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European Industrial Policy Monitor

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Industrial policy has returned to the centre of Europe's economic and political agenda.

EU and national programmes, regulations, investments and trade measures are reshaping production systems and the scope of public action in the economy.
Promoted by the LUISS Centre on European Policy and Analysis (LEAP) and its Observatory on Policy, Industry, Europe (PIE), the European Industrial Policy Monitor tracks these developments each month, focusing on major policy decisions, funding instruments and strategic initiatives at both EU and national levels. It also bridges policy practice and industrial strategy with academic research and expert analysis in order to support an informed debate on the transformation of Europe's industrial landscape.

This issue is curated by Greta Micol Narsini and Michele La Bella under the supervision of LEAP and PIE at Luiss University of Rome.

European Industrial Policy in February 2026

EU – COMMISSION OPENS CONSULTATION ON DRAFT GBER REFORM

On 25 February 2026, the European Commission launched a public consultation on a comprehensive revision of the General Block Exemption Regulation (GBER), with adoption expected by end-2026 and entry into force on 1 January 2027. The reform aims to simplify state aid rules, expand flexibility, particularly for renewable energy, and better align the framework with technological and market developments. It also introduces simpler aid calculation methods and broader support for innovation and digitalisation.

Directorate-General for Competition

EU – PUBLISHES SUBMARINE CABLE SECURITY TOOLBOX

On 5 February 2026, the European Commission unveiled a Submarine Cable Security Toolbox alongside a list of Cable Projects of European Interest (CPEIs). The toolbox sets out risk-mitigation measures to strengthen the security and resilience of Europe's submarine cables, including countering the rise of intentional damage and sabotage. It also amended the Connecting Europe Facility (CEF) - Digital Work Programme to allocate €347 million to strategic submarine cable projects, including a €20 million call to finance adaptable modules for submarine cable repairs.

Directorate-General for Communications Networks, Content and Technology

EU – €50M SUPPORT FOR SUPERCONDUCTING QUANTUM CHIP CONSORTIUM

On 2 February 2026, the EU allocated €25 million to the Superconducting European Quantum Pilot Line (SUPREME), matched by national funding for a total of €50 million. Led by VTT (Finland) and involving 23 partners across eight Member States, the consortium aims to industrialise superconducting quantum chip technologies by scaling fabrication processes and developing design kits for next-generation quantum processors. The funding covers the first three and a half years of activity, starting in early 2026.

The Quantum Insider

European Industrial Policy in February 2026

EU – INNOVATION FUND AUCTIONS ATTRACT €10BN IN BIDS

On 19 February 2026, the European Commission concluded two Innovation Fund auctions for industrial decarbonisation, attracting nearly €10 billion in bids. The "Industrial Heat" auction drew €1.4 billion in requests, while the "Renewable Hydrogen" auction received 58 bids totalling €8.4 billion. The strong participation signals high industrial demand for decarbonisation and clean hydrogen projects. The Commission will award €2.3 billion in EU funding, complemented by €1.3 billion from Germany and €490 million from Spain.

Directorate-General for Climate Action

ITALY – STEEL RESCUE LOAN APPROVED

On 9 February 2026, the European Commission approved a rescue loan of up to €390 million for Acciaierie d'Italia (AdI, formerly Ilva), in line with EU state aid rules. The measure ensures business continuity during bankruptcy proceedings, pending the company's transfer to a new operator via an ongoing tender. The loan, granted at market conditions, is limited to six months. By the end of this period, Italy must submit either a restructuring plan, a liquidation plan, or proof of full repayment.

European Commission

SWEDEN – NATIONAL AI STRATEGY ADOPTED

On 25 February 2026, the Swedish government adopted its first national AI strategy. The plan sets ambitious targets – including placing Sweden among the world's top 10 AI countries – and supports research, innovation and investment. It also aims to strengthen Sweden's position across the AI value chain, from raw materials and semiconductors to data centres and software. A follow-up action plan and annual monitoring will guide implementation.

