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The *other* IAA

Why the Industrial Accelerator Act redraws the map for every automotive OEM and supplier selling in Europe

Deep Dive | Munich, 29th October 2026

Executive summary

For the automotive industry, the letters IAA used to mean a motor show in Germany. From 2028, they will mean market access. The Industrial Accelerator Act (IAA), proposed by the European Commission on 4 March 2026, converts a large share of the European new-car market into a conditional market: public procurement and every publicly supported purchase channel, from municipal fleets to corporate-fleet incentives to consumer purchase premiums, will be open only to vehicles that are assembled in the EU, carry at least 70% EU content excluding the battery, and meet phased localisation thresholds for battery and e-powertrain components. With corporate registrations alone making up around 60% of the EU car market, the conditioned channels cover the majority of European volume.

Five findings from our analysis deserve more attention than they are getting.

1. The clock: the vehicle rules apply six months after entry into force, which realistically means 2028, not the widely reported 2029.
2. An equivalence asymmetry: membership of the World Trade Organization's Government Procurement Agreement (GPA) opens the public-tender channel but not the far larger subsidy channel, where only content from the EU and its free trade agreement (FTA) and customs union partners counts as European. Final assembly must take place in the EU in either case.
3. The data: the certificate of conformity (CoC) becomes an origin document, and the variant-level data chain behind it does not yet exist at any original equipment manufacturer (OEM).
4. Combustion vehicles are not exempt: low-carbon material requirements apply regardless of drivetrain.
5. A conditional invitation: Chapter IV of the IAA attaches ownership, technology and workforce conditions to precisely the Chinese investment the act invites.

The window for shaping and preparing is now, not at adoption. The content thresholds, the trusted-partner list and the verification regime are all still moving in Parliament and Council, and positions filed in the next twelve months will shape rules that bind for a decade. At the same time, the origin data capability the act demands takes sourcing cycles to build, not quarters: supplier contracts with origin clauses, variant-level content accounting and battery component traceability cannot be retrofitted in the six months between adoption and application. Whoever waits for legal certainty will be compliant and late. This paper sets out what the act does, who is affected and how, the details most commentary has not surfaced, and what we believe European and Chinese OEMs should each do about it, in sequence, starting now.

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1 What the IAA actually does

The IAA is not an automotive law. It is a horizontal industrial-policy regulation for the whole of European industry, part of the Clean Industrial Deal and aimed at lifting manufacturing back towards 20% of EU GDP by 2035, with energy-intensive industries and net-zero technologies equally in scope. The automotive industry is nonetheless hit harder than any other sector, for a simple structural reason: it is the one industry where the act's conditionality reaches deep into private demand. Steel and cement face the rules mainly in public tenders; vehicles face them across every subsidised purchase channel, and Member States must apply the requirements to 100% of the national budget allocated to vehicle-related support schemes, a stricter standard than the 45% applied to energy-intensive industries.

The act carries three instruments:

1. Made-in-EU conditionality: Union-origin and low-carbon requirements attached to public procurement and to public support schemes in strategic sectors.
2. An approval regime for foreign direct investment above EUR 100 million in emerging strategic sectors, set out in Chapter IV of the act and applicable where the investor's home country holds more than 40% of global manufacturing capacity in the relevant technology.
3. Accelerated permitting for industrial manufacturing projects through a single digital procedure.

For vehicles, the origin requirements are specific. Pure electric vehicles, plug-in hybrids with external charging and fuel-cell vehicles must be assembled in the Union and reach at least 70% EU content measured against the ex-works price, excluding the battery. The battery carries its own rules: initially at least three key components including the cell must originate in the Union, rising to at least five components, including the cell, cathode active material and the battery management system, three years after entry into force.

