Made in Europe Requirements in Public Procurement

Risks and opportunities for climate action, circularity, and competitiveness

IISD REPORT

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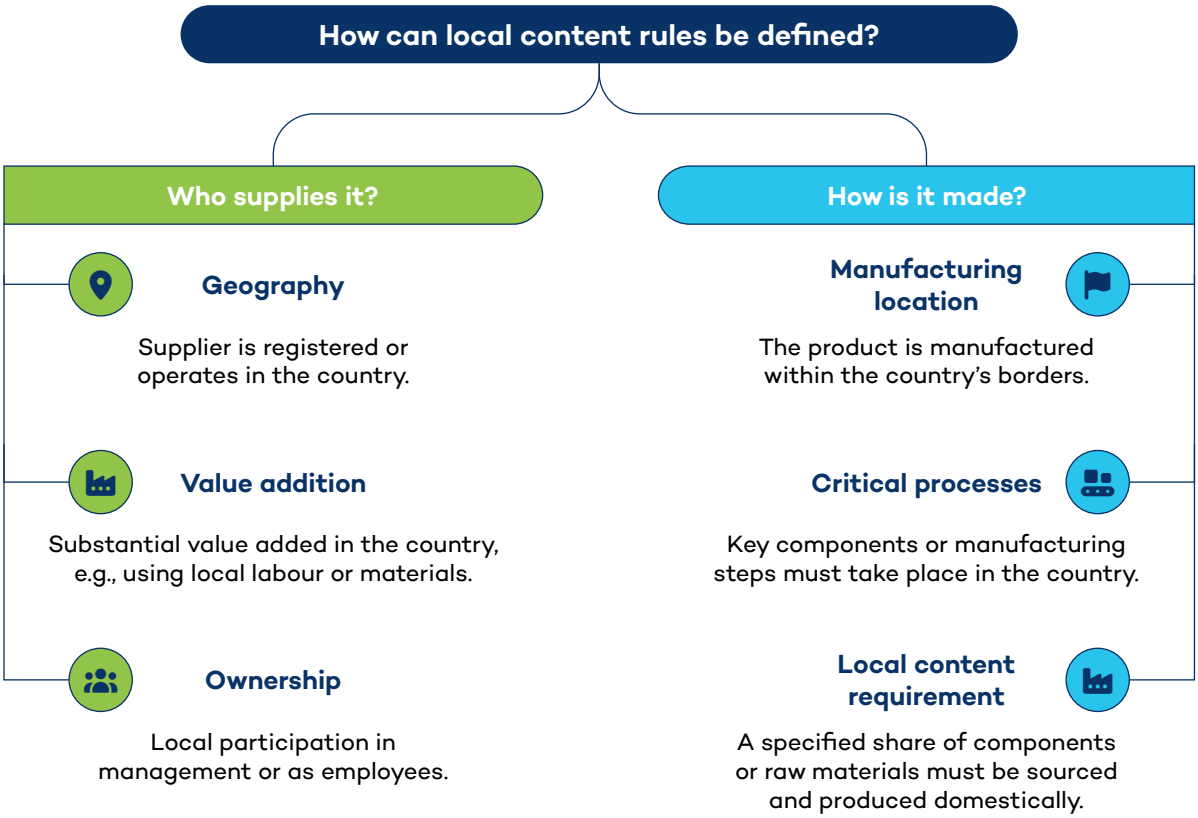
Executive Summary

Public procurement is a powerful yet underused tool for shaping markets.

In the European Union, it represents around 15% of GDP and is linked to roughly 11% of greenhouse gas emissions. That scale gives public authorities strong leverage to influence how companies compete and what kinds of products and business models succeed. At a time of geopolitical uncertainty, industrial rivalry, and climate change, this market power is becoming more important. The European Union (EU) is looking for ways to strengthen resilience, support industrial transformation, and accelerate decarbonization. In that context, local content requirements (LCRs), or "Made in Europe" requirements, are moving to the centre of the debate on procurement reform.

LCRs are policy tools that give preference to domestic suppliers or products in public procurement. They can be designed in different ways, combining criteria such as supplier location, value added, ownership, manufacturing location, or whether key production steps take place locally. Countries like the United States, China, India, and Canada all use domestic preference rules in procurement as part of their industrial policy, although with different levels of ambition and sectoral priorities.

Figure ES1. How can LCRs be defined?



In Europe, the debate over LCRs is closely tied to resilience, competitiveness, and industrial decarbonization. The Industrial Accelerator Act (IAA) is central to this discussion. The proposed IAA of March 2026 introduces limited local content and low-carbon requirements in selected sectors, but it also preserves broad market access for many international suppliers. This makes it a cautious first step toward European preference rather than a full-blown "Buy European" model.

Behind the debate on Made in Europe is a larger question about the strategic role of public procurement. Companies should not win contracts mainly by offering the lowest upfront price, especially if that reinforces a race to the bottom. Procurement should instead foster competition based on long-term value for taxpayers' money, including quality, innovation, environmental impact, and the well-being of communities. This broader push to use procurement more strategically is shaping the ongoing reform of the EU Public Procurement Act, as well as the different pieces of sectoral legislation, such as the IAA, that make reference to the strategic use of public procurement.

Well-designed LCRs can support resilience, clean industry, and low-carbon markets.

They can reduce supply chain dependencies in strategic sectors and support stronger European industrial value chains. When combined with robust environmental requirements, they can also help reduce emissions, improve circularity, and create lead markets for more sustainable products. This is especially relevant in heavy industries such as steel and cement, where decarbonization has progressed slowly despite years of effort. Procurement can create more predictable demand for low-carbon materials and technologies, making it easier for firms to invest in sustainable industrial transformation. In this sense, procurement can do much more than deliver public infrastructure and services: it can also de-risk innovation and support Europe's transition to a more competitive, low-carbon economy.

At the same time, Made in Europe rules raise difficult design questions. If they are too broad or too rigid, they can increase costs, reduce competition in public tenders, add legal and administrative complexity, and create tensions with international trade partners. To support clean lead markets in practice, they need to be combined with ambitious environmental criteria rather than relying on origin alone.

If policy-makers opt for introducing LCRs, the core challenge will be to make sure they are practical for procurers while allowing companies to compete on long-term value, credible decarbonization, and innovation.

This report examines how domestic preference rules can be defined and looks at how they are used in India, Canada, and China. It also maps their main risks and opportunities and

identifies the conditions under which LCRs can be a suitable policy instrument for creating clean lead markets. Lastly, it explores the role of Made in Europe rules in the steel, concrete, and clean technology sectors, and offers recommendations for policy-makers based on the IAA and the future Public Procurement Act.

The report concludes with four key recommendations for policy-makers to advance the discussions on Made in Europe in the context of the EU public procurement reforms:

1. Ensure LCRs are only used where four preconditions are met: sufficient public buyer leverage, strong climate and circularity benefits, improved supply chain resilience, and proportionality.
2. Tie LCRs to ambitious, performance-based environmental criteria (such as emissions thresholds and circularity standards) to effectively drive decarbonization and create lead markets.
3. Design LCRs with a full assessment of costs and benefits, including safeguards (e.g., exceptions where EU products are too costly or unavailable) and a shift away from lowest-price procurement to enable strategic value considerations.
4. Implement LCRs through a phased, well-defined, and harmonized approach that simplifies rules, supports procurers with digital tools and guidance, and ensures consistent monitoring and data collection to track impacts and enable policy adjustment.

