10.6.2026

FORTUM'S COMMENTS ON THE INDUSTRIAL ACCELERATOR ACT

Background

The EU's Industrial Accelerator Act (IAA) is intended to be the flagship industrial pillar of the Clean Industrial Deal. It aims to boost the EU's manufacturing to at least 20% of EU GDP by 2035 by providing faster and simplified permitting processes, creating Industrial Acceleration Areas, introducing foreign investment screening caps and establishing new criteria for public procurement, public support schemes and net-zero technology auctions. The energy sector plays an important role in the EU's industrial policy ambition, and Fortum positively notes the IAA's goal to support energy-intensive sectors in decarbonising, as well as diversifying and developing competitive European supply chains.

General comments

- Fortum welcomes the overall objectives of the IAA. Developing a competitive and resilient European manufacturing sector is of paramount importance during times of geopolitical and economic volatility. We agree with the Commission's assessment that strengthening Europe's economic resilience, competitiveness and job creation is essential, while ensuring that high climate and energy ambitions are maintained. From a Nordic perspective, the clean transition of the energy sector is already well advanced, and the energy industry today stands ready to support the clean industrial transition, focusing on electrification and decarbonisation.

- Supporting clean manufacturing, demand creation for low-carbon materials and decarbonisation projects of energy-intensive industries is especially important. One important aspect hindering investments in the production of new low-carbon materials and products is the lack of demand signals and the lack of willingness to pay a green premium. For example, investments in green steel or renewable hydrogen have stagnated in recent years. Facilitating demand signals through lead market creation, as proposed in the IAA, is therefore a welcome initiative. Introducing such signals for low-carbon steel, cement and aluminium can boost their competitiveness against fossil-based products.

Low-carbon and Made in EU requirements

- Fortum believes that introducing low-carbon criteria for certain products and materials subject to public procurement and public support schemes can have a positive impact on sustainable industrial competitiveness. To truly ensure the added value in Europe, it is sensible to combine it with a certain level of Made in EU requirements. We support introducing Made in EU requirements for low-carbon steel, in line with other materials in the scope. Based on European industry's capabilities, the proposed thresholds for low-carbon steel could also be higher than 25%. We are open to gradually broadening the scope of the Act to additional sectors, provided that the initial implementation delivers positive results and demonstrates clear value added without creating disproportionate complexity.

- In addition to the contribution towards the EU's climate and energy targets, ensuring that a critical share of the supply chains of strategic technologies is located in Europe is important from a resilience point of view. This strengthens both industrial demand within the EU and improves security of supply. At the same time, the framework must be well-designed, including appropriate safeguards against, for example, excessive price increases, a limited pool of suppliers, or the creation of monopoly positions for individual technology suppliers. The framework needs to provide clear

opt-out and exemption rules and procedures, e.g., on how to claim that for a specific main component there is a (risk of) monopoly in the EU.

- To avoid unintended consequences, including administrative complexity, new requirements should be introduced in a sector-specific manner and by providing long enough timelines to let markets develop. The timeframes introduced in IAA, 1-6 years depending on technology, seem overly ambitious and should be reconsidered based on market realities.

- To ensure predictability for long-term projects, clarification and certainty for Union origin and low-carbon definitions are needed. Fortum urges the Commission to include as detailed definitions as possible in the primary legislation and issue the remaining delegated acts as soon as possible after entry into force. Project developers need to be able to trust that partner countries will not be abruptly excluded from the scope. In cases where an early work (or similar) agreement has already been signed with a third-country technology supplier, that company cannot be excluded before the project has been finalised, even if the country where the technology suppliers are located would be taken out of the scope.

Permitting provisions and Industrial Acceleration Areas

- Speeding up and digitalising permitting processes across Europe is important for self-evident reasons. However, we would like to note that in certain Member States, similar initiatives as proposed in IAA are already being developed and the regulation should not lead to additional and unnecessary obligations in cases where Member States are already fulfilling the objectives, e.g., in developing *one-stop shops* for permitting procedures. The Commission should support the progress in Member States, taking into consideration the varying starting points.

- The proposed Industrial Acceleration Areas should not create barriers to operations elsewhere, essentially *no-go zones*. Fortum encourages a streamlined approach, taking into consideration the existing provisions under REDIII, namely the Renewable Acceleration Areas. We find it important that there is a strong link to clean electrification and decarbonisation when mapping the Industrial Acceleration Areas.

Technology-specific comments

Nuclear

- Fortum supports limiting the application of the IAA's Union origin requirements to new-build nuclear only (large reactors and SMRs), covering both public procurement and public support schemes, with a gradual timeline for requiring Union origin main components.

- For nuclear technologies, it is critical that third countries with which the EU has a Free Trade Agreement are included explicitly and reliably in the regulation when it enters into force.

- The component lists should be further clarified to take into account that many listed components, such as *safety systems* or *fuel elements* in fact contain several components which are typically sourced from several countries.

BESS and Solar PVs

- Fortum recommends longer timelines for mandating Union-origin components for these Net Zero Technologies, allowing the market conditions to adequately develop; 1–3-year requirement is

unlikely to be met. Due to potentially limited alternative sourcing options, we recommend extending the timeline to 3 years for phase one and 5 years for phase two.

EV Battery value chain

- Fortum urges the inclusion of Precursor Cathode Active Material (pCAM) in the EV battery value chain component list. As the cathode is the most expensive and defining component of the battery, pCAM sits at the strategic heart of the entire battery value chain. Without European pCAM production capacity, the IAA's Union origin requirements risk being undermined at the most critical upstream stage. Including pCAM alongside anode active material (AAM) and critical raw materials (CRMs) in the component list is essential to ensure that local content requirements translate into genuine European industrial capacity and to support a competitive battery recycling industry. We therefore find it crucial to ensure at least some local capacity across the entire battery value chain and that pCAM must be included to ensure both robust battery component manufacturing and a competitive recycling industry in Europe.

Hydrogen

- While it is positive that hydrogen technologies are in scope, overall, the IAA is not sufficient to create demand for the European hydrogen economy. To boost the demand for renewable and low-carbon hydrogen production, strategic sectors such as chemicals and ammonia-based fertilisers should be considered for addition to the scope during the upcoming reviews. An ambitious low-carbon steel labelling would also function as an appropriate incentive.

- The requirements for the Union origin requirements for hydrogen technologies require clarification, especially the differentiation between *final product*, stack and main components.

For additional information
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Fortum
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