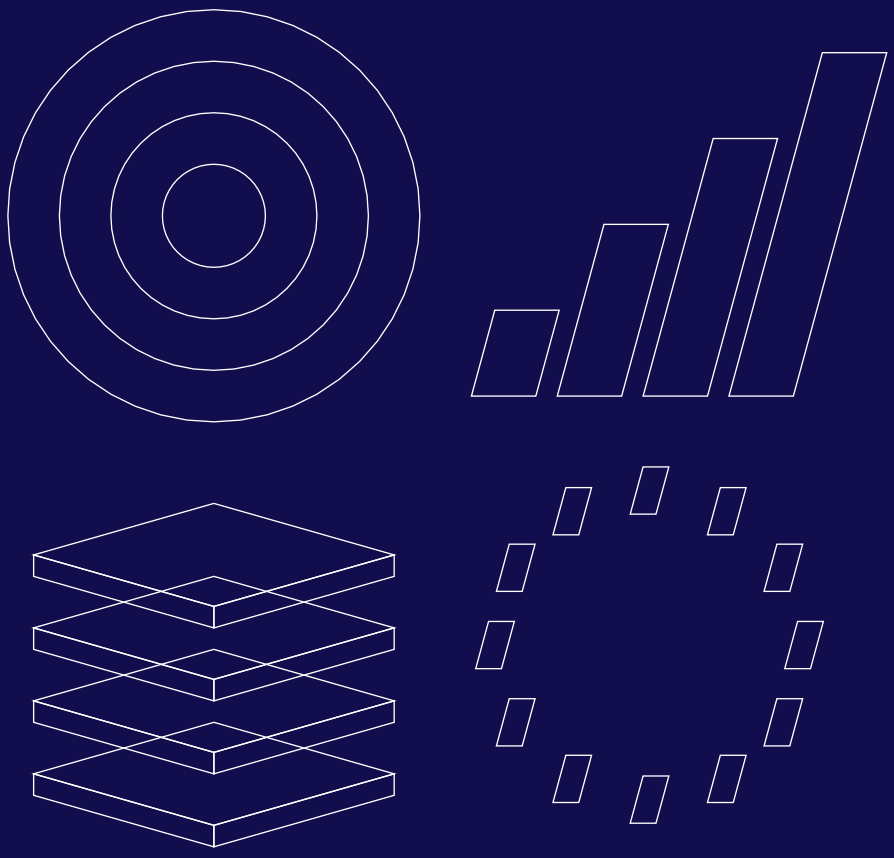
FOTI



Strengthening the EU's Cloud & AI Development Act

Summary Findings & Recommendations

Right diagnosis, wrong dose

FOTI's CADA report series
November 2026

01 / Introduction

Digital infrastructure is no longer an invisible utility – it is the very root of geopolitical power and economic resilience. Other global powers acted swiftly to secure the hardware, software, and compute capacity required for the AI era, creating deep dependencies on their infrastructure.

Europe is one of those dependencies, and critically exposed. Today, three foreign firms control roughly 70% of Europe's cloud market, while the largest local competitors hold just 2%. Because cloud infrastructure forms the rails on which AI runs, Europe cannot achieve sovereign AI without sovereign cloud. Relying on foreign monopolies for this foundation will starve Europe of long-term growth, exporting taxpayer revenue and talent overseas rather than cultivating a domestic industrial base.

In this moment, the European Commission's proposed Cloud and AI Development Act (CADA) is a historic chance to press "reset". It is the first EU law to define "sovereign cloud", rewire public procurement, and fund the computing capacity Europe needs.

02 / Our findings:

CADA gets the diagnosis right, but the dose wrong

CADA is a strong start. Its diagnosis of the market failure is highly accurate, and its architecture is bold. However, while CADA names the problem correctly, it does not go far enough to solve it. As drafted, open-ended procurement exemptions and overly broad definitions of sovereignty threaten to entrench foreign monopolies, letting them co-opt the "sovereign" label without changing their underlying architecture.

We believe a strong CADA can serve as an engine for strategic autonomy and European prosperity. The right measures can boost domestic production and create the demand required to scale European cloud and AI – so value is made here and stays here.

CADA has a real chance to achieve this, if we close loopholes and give its rules real teeth.
The aim should be to future-proof CADA as industrial policy – so Europe does not just regulate the AI era, but actively builds, owns, and benefits from it.

03 / The way forward

We recommend four steps to strengthen CADA and close loopholes.

Step 1

01 Map the Risk

Current gaps

At present, CADA maps risk, but keeps markets – and the public – in the dark. Strategies and capacity monitoring stay between Member States and the Commission, depriving European industry of the signals required to justify investment. This also curtails democratic and civil society oversight. Most concerningly, the private operators of critical national infrastructure (NIS2) are exempted from mandatory dependency assessments.