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Abbreviations and Acronyms

CCS	carbon capture and storage
cleantech	clean technology
EU	European Union
DPIIT	Department for Promotion of Industry and Internal Trade
DRI	direct reduced iron
GDP	gross domestic product
GPA	Agreement on Government Procurement
GPP	green public procurement
IAA	Industrial Accelerator Act
IPI	International Procurement Instrument
LCR	local content requirement
NZIA	Net-Zero Industry Act
OECD	Organisation for Economic Co-operation and Development
PPA	Public Procurement Act
PV	photovoltaic
WTO	World Trade Organization

1.0 Why Are Made in Europe Requirements Discussed as Part of the European Union's Procurement Reform and Industrial Policy?

Public procurement plays a central role in shaping Europe's environmental and economic landscape. Across the European Union (EU), more than 250,000 contracting authorities spend roughly 15% of GDP (around EUR 2.6 trillion annually) on goods, services, and public works (European Commission, 2025b). This makes public procurement responsible for approximately 11% of the EU's greenhouse gas emissions (Mähönen et al., 2023). As such, procurement represents one of the EU's most powerful yet underused levers for accelerating the transition to a low carbon, circular, and competitive economy.

At the same time, global trends in trade and procurement policy reveal a shift toward greater protectionism, with rising barriers to foreign competition and increasingly interventionist industrial strategies (Lalliot et al., 2024). Major economies, such as the United States, China, and India, have long used public procurement to create or strengthen domestic industries, stimulate demand for national producers, and drive innovation in clean technologies. More recently, Canada introduced domestic preference rules in public procurement. In comparison, Europe has kept its procurement market widely open to foreign competition.

Domestic preference rules are increasingly discussed as instruments to support European producers, shield them from international competition, stimulate demand and competitiveness, and drive innovation in low carbon technologies and products. There is a renewed debate about whether and how the EU should leverage its own procurement market more effectively. The proposed Industrial Accelerator Act (IAA), published in March 2026, represents a first step toward a European preference in procurement (see Box 1).

Europe's policy landscape is further shaped by the turbulent geopolitical climate that has exposed critical vulnerabilities in global supply chains and increased the need for greater security, reliability, and autonomy in key sectors (Turudic, 2025). As a result, the EU has increasingly emphasized reducing strategic dependencies and strengthening resilience in its most sensitive industrial ecosystems (Kola, 2023). In this context, local content requirement (LCR) rules have emerged as a possible instrument to reinforce industrial capacity, secure access to strategic inputs, and support the green transition.

Combining Made in Europe requirements with climate-related criteria in public procurement processes could help accelerate the decarbonization of heavy industries, support emerging clean technology (cleantech) supply chains, and enhance the long term resilience of critical sectors. Yet, policy-makers must also determine how to align with their current obligations under international trade rules. Ongoing debates on agricultural, industrial, and cleantech competitiveness illustrate that although there is a growing political

appetite for stronger protective measures, the appropriate scope, design, and conditions for such interventions remain contested.

Box 1. Made in Europe in the IAA

The IAA was originally conceived as an overhaul of the EU's procurement framework and industrial policy to strengthen competitiveness and accelerate decarbonization. In its current form, however, the proposal from March 2026 only represents a cautious first step toward a Made in Europe approach. It introduces limited LCRs in public procurement and other forms of public support, narrowly targeting selected sectors and materials.

For energy-intensive materials, the current IAA proposal sets the following quotas: 25% of steel used in automotive and construction procurements must be low carbon; aluminum in these sectors must meet a 25% low carbon and Union origin threshold; and 5% of concrete and mortar used in construction projects must be both low carbon and of Union origin. Beyond basic materials, the IAA introduces Union-origin requirements for certain net-zero technologies—such as batteries, energy storage systems, solar photovoltaic (PV) systems, and heat pumps—as well as for electric vehicles and their components, applying across procurement, auctions, and support schemes.

Importantly, the IAA defines "Union origin" broadly. Products manufactured in the European Economic Area or in third countries covered by the World Trade Organization Government Procurement Agreement or bilateral trade agreements with the EU, are entitled to equal treatment. As a result, most major trading partners retain access to the EU procurement market, while restrictions primarily affect countries without such agreements, notably China and India.

Source: Authors' analysis of European Commission 2026a, 2026b.

This report examines how Made in Europe requirements can be designed and applied in public procurement to support the EU's climate, circular economy, and competitiveness objectives. It explores different ways of defining local content rules and assesses in which strategic sectors such requirements could deliver genuine economic and environmental benefits. Drawing on policy analysis, international case studies, literature review, and expert interviews, the paper formulates evidence-based recommendations for the ongoing procurement reforms in Europe.

2.0 How Can Local Content Rules Be Defined?

LCRs refer to the practice of prioritizing domestic economic inputs within a national market. In public procurement, this typically occurs when local products or economic operators are given preferential treatment in tender evaluation or when participation is restricted solely to domestic suppliers (Turudic, 2025). Reasons for LCR implementation can include protecting and supporting specific local industries, attracting FDI, and creating new domestic opportunities or technology transfer (Turudic, 2025).

Local or domestic content can be defined in several ways, and countries with LCRs usually combine various criteria in their policies. Table 1 gives an overview of such criteria for suppliers and products and how these are used in three case study countries in this report (Canada, China, and India).

Table 1. Criteria for defining local content in public procurement

Criterion	Definition	Example
Focus on suppliers		
Geography	The supplier is registered or carries out business activities in the country.	Canada grants a price preference to suppliers registered in Canada, and India largely excludes suppliers registered outside of the country from bidding on public contracts.
Value addition	Substantial value was added in the country, for example by using domestic materials or employing local workers.	Canada provides preferential treatment in strategic sectors based on domestic value addition.
Ownership	Local ownership focuses on company ownership and participation, such as locals in management or as employees.	
Focus on production		
Manufacturing location	The product is manufactured within the country's borders.	India requires minimum local content shares where products need to be manufactured in India, not just imported or repackaged.
Critical processes	Key components or manufacturing steps must take place in the country.	To qualify as domestic, steel must be melted and poured in Canada.

Criterion	Definition	Example
Local content requirement	A specified share of the product's components or raw materials must be sourced and produced domestically.	China grants a price preference to domestic products defined based on manufacturing location, critical processes, *and* local content shares.

Source: Authors, based on Automotive Cells Co et al., 2025; Department for Promotion of Industry and Internal Trade (DPIIT), 2017; Government of Canada, 2025c, 2025d; International Institute for Sustainable Development (IISD), 2018; Lex China, 2025; Ministry of Steel, 2025.

Box 2. Market access under current procurement and trade rules

EU public procurement is bound by international trade commitments, in particular the World Trade Organization's (WTO's) Agreement on Government Procurement (GPA). Through the GPA and bilateral trade agreements, the EU has opened parts of its procurement market to suppliers from other GPA countries and bilateral trading partners, including Canada, Japan, South Korea, Australia, and the United States (Baldon Avocats, 2024). These agreements rule out origin-based preferences or discrimination in sectors and for procurement authorities that are covered in the GPA Annexes and above certain thresholds.

Where no GPA or free trade commitments apply, EU law does not have to guarantee equal treatment or access to remedies for third-country companies (Baldon Avocats, 2024). Major economies such as China and India are not GPA members or have no trade agreements with a public procurement chapter and therefore do not automatically benefit from EU procurement market access. Contracting authorities may still allow their participation on a discretionary basis (Križić, 2019; WTO, n.d.).

The International Procurement Instrument (IPI) is another instrument that aims to level the playing field between European and third-country suppliers on their respective procurement markets. The IPI allows the European Commission to respond to discriminatory procurement practices abroad through targeted investigations and, where necessary, apply proportionate measures, such as score adjustments or exclusions in large contracts (EU, 2022). The IPI is a trade instrument that aims to strengthen reciprocity in procurement while preserving the EU's broader commitment to openness and rules based trade. To date, it has only been used once, in relation to Chinese medical devices (European Commission, 2025a).