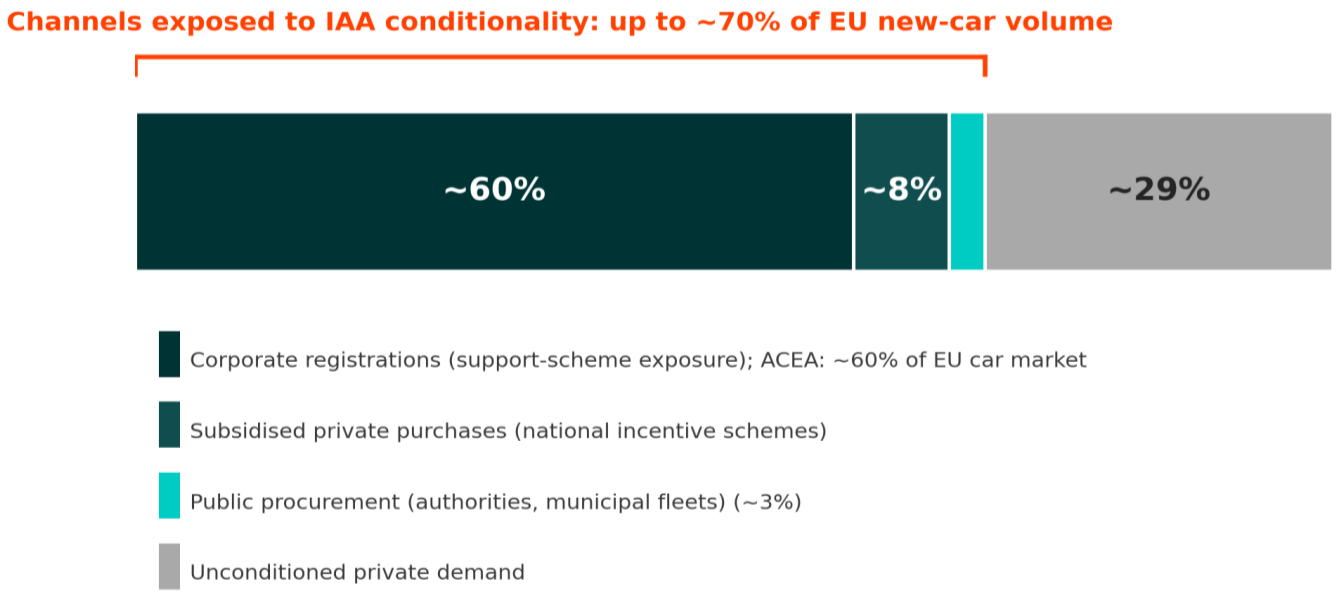
The reach on the subsidy side is easy to underestimate. Conditionality covers purchase, lease, rental and hire-purchase, and it covers consumer incentives as much as fleet programmes. A national purchase premium of the kind Germany currently operates would fall squarely within scope.

Whom it concerns, and why

- **European volume incumbents.** The largest beneficiaries on paper: procurement preference, subsidy exclusivity and super credits all favour EU-built vehicles. The catch is that eligibility is earned at variant level through origin data most incumbents cannot yet produce, and that heavily Chinese-sourced battery chains can push individual variants below the thresholds.
- **European premium OEMs.** Less dependent on subsidised private demand, but heavily exposed through corporate fleet channels, which account for roughly 50 to 60% of the EU new-car market and are precisely where support-scheme conditionality bites.
- **Chinese OEMs.** The act simultaneously invites and conditions their European investment. EU production earns full eligibility, but Chapter IV of the IAA attaches ownership caps, joint-venture and technology-transfer conditions to the very plants the act is designed to attract. Import-led strategies concede the conditioned channels entirely.
- **Other non-European OEMs.** The act is aimed at China but binds everyone. Japanese and Korean manufacturers benefit on the component side, since content from their FTA countries counts as Union origin in both channels, but their imported vehicles fail the EU assembly requirement like any other import. US manufacturers face a further asymmetry: GPA membership makes US content count in public tenders only, not in the subsidy channel. For all of them, eligibility requires EU production, which existing European plants provide for some models and not others. The uncomfortable question for every non-European OEM is variant-level, not brand-level.
- **Suppliers, both European and Chinese.** The 70% threshold is arithmetic pressure on sourcing decisions: every component moved into eligible origin makes room for one that cannot move. Suppliers able to certify origin cleanly become more valuable than their piece price suggests; those who cannot become a liability in their customers' content calculations.
- **Fleet operators, leasing and mobility players.** Their purchasing catalogues will quietly split into eligible and ineligible vehicles. Whoever manages that split early, in framework agreements and residual-value models, gains a pricing edge over those who discover it at tender.

