

European Commission
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Feedback of the Federation of Icelandic Industries on the European Commission's Call for Evidence on the Industrial Accelerator Act – Speeding up Decarbonization

The Federation of Icelandic Industries (SI) welcomes the opportunity to provide feedback on the proposed regulation of the European Parliament and of the Council on the Industrial Accelerator Act (IAA). Although SI recognizes the challenges Europe has been facing with regards to declining industrial competitiveness in international comparison, an increased protectionist policy approach is of concern as it sets precedent for future legislation and could lead to limitations on free trade, distortion in competition, higher prices and increased administrative burdens. Legislation that is based on restrictive approaches in trade should be implemented with the upmost caution and proportionality.

SI would like to highlight several aspects that call for revision to ensure that the IAA delivers on its objectives without unintended negative consequences.

- **Union origin:** Should be determined as broad as possible. EEA EFTA States must be recognised as having Union origin status to ensure a stable, non-discriminatory framework and to preserve the Single Market and support the resilience of European supply chains.
- **Status of Trusted Partners:** Any withdrawal of equivalent treatment of trusted partners should be subject to objective, transparent and clearly defined criteria. Excessive discretion of the Commission to withdraw causes legal uncertainty.
- **Delegated Acts:** Any alternations of Union origin and low carbon should be agreed upon through ordinary legislative procedure.
- **The low-carbon criteria:** Should be based on real energy basis used in production and avoid methodologies that may obscure genuine emissions performance. The framework must be based on existing EU methodologies and harmonized with related legislation to avoid overlapping reporting obligations and legal uncertainty.
- **Procurement criteria:** Should be proportionate and designed so that it does not unnecessarily increase costs for public authorities, restrict competition or reduce access to low carbon materials available within the EEA.
- **Permitting:** A transparent framework is essential to maintain investment attractiveness and support long-term planning. Maintaining technical neutrality and enabling access to infrastructure for low-carbon energy, hydrogen and carbon capture solutions, will be critical for achieving decarbonisation objectives across sectors and regions.

1. Union Origin

In general SI is of the opinion that countries that are considered equivalent to Union origin should be defined as broad as possible and should not be subject to revision except through an amendment of the regulation itself. This is necessary for long-term and stable framework conditions for companies. That being said, it is essential that measures regarding European preference introduced under the IAA preserve a just level playing field for the integrity of the Single Market. This entails the EEA EFTA States as they are deeply integrated into EU's regulatory framework based on the EEA Agreement and depend on predictable and non-discriminatory framework conditions.

In this regard, SI reiterates the importance of ensuring that a Union origin criterion explicitly extends to all EEA EFTA States without conditions. The current legislative proposal entails EU Member States, however not specifically mentioning EEA EFTA states. As the proposal is marked with EEA relevance, EEA EFTA States would have to incorporate the IAA into the EEA Agreement to enjoy equal status as EU Member States. Any European preference or Union Origin criterion should explicitly include all EEA States from the outset. Uncertainty of definitions of Union origin would weaken integrated European supply chains, undermine the functioning of the Single Market and reduce Europe's industrial resilience. Assuming that it is crucial that the IAA is incorporated consecutively into the EEA Agreement following its adoption in the EU to avoid a lengthy transitional period and prevent legal uncertainty, investment delays and discrimination. Thus, ensuring clarity on Union origin definitions and its application in practice is of essence.

2. Excessive Discretion on Revoking Status of Trusted Partners

Up until incorporation, products originating from the EEA EFTA States fall under the free trade agreement provision and the Government Procurement Agreement (GPA). SI expresses its concerns that Article 8 (2) provides the EU merits to revoke such a status under specific circumstances. This enables the Commission to have discretionary agency with regards to penalties towards trusted partners which can cause instability and unreasonable level of uncertainty for industries. SI calls for the removal of such provisions or limiting such wording exclusively to reciprocal treatment and specifying with more clarity the conditions that would justify such a decision.

3. Delegated Acts

In the proposed framework the Commission is given substantial powers to alter requirements for Union origin and low carbon definitions in public procurement through delegated acts. SI finds this discretion worrisome as it could reduce investment due to uncertainty of how it will be exercised in practice. In addition, it may result in definitions becoming fragmented across different instruments, lacking transparency, and could be cumbersome for both authorities and companies to anticipate and apply in practice.

4. Low Carbon Criteria

The proposed criteria of the IAA is significantly correlated with Icelandic industry's capabilities, particularly given Iceland's strong position with regards to renewable energy, low carbon manufacturing and export oriented industrial production. In the year 2025 the export of aluminium totalled for 318.2 billion ISK accounting for 16% of the total export revenues of goods and services in Iceland. In the year 2025 95,8% of aluminium and

aluminium products were exported to the EU making it the primary market for aluminium exports.

Aluminium smelters in Iceland are run entirely on renewable energy and contribute to an exceptional low carbon footprint production within the EU. In this context, and in light of the IAA's objectives it is important to underline that Iceland's energy production differs fundamentally from that of most other EEA countries. Over 99.9% of electricity generation in Iceland is produced using renewable energy sources. The definition of low carbon production will be one of the determining factors for the success of the IAA through delegated legislation. It is crucial that definitions are clear and consistent and based on non-controversial methods. For energy intensive industries such as aluminium production, SI emphasizes that definitions should reflect actual production conditions with regards to location, including the real energy basis used in production, in order to avoid distortions and prevent methods that could undermine environmental integrity.

In addition to that, it is prohibited by law in Iceland to generate electricity from non-renewable sources. Reference is made to Article 5(2) of Regulation No. 1040/2005 on the implementation of the Electricity Act, which states that generation licenses may only be granted for the utilization of renewable energy resources with the exception of power plants serving isolated electricity systems that use other energy sources. This entails that the energy system in Iceland produces solely renewable energy and is a closed system without connections to Europe's mainland. Should derived legislation of the IAA require Icelandic production, such as aluminium smelters, to provide Guarantees of Origin, it would be in controversy with the fundamental characteristics of the Icelandic energy system and could lead to misleading outcomes, as Guarantees of Origin would not reflect any actual differentiation in electricity production within the country. Given the exceptional circumstances, SI underlines the importance of a location-based approach method for a low carbon criteria in delegated legislation.

5. Permitting and Predictability

SI supports initiatives such as streamlined permitting procedures and industrial acceleration. SI emphasises that initiatives should be implemented in a way that benefits the broader industrial ecosystem and with technical neutrality. Access to enabling infrastructure, including low-carbon energy, hydrogen and carbon capture solutions, will be critical for achieving decarbonisation objectives across sectors and regions.

Ultimately, Iceland, as a EEA EFTA State is already contributing significantly to EU's green transition, with aluminium production containing among the lowest carbon footprints globally. Maintaining an open, integrated and well-functioning internal market will be key to leveraging these strengths and supporting the economic security of the region.