Sweden Ministry of Finance

FRANCE – FRENCH €1.1BN CLEAN-TECH AID SCHEME APPROVED

On 27 February 2026, the European Commission approved a €1.1 billion French tax credit scheme to support strategic investments in new clean-tech manufacturing capacity under the Clean Industrial Deal. The measure is the eighth scheme approved under the Clean Industrial Deal State Aid Framework (CISAF) and will run until 31 December 2028. It is open to all companies operating in France, with aid granted in the form of tax credits.

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CZECH REPUBLIC – NEW INNOVATION STRATEGY UNVEILED

On 16 February 2026, Czech Prime Minister Andrej Babiš unveiled "Czech Republic: Country for the Future 2.0", a new innovation-driven economic strategy. The plan restructures research governance by moving the Council for Research, Development and Innovation (RVVI) under the Ministry of Industry and Trade, aiming to better align these activities with industrial and innovation policy. The strategy signals a stronger state-led focus on applied research and technological innovation to boost competitiveness, though observers note it may reduce emphasis on basic research.

Science Business

GERMANY – DEEPENING INDUSTRIAL TIES WITH CANADA

On 23 February 2026, Germany's Minister for Economic Affairs and Energy and Canada's Minister of Industry signed a joint declaration to expand bilateral industrial cooperation in strategic sectors, notably automotive, batteries and critical minerals. The agreement expands cooperation in hydrogen, electric vehicles and battery manufacturing, while strengthening critical minerals supply chains. It aims to reinforce energy security and strategic autonomy for both countries.

Government of Canada

GERMANY – €3 BILLION STATE AID SCHEME FOR CLEAN-TECH MANUFACTURING

On 5 February 2026, the European Commission approved a €3.0 billion German state aid scheme to support the expansion of domestic clean-tech manufacturing under the Clean Industrial Deal State Aid Framework (CISAF). The scheme will run until 31 December 2030 and is open to all companies operating in Germany. The aid will take the form of grants, tax advantages, interest rate subsidies and loan guarantees. In addition to clean technology production, the scheme also supports key components and related critical raw materials, reinforcing strategic value chains.

European Commission

Headline Analysis

EU – Commission opens consultation on draft GBER reform

On 25 February 2026, the European Commission launched a public consultation on a draft revision of the General Block Exemption Regulation (GBER), with adoption expected by the end of 2026 and entry into force on 1 January 2027. Member States and stakeholders may submit comments until 23 April.

The GBER is a cornerstone of EU State aid control, allowing Member States to implement aid measures across a wide range of sectors without prior notification to the Commission, provided predefined compatibility conditions are met. Where measures fall outside its scope, they remain subject to notification and may be assessed under alternative frameworks such as the Clean Industrial Deal State Aid Framework (CISAF) or the Climate, Energy and Environmental Aid Guidelines (CEEAG).

Since its entry into force in 2014, the GBER has significantly expanded, covering around 69% of all aid measures in 2024 (up from 41% in 2014), reflecting its growing role in enabling faster and more decentralized State aid deployment.

The draft revision currently under consultation is comprehensive and would result in a new GBER rather than a targeted amendment. It aims to simplify the rules, adapt them to technological and market developments, and streamline the overall framework.

The key proposed changes include:

- Simplification of rules, particularly for measures with limited risks of competition distortion, such as R&D and environmental protection;
- Greater flexibility for renewable energy, notably through the removal of the €300 million annual cap per Member State, while maintaining project-level limits;
- Simplified aid calculation, allowing the use of standard aid intensities instead of counterfactual scenarios;
- Expanded support for innovation, including young innovative firms with weak equity bases and measures to support digital and STEM skills;
- Stronger focus on digitalization, with clearer rules and targeted support for SMEs and small mid-caps, including access to digital infrastructure and funding for equipment and software.

Overall, the draft reform reflects the Commission's attempt to align State aid control with evolving industrial policy priorities, particularly the green and digital transitions, while preserving safeguards for competition within the Single Market.

