

# EU Update

## Legal Insights from Europe's Capital

April 2026

*This monthly EU newsletter for TerraLex member firms has been put together by **Gecić Law**'s EU Law practice in Brussels, staffed by partner [Anne MacGregor](#) and associate [Nina Raluca Bucătaru](#). The aim is to provide an overview of EU legislative and policy developments and other relevant insights likely to impact TerraLex firm clients globally who do business in the EU market of some 450 million consumers in 27 Member States.*

### 1. IN THE PIPELINE – FOREIGN DIRECT INVESTMENT REFORM

FDI screening by EU Member States is set to become more rigorous and prevalent under EU harmonization efforts. Dealmakers will need to be increasingly mindful that several FDI clearances might be required around the EU before their transaction can close. Revisions to the EU's 2019 Foreign Direct Investment Screening Regulation are expected to be formally adopted in the first half of 2026 and take effect in 2028.

The key changes are expected to include:

- **Mandatory screening mechanisms in all EU Member States**  
FDI screening will no longer be optional at the national level. While Member States may currently choose whether to maintain, amend, or adopt screening mechanisms, the revised Regulation will require every Member State to have a screening system in place.
- **A minimum mandatory screening scope across the EU**  
All Member States will be required to screen foreign investments in specified sensitive sectors, including dual-use and military items, artificial intelligence, quantum technologies, semiconductors, critical raw materials, energy, transport and digital infrastructure, electoral infrastructure, and certain financial entities. Member States may still extend screening to additional sectors.
- **Greater procedural alignment across national regimes**  
All Member States will be required to follow a two-phase review process, beginning with an initial assessment and, if necessary, moving to a more detailed review. The revised FDI Regulation also encourages coordination when the same transaction is reviewed in multiple Member States, suggesting that companies should, where feasible, file in parallel and that authorities should aim to adopt decisions simultaneously.

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- **An expanded scope covering certain EU investors**

The revised FDI Regulation will also extend its scope to cover EU investors that are ultimately owned or controlled by non-EU persons. The current framework is focused on direct investments by third-country investors. The new rules are designed to address situations in which non-EU investors use EU-incorporated entities to acquire sensitive assets without scrutiny.

- **Stronger cooperation and transparency mechanisms**

The revised Regulation will also strengthen cooperation and transparency between Member States and the European Commission. Where another Member State provides comments or the Commission issues an opinion, the reviewing Member State will need to explain how that input was taken into account and, where it takes a different approach, give reasons for doing so.

## 2. NEW LEGISLATIVE INITIATIVES

The European Commission (EC) has recently published two proposals for new EU legislation that encapsulate new geopolitical realities.

On 4 March, it introduced a draft Industrial Accelerator Act (IAA), which would impose new obligations, and in some cases restrictions, on foreign suppliers and investors in sectors such as energy-intensive industries, automotive, net-zero technologies, and critical raw materials.

On 18 March, the EC unveiled a proposed “EU Inc.” framework which aims to make it easier for SMEs and start-ups to form, scale, and raise capital across the Single Market by cutting administrative barriers.

### **The Industrial Accelerator Act: Making Things in Europe Again**

The Industrial Accelerator Act (IAA) would strengthen the EU’s industrial base and accelerate decarbonisation across strategic sectors. Its headline objective is to raise manufacturing’s share of EU GDP to at least 20% by 2035, up from 14.3% in 2024.

This is a response to the realization that the EU has become too exposed to the “weaponisation” of dependencies in strategic sectors and must now build greater resilience into its industrial model.

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The proposal would address three core problems: fragile supply chains in strategic sectors and technologies; weak demand and a lack of lead markets for European low-carbon industrial products; and barriers to the deployment at scale of industrial technologies.

### **“Made in EU” and low-carbon conditions for public spending**

The proposal would use public spending more actively to support European industrial production. Under the draft procurement rules, contracting authorities would be required to purchase a minimum share of low-carbon steel, aluminium, concrete, and mortar, with the latter three also subject to EU-origin requirements.

Public procurement of electric vehicles would also be subject to stricter local-content requirements, including EU assembly and EU-origin major components.

Renewable energy auctions would need to include EU-origin requirements for batteries, solar PV, electrolyzers and wind technologies. Public support schemes for batteries, solar PV, and heat pumps could also make eligibility, or additional funding, conditional on meeting those requirements.

