

LUISS 

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# European Industrial Policy Monitor

**n.07, April 2026**

**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 March 2026



## EU – STEP REPORTS €29 BILLION MOBILISED FOR STRATEGIC TECHNOLOGIES

Two years after its launch in March 2024, the Strategic Technologies for Europe Platform (STEP) has mobilised €29 billion across EU programmes to support digital and deep tech, clean technologies, biotech, and, since December 2025, defence. The initiative combines EU-level funding with Member States' cohesion funds to accelerate scaling and manufacturing of critical technologies and reduce strategic dependencies.

[European Commission, Directorate-General for Budget](#)

## EU – INNOVATION FUND SIGNS €2.7 BILLION FOR CLEAN INDUSTRY PROJECTS

On 24 March 2026, the European Climate, Infrastructure and Environment Executive Agency (CINEA) signed grant agreements with 54 projects under the Innovation Fund, mobilising €2.7 billion to support industrial decarbonisation. Funded through EU ETS revenues, the initiative targets large-scale deployments across energy-intensive industries and clean-tech value chains, supporting low-carbon production processes and infrastructure. It aims to accelerate emissions reductions and the commercialisation of innovative net-zero technologies.

[European Climate, Infrastructure and Environment Executive Agency](#)

## EU – COMMISSION ADOPTS €1.5 BILLION EDIP WORK PROGRAMME

On 30 March 2026, the European Commission approved a €1.5 billion work programme under the European Defence Industry Programme (EDIP) to modernise Europe's defence industrial base and expand production capacity. The programme allocates over €700 million to increase production of key defence components (e.g. counter-drone systems, missiles and ammunition); €325 million to European Defence Projects of Common Interest (EDPCI) for collaborative industrial projects; €240 million for joint procurement of defence equipment by Member States and Norway; and €100 million in equity support for defence start-ups, SMEs and small mid-caps through the FAST instrument.

[European Commission, Directorate-General for Communication](#)



## EU – COMMISSION PROPOSES INDUSTRIAL ACCELERATOR ACT

After weeks of discussions, amendments and postponements, on 4 March 2026 the European Commission presented the Industrial Accelerator Act, a regulation that, if adopted, will create a new framework to accelerate industrial investment and decarbonisation in strategic sectors. With this regulation, Brussels aims to accelerate, and protect, the decarbonisation of European industry, amid critiques of protectionism. Central to the Clean Industrial Deal, the Industrial Accelerator Act has the dual objective of stimulating demand for EU-produced low-carbon technologies and products, while reinforcing manufacturing capacity, supporting firm expansion and job creation.

[Read more about this news in the \*\*Headline Analysis\*\*](#)

[European Commission, Communications Networks, Content and Technology](#)

## EU – COMMISSION ADOPTS EU PORTS STRATEGY FOR ECONOMIC SECURITY

On 4 March 2026, the European Commission adopted the EU Ports Strategy, positioning ports as strategic hubs for competitiveness, energy transition and economic security. The initiative focuses on five priorities: digitalisation, clean-energy transition, security, access to finance and skills, while introducing guidance on foreign ownership and third-country investments. It does not mobilise a single budget but aligns existing EU funding instruments and aims to strengthen supply-chain resilience and decarbonisation of Europe's maritime-industrial base.

[European Commission, Directorate-General for Mobility and Transport](#)

## ITALY – €6 BILLION RENEWABLE HYDROGEN STATE AID SCHEME CLEARED

On 30 March 2026, Italy obtained European Commission approval for a €6 billion State aid scheme to support renewable hydrogen production for transport and industrial uses. The initiative establishes a national support framework to scale domestic hydrogen output, aligned with EU decarbonisation and hydrogen deployment objectives. It is expected to accelerate electrolyser deployment and related infrastructure, support demand in hard-to-abate sectors, and strengthen Italy's position in hydrogen value chains while reducing dependence on imported fossil fuels.