The consultation phase will shape the final design of the regulation. Given the central role of the GBER in enabling rapid national interventions, its revision will have significant implications for the balance between flexibility and market discipline in the EU's industrial policy framework.

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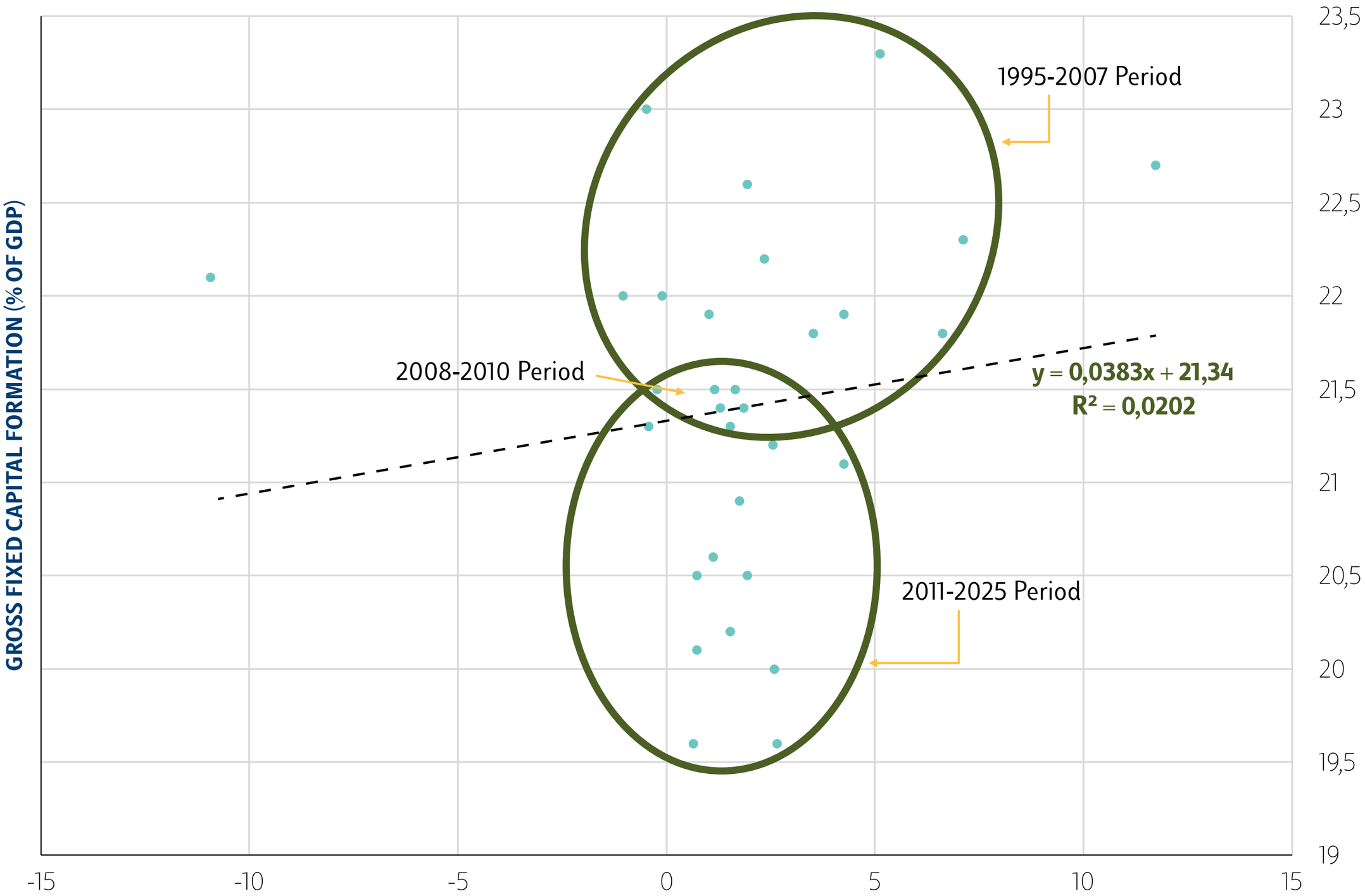
European Industrial Policy Monitor