3.0 How Are Other Countries Applying Local Content Rules in Public Procurement?

The case studies below summarize domestic preference approaches from China, India, and Canada, which are all major trade partners of the EU. Although assessing the outcomes of these LCRs is difficult because some of the rules have only recently come into effect and data is often scarce, we find that all three countries use public procurement to support domestic production and value creation. The policies indicate a substantial willingness to pay for domestic goods and suppliers: through preference mechanisms in the evaluation of bids, the governments allow a premium of 10% to 20% of the contract value for favouring local companies and goods.

Each system relies on some mix of eligibility restrictions (who can bid), price or scoring advantages for domestic products or suppliers, and material or process-based requirements for domestic content. Notably, all three countries include exemptions and sector-specific rules. None of the domestic preference systems reviewed includes environmental or sustainability criteria, though some of the LCRs also apply to procurements where the subject matter of the contract is green technology, such as solar panels or electric vehicles.

3.1 Case Study: China's domestic preference rules

Overview: China has long embedded domestic preference in public procurement, historically constraining access for foreign suppliers to its procurement market. A new State Council notice (2025) reforms this system by applying a 20% price preference for "domestic products" based on production and value creation in China and pairing the preference with explicit equal treatment for all business entities, including foreign companies.

China's Government Procurement Law (2014), Article 10, requires that government procurement "shall purchase domestic goods, projects and services."[1] Exceptions apply where items cannot be obtained domestically under reasonable conditions or where other rules provide exceptions. This domestic-first principle has been widely understood as limiting foreign firms' access to public contracts (Lex China, 2025).

The *Notice on Implementing Domestic Product Standards and Related Policies in Government Procurement* (Guobanfa 2025/34) defines three criteria that domestic products must meet as of January 2026 (State Council, 2025):

[1] This is a machine translation of the text. The original text of the law can be found here: https://policy.mofcom.gov.cn/claw/clawContent.shtml?id=6140

1. manufacturing location: the product must be manufactured/processed/assembled within China; minor operations (e.g., packaging/simple painting) do not count;
2. local content requirement: the cost share of components produced in China must reach a specified proportion (to be defined later); and
3. critical processes: for certain products, key components and key processes must meet China-based requirements (to be defined later).

A phased approach provides up to 5 years of consultation to refine product-specific thresholds and definitions, followed by 3–5-year transition periods for new product requirements to avoid supply chain disruptions (Lex China, 2025). The domestic-product standards and associated preferences apply to goods listed in the Government Procurement Product Classification Catalog. Several procurement categories are explicitly excluded—for example, housing, books, agricultural and forestry products, minerals, electricity, food/beverages, and intangible assets (State Council, 2025).

The notice introduces a clear bid-evaluation mechanism: a 20% "price deduction" is applied to the quoted price of domestic products for evaluation purposes, meaning that bids are assessed as if they are 20% cheaper (State Council, 2025). Where a tender includes multiple products, a supplier typically needs to include 80% domestic products (by cost) to qualify for the preference. To prove their compliance, suppliers must provide a Declaration of Conformity with Standards for Domestic Products, for which a template is provided in the notice (State Council, 2025).

Crucially, eligibility for the price deduction hinges on product qualification, not company ownership: foreign-invested enterprises can receive the same preference if they meet the domestic-product criteria. The notice also prohibits discriminatory procurement practices, including brand-specific requirements, restrictions based on brand origin, and differential treatment linked to ownership type or investor nationality (Lex China, 2025).

3.2 Case Study: Make in India

Overview: India's procurement system combines eligibility restrictions, price preferences, and sectoral rules on local content, making strict domestic preference a central part of industrial and procurement policy.

India's procurement rules strongly favour domestic suppliers and production. At the horizontal level, preferences are set out in the Public Procurement (Preference to Make in India) Order, 2017 (Department for Promotion of Industry and Internal Trade [DPIIT], 2017). Local content is defined based on the place of production, and the policy explicitly excludes imported items from local resellers, as well as repackaged or rebranded goods, from counting toward domestic content.

Suppliers are classified as Class-I (≥50% local content) and Class-II (20–50%). In most tenders, only Class-I and Class-II suppliers are eligible to bid (DPIIT, 2017). Ministries may

require higher local content thresholds when local capacity and competition are sufficient, in which case only Class-I suppliers are eligible. For example, the Ministry of New and Renewable Energy (2020) has limited eligibility to Class-I suppliers for many cleantech products, meaning that suppliers need to prove at least 50% domestic content.

The framework also establishes a strong price and access preference. Purchase preference is normally given to Class-I suppliers, provided their bids are not more than 20% more expensive than the lowest bid received. In addition, procuring authorities may only open their tenders to international bidders if the contract value is above INR 200 crore (around EUR 18.6 million) and they received prior high-level approval. This means that foreign suppliers are effectively excluded from most public contracts, unless they have local subsidiaries that meet the LCRs described above.

These general rules are further detailed in the steel sector through the *Policy for Providing Preference to Domestically Manufactured Iron & Steel Products in Government Procurement (DMI&SP),* administered by the Ministry of Steel (2025). The policy defines domestic steel as products manufactured by entities registered and established in India and applies to all contracts where the value of the steel and iron products exceeds INR 5 lakh (about EUR 4,650).

The policy lists diverse iron and steel products that can only be procured from domestic sources (Ministry of Steel, 2025). Some of these products must meet criteria for local value addition—for example, 50% domestic value addition when procuring railway tracks. For other products, such as flat rolled iron and stainless steel, the process-related rules prescribe that the iron and steel are melted and poured in India.

Procuring authorities are not allowed to open tenders for steel and iron to foreign bidders, unless the Ministry of Steel grants an exception because the steel grades or required quantities cannot be produced domestically. When procuring capital goods (e.g., for mining or furnaces), imports are allowed for certain items, but minimum domestic content rules of between 30% and 90% still apply (Ministry of Steel, 2025). The steel policy also includes a reciprocity clause, excluding suppliers from countries that do not allow Indian firms to participate in their own public procurement markets.

3.3 Case Study: Buy Canadian

Overview: Canada's new domestic preference rules apply to federal procurement in five strategic sectors. In addition to prioritizing Canadian suppliers and value added, public procurers must buy local steel, aluminum, and wood products in large construction and defence tenders.

Recent geopolitical shifts and rising protectionism in the United States prompted the Canadian government to introduce a "Buy Canadian" policy in December 2025. The *Buy Canadian Procurement Policy Framework* provides the foundation for more detailed policy measures on domestic preference in public procurement (Government of Canada, 2025a). During a recent WTO GPA Committee meeting, the United States, EU, Japan, New Zealand,

Norway, Switzerland, and the United Kingdom raised concerns around the compatibility of this new scheme with Canada's GPA commitments (WTO, 2026).

Based on the framework policy, the *Policy on Prioritizing Canadian Suppliers and Canadian Content in Strategic Federal Procurements* requires federal procurers to prioritize Canadian products and suppliers in five strategic sectors: defence; health and pharmaceuticals; infrastructure, construction, and transportation; information and communications technology; and consumer and industrial goods (e.g., textiles and furniture) (Government of Canada, 2025d). The financial threshold will be tightened from the current CAD 25 million to CAD 5 million in June 2026.

