MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on Telecommunications and Information Society
Subject:	Cloud and AI Development Act - Presidency discussion Note

Delegations will find in the annex the Presidency Note "Cloud and AI Developmnet Act"

DISCUSSION NOTE

Cloud and AI Development Act
Working Party on Telecommunications and Information Society, 30 September 2025

The Cloud and AI Development Act (CADA) is expected to become a central instrument in strengthening the EU's digital competitiveness and strategic technological sovereignty. It seeks to support sustainable and secure data processing capacity through targeted research, innovation and investment in resource-efficient infrastructure. Key objectives include accelerating the deployment of sustainable data centres and improving access to secure cloud services for highly-critical use cases.

At the same time, Europe must ensure that research and innovation efforts are channelled into the most decisive enabling technologies across the computing continuum, from cloud and edge to HPC and the software stack, where Europe can achieve global competitiveness.

This raises strategic questions about which enabling technologies across the computing continuum should be prioritised in order to strengthen competitiveness. Despite various EU initiatives - such as the Data Act, DMA, and IPCEI-CIS - the European cloud market remains fragmented. According to the OECD, three non-European hyperscalers account for 60-70% of the IaaS and PaaS market in many OECD countries[1], while European providers hold less than 15% of the market share[2]. Structural barriers, including access to financing, procurement and energy, continue to challenge the competitiveness of European providers. These structural barriers also extend to market functioning, where switching costs, data lock-in and bundling practices hinder the uptake of European solutions.

The European Council has repeatedly underlined the importance of digital sovereignty in an open manner[3] as a condition for resilient infrastructure and competitiveness. This continues to be central, especially in response to growing geopolitical instability, cybersecurity risks and dependence on non-EU technology providers.

At the same time, demand for high-performance infrastructure is surging driven by AI and digitalisation - yet this has not led to stronger demand for, or uptake of, European solutions. To address this situation, Member states (MS) have called for a coordinated EU approach, combining regulation, investments and strategic incentives[4].

Against this backdrop, the discussion on September 30th offers an opportunity to take stock of the Commission's preliminary findings and to reflect on how CADA can most effectively address these challenges.

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[1] OECD (2025), "Competition in the provision of cloud computing services", OECD Roundtables on Competition Policy Papers, No. 323, OECD Publishing, Paris, https://doi.org/10.1787/595859c5-en.

[2] Synergy Research Group (2025): "European cloud providers' local market share now holds steady at 15%". https://www.srgresearch.com/articles/european-cloud-providers-local-market-share-now-holds-steady-at-15

[3] Council of the European Union (2024): "Council Conclusions on the Future of EU Digital Policy" (21 May 2024). https://data.consilium.europa.eu/doc/document/ST-9957-2024-INIT/en/pdf

[4] Council of the European Union (2024): "Council Conclusions on the Future of EU Digital Policy" (21 May 2024). https://data.consilium.europa.eu/doc/document/ST-9957-2024-INIT/en/pdf & Council of the European Union (2024): "Council Conclusions on the White Paper 'How to master Europe's digital infrastructure needs?'" (6 December 2024): https://data.consilium.europa.eu/doc/document/ST-16644-2024-INIT/en/pdf

Purpose of the discussion

The Commission will first present the preliminary findings from its impact assessment and outline next steps. The Presidency will then invite MS to share their initial reflections. The discussion builds on the previous exchange under the Polish Presidency and is intended to:

- Improve MS' understanding of the Commission's approach, findings, and possible policy options.
- Identify priorities, expectations and areas of concern.
- Provide constructive input that can guide the Commission's further work.

Guiding Questions

The Presidency encourages focused, forward-looking interventions that highlight possible approaches and trade-offs. To structure the exchange, the following questions are proposed under the three main pillars of CADA: research and innovation, deployment, and autonomy.

Pillar I: Research & Innovation

1. Priority technologies across the computing continuum
   Which AI-enabling technologies (e.g. IoT, connectivity, edge, cloud, HPC and the software stack) will be most decisive over the next 5-10 years in ensuring that EU can compete globally - and why (e.g. research excellence vs. industrial uptake)?

2. Sustainable & efficient compute at scale
   Which sustainable and resource-efficient trends/practices/standards (e.g. scaling existing infrastructure, power- and water-use efficiency and heat reuse), should CADA promote or enable to help EU meet compute needs within its environmental objectives?

Pillar II: Deployment

3. Public funding for strategic data centre projects
   Do MS see a role for public funding in supporting strategic data centre projects and, if so, what characteristics would define such projects? Should priority be given to e.g. open-access infrastructure that benefits multiple providers, to more efficient use of existing capacity, or to subsidies for individual sites? Do you see a need to prioritise specific sectors?

4. Best practices and governance enablers
   Which best practices and which governance prerequisites are most important to ensure that strategic projects can be deployed quickly, efficiently and with long-term benefits for the EU market (e.g. data-sharing, interoperability, open access incentives)?

Pillar III: Autonomy

5. Trusted/sovereign cloud - proportionate baseline
   For highly critical public-sector and infrastructure use cases, what requirements are essential (e.g. operational control, auditable governance, interoperability, resilience) and which should be avoided to ensure that the concept of sovereign cloud remains proportionate and legally clear?

6. Open, fair, and interoperable EU cloud/AI markets
   What are the primary barriers (e.g. switching resistance, lock-in, anti-competitive bundling) to an efficient and competitive EU market for cloud and AI solutions? Which of the identified challenges could be addressed through existing frameworks (e.g. the Data Act, DMA), and which could require new measures under CADA? What can be the contribution of open-source in that context?