The share of demand touched by the act explains the stakes. Conditionality does not ban anything; a non-compliant vehicle can still be sold. It simply competes without subsidies and without access to public tenders, in a market where the subsidised channels are the growth channels.

Exhibit 1 A conditional market: where the IAA touches EU new-car demand



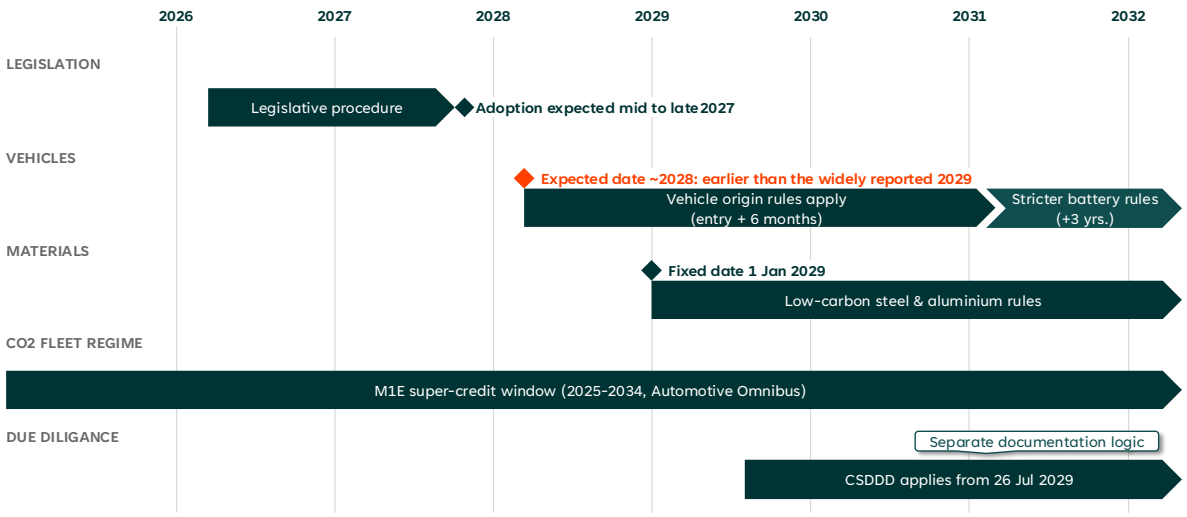
*Corporate registrations account for around 60% of the EU car market (European Automobile Manufacturers' Association, ACEA, 2025). Shares for subsidised private purchases and public procurement are automo**dicted** estimates and vary considerably by Member State; the aggregate exposure is therefore an upper bound, not a forecast. Sources: ACEA; COM (2026) 100; automo**dicted** analysis.*

2 The fine print most coverage misses

The clock is faster than reported

The widely quoted date for the IAA is 1 January 2029. That date belongs to the materials regime for steel, concrete and aluminium. The vehicle rules apply six months after entry into force, and stricter battery thresholds follow three years after that. With adoption expected in mid to late 2027, vehicle conditionality realistically begins in 2028. Any programme plan anchored on 2029 starts a year late, cf. Exhibit 2.

Exhibit 2 Two regimes, two clocks: the IAA timeline as it stands



*Dates for the vehicle regime derive from the expected adoption window and are automo**dicted** estimates; the materials date of 1 January 2029 is fixed in the proposal. Source: COM (2026) 100; automo**dicted** analysis.*

The equivalence asymmetry

Third-country content can count as Union origin, but only content: final assembly must take place in the EU in every case. For content, the door is different depending on the channel. For public procurement, equivalence extends to countries with an EU free trade agreement (FTA), a customs union, or membership of the World Trade Organization's Government Procurement Agreement (GPA). For support schemes, only FTA and customs union partners qualify. GPA membership alone opens the tender channel and nothing else, cf. Exhibit 3.