- In these strategic sectors, tenders are only open to Canadian suppliers and international suppliers from countries with trade agreements.
- Canadian suppliers are defined as having an active business address in Canada, paying taxes and performing substantive, day-to-day work in Canada. Such Canadian suppliers receive a 10% fictitious discount on their bids, leading to an advantage in the tender evaluation.
- In addition, public procurers must allocate 25% of the evaluation score to "Canadian Value Added," which is based on the share of services performed by people in Canada or the portion of goods produced in Canada. Both Canadian and eligible international suppliers can score high on this criterion by prioritizing local content and workers.

In addition, the government passed the *Policy on Prioritizing Canadian Materials in Federal Procurement* (Government of Canada, 2025c). It applies to federal defence and construction procurements above CAD 25 million. If a construction project includes wood, steel, or aluminum worth more than CAD 250,000, these products must be made in Canada. Specifically, this means that steel must be melted and poured in Canada, and aluminum needs to be smelted and cast in Canada.

All these local content policies include exceptions when the use of Canadian materials would increase overall project costs by more than 25%, the materials are not available, procuring Canadian products would be against the public interest, or the procurement is for off-the-shelf products. Using the exceptions requires ministerial approval.

Based on a new Interim Policy on Reciprocal Procurement (Government of Canada, 2025b), suppliers from countries that do not grant Canadian companies access to their procurement markets are not eligible to compete for federal government contracts. This applies to all non-defence procurements over CAD 10,000.

Research on the Canadian case study underlines that the impacts of such LCRs depend on reducing loopholes and providing clear, precise definitions of what constitutes "domestic" origin. In particular, Canadian procurement already has high domestic participation, with registered Canadian companies typically winning 90%–97% of contracts. Yet, many suppliers are known to outsource substantial work, source goods internationally, or be headquartered outside of Canada, so defining domestic origin based on business address alone would have limited effect. Distinguishing between supplier registration and actual economic activity is therefore important for impactful LCRs (Fry, 2025).

In industries where production is labour intensive and geographically concentrated, robust "Buy Canadian" policies could support both decarbonization and domestic job creation. Green public procurement (GPP) and buy-local objectives could work synergistically, fostering clean industry development, employment, and training opportunities. However, tight definitions would be needed to ensure that policies are not merely symbolic but instead lead to tangible economic and environmental benefits (Fry, 2025).

Box 3. What does this mean for the IAA and Public Procurement Act (PPA)?

The policy design in the IAA proposal differs from the approach in the three case studies. While the IAA proposal uses quotas for EU content as technical specifications, China, India, and Canada rely more on award criteria to favour domestic content. By adjusting bid evaluation—through price preferences or scoring advantages—they reward domestic value creation while mitigating the risk of reduced competition from fully excluding foreign bidders or imports.

Such award mechanisms could be practical within EU procurement processes. The PPA could, as horizontal legislation, introduce price adjustments/disadvantages for operators that are not entitled to equal treatment under EU trade commitments.

Comparing the IAA proposal with Buy Canadian policies also provides insight on how procurement with these additional requirements can be simplified. The IAA applies LCRs to construction and automotive tenders above EU thresholds (e.g., EUR 5.4 million for public works), and the quotas for using European concrete and aluminum remain very low. This creates additional administrative burden for contracting authorities while mandating only small shares of low carbon, Union-origin content. By contrast, Canada's Policy on Prioritizing Canadian Materials applies only to very large contracts and only where substantial quantities of steel, aluminum, or wood are used. In these high value, high impact projects, however, all relevant materials must then be of Canadian origin.

Source: Authors, based on the case studies and European Commission 2026a, 2026b.

4.0 What Are the Risks and Opportunities of Made in Europe Requirements?

This section provides an overview of the potential risks and opportunities of introducing origin-based requirements in public procurement based on the available literature review and interviews with industry representatives, civil society organizations, and policy-makers (see Table 2).

Table 2. Risks and opportunities of LCRs

Risks	**Higher costs and reduced competition:** LCRs can reduce supplier choice, decrease the number of bids, and lead to a price premium for products made in Europe.
	Administrative complexity: Defining, verifying, and enforcing origin requirements can increase administrative burdens for both contracting authorities and suppliers, in conflict with ongoing simplification efforts.
	Legal uncertainty and trade risks: LCRs risk legal challenges and retaliatory measures if they conflict with trade law obligations or are not clearly defined.
	Doubtful value for climate action and competitiveness: LCRs alone deliver limited climate benefits and risk distraction from emission reduction objectives or misalign with European companies' reliance on imported intermediate inputs for decarbonization.
Opportunities	**Resilience benefits through reduced dependencies in supply chains:** Targeted LCRs can help reduce strategic dependencies and strengthen supply chain security in sensitive sectors.
	Reduced environmental impacts when combining environmental and origin criteria: When paired with robust green requirements, LCRs can reduce impacts such as greenhouse gas emissions, pollution, and waste.
	De-risking decarbonization investments and scaling innovation: Public procurement preferences can provide a predictable demand signal that enables and supports investment in low-carbon industrial production and innovation in Europe.

Source: Authors.

4.1 Risks of Made in Europe Requirements in Public Procurement

4.1.1 Higher Costs and Reduced Competition

Introducing Made in Europe requirements risks narrowing the supplier base and undermining healthy competition for public tenders (European Court of Auditors, 2023; World Bank, 2025). Restricting eligibility to EU-based companies or requiring minimum European content can reduce the number of bidders, particularly in sectors with international supply chains or where EU production capacity remains limited. In import-reliant sectors, LCRs could lead to supply shocks and significantly higher prices (McWilliams et al., 2025). According to EBM reporting, DG Trade estimated that domestic content requirements could cost European businesses around EUR 10 billion annually due to higher input prices, reduced supplier choice, and the administrative burden of verifying compliance (Staunton, 2025). Yet, such cost estimates do not consider possible macro-economic benefits and societal value, which are critical to consider when using taxpayers' money.

The price and competition effects will likely be distributed unevenly across the EU and be more pronounced in member states that currently see higher participation of third-country operators in their tenders, especially in Eastern and Southeastern Europe (Bombardini et al., 2024). Bombardini et al. (2024) conclude that Buy European rules could raise procurement costs; reduce competition, especially in smaller markets; and act like hidden tariffs, as shown by the U.S. Buy American Act. This concern is consistent with broader Organisation for Economic Co-operation and Development (OECD) evidence (2019) showing that LCRs tend to reduce trade in intermediate goods, increase domestic production costs, and raise prices further downstream.

The risk is especially relevant because competition in EU public procurement is already weak in many markets. The European Court of Auditors (2023) identified a decade-long decline in competition for public contracts, while the cross-border participation remains limited (World Bank, 2025). Two thirds of all tenders received only three or fewer bids, with better competition for larger contracts and those in the construction sector. Notably, competition levels vary greatly between member states and sectors (World Bank, 2025).

In that context, broad origin preferences could further depress bidder participation, particularly where European supply is thin. This increases the risk of higher prices and less innovative products. In addition, as the case studies in China, India, and Canada indicate, governments show a substantial willingness to pay for domestic suppliers and goods through preference mechanisms in bid evaluation, allowing for premiums of 10% to 20% of the contract value.

Lastly, as will be discussed below, the cost implications are also sector dependent and often not significantly higher at the level of the final project. For example, although low-carbon European steel is substantially more expensive as a material, its use typically increases the cost of a vehicle or building by only a small margin (E3G & Industrial Transition Accelerator, 2025), indicating that such premiums may be manageable in many procurement contexts.

