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EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing a framework of measures for strengthening Europe's cloud and AI ecosystem (Cloud and AI Development Act)

{COM(2026) 502 final} - {SEC(2026) 502 final} - {SWD(2026) 502 final}

Identification of the problem and EU-level dimension

Cloud computing and AI have become driving forces reshaping industry, public services, and daily life. They are powered by computing capacity located in data centres. The availability of computing capacity in the EU is limited and geographically concentrated, negatively affecting competitiveness. Moreover, the EU is dependent on cloud and AI computing services supplied by non-European providers. This can result in risks of control over data and operational autonomy.

The deployment of computing capacity in the EU is currently characterised by national policies, leading to fragmentation. The dependence on non-European providers of cloud and AI computing services has the same root causes across the EU, affecting the public and private sector in all Member States.

Aim of the initiative

The Cloud and AI Development Act (CADA) aims to ensure the functioning of the internal market for cloud and AI computing services and to secure the conditions necessary for the Union's competitiveness and strategic autonomy. It sets out to:

- Increase computing capacity deployed in the EU through innovative and sustainable technologies
- Ensure attractive conditions for such deployment
- Reducing the overall reliance on non-sovereign cloud and AI computing services
- Contribute to the protection of public order by enhancing the resilience of supply of cloud and AI computing services, in particular in the public sector

Value added at EU-level

To boost computing capacity, an EU-level action provides a common approach enabling coherent planning and deployment of capacity in a geographically balanced way, while avoiding a race to the bottom and making the regulatory environment clearer for relevant businesses. To reduce the dependence on services supplied by non-European providers, EU-level action delivers benefits beyond what Member States can achieve individually by pooling resources and creating economies of scale.

It also strengthens the Union's strategic autonomy of digital infrastructures, safeguarding digital sovereignty against risks related to the use of non-sovereign services and external dependencies. By fostering a robust internal market for cloud and AI computing services, the EU can secure vital digital assets and boost its global competitiveness. CADA supports the development of a resilient and secure ecosystem conducive to innovation via EU-level R&D funding challenges targeting the development of highly innovative Cloud and AI enabling technologies, offering a stable environment to attract investments and to nurture growth. Ultimately, it can enhance the collective bargaining power of Member States in the international arena.

Options evaluated & Preferred option

The document evaluates six policy options, grouped into two categories: three addressing the limited and geographically concentrated availability of computing capacity in the EU (PO1) and three tackling the dependence on cloud and AI computing services supplied by non-EU providers (PO2).

PO1-A enhances the existing collaborative framework between Member States, EU institutions and relevant industries to support data centre expansion. PO1-B provides rules and

financial support for faster data centre deployment, implemented nationally. PO1-C shifts this implementation to the EU-level.

PO2-A contains supporting measures to increase transparency and visibility of sovereign cloud and AI computing services. PO2-B creates a voluntary framework for advancing such services and proposes the federation of resources among the public sector to boost efficiency. PO2-C establishes an EU-coordinated procurement and mandatory support framework for strategic autonomy and sovereign services. In this later aspect, it provides measures for the public sector as well as for private sector essential entities operating under the sectors listed in Annex I of NIS2.

The preferred option is the combination of PO1-B, PO2-C and two individual policy measures of PO1-C, related to the funding for the development and deployment of novel technologies for sustainability along the cloud value chain (PM8, PM9). This package achieves the best balance of costs and benefits, while providing a good balance in terms of social and environmental impacts and respecting subsidiarity and proportionality principles.

Stakeholders' support

Data centre operators and cloud service providers have voiced support for PO1-B and PM8 and PM9, aiming to facilitate quicker deployment of data centres by reducing red tape and encouraging investments, particularly those that promote sustainable technologies. They welcome this package as a streamlining of administrative processes to deploy data centres.

Cloud and AI computing service providers have expressed support for PO2-C, notably the joint public procurement mechanisms it puts in place; the marketplace, which allows smaller providers to scale and be more visible towards incumbents; and the audit mechanism for sovereign services, which would end sovereign-washing. They welcome these measures as they enhance transparency and visibility of service offers, including from smaller providers, and they result in opportunities to distinguish their services. Non-EU service providers have repeatedly stressed their interest in retaining an open European market, including for public procurement.

Public sector bodies support PO2-C, notably the public sector federation of cloud and AI computing resources as this would increase utilisation rates of idle resources. They also favour the coordinated approach to public procurement and the clarity it provides on how to safeguard data confidentiality and ensure operational autonomy for highly critical use cases.

Benefits and costs of the preferred option

The preferred policy package (PO1-B, PO2-C, PM8 and PM9) is expected to have benefits in the short and medium term that outweigh the generated costs over the assessment period for different stakeholders. Data centre operators would benefit from streamlined processes, fast-track permitting and administrative simplification, while cloud and AI computing service providers would benefit from cost savings stemming mainly from the ability to get a single audit for sovereign services, valid throughout the EU. This is relevant for the public procurement of services for highly critical use cases across the whole EU. National public authorities are also expected to benefit from cost savings, mainly through increased use of open source, joint public procurement and the federation of capacity. This combination of options also entails implementation and transition costs. There are mainly linked to adapting systems and procedures, familiarising stakeholders with the new requirements and ensuring compliance. Most of these costs are one-off or transitional in nature, while several of the expected benefits are recurring over time. This combination of options is expected to deliver a

positive balance of costs and benefits, while achieving the objectives in a proportionate and cost-effective manner.

Impact on SMEs and competitiveness

The impacts on SMEs and competitiveness are predominantly positive, as the comprehensive EU-level intervention aims at enhancing the cloud and AI computing landscape. The preferred package is designed to facilitate access to cloud and AI computing resources for SMEs looking to innovate or expand their digital capabilities. By fostering a more unified and open market, EU-based SMEs can leverage a harmonised regulatory environment which simplifies business processes and enhances market opportunities.

For competitiveness, the intervention aims to boost the EU's internal market by reducing dependency on non-European service providers. This shift creates opportunities for local service providers and SMEs, which they can leverage to compete globally.

Other significant impacts

If implemented, CADA is expected to lead to both environmental and social impacts related to increased data centre capacity.

While expanding data centre capacity results in increased resource use, key environmental benefits include the use and development of novel energy-efficient technologies in data centres. By supporting such advancements, CADA is expected to help the EU alleviate the carbon footprint of its data centre industry. This will contribute to the EU's broader climate goals and commitments, aligning digital infrastructure expansion with sustainability principles and fostering environmentally responsible growth in the tech sector.

Socially, CADA is expected to support innovation and create employment opportunities in the tech sector, leading to high value job creation and skills development. Additionally, sovereign cloud and AI services are expected to enhance resilience and security for public sector operations, protecting sensitive data and ensuring service reliability for citizens.

Follow up

The Commission should carry out an evaluation five years after the adoption date to assess to which extent the objectives of the initiative have been reached.