The commercial consequence is significant: for a manufacturer whose European volume runs through subsidised fleet and consumer channels rather than public tenders, GPA status of its production countries is close to worthless. Eligibility for the channel that actually moves volume therefore requires EU assembly, with only EU, FTA-partner and Turkish content counting towards the thresholds.

Exhibit 3 Whose content counts as European, by channel

Country group	Public procurement	Support schemes	Comment
EU27 Union origin by definition	✓ eligible	✓ eligible	Includes EU plants of foreign-owned OEMs; Chapter IV conditions apply to the investment, not the product
FTA partners e.g. Japan, South Korea, Canada, Morocco	✓ eligible	✓ eligible	Content equivalence, subject to Commission exclusion by delegated act
Customs union Turkey	✓ eligible	✓ eligible	Same exposure to delegated-act exclusion
GPA-only parties e.g. United States, Chinese Taipei, Singapore	✓ eligible	✗ not eligible	The asymmetry most coverage misses: no access to the subsidy channel
No agreement e.g. China	✗ not eligible	✗ not eligible	Content does not count; vehicles must still be assembled in the EU

Equivalence applies to content only; vehicles must in all cases be assembled in the EU27. Origin is determined under the non-preferential rules of the Union Customs Code; equivalence for individual countries can be withdrawn by Commission delegated act. Source: COM(2026) 100; automodicted analysis.

The CoC becomes an origin document

The proposal requires origin certification to accompany the certificate of conformity. The carrier document exists; every homologated vehicle already has a CoC. What does not exist is the data chain behind it: a non-preferential origin determination, a value share computed against the ex-works price, and a component-level record for battery and e-powertrain, all resolved per variant. The same model can sit above or below 70% depending on which cell supplier and which plant fed a given production batch. This is a bill-of-materials and procurement-data problem, and it lives in different systems and different departments than today's homologation data.

No sanctions regime, which is not the same as no risk

The act itself does not define consequences of non-compliance. Enforcement runs through national procurement law, subsidy law and, for a false self-declaration, potentially subsidy-fraud provisions.

Verification rests on self-declarations, which cuts both ways: the declaration is cheap to make and expensive to make wrongly. Contracting authorities are likely to respond in two ways, and both create work: either they demand additional verification to protect themselves, or they wave declarations through and shift the entire risk onto the declarant. Either way, the party who needs audit-proof origin data is the manufacturer.

Combustion vehicles are not exempt

The origin requirements apply to electric, plug-in hybrid and fuel-cell vehicles only. The materials requirements are drivetrain-agnostic: from 2029, at least 25% of the steel and 25% of the aluminium in publicly procured vehicles must be low-carbon, with aluminium additionally required to be of Union origin. A diesel van in a municipal tender is caught by the materials regime even though the origin regime ignores it. The criteria for what counts as low-carbon are still to be defined in delegated acts under the Ecodesign framework, which makes the materials regime a moving target worth monitoring rather than a settled compliance item.

Super credits connect two dossiers

The Automotive Omnibus creates the M1E category: fully electric cars up to 4.2 metres, assembled in the EU, counting as 1.3 vehicles in a manufacturer's CO2 fleet average from 2025 to 2034. The Omnibus does not define what made in the EU means; that methodology is expected to be aligned with the IAA's origin rules through delegated acts. Whoever shapes the IAA origin methodology therefore also shapes the value of super credits. This is one lobbying front, not two.

3 The circumvention question

Because equivalence extends to FTA and customs-union partners, the act's perimeter is only as tight as its weakest partner country. The pressure points are already visible. Chinese manufacturers have invested more than EUR 6 billion in Morocco since the pandemic, concentrated in automotive and battery supply chains, and Morocco's association agreement with the EU means that components and battery materials produced there could in principle count as Union-origin content in EU-assembled vehicles. Vehicles assembled there do not qualify, whatever their content. Turkey's customs union creates the same opening, and both routes are now openly discussed in Brussels as circumvention risks.