[European Commission, Directorate-General for Communication](#)

# European Industrial Policy in March 2026



## DENMARK – €5 BILLION OFFSHORE WIND SUPPORT SCHEME UNDER CISAF

On 23 March 2026, Denmark secured European Commission approval for a €5 billion State aid scheme under the Clean Industrial Deal State Aid Framework to support offshore wind deployment. The measure backs the construction and operation of two large wind farms (Hesselø and North Sea I Mid) over a 20-year period through competitive allocation and revenue-stabilising mechanisms. It is expected to generate around 7.8 TWh annually, supporting renewable expansion and strengthening offshore supply chains and related industrial capacity in the EU.

[European Commission, Directorate-General for Communication](#)

## LUXEMBOURG – €500 MILLION CLEANTECH MANUFACTURING CAPACITY SCHEME

On 27 March 2026, Luxembourg obtained European Commission approval for a €500 million State aid scheme under the Clean Industrial Deal State Aid Framework (CISAF) to support cleantech manufacturing capacity. The measure backs investments in final products and key components – such as solar, wind, heat pumps and batteries – including the use of secondary raw materials. The Commission found the scheme necessary, appropriate and proportionate to support the net-zero transition, strengthen EU supply chains and reduce external dependencies, in line with State aid rules.

[European Commission, Directorate-General for Communication](#)

## FRANCE – EU INVESTIGATES NUCLEAR STATE AID

On 31 March 2026, the European Commission opened an in-depth investigation into France's planned support for six new nuclear reactors to assess compliance with EU State aid rules. The review will examine the proportionality of the aid and its impact on competition, in line with standard procedures for complex cases. The reactors, with total construction costs estimated at €72.8 billion, are scheduled to be commissioned between 2038 and 2044 and designed to operate for around 60 years, contributing to energy security and EU decarbonisation objectives.

[European Commission, Directorate-General for Communication](#)

## BELGIUM – €260 MILLION KAIROS@C CARBON CAPTURE AND STORAGE AID

On 11 March 2026, Belgium obtained European Commission approval for a €260 million State aid measure to support the Kairos@C project, a cross-border carbon capture and storage (CCS) initiative in the Port of Antwerp. The project is designed to capture, liquefy and transport industrial CO<sub>2</sub> for permanent storage in the North Sea, building an integrated CCS value chain. Previously awarded over €365 million under the Innovation Fund, it required additional support due to rising costs and is expected to avoid around 20 million tonnes of GHG emissions over 15 years.

[Belga News Agency](#)

# Headline Analysis

## EU – Commission Proposes Industrial Accelerator Act



On 4 March 2026, the European Commission unveiled the Industrial Accelerator Act (IAA), marking one of the clearest attempts to shift EU industrial policy from a predominantly regulatory framework to a more demand-driven and strategic model. At the core of the Clean Industrial Deal, the proposal reflects a broader repositioning of EU economic policy in response to declining manufacturing capacity, rising geopolitical competition and accelerating decarbonisation pressures.

The proposal emerged only after weeks of internal negotiations, revisions and postponements, highlighting divisions within the Commission and the political sensitivity of its core instruments, particularly the introduction of “Made in Europe” requirements. Inspired in part by the Draghi report and by US and Chinese industrial policies, these provisions aim to create lead markets for EU-produced low-carbon goods through procurement rules, investment screening and targeted support schemes.

At its core, the IAA addresses three structural weaknesses: insufficient demand for European low-carbon industrial products, persistent supply-chain dependencies and slow deployment of decarbonisation technologies. The response is a hybrid toolkit combining demand-side incentives, regulatory acceleration (notably faster permitting and industrial zones), and tighter conditions on foreign investment in strategic sectors.