4.1.2 Administrative Complexity

Within the EU, LCRs risk undermining ongoing efforts to simplify public procurement and improve legal certainty. In a joint non-paper, six Nordic countries warn that introducing European preference "could risk adding another layer of complex regulation" and that blanket European preference "risks wiping out our simplification efforts" (Table Briefings, n.d.) at a time when both the European Commission and many member states are seeking to reduce procedural burdens in public procurement.

The case studies show that domestic preference systems rarely remain simple. Once operationalized, they require detailed rules on eligibility, local content, value-added calculations, verification methods, exemptions, and sector-specific details. China, India, and Canada all illustrate that implementation depends on highly granular definitions of origin and substantial documentation requirements. To put European preference into practice, contracting authorities in Europe need clear rules on how Union-origin content is defined, how technical specifications and award criteria should be designed, how LCRs are verified during contract execution, and under what conditions exceptions apply. Suppliers might also face additional reporting and certification burdens.

4.1.3 Legal Uncertainty and Retaliation

International trade rules and legal uncertainty constrain Europe's options for introducing LCRs in procurement. The EU has widely opened its procurement market through the WTO GPA and through bilateral trade agreements, which limit its ability to discriminate against foreign suppliers and goods. At the same time, recent Court of Justice of the European Union case law has clarified that operators from non-covered third countries do not automatically enjoy equal-treatment rights under EU procurement law, leaving contracting authorities with discretion but also creating uncertainty about the scope and limits of that discretion (Baldon Avocats, 2024; European Commission, 2025c).

There is also a broader trade-policy risk. Procurement restrictions can provoke harmful retaliation, particularly in sectors where EU firms depend on access to foreign public markets. For example, the first use of the IPI related to medical supplies prompted swift retaliation measures (Reuters, 2025). A Made in Europe regime risks triggering countermeasures, complicating reciprocal market access, and weakening the EU's position as a proponent of a rules-based trading system.

4.1.4 Questionable Value for Climate Action and Competitiveness

If not carefully designed, Made in Europe requirements risk undermining industrial decarbonization efforts. Choosing European suppliers and products alone is unlikely to deliver substantial climate benefits, as shown by modelling from Carbone 4 (2025). LCRs without robust environmental conditions could even shield high-emitting producers from competition and delay the clean industrial transformation.

Public procurement in the EU is already predominantly local. The European Court of Auditors (2023) found that in 2021, 40% of winning bidders were registered in the same

region as the contracting authority, with particularly high local rates in transport and construction. The European Commission's 2025 evaluation of the procurement directives found that only about 4% of the total awarded value and 2% of contract awards were made directly to firms established in other EU member states or third countries, while indirect cross-border procurement through value chains accounts for around 20% of overall procurement (European Commission, 2025b). This suggests that restricting access to the procurement market for suppliers based on geographic origin would have limited effect.

A further concern is that strict origin requirements may not reflect realities for industrial decarbonization in Europe. Many strategic sectors rely on globally integrated value chains and on imported intermediate inputs. This is particularly relevant for clean technologies and energy-intensive industries, where competitiveness depends not only on domestic manufacturing capacity but also on access to affordable energy, critical raw materials, and internationally sourced semi-finished inputs.

Research reports and interviews indicate that importing energy-intensive intermediate goods such as direct reduced iron, ammonia, and methanol may, in some cases, strengthen European industrial competitiveness by relieving pressure on Europe's constrained renewable electricity system and enabling more efficient downstream production in the EU (McWilliams et al., 2025; E3G & Industrial Transition Accelerator, 2025).

In globally integrated renewable energy infrastructure markets, strict Made in Europe requirements could deter international investment in solar and wind generation, with negative effects on local job creation, value added, and technology transfer. By increasing input costs for downstream activities, these requirements may raise overall system costs, weaken price competitiveness, reduce investment, and ultimately lead to higher wholesale electricity prices (OECD, 2015).

Box 4. What do these risks mean for the IAA and PPA?

The European preference provisions in the current IAA proposal are limited in scope and ambition, suggesting that some of the risks identified above are taken into consideration.

The IAA introduces narrowly defined LCRs with wide-ranging exemptions. Content from countries covered by free trade agreements or the WTO GPA is treated as Union origin, extending effective market access to a large share of global suppliers. Combined with low quotas, these provisions mitigate some of the risks related to cost increases and trade retaliation. The low quotas, however, also signal very low ambition and stay below what the market can already deliver today, making the real impact of the IAA proposal questionable.

Under the current IAA proposal, contracting authorities must accept project-level price premiums of up to 25% when applying low carbon and Union-origin requirements. This is broadly in line with domestic preference schemes in other jurisdictions and could pose challenges for authorities with constrained budgets. In practice, however, such exceptions are unlikely to be triggered, as price premiums for low-carbon materials typically remain well below this threshold at the project level.

Source: Authors' analysis based on European Commission 2026a, 2026b.

Box 5. Job creation from LCRs

Creating and protecting jobs in local industries is a common justification for LCRs. Research shows mixed and scarce evidence, suggesting that such domestic preference in procurement comes with trade-offs when it comes to employment with increases in some sectors and losses in others.

In the short term, LCRs can create or preserve jobs in targeted sectors, especially where some local manufacturing capacity already exists and policies are well designed and time-bound. In Argentina, for example, automotive LCRs boosted vehicle production considerably (Yan Ing & Grossman, 2023). Modelling for a hypothetical Buy European and Sustainable Act for strategic sectors suggests that LCRs combined with low-carbon requirements would create 30,000 additional jobs in the EU (Carbone 4, 2025). Targeted, time-bound LCRs can also be an opportunity for re-training and upskilling a local workforce for low-carbon, circular practices.

At the same time, research points to the high costs and potential long-term disadvantages of LCRs. By raising input costs and reducing competition, they can weaken non-targeted sectors and negatively affect jobs in other sectors. In Argentina, growth in automotive production was accompanied by a 4%–5% decline in metals and machinery output (Yan Ing & Grossman, 2023). OECD analysis finds negative employment effects in non-targeted sectors, often falling most heavily on unskilled workers (Stone et al., 2015).

Evidence from the United States points in the same direction: Ending domestic preference rules of the Buy American Act would reduce manufacturing jobs but increase employment in the rest of the economy (Dixon et al., 2018). The research suggests that the LCRs shift jobs across sectors rather than raising total employment, and that abolishing them would lead to a net gain of about 300,000 jobs. Bombardini et al. (2024) find that the Buy American Act created 50,000–100,000 jobs, but for a high cost of USD 111,500 to USD 137,700 per job, showing the price tag of LCRs for employment creation.

4.2 Opportunities of Made in Europe Requirements in Public Procurement

4.2.1 Resilience Benefits Through Reduced Dependencies in Supply Chains

A core argument in favour of targeted Made in Europe requirements lies in increased supply chain resilience and autonomy. In sectors where the EU is highly dependent on a narrow set of third-country suppliers, procurement preferences may help reduce strategic vulnerabilities, maintain industrial capacities in Europe, and support diversification in critical supply chains. This logic is already reflected in the Net-Zero Industry Act (NZIA), which incorporates resilience and sustainability considerations into procurement and auction design for selected net-zero technologies where dependency risks are concentrated.

Experts underline that resilience should not be equated with self-sufficiency. A more economically credible approach is one that strengthens European capabilities while also fostering partnerships with trusted third countries for intermediate clean products and strategic inputs (McWilliams et al., 2025; OECD, 2019). This corresponds to a Made with Europe model, under which procurement can support resilience by reducing excessive dependency without requiring complete supply chain localization (Cornillie et al., 2025). In practice, this means that origin-related criteria should be narrowly targeted at specific vulnerabilities, time-bound, and embedded in a broader strategy of diversification and industrial cooperation rather than autarky.