Three things keep this from being a simple loophole. First, origin is determined under the non-preferential rules of the Union Customs Code: the last substantial transformation decides, so genuine manufacturing in Morocco qualifies while transshipment and light assembly do not, although proving the difference requires customs investigations and factory audits that take time. Second, the Commission can withdraw a country's equivalence by delegated act, on grounds that explicitly include supply-security and dependency concerns. Third, that withdrawal power converts circumvention from a legal question into a political one: a conduit strategy can be compliant today and stranded tomorrow.

The trusted-partner list is therefore the real negotiation battleground. Every third country with automotive exposure is currently lobbying to be inside the perimeter, and the final geometry of that list will decide more market access than any single content threshold in the annexes.

How deep does 70% reach?

The threshold sounds like it demands full supply chain transparency to the raw material. It does not. The IAA determines origin under the non-preferential rules of the Union Customs Code, which look one step deep: a component originates where its last substantial, economically justified processing took place, resulting in a new product or an important stage of manufacture. Each purchased component then enters the vehicle-level calculation as a binary input. Either it is EU-origin and its full purchase value counts towards the 70%, or it is not and none of it does. There is no pro-rata blending of foreign sub-components inside a European part.

Take an engine control unit built in Portugal from entirely Chinese components. If the Portuguese plant populates bare boards with those components, solders, tests and flashes them, that is substantial transformation: a new product with a different character and tariff classification, and the unit is European despite its Chinese contents. If Portugal only fits pre-populated Chinese boards into a housing and labels the result, the rules disregard that as simple assembly and the unit stays Chinese despite the Portuguese address on the delivery note.

Two consequences follow. For OEMs, the calculation is more tractable than feared, but it depends entirely on supplier declarations that do not yet exist in most automotive contracts. Preferential origin declarations, familiar from free trade agreement duty savings, answer a different question under different rules and cannot be reused. For suppliers, the same rule turns process footprint into a lever: relocating a single manufacturing step can flip a component into eligibility without touching where its parts come from.

And while a component's origin is settled by the last substantial transformation, it is not permanently settled: if a deeper-tier supplier consolidates several parts into a sub-assembly, the same operation may cease to confer origin, and the vehicle-level 70% ratio moves with pricing and mix in any case. This is a standing data process on the bill of materials, not a one-off legal opinion.

4 The play for European OEMs

The reflex reading of the IAA in European boardrooms is defensive: another compliance layer, more documentation, higher cost. However, we think the defensive reading undervalues the act. Procurement preference, subsidy exclusivity across 100% of national vehicle-support budgets and super credits for small EU-built EVs are, collectively, the largest demand-side gift European industry has been offered in a decade. But it is a gift with a key, and the key is data.

The bottleneck is variant-level origin accounting

Eligibility will be won or lost at variant level. A model line with two battery suppliers, one European and one Chinese, is not one product under the IAA; it is two, with different subsidy status. Finance, purchasing and homologation each hold a piece of the calculation and none holds all of it. Building the origin ledger, a per-variant record of ex-works value shares and battery component provenance, is unglamorous work that decides revenue access. It cannot start after adoption, because supplier contracts with origin clauses have lead times measured in sourcing cycles, not quarters.

A sequence, not a menu

- **First, audit.** Establish today's EU-content position per variant against the 70% threshold and the battery component rules. Most OEMs will find a distribution, not a number: some variants comfortably above, some structurally below, many decided by single sourcing choices.
- **Second, re-map sourcing where the audit says it pays.** The goal is not maximum localisation; it is lifting the variants that matter commercially above the line at minimum cost, and knowingly leaving others below it.
- **Third, decide the small-car question on new numbers.** The M1E super credit changes the profitability calculus of sub-4.2-metre EVs by roughly a third of a compliance vehicle each. Business cases rejected in 2024 deserve a rerun with 2026 rules.
- **Fourth, position in the subsidy channels.** Fleet customers and leasing partners will need eligible vehicles and documented proof. Being first to offer catalogue-level origin transparency is a sales argument, not a compliance cost.