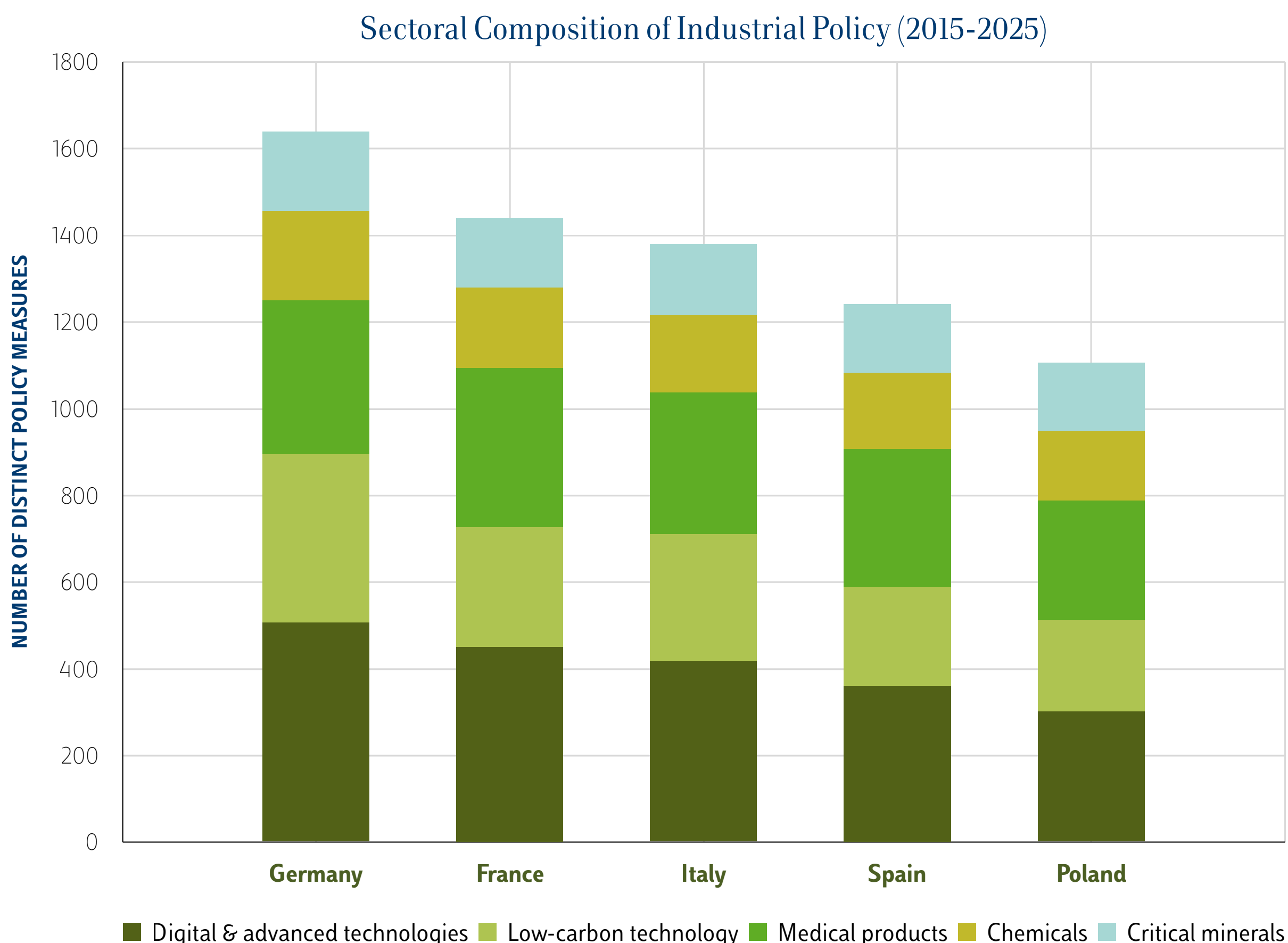
However, by linking access to public support to European production, the proposal moves the EU closer to an explicit “European preference” logic, long resisted in favour of open-market principles. Several Member States and industry groups warn that such provisions could discourage investment, fragment the single market and provoke trade tensions. Business associations also underline that structural constraints – high energy costs, regulatory complexity and gaps in technological capacity – remain only partially addressed.

At the same time, the IAA responds to a clear gap on the demand side of industrial policy. By mirroring approaches in the United States and China, where market creation has been central to scaling strategic industries, it seeks to address a key barrier to decarbonisation: the lack of predictable demand for higher-cost green technologies. If effectively implemented, the framework could accelerate investment decisions, improve project bankability and crowd in private capital across clean industrial value chains, strengthening the EU’s capacity to scale production domestically.