Numbers
Correlation between Investment and Companie's Stock Exchanges



The relationship between investment and net equity issuance in the Euro area appears weak and largely non-systematic over time, suggesting that firms' investment decisions are not primarily driven by stock market financing. Rather than a continuous relationship, the graph reveals distinct temporal regimes. In the pre-crisis period (1995–2007), investment levels are relatively high, reflecting favorable macroeconomic conditions, while the relationship with equity issuance is very weak, as indicated by a relatively flat slope: firms relied mainly on internal funds and bank credit, making equity markets largely irrelevant for investment decisions.

The period 2008–2010 represents a structural break, with a sharp decline in investment despite fluctuations in share issuance, highlighting the dominant impact of the global financial crisis. During the subsequent sovereign debt crisis (2010–2016), investment remains persistently low and disconnected from equity financing.

In the post-2016 period, investment partially recovers but stabilizes below pre-crisis levels. At the same time, the relationship with equity issuance appears slightly stronger (i.e., the slope becomes somewhat steeper), suggesting a modest increase in the relevance of market-based financing, possibly due to tighter bank lending conditions after the crisis.

Overall, however, the correlation remains weak, suggesting that investment in the Euro area continues to be driven primarily by macroeconomic conditions rather than by equity market activity.

Source: PIE elaboration of data from (i) the European Central Bank (ECB) Data Portal (Dataset "Net issues of listed shares issued by Euro area non-financial corporations, Euro area 20, Monthly") and (ii) Eurostat ("Dataset: Gross domestic product (GDP) and main components (output, expenditure and income) - annual data")

Recommended Reading

DIRECTING GROWTH: HOW A MISSION-ORIENTED INDUSTRIAL STRATEGY CAN HELP DRIVE PRODUCTIVITY

UCL Institute for Innovation and Public Purpose (Working Paper)

by Mariana Mazzucato (2025)

This paper develops a framework for modern industrial policy centred on a mission-oriented approach to driving productivity and economic growth. Moving beyond the traditional view of the state as correcting market failures, the author argues that governments should actively shape and direct markets toward societal goals such as climate transition and inclusive growth. The analysis identifies three core pillars of a mission-oriented industrial strategy: (1) adopting clear, goal-oriented missions that coordinate public and private investment across sectors; (2) deploying strategic public finance to crowd in private investment, supported by conditionalities that ensure reciprocity, risk-sharing and alignment with public objectives; and (3) strengthening public sector capabilities to design, implement and evaluate complex policies. Drawing on empirical evidence and policy examples, the paper shows that public investment, especially in R&D, can generate strong multiplier effects, stimulating innovation, productivity and cross-sectoral spillovers. However, these effects are not automatic and depend on the direction, governance and institutional capacity underpinning policy design. The paper concludes that sustained productivity growth requires not just higher investment, but better-directed investment embedded in a coherent industrial strategy.

WHY IT MATTERS

This paper is highly relevant for current EU industrial policy debates as it provides a conceptual and operational framework for moving from reactive to strategic state intervention. In a context where the EU is scaling up industrial policy through instruments such as the Clean Industrial Deal, the Chips Act and mission-oriented innovation policies, the paper highlights the importance of directionality: growth is not only about quantity of investment, but about its alignment with long-term societal goals. Crucially, it emphasises that public finance should not merely de-risk private investment, but actively shape it through conditionalities that ensure public value creation—an issue central to ongoing discussions on subsidies, state aid and industrial funding in Europe. The paper also underscores the need to strengthen public sector capabilities, warning that without administrative and technical capacity, even well-funded policies risk underperforming. For European policymakers, the key implication is that industrial policy effectiveness depends on the coherence between missions, financial instruments and institutional capacity. More broadly, the paper reinforces the shift in EU discourse from market-correcting to market-shaping policies, offering a blueprint for designing industrial strategies that combine competitiveness, sustainability and economic security.