One more implication deserves board attention: the act quietly rewards OEMs for knowing their supply chain better than their competitors do. That capability compounds. The same data infrastructure serves the battery passport, low-carbon evidence linked to the Carbon Border Adjustment Mechanism (CBAM) and the coming materials regime. Building it once, properly, is cheaper than building it three times under deadline.

Exhibit 4 Chapter IV as a deal-structuring matrix, not a compliance checklist

#	Condition (four of six required for approval)	Deal-structuring implication
i	Foreign shareholding capped at 49%	*Control premium is off the table; governance design becomes the value lever*
ii	Joint venture structure with a Union entity	*Partner selection is a strategic decision, not a formality; scarce credible partners will command terms*
iii	Licensing of intellectual property to the Union entity	*The single hardest condition for technology leaders; scope and field-of-use drafting decide the real cost*
iv	Annual EU R&D investment of at least 1% of the acquired entity's turnover	*Cheapest condition to satisfy; a natural pick in any four-of-six strategy*
v	**Workforce of at least 50% EU workers** MANDATORY IN ALL CASES	*The one condition that cannot be traded away*

#	Condition (four of six required for approval)	Deal-structuring implication
vi	Local procurement commitments	*Interlocks with the 70% content rule; satisfying one advances the other*

Conditions as set out in the Commission proposal; thresholds and the four-of-six mechanism are amendment candidates in the legislative process.
Source: COM(2026) 100; automodicted analysis.

5 The play for Chinese OEMs

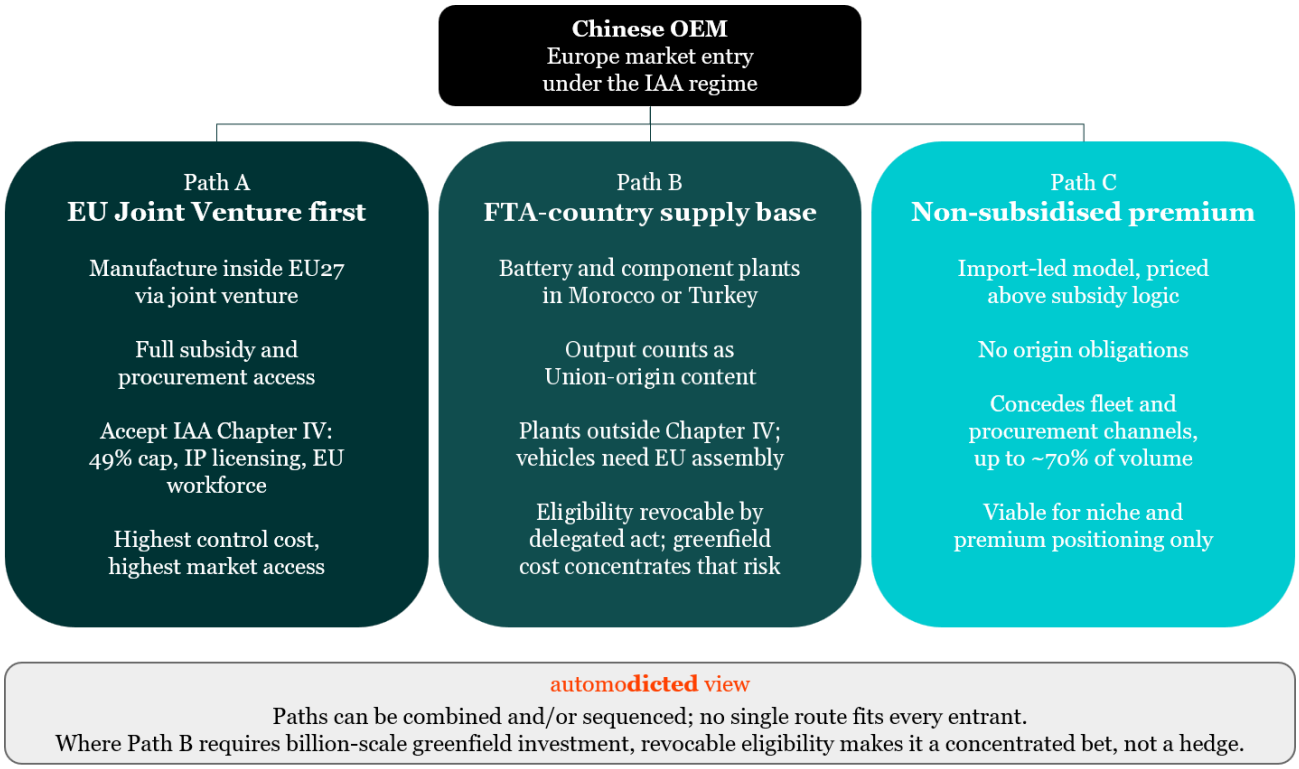
For Chinese manufacturers, the IAA resolves one ambiguity and creates another. Resolved: localisation is no longer optional for anyone who wants the subsidised majority of the market. Import-led volume strategies lose access to the channels that make volume possible. Created: localisation alone is no longer sufficient, because Chapter IV of the IAA attaches conditions to precisely the investments the act invites.