4.2.2 Reduced Environmental Impacts When Combining Environmental and Origin Criteria

Origin-related criteria can contribute to environmental objectives when they are paired with robust sustainability requirements. In sectors such as buildings, infrastructure, and technology, procurement can be used to reward low embodied emissions, recycled content, materials traceability, circular design, and long product life. Where EU production is demonstrably cleaner, more transparent, or easier to verify, a limited origin preference may reinforce demand for lower-carbon and more sustainable products (European Environmental Bureau, 2026; Wyns, 2025).

For example, in the recycling sector, EU content requirements could foster a circular economy by reducing imported secondary materials. This would provide an opportunity to strengthen domestic recycling markets, improve material traceability, lower transport emissions, and drive investment in European capacity. Modelling by Carbone 4 (2025) suggests that implementing LCRs combined with low-carbon criteria in procurement for food, heavy materials, vehicles, and buildings would measurably reduce climate impacts. If such measures had been implemented since 2019, they would have reduced the EU's annual carbon footprint by 34 $MtCO_2e$, cut the EU's public procurement carbon footprint by 9%, and increased funding for clean companies in Europe.

4.2.3 De-Risking Decarbonization Investments and Scaling Innovation

Public procurement can also play a role in fostering investment in low-carbon industrial production and scaling innovation. This is particularly relevant for basic materials, such as green steel, low-carbon cement, and other decarbonized industrial inputs, where producers face high capital expenditure, uncertain future demand, and persistent green price premiums. By committing to purchase verified low-carbon products in public infrastructure and construction, governments can create a predictable demand signal that improves the bankability of industrial decarbonization projects (Bellona, 2024; Federal Ministry for Economic Affairs and Energy, 2024; Wyns, 2025).

The policy value of procurement in this area lies in its ability to help establish lead markets, including through Made in Europe and low-carbon content requirements (Bechauf et al. 2025). Demand certainty can support first movers, accelerate learning effects, and crowd

in private investment, especially when combined with complementary instruments such as carbon pricing, product standards, and the Carbon Border Adjustment Mechanism. The effectiveness of this approach depends on linking domestic preference in procurement to measurable climate performance in order to avoid protecting and sustaining high-emission producers.

Box 6. What do these opportunities mean for the IAA and PPA?

The IAA also combines LCRs with low-carbon criteria to align procurement with industrial decarbonization. However, the environmental requirements will be defined through the Ecodesign for Sustainable Products Regulation, the Construction Products Regulation, or delegated acts, leaving ample room for increased ambition, scope, and implementation timeline.

The IAA largely follows a Made with Europe approach, treating content from many countries with trade agreements or WTO GPA coverage as Union origin. This minimizes friction with key trading partners.

In addition, the PPA offers a major opportunity to mainstream low carbon production and circularity in procurement. As the horizontal framework, it could make GPP the default, establish sustainability as a core procurement principle, and mandate moving away from lowest price as award criterion, forcing companies to compete on other aspects.

Source: Authors' analysis based on European Commission 2026a, 2026b.

5.0 Where Can Made in Europe Requirements Help Create Lead Markets for Climate-Friendly and Circular Materials?

As discussed in the previous section, blanket EU preference in public procurement risks increasing costs and complexity, without ensuring clear environmental benefits. Before designing LCRs, policy-makers should therefore assess whether four preconditions are met: market leverage of public buyers, strong climate and circularity gains, supply chain and security concerns, and proportionality (see Table 3).

If these conditions are fulfilled, LCRs in public procurement can be a suitable, impactful policy instrument for fostering decarbonization, circularity, and competitiveness. In cases where the conditions are not met, other policy instruments may be more suitable and effective. For example, policy-makers could consider GPP without origin restrictions, trade restrictions, or targeted subsidies.

Table 3. Four preconditions for impactful LCRs in public procurement

Pre-condition	What it means	Examples
Market leverage for public buyers	Public procurement represents a large share of demand in a sector, giving public buyers strong influence on supply chains.	Energy infrastructure procurement, rail and public transit equipment, public construction projects
Strong climate and circularity gains	The sector or commodity has high environmental impacts that can be reduced through green procurement criteria and Made in Europe requirements—e.g., for lower embodied emissions and circular economy efforts.	Cement and concrete, steel, chemicals, food, vehicles, information technology, batteries
Supply chain and security concerns	In cases where products are traded internationally or when there are security, geopolitical, and resilience risks, public procurement with Made in Europe provisions can address strategic dependencies and increase resilience.	Steel, grid equipment and renewable components, critical raw material processing, batteries, medical or public health equipment
Proportionate and legally robust design	Measures should ensure Made in Europe requirements remain proportionate, transparent, and consistent with international trade commitments and rules. To avoid subsidizing industries in the long term, the LCRs should be strictly time-bound, as is the case for measures under the International Procurement Instrument.	Criteria for low-carbon or circular products, resilience. or security-of-supply clauses, reciprocal access for third-country-operators, measures under the International Procurement Instrument

Source: Authors.

Targeted approaches that combine environmental performance standards with procurement can help create lead markets and de-risk clean industrial investment. Lead markets for clean commodities are downstream sectors that can adopt low-carbon versions of materials such as steel, cement, ammonia, and aluminum. By generating early demand, these markets can catalyze investment, enable scale, and accelerate cost reductions. In this context, Made in Europe requirements can play a complementary role, for instance, where resilience, unfair competition, or security concerns arise.

The following section examines three sectoral examples to evaluate where Made in Europe provisions could help create lead markets: steel, cement and concrete, and clean technologies using renewable energy.[2]

5.1 Steel

There is lead-market creation potential when Made in Europe requirements are paired with GPP.

5.1.1 Steel and Public Procurement

Steel production relies primarily on iron, meaning that decarbonization efforts depend largely on how iron is produced. In Europe, an important pathway to meeting climate targets involves producing green iron in locations with abundant and low-cost renewable electricity, where the most energy-intensive steps can occur, and then transporting the iron to steelmaking facilities. Green or climate-friendly ironmaking typically refers to direct reduced iron (DRI) processes, ideally, using green hydrogen, which can achieve near-zero emissions. DRI can also be converted into hot briquetted iron, a transportable form of iron suitable for international trade (European Environmental Bureau, 2025; McWilliams et al., 2025; Steelwatch, 2023).

Public procurement can exert meaningful market influence on steel demand where governments are major clients, especially in the buildings and infrastructure sectors (Wyns, 2025). These sectors have large, relatively "place-based" projects and allow contracting authorities to specify material performance and documentation (e.g., Environmental Product Declarations) (E3G & Industrial Transition Accelerator, 2025). In doing so, procurement can function as a lead-market lever for clean steel, accelerating demand for low-emission production routes.

Buildings and infrastructure are key downstream markets where demand-side policies can help scale the use of low-emission steel. In the EU, construction alone uses about 53 million tonnes of steel annually (around 24% of total demand), including roughly 21 Mt of primary steel and 32 Mt of recycled steel. Infrastructure accounts for about 18 Mt per year (E3G & Industrial Transition Accelerator, 2025). With nearly half of EU steel already produced

[2] Although relevant to ongoing debates on public procurement and local content requirements within the EU, electric vehicles and batteries are excluded from the scope of this paper.

from recycled sources, construction policy plays a major role in shaping both primary and secondary steel markets.

Steel is responsible for 5% of CO_2 emissions in the EU and 7% globally (European Environmental Bureau, 2025; Joint Research Center, 2022). Due to steel's high emissions, and because circularity options (high-quality scrap use, design for deconstruction, reuse) are already mature, steel offers high climate and circularity gains. In addition, Europe hosts the world's largest pipeline of DRI projects, representing around EUR 50 billion in potential investment. However, no commercial-scale green hydrogen DRI production exists yet, and only a handful of projects reach Final Investment Decision, mainly due to cost uncertainty and green hydrogen premiums.