Overall, the Act encapsulates a central tension in EU industrial policy: how to reconcile competitiveness, openness and strategic autonomy within a single framework. While it signals a more assertive and interventionist approach, its final design will be shaped in the Council and Parliament, where divisions over protectionism, market integration and the scope of industrial policy are likely to become more pronounced.

# Numbers

## Sectoral Composition of Industrial Policy in the Top 5 EU Member States by Policy Activity (2015–2025)



The figure shows the sectoral composition of industrial policy activity in the five most active EU member states – Germany, France, Italy, Spain, and Poland – over the period 2015–2025. Across all countries, policy activity is concentrated in two main domains: digital and advanced technologies, and low-carbon technologies, which consistently account for the largest share of interventions. This points to a strong alignment of national industrial policies with broader EU priorities, particularly the digital and green transitions. While countries differ in overall scale, their sectoral profiles are relatively similar, suggesting convergence toward a common pattern of industrial policy implementation.

Differences emerge mainly in intensity and relative emphasis. Germany stands out for both the scale and breadth of its interventions, while France and Italy display balanced, multi-sector profiles. Spain appears relatively more oriented toward low-carbon technologies, whereas Poland, despite lower overall activity, shows a more selective focus on digital and advanced sectors.

The figure should be read with the following considerations in mind. Advanced technology and IT/digital services are merged into a single category to better capture the overall footprint of digital-related industrial policy. Dual-use policies are excluded to improve readability, as their broad scope and high frequency would otherwise dominate the distribution. Finally, as sector classifications in the NIPO database are non-mutually exclusive, individual policy measures may be counted in more than one sector; values should therefore be interpreted as the number of sector-targeted policy measures rather than as additive totals across sectors.

Source: PIE elaboration of data from the Global Trade Alert – New Industrial Policy Observatory (NIPO) database.

# Recommended Reading



## **A GEOECONOMIC FIX? EUROPEAN INDUSTRIAL POLICY ON SEMICONDUCTORS AMIDST GLOBAL COMPETITION**

Journal of Common Market Studies

by **Jan Ruck** (2024)

This article analyses the shift in EU semiconductor policy from a primarily R&D-focused approach to one centred on manufacturing capacity and supply chain resilience. Initially, EU intervention focused on research, design and collaborative programmes, with limited attention to fabrication, leaving production embedded in global value chains. From the late 2010s, concerns over technological dependence, heightened by US–China rivalry and pandemic shortages, shifted priorities towards securing domestic production (European Chips Act). The author conceptualises this as a “geoeconomic fix,” adapting David Harvey’s notion of the spatial fix to describe state-led efforts to manage the contradictions of globalised production through territorial reconfiguration. Crucially, the paper shows that this shift is co-produced by public and private actors. Large semiconductor firms actively shape policy, seeking subsidies while constraining regulation, by leveraging their control over key technologies and investment decisions.

### **WHY IT MATTERS**

The article shows concretely that the EU’s industrial policy shift entails subsidising and attracting semiconductor manufacturing to reduce structural dependencies on global supply chains. However, this strategy faces a core tension: it relies on multinational firms that seek public support while preserving strategic autonomy, limiting public control over production and technology. As a result, reducing dependency may reproduce it in new forms, as control remains embedded in firm-level strategies and global networks. The Chips Act also feeds into broader international subsidy competition, with risks of inefficiency and fragmentation. The key insight is that outcomes depend on the interaction between state objectives and firm incentives. Effectiveness therefore hinges not only on funding, but on managing the structural constraints of global value chains and concentrated industrial power.



## ENERGY, AI, AND INDUSTRY: THE TRIANGLE OF COMPETITIVENESS

By **Andrea Bianchi** and **Giulio Guardasole**

Invitalia

European industrial policy is confronting a rapidly evolving geopolitical and technological landscape, in which three increasingly interconnected challenges must be addressed simultaneously: energy cost and security, the development of artificial intelligence, and the resilience of the industrial structure.

Other major global industrial powers are moving in this direction. Despite adopting different models, they all aim to consolidate competitiveness through control over energy sources. This translates into access to low-cost energy capable of supporting large-scale computing infrastructures, ultimately enabling economic and strategic supremacy.