The Chapter IV approval regime covers investments above EUR 100 million in batteries, electric and hybrid vehicles, solar and critical raw materials, from investors whose home country holds more than 40% of global manufacturing capacity in the sector, a threshold that in practice binds only China in batteries and adjacent chains. Control is assessed from a 30% shareholding, and the regime reaches EU subsidiaries of Chinese groups, which closes the historical route of tendering through a European entity. Approval requires four of six conditions, one of which is mandatory in every case.

Read as a checklist, Chapter IV is a deterrent. Read as a deal-structuring matrix, it is a menu with prices. Conditions (iv) and (vi) are cheap and partially self-fulfilling for anyone localising anyway. Condition (v) is unavoidable and mostly a ramp-up planning issue. The real negotiation happens between (i), (ii) and (iii): ownership, governance and technology. An investor who concedes the 49% cap and a joint venture can plausibly hold the line on IP scope; one who insists on control will pay in technology transfer. The four-of-six mechanism is, in effect, an invitation to choose which concessions to make, and arriving at that negotiation without a pre-priced position is arriving unprepared.

Against that background, three market-entry pathways emerge, with very different risk profiles.

Exhibit 5 Three pathways into the conditioned market



automodicted view

Paths can be combined and/or sequenced; no single route fits every entrant.
Where Path B requires billion-scale greenfield investment, revocable eligibility makes it a concentrated bet, not a hedge.

Source: automodicted analysis.

A word on why Path B sits outside Chapter IV at all: the approval regime governs foreign direct investment into the Union. A battery or component plant in Morocco or Turkey is not a Union investment; it falls under the host country's investment rules, which today court Chinese capital rather than condition it. Path B therefore trades the EU's investment conditions for the EU's origin rules, and nothing more. It does not replace EU assembly: vehicles built in Morocco or Turkey fail the assembly requirement regardless of their content, so Path B always needs an EU assembly route alongside it, whether contract capacity or an own plant under Chapter IV. What it moves outside Chapter IV is the capital-intensive supply base whose output counts towards the content thresholds.

The harder question about Path B is cost. A greenfield battery or component plant in Turkey or Morocco is a commitment in the billions, and capital of that scale sits uneasily on an eligibility that a single delegated act can withdraw. BYD's Manisa vehicle plant illustrates both the scale and the limit: the vehicles it builds fail the EU assembly requirement whatever their content. We would put it plainly: a billion-scale greenfield bet on FTA-country equivalence is not a hedge, but a concentrated position on the outcome of the trusted-partner negotiation, and it should be priced and governed as such. The bridge logic works on different economics: brownfield and contract capacity. Turkey carries one of Europe's deepest supplier bases with headroom in existing plants; Morocco's Tangier and Kenitra clusters offer established automotive supply infrastructure. Both can feed EU assembly; neither can replace it. And the same logic extends inside the EU itself, where Chery's joint venture at the former Ebro site in Barcelona shows a brownfield route that earns Union origin directly, arguably making an EU brownfield entry the more robust bridge than any FTA-country greenfield.

