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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 Research Center for European Analysis and Policy (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 was 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 July and August

EU – €30 BILLION AI GIGAFACTORIES CALL

On 30 July 2026, the European Commission launched a call to develop up to seven AI gigafactories, backed by €10 billion in EU and national public funding and expected to mobilise at least €20 billion in private investment. The facilities will provide large-scale computing capacity for training advanced AI models, complementing the existing European AI Factories network. The initiative aims to address the high infrastructure costs faced by European AI developers and expand access to computing resources for research and industrial applications.

EC, Directorate-General for Communications Networks, Content and Technology

EU – COMMISSION PROPOSES FIVE JOINT DEFENCE PROJECTS

On 3 July 2026, the European Commission proposed five European Defence Projects of Common Interest (EDPCIs), with a combined investment ambition of €190 billion by 2036. The initiative seeks to coordinate Member States' investment in strategic defence capabilities, including joint development, production and procurement. The projects target capability gaps and fragmentation across national defence markets, focusing on five priority areas: drones and counter-drone systems, maritime and seabed defence, space capabilities, air and missile defence, and security along the EU's eastern flank.

EC, Directorate-General for Defence Industry and Space

EU – NEW FOREIGN INVESTMENT SCREENING RULES

On 16 July 2026, the revised EU Foreign Investment Screening Regulation entered into force, introducing mandatory screening requirements across all 27 Member States from January 2028. The reform establishes common standards for investments in strategic sectors, including defence, semiconductors, critical raw materials and energy infrastructure. It also extends scrutiny to investments channelled through EU-based subsidiaries controlled by non-EU investors. While final decisions remain national, the reform marks a significant step towards a more coordinated European approach to the protection of strategic industrial capabilities.

Read more about this news in the Headline Analysis

EC, Directorate-General for Trade and Economic Security

European Industrial Policy in July and August

EU – €80 BILLION TECH INVESTMENT INITIATIVE LAUNCHED

On 10 July 2026, the EIB Group, all 27 EU Member States and private institutional investors launched the second phase of the European Tech Champions Initiative (ETCI 2.0), aiming to mobilise up to €80 billion for European technology companies. The first phase has already supported 15 large-scale venture capital funds investing in European startups and contributed to the emergence of 12 EU-based unicorns. ETCI 2.0 will significantly expand the initiative's scale and scope, establishing a pan-European investment platform to address shortages of growth-stage capital and help European technology companies scale up and grow internationally.

European Investment Bank

FRANCE – €63 BILLION OFFSHORE WIND AID APPROVED

On 13 July 2026, the European Commission approved a €63 billion French state aid scheme supporting 11 offshore wind projects under the Clean Industrial Deal State Aid Framework (CISAF). The scheme aims to accelerate renewable electricity deployment while supporting Europe's clean energy industrial value chains, including turbine manufacturing, marine engineering and electricity infrastructure. Actual expenditure will depend on the implementation of individual projects.

EC, Directorate-General for Communication

ITALY – €6.8 BILLION DATA-CENTRE PROJECTS GAIN STRATEGIC STATUS

On 4 August 2026, the Italian government designated two foreign-controlled data-centre projects, worth a combined €6.8 billion, as investments of national strategic interest, facilitating their development through accelerated administrative procedures. The projects include a €5.3 billion hyperscale campus in Lombardy and a €1.49 billion AI data centre in Sardinia. Notably, the former is backed by Singapore-based K2 Strategic, while the latter is controlled by US-based Energy Vault, highlighting growing concerns over foreign ownership and control of strategic infrastructure, an issue also addressed by the EU's revised Foreign Investment Screening Regulation.

CSIDIA

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POLAND – PLN 23 BILLION DEFENCE FUND OPENS

On 6 July 2026, Poland opened applications for its PLN 23 billion Security and Defence Fund, financed through resources reallocated from the EU Recovery and Resilience Facility. Managed by Poland's state development bank, Bank Gospodarstwa Krajowego (BGK), the programme combines approximately PLN 16 billion in loans for businesses and public infrastructure with PLN 7 billion in equity investments managed by Chrobry S.A. The equity component targets technology companies and industrial expansion projects, including defence manufacturing and dual-use technologies, enabling public capital to support industrial capacity alongside infrastructure and civil protection.

Grosswald

GERMANY – €380 MILLION SME FINANCING DEAL

On 8 July 2026, KfW and the European Investment Fund (EIF) announced a securitisation transaction with abcfinance expected to generate more than €380 million in new SME financing. The arrangement combines an EIF guarantee with a €70 million KfW investment under Germany's Deutschlandfonds. By transferring part of the risk associated with existing leasing assets, it allows abcfinance to extend additional financing for machinery, equipment and business investment.

