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NOTE

From:	Presidency
To:	Permanent Representatives Committee
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Subject:	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) (Text with EEA relevance) - Progress report

I. INTRODUCTION

1. The Commission adopted **the proposal for a Regulation establishing a framework of measures for strengthening Europe's cloud and AI ecosystem** (Cloud and AI Development Act) on 3 June 2026[1].

[1] Doc. 10104/26 + ADD 1.

2. The Cloud and AI Development Act, which is based on Articles 114 and 173(3) of the Treaty on the Functioning of the European Union, aims to address the limited and geographically concentrated availability of computing capacity in the EU and the risks associated with dependence on cloud and AI supplied by non-European providers. The specific objectives of the initiative are: (i) to increase computing capacity and AI developed and deployed in the EU through innovative and sustainable Cloud and AI technologies; (ii) to ensure attractive conditions for the deployment of sustainable and innovative computing capacity across the EU; (iii) to address concerns regarding data sovereignty and operational continuity of cloud and AI; and (iv) to help protect public order by making the supply of cloud computing services more resilient, in particular in the public sector. The proposal aims to achieve these four objectives by streamlining conditions for deploying data centres across the EU, with a focus on highly sustainable and innovative facilities at the scale needed for the EU's twin green and digital transition; by implementing a single EU-wide framework to assess cloud and AI sovereignty, while keeping most of the EU market open to like-minded partners; and by providing a framework for contracting authorities to make informed purchasing decisions and leverage their buying power towards lowering existing dependencies. Together, these measures are expected to help protect critical applications and sensitive data, and support the development and roll-out of advanced cloud and AI technologies in Europe.

3. The "One Europe, One Market" roadmap, signed by the President of the Republic of Cyprus, representing the rotating Presidency of the Council of the European Union, and by the Presidents of the European Parliament and the European Commission on the sidelines of the informal meeting of Heads of State or Government held in Cyprus on 24 April 2026, includes this proposal among the priority deliverables, with a target for adoption in Q4 2027.

4. In the European Parliament, the Committee on Internal Market and Consumer Protection (IMCO) and the Committee on Industry, Research and Energy (ITRE) were both assigned as lead committees in line with the joint committee procedure under Rule 58. Two co-rapporteurs were nominated: Diego SOLIER (European Conservatives and Reformists Group/ECR, Spain) from ITRE, and Reinier VAN LANSCHOT (Greens/European Free Alliance, Netherlands) from IMCO. In addition to the two above lead committees, the Legal Affairs Committee (JURI) and the Civil Liberties, Justice and Home Affairs Committee (LIBE) were nominated as committees for opinion, with Sergey LAGODINSKY (Greens/EFA, Germany) responsible for the JURI opinion and Kristian VIGENIN (S&D, Bulgaria) responsible for LIBE opinion. The European Parliament is planning to adopt its position on 27 April 2027.

5. The European Economic and Social Committee and the European Committee of the Regions were both consulted on the proposal, with formal requests for opinions sent to both institutions on 17 and 30 September 2026, respectively. The European Economic and Social Committee delivered its opinion on the proposal on 23 September 2026[2], while the European Committee of the Regions was asked to submit its opinion by the plenary session of 2-3 December 2026.

6. On 29 July 2026 the European Data Protection Supervisor (EDPS) issued its opinion on the proposal[3].

II. STATE OF PLAY WITHIN THE COUNCIL

7. In the Council, the proposal was allocated to the Working Party on Telecommunications and Information Society (hereinafter: WP Telecom). The examination of the proposal started under the Cyprus Presidency with the Commission's presentation of the proposal to the Permanent Representatives Committee on 10 June 2026 and the first presentation of the legislative text and the impact assessment in WP Telecom on 16 June 2026.

[2] SEC1043/2026.
[3] EDPS opinion 14/2026.

