminium used in buildings, infrastructure and transport. It also promotes Made in EU requirements for certain net-zero components, e.g., battery cells, solar PV cells, wind turbine parts, and vehicles. It is expected that UK bidders would not require a derogation from the "Union origin" and low-carbon requirements in public procurement as a result of UK content being considered equivalent to Union origin.
6. The proposal also sets harmonised conditions for Foreign Direct Investment (FDI) exceeding EUR 100 million in emerging strategic sectors (batteries, EVs, solar PV, and critical raw materials) if the investor's home country hold over 40% global manufacturing capacity. For such investments to be approved they must fulfil the following criteria:
 - a. Foreign ownership must be capped at 49%
 - b. Joint-ventures with EU entities
 - c. Commitment to R&D spending in the EU
 - d. Workforce comprising of at least 50% EU workers
7. The proposal amends Regulation (EU) 2024/3110 laying down harmonised rules for the marketing of construction products ('the Construction Products Regulation'), to allow for new product labelling in regard to environmental sustainability on construction products. Details of such requirements will come through in future delegated acts. Such an amendment to the Construction Products Regulation, which applies in Northern Ireland under the Windsor Framework, is likely to be subject to Article 13(3) of the Windsor Framework. There are also amendments made to EU procurement rules in respect of construction products.
8. The Proposal also amends Regulation (EU) 2018/1724 (Single Digital Gateway) and Regulation (EU) 2024/1735 (Net Zero Industry Act), which are not applicable under the Windsor Framework and as such there are no legal implications.

SCRUTINY HISTORY

9. There is no Parliamentary scrutiny history relevant to this Explanatory Memorandum.
10. This Explanatory Memorandum is submitted to the relevant Parliamentary Scrutiny Committee to note the proposal, its significant policy context, and, specifically, its direct application and impact under the terms of the Windsor Framework.

MINISTERIAL RESPONSIBILITY

11. Policy areas within which COM (2026) 100 proposes amendments that concern different departments of the United Kingdom (UK) Government.
12. The Secretary of State for the Ministry of Housing, Communities and Local Government is responsible for the Construction Products Regulation which is being amended by the Industrial Accelerator Act.

13. The Secretary of State for Business and Trade has responsibility for industrial policy.

14. The Secretary of State for Energy Security and Net Zero has responsibility for industrial policy where it relates to nuclear fission, hydrogen, and net-zero technologies.

INTEREST OF THE DEVOLVED GOVERNMENTS (DGs)

15. The regulation for placing or making available on the market of construction products is a reserved matter and the EU Construction Products Regulation (CPR 2024/3110) applies in Northern Ireland for the subset of products it covers, under the Windsor Framework.

LEGAL AND PROCEDURAL ISSUES

16.

- i. **EU Legal Basis:** The proposal is based on Article 114 of the Treaty on the Functioning of the European Union.
- ii. **Voting Procedure:** Ordinary legislative procedure.
- iii. The legislation is at proposal stage and requires approval from the European Parliament and Council under the ordinary legislative procedure. The exact length of time for this process to conclude is uncertain. Timelines are dependent on internal EU processes and vary depending on priority. The proposal is currently being reviewed by the Council and the European Parliament. Following the ordinary legislative procedure, the Regulation will enter into force 20 days after its publication in the Official Journal of the European Union.

17. The EU Construction Products Regulation (CPR 2024/3110) applies in Northern Ireland for the subset of products it covers, and amendments to this Regulation made through the IAA would likely apply under Article 13(3) of the Windsor Framework and be subject to domestic scrutiny arrangements.

18. The IAA amends the CPR 2024/3110 by widening the criteria for which it can adopt delegated acts to establish environmental sustainability labelling requirements for specific product categories and families of construction products (Point 79 of the IAA proposal). This amends Article 22 (9) of the CPR 2024/3110. There are also amends in respect of procurement rules.