The United States has strengthened its position through control of hyperscalers and frontier language models, supported by a level of venture capital unmatched in Europe. Its strategy centers on a centralized global infrastructure in which intelligence is delivered as a service under a quasi-monopolistic regime. China, by contrast, pursues a strategy of deep vertical integration, combining control over critical raw materials – such as semiconductors and rare earths – with strong industrial deployment capacity. Beijing is not only targeting software leadership but also dominance in intelligent hardware, directly challenging the mechanical engineering and automotive sectors that underpin European, and especially Italian, exports.

European industry enters this phase with structural delays compared to other global production systems. These are evident in three areas: high energy costs and strong dependence on external sources, exacerbated by the war in Ukraine, instability in the Gulf, and the uncertain rollout of renewables; insufficient public and private capital to support large-scale digital infrastructures (data centers, cloud, connectivity networks, software platforms); and weak innovation within the production system, contributing to deindustrialization.

In this context, Europe risks being squeezed between dependence on American cloud services and competitive pressure from Chinese hardware. The crisis in the European automotive sector exemplifies the difficulty of integrating environmental and digital transitions with product evolution. American firms (Tesla) and especially Chinese competitors are gaining ground by embedding high value-added digital services into vehicles while maintaining competitive costs.



The European response cannot be based on imitation. Replicating the American model would require financial and energy resources that Europe does not possess, while the Chinese model is excessively centralized.

Europe's path to competitiveness lies in leveraging its distinctive strengths: accelerating the Green Deal, especially in renewable energy, and pursuing an innovation strategy focused less on large, centralized infrastructures and more on embedding intelligence into the physical core of products and processes.

The most promising trajectory is applied vertical specialization, with Edge AI as its key industrial and geopolitical catalyst.

While the costs of training large-scale AI models continue to rise, the costs of inference and local deployment have fallen by over 95% in the past three years. This technological democratization enables a redistribution of value from network infrastructure to physical devices, transforming AI from an external service into a native component of the real economy.

Italy holds a unique comparative advantage in this context, thanks to its deep expertise in precision mechanics and complex industrial processes. Integrating this expertise with optimized AI models creates entry barriers that are hard for both software giants and large-scale Asian manufacturers to replicate.

This strategy must develop along two tracks: product innovation and process efficiency. On the product side, Edge AI fundamentally redefines industrial quality. Capital goods with on-device intelligence evolve from rigid systems into dynamic, adaptive entities capable of real-time responses. By distilling the power of large models into lightweight algorithms embedded in hardware, products can manage complex variables without the latency and transmission costs of cloud architectures. This approach also ensures data sovereignty by encoding industrial know-how into proprietary on-device models, protecting intellectual property and reducing reliance on non-European infrastructures.

In parallel, the adoption of Edge AI for process optimization provides an effective response to stagnant productivity and high energy costs. Predictive models embedded in production systems enable real-time monitoring of equipment conditions, reducing unplanned downtime. In a system like Italy's, where operational continuity is essential, this translates into both technical and financial gains.

## Expert's view



Edge AI can also regulate energy flows within industrial facilities. By aligning workloads with energy availability and minimizing waste, it is possible to achieve significant efficiency gains. These improvements are not only environmentally beneficial but also economically necessary, particularly given the persistent gap in energy costs compared to global competitors.

In a geopolitical context shaped by protectionism and the strategic use of technology, the transition toward Cognitive Manufacturing becomes a matter of national sovereignty. Dependence on AI systems hosted on foreign cloud infrastructures exposes production systems to external political constraints. Edge AI, by contrast, ensures operational autonomy, allowing systems to function independently of external connectivity and international constraints.

Industrial policy must therefore evolve. Rather than broad undifferentiated incentives for generic digitalization, it should support the hybridization of mechanical engineering, advanced electronics, and intelligent data management.

The future of manufacturing competitiveness depends on embedding artificial intelligence as a structural component of both factories and capital goods. Italy can position itself not as a passive user of external technologies, but as an architect of applied industrial intelligence. By anchoring technological value to physical production and local capabilities, the challenge of AI can become an opportunity for industrial renewal.