On sequencing, we would resist turning the three paths into a prescribed programme. They can be combined, and for some entrants a phased route makes sense: EU contract or brownfield capacity carrying volume while an EU joint venture is negotiated, with the non-subsidised premium channel building the brand throughout. Others will justifiably jump straight to Path A, or run Path C indefinitely for a niche portfolio. What the framework rules out is not any particular sequence but two specific errors: treating imports defended on price as a durable volume strategy, because price is exactly what the conditioned channels neutralise, and treating FTA-country capacity as a safe harbour when its eligibility is, by design, revocable.

6 What to watch, and what could still move

The proposal entered the ordinary legislative procedure in March 2026, with adoption not expected before mid to late 2027. Substantial amendment is likely, and four zones matter most for automotive:

- Content thresholds and the battery phase-in. The European Automobile Manufacturers' Association (ACEA) argues the proposal rests on optimistic assumptions about domestic battery-component supply; a slower phase-in or segment differentiation for vans, trucks and buses is plausible.
- The trusted-partner perimeter. Expansion softens the act, contraction sharpens it, and the Commission's exclusion powers may gain explicit circumvention triggers.
- Super-credit scope. The German Association of the Automotive Industry (VDA) and ACEA both push to extend super credits from small cars to all EU-built battery-electric vehicles. If that lands, the M1E small-car calculus changes again.
- The verification regime. Between self-declaration at face value and audit-heavy verification lies most of the future administrative cost; where Parliament and Council settle decides how expensive eligibility is to prove.

Two scenarios bound the planning space. Under strict adoption, thresholds hold, the partner list stays tight and enforcement gains teeth: origin capability becomes a competitive moat and late movers pay in lost subsidy volume. Under diluted adoption, thresholds soften and equivalence widens: the moat shrinks but the data obligation survives, because the CoC origin certification and the fleet-regulation methodology remain. In both scenarios the same first move wins: build the origin ledger. That asymmetry, rare in regulatory strategy, is what makes acting before legal certainty rational rather than premature.

How automo**dicted** can help

The IAA touches every seat at the table, and our support is structured the same way.

For European OEMs: an origin-readiness diagnostic that establishes the variant-level content position against the proposed thresholds, followed by a sequenced programme from sourcing re-map to subsidy-channel positioning.

For Chinese OEMs: market-entry and deal structuring across the three pathways, including negotiation design for the Chapter IV conditions and partner selection for joint-venture and brownfield routes; strategic site selection support for European greenfield or brownfield routes.

For suppliers: the 70% threshold turns component origin into a commercial asset. We assess where your products actually originate under the non-preferential rules, identify where a modest change to the process footprint would flip a component into EU origin, and build the declaration infrastructure your customers will contractually require within one sourcing cycle. Origin you can prove is origin you can price.

For fleet operators and leasing companies: catalogue eligibility screening and framework-agreement design, so the split between eligible and ineligible vehicles is priced before it reaches your tenders.

Across all of it: legislative scenario monitoring that translates amendment movements in Parliament and Council into programme decisions.

Get in touch via IAA@automodicted.de.

About this paper

This deep dive is based on the Commission proposal COM (2026) 100 of 4 March 2026 and the public record of the legislative process as of August 2026. The proposal is subject to amendment; nothing in this document constitutes legal advice. All assessments marked as automo**dicted** views are our own.

About us

automo**dicted** Consulting GmbH is a thought-leading boutique consultancy for the automotive industry. We specialise in supporting the transformation of automotive OEMs and suppliers towards a successful future.

We strongly believe that our holistic, end-to-end approach to consulting, encompassing everything from strategy to execution, paired with our in-depth industry knowledge, makes the difference.

We love consulting. We are addicted to automotive. We are automo**dicted**.

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