Targeted demand-side policies, particularly through public procurement, could provide the credible market signal needed to unlock these projects (United National Industrial Development Organisation, 2025). While no single policy is sufficient, a strong emissions trading system carbon price and Carbon Border Adjustment Mechanism would be essential to create demand for green steel products. Evidence from lead-market initiatives suggests that low-carbon steel premiums have a limited impact on final product costs, often around 1% or less (E3G & Industrial Transition Accelerator, 2025). This indicates that well-designed procurement frameworks can absorb these costs.

5.1.2 LCRs and Policy Design

In the steel sector, most decarbonization gains come from embodied carbon limits and circularity criteria, rather than from LCRs. For this reason, Made in Europe elements should play a secondary role. Any policies must be based on credible definitions of green and low-carbon steel to maximize decarbonization impacts and avoid greenwashing.

Targeted origin provisions may help address international price competition, global fossil steel overcapacity, and higher carbon imports. In this way, they could support investment in clean steel production in Europe, as steel imports typically have a higher CO_2 intensity than production in the EU's 27 member states. However, overly strict Made in Europe rules can be counterproductive. Requiring iron to be produced within Europe would be particularly problematic. Europe has limited renewable electricity available to produce green hydrogen at scale. Restricting imports of transportable green iron would therefore risk undermining the EU's overall decarbonization strategy (McWilliams et al., 2025).

There is also a risk that climate arguments are used to justify protectionist measures. Such approaches may favour domestic producers without delivering meaningful emission reductions. Interviews conducted for this study suggest that the narrative of protecting Europe from "dirtier" imports is often misleading. In practice, it can be used to justify the continued operation of high emission blast furnaces rather than accelerating the transition to cleaner steel production.

Box 7. Steel provisions in the IAA

Given steel's high emissions intensity, the considerable influence of public contracts, and strong international competition in the steel market, targeted Made in Europe provisions paired with green ties have clear potential for supporting the clean transformation of steelmaking in Europe.

The IAA proposal does not introduce LCRs for steel but instead mandates that 25% of the steel used in a project be low carbon. The strength of this signal for decarbonization remains uncertain, as "low carbon" has yet to be defined. If the definition is unambitious, the provision falls short in incentivizing decarbonization and innovation. To truly foster lead markets for clean steel, strict, verifiable green criteria need to be included in sectoral rules. Importantly, the IAA applies to steel products rather than ironmaking, allowing the import of transportable green iron. This is sensible from a supply chain perspective and can help avoid competing demands for scarce green hydrogen in the EU.

Source: Authors' analysis based on European Commission 2026a, 2026b.

5.2 Cement and Concrete

Made in Europe requirements do not address key barriers, but GPP can accelerate decarbonization.

5.2.1 Cement and Public Procurement

Public procurement offers strong leverage to accelerate the uptake of low-carbon cement, as governments are major purchasers of public buildings and infrastructure such as roads, bridges, rail, and water assets. Buildings and infrastructure represent the largest downstream markets for cement (Wyns, 2025). In the EU, building construction accounts for around 55% of cement consumption, while infrastructure represents roughly 40% of annual demand. These sectors therefore provide a significant opportunity for public authorities to shape market demand through procurement practices. In some EU countries, public procurement could affect up to 45%–50% of national cement demand and up to 31% of the entire EU cement market (E3G & Industrial Transition Accelerator, 2025). This provides a significant opportunity to drive both climate action and industrial transformation.

Cement decarbonization pathways include clinker substitution, alternative binders, low-carbon fuels, and carbon capture and storage (CCS). Circularity measures, such as improving material efficiency, reusing construction components, and increasing the use of secondary materials, can also deliver significant emission reductions. Alternative fuels already account for over half of the heat energy used in EU cement production and can reduce production costs due to the low or negative cost of waste-derived fuels (Barbhuiya et al., 2024). While CCS is

expected to play a key role in long-term decarbonization, particularly for process emissions that cannot otherwise be eliminated, it remains capital intensive, and only a limited number of projects have reached Final Investment Decision. Nevertheless, CCS could eventually help decarbonize around 20%–25% of EU cement production (E3G & Industrial Transition Accelerator, 2025).

By incorporating low-carbon and circular requirements in public tenders, governments can drive the adoption of lower-carbon materials while promoting material efficiency and reuse. Procurement can therefore function as a lead-market instrument that helps create predictable demand for low-carbon cement and concrete (Wyns, 2025).

5.2.2 LCRs and Policy Design

Because cement and concrete are typically produced and sourced locally, they are less exposed to long-distance trade (Kunz, 2025). Effective procurement frameworks should therefore prioritize green criteria, such as setting emission-intensity limits, rewarding low-emission concrete classes that meet low-carbon benchmarks, and encouraging circular design principles. Such procurement strategies can drive sector-wide emission reductions while supporting innovation in low-carbon cement technologies and products.

Low-carbon cement and concrete can involve additional costs, depending on the technology pathway and local supply conditions. However, these green premiums are generally small at the project level, often estimated at under 1% of total construction costs (E3G & Industrial Transition Accelerator, 2025). Procurement frameworks can manage these costs through phased tightening of emissions thresholds, aggregation of demand across projects, and award criteria that value whole-life performance outcomes such as durability and reduced emissions.

Box 8. Cement and concrete provisions in the IAA

The IAA's requirement to procure 5% low carbon, Union-origin concrete is too low to send a credible demand signal, particularly as "low carbon" remains undefined. Low carbon cement and concrete alternatives are already available, market ready, and would add only marginal costs at the project level. This suggests that significantly higher ambition is both feasible and warranted, ideally supported by a clear timeline to guide innovation and competition.

More broadly, cement and concrete decarbonization would benefit strongly from widespread GPP in construction and infrastructure. The PPA should therefore make GPP the default, while strengthening professionalization, standards, and monitoring to support consistent implementation.

Source: Authors' analysis based on European Commission 2026a, 2026b.

5.3 Clean Technology and Renewable Energy

Procurement leverage is limited, but targeted Made in Europe can support resilience and industrial scale-up.

5.3.1 Clean Technologies and Public Procurement

Clean technologies and renewable energy systems are strategically important for Europe's competitiveness, decarbonization, and resilience. Supply chains for key technologies covered by the NZIA, including solar PV, batteries, and other energy-transition equipment, are exposed to strong international price competition and concentrated manufacturing capacity outside Europe.

By 2030, renewable energy deployment in the EU is expected to generate substantial demand for industrial materials: wind and solar could require 4.5–7.5 Mt of steel annually, equivalent to around 7%–10% of the EU green steel pipeline; wind power alone may consume about 8.2 Mt of concrete per year, or around 3% of the EU low-carbon cement pipeline; and solar deployment could drive 0.6–1.1 Mt of aluminum demand annually (E3G & Industrial Transition Accelerator, 2025). Around 85% of solar panels installed in the EU are currently manufactured abroad, primarily in China, which means that efforts to reduce the embodied carbon of solar technologies may also influence aluminum decarbonization beyond Europe.

When it comes to designing LCRs for cleantech, a distinction is required between direct public procurement and renewable energy auctions. Direct procurement covers contracts under the procurement directives—for example, where public authorities procure heat pumps or grid equipment for public buildings or infrastructure. By contrast, renewable energy auctions are regulated separately and fall primarily under state support rules.