POLICY AND LEGAL IMPLICATIONS

19. The IAA focuses on reversing the decline of EU manufacturing and accelerating the decarbonisation of its industrial base, establishing a target for the manufacturing industry to represent 20% of the EU's GDP by 2035. The key policy implications include:

- a. The "Union origin" concept

The legislation introduces “Made in EU” requirements to reduce external dependencies and bolster domestic value chains. Content of “Union origin” refers to products or components originating within the Union. These specific origin requirements are integrated into public procurement, and are applied to targeted sectors, in particular net-zero technologies, vehicle components, and energy-intensive materials, e.g., aluminium and concrete.

b. Lead markets for low-carbon products

The proposal seeks to create lead markets where European low-carbon products can compete effectively despite higher production costs, by establishing mandatory minimum low-carbon requirements for steel, cement and aluminium used in construction and automotive sectors. The Commission is empowered to establish a voluntary labelling scheme for greenhouse gas intensity of industrial products.

c. Streamlined permitting and spatial planning

The proposal introduces measures to speed up the deployment of industrial projects. Member States will be required to create a national “one-stop-shop” for permit applications and designate industrial manufacturing acceleration areas where projects benefit from an aggregated baseline permit and faster energy grid connections.

d. Foreign Direct Investment (FDI) conditionalities

The proposal also seeks to introduce harmonised value-added conditions for large scale foreign investments in emerging strategic sectors, and to gain approval investment must fulfil a number of criteria.

20. There are potential implications for the UK economy due to the deeply integrated nature of UK-EU supply chains.

21. With regard to “Union origin” requirements, content from the UK is deemed equivalent although the Commission may limit UK access should it fail to provide reciprocal national treatment or should any supply security issues emerge.

22. Supply chains in the automotive, nuclear fission, hydrogen and sustainable chemicals sectors are particularly susceptible to preference requirements. UK content is deemed equivalent to EU-made components by default. However, there is a risk that some UK-made components may not count towards the required thresholds for EU public procurement or support schemes, should the final, ratified Industrial Accelerator Act reflect the wording in the 4 March proposal which lists exclusions for the aforementioned sectors.

23. The proposal’s intentions to speed up permitting for industrial decarbonisation and incentives for “Made in EU” products could divert investment away from the UK, due to increased competition as a destination for clean manufacturing investment.

24. The IAA also amends the CPR 2024/3110 by widening the criteria for which it can adopt delegated acts to establish environmental sustainability labelling requirements for specific product categories and families of construction products (Point 79 of the IAA proposal).

25. This would mean new sustainability labelling requirements for construction products would apply in Northern Ireland, subject to Article 13(3) of the Windsor Framework and democratic scrutiny arrangements. This will only impact Northern Ireland if and when a delegated act of this nature is adopted by the European Commission.

26. The Windsor Framework includes mechanisms for the Government to engage with the EU in respect of new EU regulations that may apply in Northern Ireland under the Windsor Framework. The Government will do so in this case to ensure the potential impacts on the UK internal market are fully understood.

27. The Government, as set out in its White Paper on Construction Products reform, intends to retain consistency UK-wide with the EU construction products regime to support safety, growth and supply chains. The impacts of these future delegated acts on labelling are not yet known and will depend on their future content. The Government will engage with industry and assess these as they come forward, however the overall approach is an intention to retain consistency for domestic market and trade purposes, as well as to uphold the Government's commitment to safeguard the UK internal market.

CONSULTATION

28. No Consultation has been undertaken or planned to date.

FINANCIAL IMPLICATIONS

29. We do not anticipate Northern Ireland specific financial implications, as the amendments made to the EU CPR 2024/3110 introduce enabling measures, so nothing directly changes because of them.

MINISTERIAL NAME AND SIGNATURE

A handwritten signature in black ink that reads "Chris Bryant". The signature is written in a cursive, flowing style.

Minister Chris Bryant
Minister for State (Minister for Trade)
Department for Business and Trade