“EU origin” is normally determined by reference to the Union Customs Code. In procurement, however, the proposal adopts a broader “trusted partners” approach. Content from countries with a free trade agreement or customs union with the EU, or that are party to the WTO Agreement on Government Procurement, could also qualify. For public support schemes, equivalent treatment would apply only to countries that have concluded a free trade agreement or customs union with the EU.

### **Faster permitting for industrial projects**

The IAA would also streamline permitting for industrial manufacturing projects. Developers would be able to submit a single application through a digital portal covering all relevant permits, with the relevant authority required to request any additional information within a set timeframe.

### **New conditions on certain large foreign investments**

The IAA would also impose new conditions on certain foreign investments in “emerging strategic sectors,” including batteries, low-emission vehicles, solar PV, and critical raw materials.

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The regime would apply only to investments above EUR 100 million, giving investors from certain third countries more than 30% of the shares, voting rights, or assets of an EU business active in those sectors. In practice, Chinese investors are likely to be most affected.

Relevant transactions would be subject to a new mandatory and suspensory FDI filing requirement, with notifications to the Commission and to screening authorities in all Member States where the target is active. Direct investments would also need to comply with conditions relating to control, EU partnerships, technology transfer, R&D, workforce levels, and local sourcing. Penalties for non-compliance would be at least 5% of the investment value.

Importantly, this framework would sit alongside existing FDI screening mechanisms.

### **EU Inc. - 27 Member States, One Company Form**

The Commission's long-anticipated "28th regime" corporate law proposal, formally called the EU Inc. regulation, would create an optional EU-wide company form. Rather than navigating 27 different national systems, founders would be able to incorporate under a single framework available across the Single Market.

Incorporation and registration would be fully digital, using existing EU infrastructure, and the framework would cover the full company lifecycle, from formation and fundraising to employee equity and winding-up. The aim is to reduce the legal and administrative friction that often pushes high-growth companies to incorporate elsewhere or restructure as they expand.

Like the IAA, EU Inc. has only just entered the legislative procedure. Both drafts are likely to be amended as they move towards final adoption.

### **3. GDPR IN FOCUS**

The General Data Protection Regulation (GDPR), in force since 25 May 2018, is the cornerstone of the EU's data protection regime. It was designed to give individuals greater control over their personal data and to impose common standards on how organisations collect, use, and protect that data across the European Union (EU). But it has an impact globally.

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### **Why It Matters Beyond the EU**

The GDPR is not limited to businesses established in the EU. It can also apply to companies outside the EU that offer goods or services to individuals in the EU or monitor their behaviour there. A business does not need a physical presence in the EU to fall within scope.

Moreover, many jurisdictions have adopted data protection laws that reflect similar principles. This makes the GDPR probably the best example of the so-called “Brussels effect”: the EU’s ability to enact legislation that sets the global standard, which other jurisdictions then emulate.

### **When the GDPR Comes into Play**

The GDPR applies to the processing of personal data by automated means, as well as to certain organised manual records.

The regulation imposes a set of broad, technology-neutral principles as to how personal data must be handled and stored. For example, among key requirements, personal data must be processed lawfully and transparently, collected only for clear and legitimate purposes, and retained no longer than necessary.

### **Rights Conferred on Individuals**

The GDPR gives individuals a broad set of enforceable rights over their personal data. These include:

- The right to withdraw the consent
- The right to be informed about the collection and use of their data
- The right to request copies of one’s data and have it corrected/updated
- The right to erasure (‘right to be forgotten’)
- The right to data portability
- The right to object to automated processing or profiling

### **Enforcement Risk**

For businesses in scope, GDPR compliance is more than just updating privacy notices on websites. It may also require organisations to identify a valid basis for processing data, put

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processor terms in place, maintain records, secure personal data, and, in some cases, carry out impact assessments or appoint a data protection officer.

Depending on the infringement, fines can be up to EUR 20 million or 4% of annual worldwide turnover of an entire corporate group, whichever is higher.

Businesses also need to examine their cross-border data movements. In *Schrems II*, the Court of Justice of the EU (CJEU) invalidated the EU-US Privacy Shield and made clear that personal data cannot be transferred outside the EEA on the basis of contractual safeguards alone where the destination country does not ensure a level of protection essentially equivalent to that guaranteed under EU law.

The EU data protection framework does not stop with the GDPR. It is increasingly shaped by a wider body of legislation covering areas such as artificial intelligence, privacy, data processing by EU institutions, and the use of personal data for law enforcement purposes.

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