Expert's view

RETHINKING EUROPEAN INDUSTRIAL POLICY IN AN AGE OF GEOPOLITICAL TENSIONS

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In a period marked by rising geopolitical tensions, the reconfiguration of global value chains, and shifting strategic priorities, industrial policy has returned to the centre of the European economic debate. This is not a nostalgic revival of past interventionist models, but rather a pragmatic response to a profoundly transformed global environment, one in which security, technological leadership, and sustainability are increasingly intertwined and cannot be addressed in isolation.

For decades, the dominant view in Europe and beyond was that the risks associated with government intervention, including interference with the single market, outweighed its potential benefits. Markets were seen as the most efficient allocators of resources, and industrial policy was often regarded with scepticism. Today, however, the absence of a coherent industrial strategy is itself perceived as a significant risk. At the same time, the renewed emphasis on industrial policy brings with it a series of complex trade-offs that European policymakers must carefully navigate.

The first of these trade-offs concerns the relationship between security and international openness. Recent crises, from disruptions in energy supplies to shortages of critical technologies such as semiconductors, have highlighted how economic interdependence can turn into vulnerability. As a result, there is growing pressure to strengthen domestic capabilities and exert greater control over strategic supply chains. Yet, for an economy like the European Union, deeply embedded in global markets and reliant on international trade, a turn toward protectionism is neither feasible nor desirable. The real challenge lies in achieving what has been termed "open strategic autonomy": identifying genuinely critical sectors, reinforcing domestic production where necessary, and at the same time preserving a high degree of openness and international cooperation through the development of new strategic partnerships.

A second increasingly evident trade-off involves the relationship between competitiveness, the green transition, and defence. The decarbonization of the economy requires massive investments and may raise production costs in the short term, potentially affecting the global competitiveness of European firms. Simultaneously, the evolving geopolitical landscape demands increased spending on defence and security. These priorities inevitably compete for limited

Expert's view

public and private resources and may generate tensions in policy design and implementation. However, over the medium to long term, sustainability and competitiveness can reinforce each other. Technological innovation, energy efficiency, and new production models can transform environmental constraints into drivers of growth and industrial renewal. The key challenge, therefore, is to ensure effective policy coordination through concrete instruments, such joint European investment programs (e.g. IPCEIs) and a truly European defence, preventing fragmentation and avoiding situations in which different objectives undermine one another.

A third, and foundational for addressing the previous trade-offs, issue for Europe is the misalignment between policy instruments and shared objectives. While industrial policies remain largely national, supported by fiscal capacities that vary significantly across member states, the goals they aim to achieve are increasingly common. These include the green transition, digital transformation, and technological sovereignty. This mismatch risks generating fragmentation within the single market, exacerbating divergences between countries, and weakening the overall effectiveness of European action.

Moreover, the most successful industrial policies tend to foster the emergence of concentrated hubs of innovation and production, where skills, capital, and knowledge accumulate. While such agglomeration effects can boost efficiency and innovation, they may also widen regional disparities. In the United States, these imbalances are potentially mitigated by a strong federal budget and redistributive mechanisms, although even there they are contributing to growing inequalities. In Europe, however, comparable instruments remain limited, making it more difficult to address territorial inequalities and ensure balanced development.

These challenges point clearly to the need for a stronger European dimension in industrial policy. This means not only greater coordination among member states, but also the development of common tools, shared investments, and a more integrated governance framework. Without such a qualitative leap, there is a real risk that the resurgence of industrial policy could lead to greater divergence rather than convergence within the European Union.

Ultimately, the new industrial policy cannot simply replicate the approaches of the past. It must adapt to a context in which security, sustainability, and competitiveness are deeply interconnected and mutually reinforcing. The central challenge today is not to choose between these objectives, but to design a coherent and effective strategy capable of pursuing them simultaneously, balancing short-term constraints with long-term ambitions.