8. The Irish Presidency continued with the analysis of the text during four meetings of the WP Telecom on 7 July, 8 September, 22 September and 29 September, and it completed the first read-through of the entire proposal. In addition, the Irish Presidency organised two online workshops on 21 September 2026 and 5 October 2026, which allowed delegations, including capital-based experts, to raise specific questions and seek further clarifications directly from the Commission on the entire text of the proposal. After the first online workshop, on 23 September, the Irish Presidency requested the Member States to provide their initial drafting suggestions and written comments on **Pillar 3 (Autonomy)**, covering Title IV (Articles 16-44) and Annexes II and III of the proposal. Based on the input submitted by the Member States, the Irish Presidency drafted the first, partial compromise text of the Cloud and AI Development Act proposal covering **Pillar 3**, which was presented and discussed in WP Telecom on 10 November 2026. At the same time, after the second online workshop, on 5 October 2026, the Irish Presidency requested the Member States to provide drafting suggestions and comments on the remaining parts of the text, namely **Pillar 1 (Research, development and deployment activities for the cloud and AI ecosystem)** and **Pillar 2 (Data centre capacities)**, as well as general and final provisions (Articles 1-15, 44-48) and Annex I. Based on the input received from the Member States, the Irish Presidency is now in the process of drafting the second part of the first compromise text covering **Pillars 1 and 2**, which will be presented and discussed in WP Telecom on 24 November 2026. **With that presentation and discussion, the Irish Presidency will have completed the process of drafting the entire first Council compromise proposal of the Cloud and AI Development Act**. In the meantime, the Member States have been asked to provide the second round of drafting suggestions and comments, and on that basis the Irish Presidency intends to start working on the second compromise text in December, starting with **Pillar 3 (Autonomy)**.

III. MAIN ISSUES ADDRESSED IN THE PRESIDENCY COMPROMISE TEXT

9. The main issues addressed by the Irish Presidency in the first part of the first compromise proposal on **Pillar 3 (Autonomy)** are as follows:

a) **Union assurance levels recognition process** – the Irish Presidency has redrafted the relevant provisions to make the process of recognition of cloud computing services at specific Union assurance levels clearer and to streamline the terminology used to describe the procedure. The empowerment for the Commission to amend the criteria for the Union assurance levels has been expressed more narrowly, to create an exception with regard to certain criteria. There is also a new article in the text which describes in detail the process of revocation of recognition of a cloud computing service.

b) **Associated third countries** – the Irish Presidency has introduced changes in the text to provide more clarity on the process of identifying associated third countries. In particular, the text now clarifies the consequences of the Commission's revocation or suspension of the implementing act identifying a third country as associated, and indicates that three or more Member States may request the Commission to review the associated status of a third country.

c) **Conformity assessment procedures and independent third-party audits** – these parts of the proposal have been significantly redrafted to alleviate the burden for providers seeking recognition of their cloud services at specific Union assurance levels and to clarify the relevant procedures. In particular, a requirement for the Commission to publish a standard uniform template for the EU statement of conformity has been included, and it has been clarified that only substantial mistakes of providers should lead to the revocation of a positive opinion of an auditing organisation. The requirement for providers to submit the audit opinion for review would need to be done every two years instead of annually. The Irish Presidency has also indicated in the compromise text the maximum ceilings for administrative fines that can be imposed for infringements of the provisions on the cloud computing sovereignty framework.

d) **Mutual assistance and cooperation** – the Irish Presidency has included two new articles containing requirements to ensure professional secrecy and to use reliable and secure information sharing systems for all communications pursuant to the provisions on the cloud computing sovereignty framework.

e) **Risk assessments** – national security and defence have been deleted to clarify that these two areas are not covered by the provisions on risk assessments. Additionally, the compromise text has removed the possibility for the Commission to adopt implementing acts where it finds that the Union assurance levels identified for public sector activities by the Member States are not appropriate. This is replaced by Commission recommendations, to which the Member States are obliged to respond within three months. Finally, the period for a mandated migration to another cloud computing service has been extended from 12 to 18 months, with the possibility for the Member State to exceptionally extend this period.

f) **Public procurement and extension of scope to private sector entities** – the compromise text has been modified to extend the scope of the provisions on public procurement to contracting entities covered by Directive 2014/25/EU (private companies that procure under public procurement rules) since these sectors are considered critical for public order (e.g. electricity and water supply). At the same time, the empowerment for the Commission to extend to the private sector the requirement to carry out risk assessments through a delegated act has been deleted. Additionally, the compromise text clarifies that public order criterion also applies to Union assurance level 1.

g) **EU added value and monitoring of procurement of innovation in cloud and AI** – the provisions on these two elements have been modified to ensure consistency with existing EU public procurement framework. Moreover, in order to achieve burden reduction, the Irish Presidency has proposed to reduce the frequency of the Member States' reports to the Commission on their use of procurement of innovation in cloud computing services and AI systems from annually to every three years, and to remove the exact percentage indicated for the Member States as an objective to pursue with regard to innovative procurement for cloud computing services and AI systems.

h) **European public sector cloud federation** – the Irish Presidency has clarified that the European public sector cloud federation (EuroCloud) aims to bring together existing initiatives and that participation is voluntary. It has also been specified what measures the entity sharing services should put in place to ensure an effective, secure and resilient provision of services, and additional elements have been added on the need to inform the Commission of material changes and the possibility for the Commission to withdraw the authorisation to share services.

