

**THINKCHINA**  
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IAA - (INDUSTRIAL ACCELERATOR ACT)

**EUROPE SETS NEW RULES OF THE GAME  
HOW IS CHINA RESPONDING TO THEM?**

A VIEW THROUGH THE ENERGY STORAGE SECTOR

2026

STRATEGIC ANALYSIS · SINO-EUROPEAN INVESTMENT · ENERGY STORAGE · 2026

# Industrial Accelerator Act (IAA): How China perceives this emerging European regulation

A VIEW FROM BEIJING · KWM ANALYSIS

*From an export market to a conditional market*

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## KEY FIGURES — EUROPEAN ENERGY STORAGE MARKET

**284 GWh**

Chinese export orders  
for energy storage  
in 2025

**61 GWh+**

destined for Europe  
making it the #1  
market ahead of Australia

**+160%**

growth of the European  
energy storage market  
in 2025

In my previous post, I presented the Industrial Accelerator Act (IAA) — the European Commission's draft regulation published on 4 March 2026, which redefines the framework for foreign investment in Europe's strategic sectors: batteries, electric vehicles, photovoltaics and critical raw materials. The text never explicitly mentions China, but in practice it clearly targets the sectors in which China holds a dominant position.

**CONTEXT: THE KWM PUBLICATION**

A publication circulated on 12 March 2026 by Chinese news portals Sina Finance and SOHU, attributed to King & Wood Mallesons (KWM) — one of the leading Sino-international law firms — offers a rare insight into how the IAA is being read in Beijing.

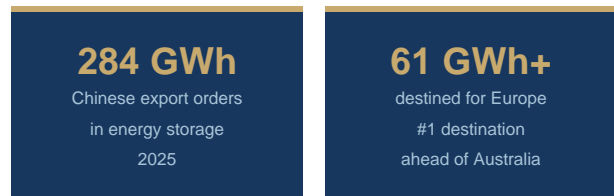
Published only a few days after the Commission's announcement, it provides a detailed analysis aimed specifically at Chinese companies in the energy storage sector.

**KWM ARTICLE TITLE**  
*“Setting sail with prepared sails: planning ahead before the storm.”*

KWM's analysis shows that, on the Chinese side, this future European framework is already understood not only as an instrument of industrial policy, but also as a text that will fundamentally reshape the conditions under which Chinese companies will be able to establish themselves in Europe along the battery-energy storage value chain.

**EUROPE: A CENTRAL MARKET FOR CHINESE PLAYERS**

KWM's analysis underlines just how crucial Europe has become for Chinese companies in the energy storage sector.



This market includes large-scale lithium-ion battery systems for the grid (BESS), inverters and energy management systems, residential and commercial storage solutions, as well as the entire associated value chain (cells, modules, packs, BMS).

**MAJOR CHINESE GROUPS ALREADY IN EUROPE**

<b>CATL</b>	Germany, Hungary and Spain
<b>Sungrow</b>	Strong growth in European market share
<b>Hithium</b>	Eastern Europe
<b>BYD</b>	Poland

In other words, in the field of energy storage, the Sino-European relationship is no longer merely prospective. It is already industrial, concrete and structured — and that is precisely what makes the IAA so sensitive when viewed from China.

### THE CHINESE READING: A DUAL LOGIC

The KWM publication highlights the dual logic of the future European framework.

#### OPPORTUNITY

For Chinese energy storage companies capable of meeting "Made in EU" requirements, the IAA opens access to a more favourable environment: simplified authorisation procedures, better conditions for local establishment, and stronger integration into projects that the Union considers strategic.

#### CONSTRAINT

That same text is analysed as a factor likely to lead to a gradual compression of the market shares currently held by Chinese players. European manufacturing requirements, combined with strengthened scrutiny and additional conditions, could reduce the share of the market accessible to Chinese products solely on the basis of their competitiveness.

In short, the IAA does not mechanically close the European market to Chinese companies; it transforms the conditions of access, making future presence conditional upon a much deeper industrial, technological and social anchoring in Europe.

### THREE EXPECTED EFFECTS ON CHINESE COMPANIES

#### 1. Traditional strengths are no longer sufficient

Until now, Chinese energy storage companies have relied on the scale of their industrial base, speed of deployment, price competitiveness and supply chain strength. If the IAA is adopted, the model based primarily on production in China followed by exports to Europe will no longer be sufficient on its own. Access will increasingly depend on:

- Manufacturing or industrial anchoring in Europe
- Compliance with criteria applicable to public procurement and support schemes
- Contribution to local employment
- Integration into European value chains
- Alignment with the Union's industrial priorities

#### 2. A push towards deeper localisation

For Chinese groups, this means that a model based mainly on production in China followed by exports may become less effective than a strategy built on deeper industrial anchoring in Europe. The European message is clear: in order to continue accessing the market, it is no longer enough to be competitive — companies must demonstrate a direct contribution to Europe's industrial base.

#### 3. Investment becomes more uncertain and costly

Chinese investment in energy storage in Europe may become more difficult and less predictable, notably because of prior screening, additional conditions in strategic sectors, local employment requirements, and the risk of imposed technology transfer.

### THE RESPONSE RECOMMENDED ON THE CHINESE SIDE

The KWM publication also sets out the legal and strategic responses being considered in China.

#### — Protect IP immediately

Map intellectual property now, distinguish core technologies (which cannot be the subject of any concession) from generic or already widely diffused technologies, and put in place differentiated protection mechanisms — even before the text is definitively adopted.

#### — Take the anti-circumvention clause seriously

The use of an existing European subsidiary to neutralise foreign investment screening would not constitute sufficient protection under the IAA. Chinese companies are recommended to incorporate contractual clauses on stability, force majeure, compensation and exit from the negotiation stage onward.

#### — Enter or remain while protecting competitiveness

This recommendation says something important: Chinese companies are not seeking to withdraw from the European market; they are seeking to enter it, or remain in it, while protecting what underpins their competitiveness.

#### A SELECTION MECHANISM AMONG CHINESE PLAYERS

KWM's analysis suggests the IAA could accentuate differentiation among Chinese companies. For those already established in Europe — with an industrial base, local network and compliance capacity — the IAA could become a factor of positive differentiation. For those in a pure export model, it could significantly raise barriers to market entry.

### WHAT EUROPEAN COMPANIES SHOULD TAKE AWAY

For European groups already cooperating with Chinese partners in energy storage, or considering doing so, this Chinese reading is valuable because it reveals how the European signal is being received.

- The issue is no longer simply whether an industrial or commercial partnership can be concluded — it is becoming a question of regulatory sustainability, governance structure, local anchoring, technological architecture and contractual robustness.
- In China, the IAA is already perceived as a text that requires a rethinking of the legal and contractual structuring of European projects.



*The IAA marks a deeper shift: the transition from a European market accessible through industrial competitiveness to a European market conditioned by local industrial contribution. For the energy storage sector, the direction set by the text is already clear enough to produce a very concrete anticipatory effect.*

### A TEXT STILL UNDER DISCUSSION

The IAA is still only a proposal. Its content may evolve, and several Member States have already expressed reservations about its degree of restrictiveness.

But for the energy storage sector, the direction set by the text is already clear enough to produce a very concrete anticipatory effect. The publication of 12 March 2026 shows this clearly: companies concerned are already beginning to think in terms of compliance, technology protection, investment structuring and localisation.

#### ENERGY STORAGE: A TEXTBOOK CASE

Energy storage is a textbook case. It lies at the intersection of several European priorities: industrial sovereignty, the energy transition, infrastructure security, supply chain resilience and the reduction of dependence on China.