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Recommendations for an Industrial Accelerator Act to Unlock Industrial Competitiveness in Central and Eastern Europe

Joint Statement

Central and Eastern European (CEE) economies have historically relied heavily on energy-intensive industries and now face challenges in modernising their industrial base to remain competitive in a low-carbon world. The CEE countries' industry accounts for between 21% and 33% of national GDP, making it especially important for domestic economies. The region produces nearly one-fifth of the EU's steel and one-third of its cement, accounting for a third of EU consumption of these materials. A rapidly growing construction sector and faster-than-average expansion of dual-use infrastructure aimed at enhancing military mobility will further drive up demand for construction materials. The automotive industry remains essential, while investments in military technology and production capabilities are increasing, indicating potential consumers of industrial products like steel, cement, and chemicals.

However, the region faces growing challenges from macro-level factors that hinder industrial transformation, such as rising energy costs, tight public budgets, demographic trends, labour shortages, a lack of political drive, as well as limited institutional capacity.

The Industrial Accelerator Act (IAA) represents a unique opportunity to address some of the above-mentioned challenges and unlock industrial competitiveness in the CEE region, given its primary goals to speed up permitting procedures for industrial decarbonisation, improve the business case for decarbonised projects and de-risk investments in clean technologies, as well as create demand for clean and high-added-value industrial products within Europe.

If tailored appropriately, IAA could play a pivotal role in transforming CEE's traditional manufacturing-dependent economies into strategic clean industry hubs integrated into European value chains. Given its manufacturing capacity, carbon dioxide storage potential, and significant clean energy resources, the CEE region is well placed to secure Europe's supply of decarbonised industrial products. The strategic relevance of industrial transformation in CEE extends beyond the European Union's borders, particularly in the context of Ukraine's reconstruction. Accelerating decarbonisation in the CEE region would not only reinforce the EU's internal cohesion but also enhance its geopolitical position and bring concrete contributions beyond EU borders.

To ensure industrial competitiveness without deepening intra-EU disparities, the EU must pay particular attention to the potential impact of the IAA on CEE countries. The region faces narrower fiscal margins and increased barriers to attracting private capital, which could weaken its ability to compete for funding and project pipelines under equal opportunities. High energy costs remain the primary challenge for industrial facilities, while compliance with low-carbon product requirements may add further pressure if adequate support frameworks are not in place.

It is important to distinguish between adjustments driven by genuine long-term competitiveness factors and downsizing caused by unequal access to support schemes or fragmentation of public policies within the EU. CEE should not face industrial decline simply because of disparities in financing conditions or subsidy races that distort investment decisions. Ensuring that relocation and investment choices reflect structural strengths (such as renewable potential, workforce availability, access to markets, and existing infrastructure) rather than uneven public support is essential. Without firm commitments for novel EU-level funding instruments, the risk of such distortive subsidy-driven downsizing in the CEE region is expected to increase.

The implications of potential "EU content" requirements should also be assessed with care, ensuring that they do not inadvertently widen competitiveness gaps within the Single Market. While Green Public Procurement (GPP) mandates, for example applied to infrastructure projects funded through the Multiannual Financial Framework (MFF) and Cohesion Policy, could stimulate demand for European clean industrial products, they may not be sufficient on their own to support industrial decarbonisation in CEE. As recent trends show, rising imports into the region from non-EU countries could simply be replaced by imports from EU member states with greater fiscal capacity to subsidise their domestic manufacturing, without necessarily strengthening production or investment in CEE.

Since transport-related emissions represent only a marginal share of total lifecycle emissions for most industrial goods, accounting for full lifecycle emissions alone will not level the playing field. The key determinant remains the large divergence in state aid and public support available to industry across the EU - a gap likely to widen under the Industrial Acceleration Act unless new EU-level instruments and dedicated allocations are provided. Linking GPP implementation to Cohesion Policy or other MFF funds and providing additional targeted support for clean manufacturing projects in the region could help ensure that CEE industries are not structurally disadvantaged and that the transition strengthens, rather than fragments, the Single Market.

By responding to these regional needs and risks, the IAA can enable the development of clean manufacturing capacities in CEE, thereby helping to establish a resilient and regionally balanced industrial base for the future.

RECOMMENDATIONS:

- Combine carbon content and circularity criteria with EU content requirements for procurement policies, to prioritise clean European production and strengthen the value chains of downstream industries that rely on these products.
- Develop clear common EU labels for green and low-carbon steel, cement, and chemicals aligned with long-term climate commitments and relevant proposed sectoral legislation (such as ESPR and CPR), going beyond the existing benchmarks of the EU Emissions Trading System.
- Open the way for GPP mandates for low-carbon industrial products and for introducing annual gradual national targets, beginning with requirements to incorporate green criteria in the evaluation and award phases of public procurement (i.e. bonus points to bids using low-carbon materials), eventually leading to mandatory quotas. Priority sectors should include construction works for highways, roads, railways, bridges, and public buildings, where public procurement in CEE amounts

to 4.5 Mt of steel and 15.6 Mt of cement annually. Impact of procurement costs can be manageable – procurement costs would increase by 0.4 - 0.9% for cement, and 0.6 - 1.3% for steel if low-carbon criteria were adopted for these products, while the impact on public procurement budgets in CEE would range from +0.11% in Austria to +1.35% in Romania. Procurement mandates could initially be applied to MFF and Cohesion Policy-funded infrastructure projects, with a view to integrating them also into the future NRPPs.

- Since most industrial materials are sold through private supply chains (69% of the EU's cement and 89% of its steel), it is important that the private sector gradually moves beyond voluntary green procurement commitments and increases its use of offtake agreements to strengthen demand and the business case for clean industrial products. In light of the ESPR and CPR, product standards should gradually incorporate embodied carbon content requirements, matching the pace at which the local manufacturing sector can adapt.
- Contribute to scaling up funding and streamlining permitting for cross-border projects, such as electricity grids, the development of hydrogen and CO_2 infrastructure, and foster regional cooperation and integrated planning, with particular attention to addressing disproportionately high energy costs in Central and Eastern Europe.
- Bring clear commitments to ensuring equitable and regionally fair access to EU-level funding, to ensure that the IAA enables industrial transformation across the EU. By linking regional development funding with clean industry objectives, the Act could strengthen just transition outcomes in former coal and carbon-intensive industrial regions.

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