KfW

Headline Analysis

Revised EU Foreign Investment Screening Regulation Enters into Force

On 16 July 2026, the revised EU Foreign Investment Screening Regulation entered into force, aiming to strengthen Europe's capacity to protect strategic assets, technologies and infrastructure from potentially harmful foreign acquisitions. Its provisions will become fully applicable on 17 January 2028, allowing Member States time to align their national frameworks.

Unlike the previous framework (Regulation 2019/452), the reform establishes mandatory screening requirements across all 27 Member States. Although every Member State now has a screening mechanism, following Cyprus's adoption in April 2026, existing systems will need to comply with new common EU standards.

The regulation establishes a mandatory minimum sectoral scope for screening foreign investments, covering sensitive areas such as defence, dual-use technologies, semiconductors, artificial intelligence, critical raw materials, energy and digital infrastructure. It also addresses regulatory loopholes by extending scrutiny to investments channelled through EU-based subsidiaries ultimately controlled by non-EU investors.

The reform strengthens cooperation between national authorities and the European Commission through notification requirements and information-sharing procedures. Other Member States and the Commission may raise security concerns, but final decisions to authorise or prohibit investments remain with national governments.

Proposed in January 2024 as part of the broader European Economic Security Strategy, the reform responds to growing concerns over technological dependencies, foreign control of critical infrastructure and the transfer of strategic capabilities. Its adoption reflects increasing convergence around economic security, despite persistent differences in national approaches to foreign investment.

The implications will vary across Member States. Countries with established screening regimes, such as France, Germany and Italy, will primarily face procedural adjustments, while others may require more substantial institutional changes. Highly internationalised economies could also face sharper trade-offs between attracting foreign capital and protecting strategic sectors.

From an industrial policy perspective, the regulation consolidates investment screening as a defensive instrument complementing subsidies, public investment and initiatives supporting domestic production capabilities. By limiting potentially harmful foreign control, it seeks to safeguard strategic technologies and industrial assets. However, stricter requirements may increase transaction costs, regulatory complexity and uncertainty for foreign investors.

Ultimately, the reform illustrates a broader transformation of European industrial policy, extending its focus beyond supporting domestic production to safeguarding strategic capabilities and ownership structures. Its effectiveness will depend on striking a balance between economic security and openness to foreign investment, while ensuring coordination across nationally administered screening systems.

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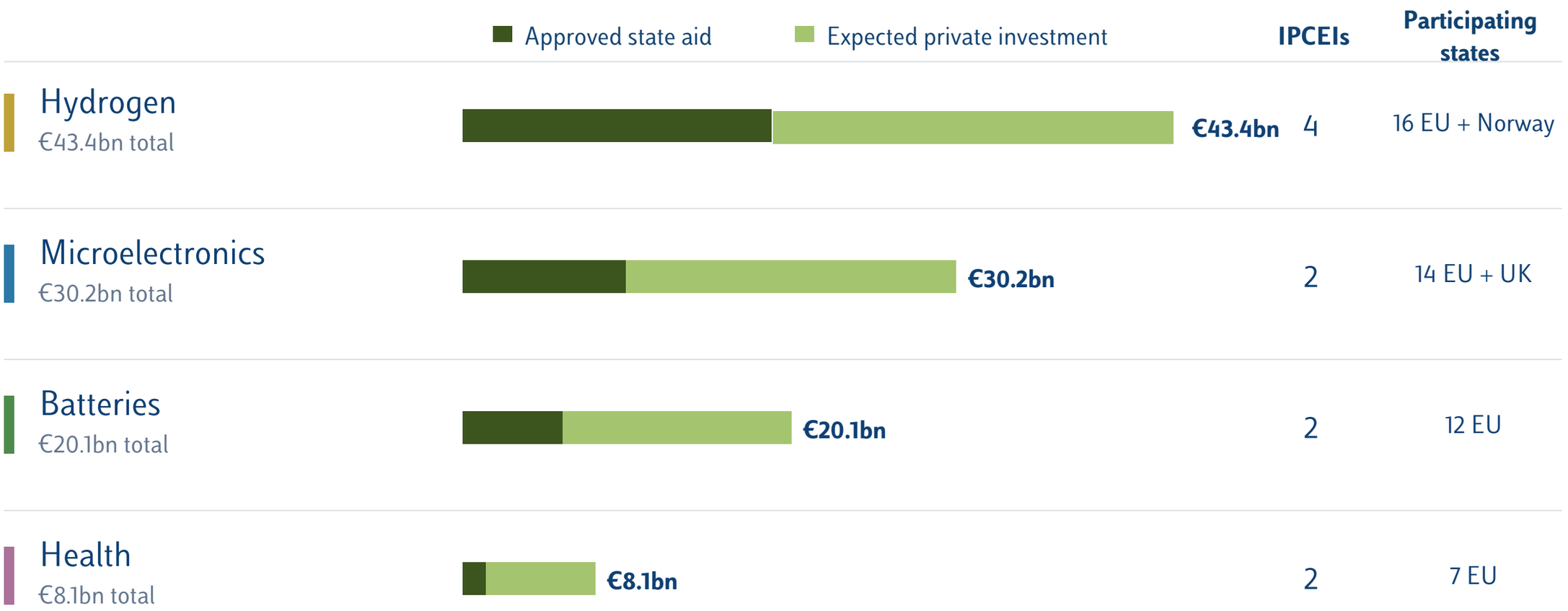
Numbers
IPCEI Investment Outlook