10. During the ongoing work on the second part of the first compromise proposal on **Pillar 1 (Research, development and deployment activities for the cloud and AI ecosystem), Pillar 2 (Data centre capacities)** and on general and final provisions, the Irish Presidency has addressed the following issues:

a) **Cloud and AI Leadership Initiatives** – the Irish Presidency has clarified the provisions concerning the funding for the Cloud and AI Initiatives and made it explicit in the text that the scope of these initiatives would not be changed with the delegation of powers to the Commission.

b) **National cloud and AI strategies** – the compromise text makes it clear that in order to comply with the requirement to establish national cloud and AI strategies, the Member States have the option to reuse existing national strategies provided that these strategies meet the requirements specified in the Cloud and AI Development Act. Those requirements have been slightly modified to provide more flexibility for the Member States and to ensure consistency with the Open Source Strategy.

c) **Frontier AI priority projects** – the Irish Presidency has clarified that the obligation for the Member States to ensure that sufficient AI computing resources from their compute capacities are allocated to support the development of frontier AI priority projects only applies to the Member States participating in those projects.

d) **Data centre acceleration zones** – with the changes proposed by the Irish Presidency, the deadline for the Member States to designate a data centre acceleration zone has been extended from 6 to 12 months and it has been clarified what would be expected from the Member States without a data acceleration zone after the 12-month period. Additionally, the list of elements to be taken into account by the Member States when designating acceleration zones has been slightly extended.

e) **Permit-granting processes** – the wording of the provisions on permit grating has been better aligned with that used in the proposal for the Industrial Accelerator Act.

f) **Data centre strategic projects** – the procedures for the designation of data centre strategic projects by the Commission, and for the withdrawal of such a designation, have been revised to ensure a more active involvement of the Member States concerned.

g) **Date of application** – in order to give the Member States more time to prepare for the implementation phase, the Irish Presidency has extended the date of application of the Cloud and AI Development Act, from 12 to 18 months from the date of entry into force.

IV. OUTSTANDING ISSUES

11. Following the analysis of the first part of the compromise text on **Pillar 3 (Autonomy)** in WP Telecom on 10 November 2026, the Presidency's assessment is that several issues will require further work. In particular, it will be necessary to: i) reduce the complexity of the recognition architecture and remove potential overlaps and bottlenecks, e.g. in cases of cross-border cooperation between competent authorities; ii) strengthen the rationale for procuring cloud computing services that provide a certain level of assurance, for the protection of the public order of the Union and its Member States; iii) clarify the national security and defence exemptions, e.g. based on the wording of Article 2 of the AI Act; iv) further specify the provisions on penalties to ensure they are not disproportionate for SMEs; v) reflect on the degree of involvement of the Member States and the Commission in the process of recognition of cloud services at specific Union assurance levels; vi) reconsider the rationale for delegating power to the Commission in some instances, e.g. in Article 17 with regard to the Commission's power to determine whether the evaluating competent authority may adopt the recognition decision; vii) further align the provisions of the Cloud and AI Development Act with those of the upcoming Cybersecurity Act 2 and the upcoming Public Procurement Act; viii) reflect on the various deadlines laid down in the regulation, e.g. the timeline for migration to another cloud service which could be required following a risk assessment; ix) better clarify what is meant by 'innovation in cloud computing services and AI systems' in the context of public procurement of such services; x) consider adding a requirement for the Commission to issue guidance on using Union added value criteria in public procurement.

12. As far is the second part of the compromise text on **Pillar 1 (Research, development and deployment activities for the cloud and AI ecosystem) and Pillar 2 (Data centre capacities)** is concerned, the Presidency will be able to identify the issues requiring further work after the discussion in WP Telecom on 24 November 2026.

V. CONCLUSION

13. The Permanent Representatives Committee is invited to take note of this progress report from the Presidency, with a view to submitting it to the TTE (Telecommunications) Council at its meeting on 1 December 2026.