As a result, public procurement only has limited market leverage in the cleantech sector. Much of the demand pull for renewable deployment is created through auctions and other support instruments—which are also covered by the IAA proposal—while sectors such as construction and infrastructure absorb larger volumes of the underlying materials. Nonetheless, the procurement of cleantech is a critical part of strategic public procurement, as it supports the decarbonization of the public sector, and public procurers can reward more sustainable business practices.

5.3.2 LCRs and Policy Design

When it comes to cleantech, the central policy concern is resilient supply chains. Concern is strongest where EU supply depends heavily on a single third country, particularly China, for technologies such as solar PV and batteries (E3G & Industrial Transition Accelerator, 2025). The NZIA addresses this through explicit resilience and sustainability criteria in both procurement and auctions: In procurement, where more than 50% of the EU supply of a specific net-zero technology or its main specific components originates from a single third

country, contracting authorities shall apply resilience criteria, including that no more than 50% of the main specific components may come from that country (EU, 2024). The NZIA also requires minimum environmental sustainability requirements in relevant procurement procedures. This makes clean technologies one of the few areas in which the EU has already introduced explicit local content-type requirements, framed as resilience and environmental sustainability. European cleantech manufacturers face higher production costs than competitors in other regions. This is often due to higher energy prices, smaller production scale, and more expensive inputs. If strict Made in Europe requirements are applied in procurement or renewable energy auctions, these cost differences could lead to higher project bids or reduce the availability of certain technologies. For this reason, LCRs should be flexible enough to support more sustainable manufacturing in Europe without hindering the expansion of renewable energy, which currently depends heavily on imports.

Box 9. Cleantech provisions in the IAA

The IAA proposal introduces LCRs for selected net-zero technologies, including solar PV, wind, batteries, and heat pumps, covering both public procurement and renewable energy auctions. Union-origin requirements apply to specific components, such as battery cells and management systems. Overall, the rules remain flexible, with continued access for suppliers from countries with trade agreements and gradually increasing stringency over time. This phased approach allows markets to adjust and domestic capacity to scale up, making significant cost increases or delays in deployment unlikely.

Source: Authors' analysis based on European Commission 2026a, 2026b.

6.0 What Should EU Policy-Makers Consider When Designing Made in Europe Requirements?

Made in Europe requirements in public procurement are discussed as part of the EU's broader shift toward strategic procurement, responding to geopolitical risks, competitiveness concerns, and decarbonization ambitions. LCRs can, in principle, support strategic and industrial policy goals, including by reducing dependencies in sensitive supply chains and contributing to lead markets for clean and circular products.

For Made in Europe requirements to be an effective policy instrument, they must be targeted at strategic sectors, time-bound, aligned with efforts to simplify procurement, and combined with ambitious environmental performance criteria.

Recommendation 1: LCRs must meet four preconditions to be a suitable driver of strategic public procurement

Box 10. Preconditions for impactful LCRs in public procurement

1. Market leverage for public buyers:

Public procurement represents a large share of demand in a sector, giving public buyers a strong influence on supply chains.

2. Strong climate and circularity gains

The sector or commodity has high environmental impacts that can be reduced through green procurement criteria and Made in Europe requirements, e.g., for lower embodied emissions and circular economy efforts.

3. Supply chain and security concerns

In cases where products are traded internationally or when there are security, geopolitical, and resilience risks, public procurement with Made in Europe provisions can address strategic dependencies and fragile supply chains.

4. Proportionate and legally robust design

Measures should ensure Made in Europe requirements remain proportionate, transparent, and consistent with international trade commitments and rules. To avoid subsidizing industries in the long term, the LCRs should be strictly time-bound.

Source: Authors.

Policy-makers should assess whether the following four preconditions are met: sufficient market leverage of public buyers, strong climate and circularity gains, supply chain resilience, and proportionality.

If these conditions are fulfilled, LCRs in public procurement can be a suitable, impactful policy instrument for fostering decarbonization, circularity, and competitiveness. In cases where the conditions are not met, other instruments within the industrial policy toolbox (GPP without origin-based requirements, trade tools, or targeted subsidies) may be more suitable and effective.

Recommendation 2: LCRs must be tied to ambitious environmental criteria

LCRs can only help create lead markets for low-carbon and circular materials when combined with ambitious GPP criteria. Performance-based requirements—such as emissions intensity thresholds, verified ecolabels, and circularity criteria—reward frontrunners and de-risk investment in industrial decarbonization. Through the ongoing reform of the procurement directive, GPP should become the default approach across the EU, which will also help to strengthen the internal market (also see Bechauf et al., 2025).

Criteria need to be ambitious enough to move the market and detailed enough to provide certainty to procurers and companies. Policy-makers should accelerate ambitious, verified performance standards through the Ecodesign for Sustainable Products Regulation, the Construction Products Regulation, and the IAA. For instance, the current quotas in the Commission's IAA proposal—requiring 5% low-carbon, Union-origin cement—are too low for moving the market.

Recommendation 3: LCRs' designs must consider the wider costs *and* benefits of their impacts

Contracting authorities are already operating under constrained budgets, and mandatory preference for local products raises an immediate question: will public buyers be able to afford it? Where EU based products are significantly more expensive or not readily available, rigid LCR requirements could limit or delay authorities' ability to deliver public goods, works, and services. At the same time, assessing the wider benefits of LCRs and taking these into account in the overall assessment is also important, as it will help shed light on the trade-offs between the potential cost increases and value creation.

Policy-makers should design LCRs with explicit safeguards to manage cost impacts, including exceptions when EU content is significantly more expensive or unavailable. This is currently also reflected in the IAA proposal. At the same time, the future PPA must ensure that the public procurement regime moves away from an approach where the lowest price is the default award criterion. This will also ensure that contracting authorities can make full use of pursuing strategic objectives through public procurement.

Recommendation 4: LCRs' implementation should follow a phased approach and support simplification efforts

LCRs should be introduced through a clearly sequenced, phased approach that gives both markets and contracting authorities time to adapt while minimizing disruption risks. Applying award mechanisms—such as a minimum weighting or price preference in bid evaluation—to reward compliant offers would be practical from a procurement perspective. Such mechanisms are also aligned with recommendations to move away from the lowest price as a default and will support the strategic use of public procurement.

Crucially, the legal regime must provide precise definitions of what qualifies as "local," how components and manufacturing stages are treated, and how compliance is verified. These rules should be harmonized at the EU level to avoid fragmentation and ensure that individual contracting authorities are not left to interpret complex trade and procurement obligations on their own. An upgraded, authoritative platform, such as the Access2Markets[3] or a "one-stop-shop" for procurement guidance, could be used to clarify the participation rules (who is eligible, excluded, or conditionally allowed), alongside LCR obligations, green and social procurement requirements, and relevant trade commitments, providing procurers with certainty and reducing legal risk.

To reduce the administrative burden, policy-makers should simultaneously invest in practical, easy-to-use digital tools that support or automate compliance checks and provide step-by-step guidance to procurers through LCR application and bid evaluation. This should be complemented by sustained investment in the professionalization of public procurement.

Finally, these efforts should be complemented by harmonized monitoring systems that systematically collect and publish data on LCR implementation, enabling transparency and fostering evidence-based policy adjustments over time. Such data infrastructure should ideally be embedded in the already-existing Public Procurement Data Space[4] and enable policy-makers to track implementation progress and the impacts of LCRs, alongside other strategic objectives.

[3] See more on Access2Markets here: https://webgate.ec.europa.eu/procurementbuyers/en/#/procumementlocation

[4] See more on the Public Procurement Data Space here: https://www.public-procurement-data-space.europa.eu/en

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