Where is IPCEI investment concentrated?

11 integrated IPCEIs across 5 strategic value chains | € billion

€104.4bn

Public approved + private expected



Important Projects of Common European Interest (IPCEIs) allow Member States to jointly support large-scale cross-border industrial projects through Commission-approved state aid. Across 11 integrated IPCEIs in five strategic value chains, approved public support and expected private investment total **€104.4 billion**.

Investment is highly concentrated in three sectors: **hydrogen (€43.4 billion), microelectronics (€30.2 billion) and batteries (€20.1 billion)**, together accounting for nearly 90% of the total. Hydrogen leads, reflecting Europe's industrial decarbonisation ambitions, while microelectronics and batteries are central to strengthening technological capabilities and reducing strategic dependencies. Health (€8.1 billion) and cloud and digital infrastructure (€2.6 billion) receive comparatively smaller allocations.

Defence is not included in these figures. The five European Defence Projects of Common Interest (EDPCIs), identified by the Council in September 2026, fall under the separate European Defence Industry Programme (EDIP). Unlike IPCEIs, which involve Commission approval of national state aid, EDPCIs are selected to coordinate the development of joint military capabilities and access EU programme funding, including €325 million earmarked for their establishment and deployment. They therefore fall outside the IPCEI investment figures presented here.

Overall, the figures highlight the capacity of IPCEIs to mobilise private investment while revealing the concentration of European industrial policy in selected strategic sectors. The amounts represent approved public support and expected private investment, rather than actual disbursements.

Source: European Commission, approved integrated IPCEIs (2026 overview). Amounts rounded; authorisations and expectations, not disbursements.

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Recommended Reading

HOW EU INDUSTRIAL POLICY GOT ITS GROOVE BACK: SECURITISATION AND GOVERNANCE SHIFTS IN THE GEOECONOMIC ERA

by Eugénia C. Heldt and Sophie Meunier (2026)

Journal of European Public Policy

This article examines the democratic accountability of the EU's emerging industrial policy, questioning whether parliamentary oversight has kept pace with the European Commission's increasingly interventionist role. As the Commission moves from regulating national industrial policies towards actively shaping European industrial development, the authors assess whether its growing executive authority is matched by adequate democratic scrutiny. Drawing on delegation theory, the study distinguishes between procedural accountability, reflected in the Commission's written responses to parliamentary requests, and substantive accountability, assessed through concrete policy actions. Examining requests submitted by the European Parliament's Committee on Industry, Research and Energy (ITRE) between 2019 and 2024, the authors identify a significant gap between formal institutional responses and their translation into policy measures. However, this does not necessarily imply executive inaction: some requests concerned measures already undertaken, while others reflected institutional disagreements, unclear responsibilities or vague parliamentary demands. The findings therefore reveal shortcomings in both Commission responsiveness and parliamentary oversight, raising broader questions about democratic accountability as industrial policymaking becomes increasingly centralised at the European level.

WHY IT MATTERS

The article highlights an often-overlooked dimension of European industrial policy: the democratic legitimacy of an increasingly interventionist EU. While debates typically focus on competitiveness, financing and strategic autonomy, expanding executive powers also raise questions about political accountability and public support. This concern resonates with Vivien Schmidt's framework of input, output and throughput legitimacy (2013). Although Diessner and Petit adopt a different analytical approach, their findings speak to throughput legitimacy: the accountability, transparency and quality of governance processes. Weak democratic oversight can undermine the perceived legitimacy of European institutions, even when policies pursue desirable economic objectives. This becomes particularly consequential during crises, when disappointing outcomes can amplify distrust and strengthen Eurosceptic narratives. As European economic governance since 2008 illustrates, democratic legitimacy can carry significant political costs when neglected.

Ultimately, the article reminds policymakers that an effective European industrial strategy requires more than resources and institutional capacity. It also depends on democratic oversight capable of sustaining public trust and political support for European integration.