/ Proposed fixes

01 Enforce transparency for democratic and industry oversight. Publication should be mandated for national strategies, capacity reports, and risk assessments, so buyers, builders, and the public can vet dependencies.

02 Protect whistleblowers. The sovereignty framework relies on what providers declare, which in the past has not proven to be something Europe can trust. Policymakers should explicitly extend protections under Directive (EU) 2019/1937 to employees, subcontractors, and auditors who report infringements of the Cloud Computing Sovereignty Framework.

03 Require dependency assessments for private operators of essential services (NIS2), and give them an enforceable right to providers' supply chain data.

Step 2

02 Set a Strong Standard

Current gaps

CADA sets a standard for sovereignty, but does not guarantee it. Level 1 sovereignty in the draft is a self-declaration that says almost nothing about third-country control. Recognition of sovereign services is decided by national authorities who need not be independent and may be subject to pressure. The criteria are reviewed behind closed doors. And the Annex defining the requirements contains exemptions that, at best, create uncertainty and, at worst, open loopholes that will let dependencies back in under a "sovereignty-washed" label.

/ Proposed fixes

01 Open the review and amendment process, requiring wide public consultation of industry experts and civil society (under Article 16 and the second Article 44) before amending the assurance levels.

02 Guarantee the independence of national authorities so that recognition is a strict technical decision rather than a political one.

03 Enforce transparency at Level 1 by requiring details on everything from hardware components to software supply chains.

04 Close Annex II loopholes by clarifying definitions like "security-relevant components", eliminate the undefined location derogation, and reverse the burden of proof for source code audits so that dominant foreign component suppliers cannot block European compliance or create further leverage.

Step 3

03 Build Sovereign Capacity

Current gaps

CADA builds compute capacity, but blindly, and without sovereign conditions. It proposes to distribute Union funding, publicly run compute, and accelerated planning permits without hard sovereignty or clean energy or water conditions. Its pledges to scale European compute lack a baseline to measure against or a transparent goal. This lets Europe's AI stay under foreign control and foreign benefit.

/ Proposed fixes

01 Attach sovereignty "strings" to accessing public compute. This can be done by conditioning the allocation of Union and Member State compute (as well as frontier AI projects) to the use and benefit of European operators and recognised services.

02 Make the permitting benefits of acceleration zones conditional on demonstrated service continuity and resilience. Policymakers should consider implementing concentration caps and a "use-it-or-lose-it" regime as well, to prevent speculative land-grabs by foreign hyperscalers.

03 Publish an annual report on available compute capacity, demand, any gap and underserved areas, with geographic detail to guide investment decisions. This is crucial – at the moment the need to "triple" Europe's compute capacity is stated, but the basis for the conclusion is unclear. These reports would explain the need for data centre build-out in the EU and clarify whether the tripling of capacity meets a genuine economic need.

04 Crucially, policymakers must fix the sustainability clause so that it covers renewable energy and water, and sets a floor – not a ceiling – so Member States can introduce more stringent sustainability requirements as desired.

Step 4

04 Buy European

Current gaps

CADA supports the public sector to buy sovereign, but does not demand that these be European. The Act requires the public sector to buy recognised services, but the sole European preference mechanism (Union added value) is "ancillary and not decisive". Public buyers are also given open-ended exemptions for avoiding sovereign suppliers, and there is no mandatory exit or knowledge-transfer mechanism when a service loses its sovereignty recognition, which will lock users in.

/ Proposed fixes

01 Make European preference decisive by amending the "Union added value" criteria in Article 32(2)(d) so that it can determine the award of a contract.

02 Require derogations to be reasoned, notified, precisely defined, time-limited, and reported to prevent them from becoming the path of least resistance or a box-ticking exercise.

03 Require public cloud contracts to include knowledge-transfer provisions, strict exit and reversibility clauses, and upstream contributions to the open source projects used to deliver the service.

04 Apply the same purchase obligations to critical private operators (CNI).

04 / Further reading:

FOTI's CADA report series

None of the fixes we propose require changing the core architecture of CADA. To demonstrate exactly how to close each gap, FOTI has published a series of detailed reports outlining article-by-article recommendations.



Report 1 – Map the Risk

How do we understand our dependencies? This report details the need for continuous procurement monitoring, publication by default, whistleblower protections, and mandatory dependency audits for critical private operators.



Report 2 – Set a Strong Standard

How do we define and recognise sovereign services? This report covers ensuring national authorities are independent and accountable, mandating transparency, requiring open review, and closing Annex II loopholes.



Report 3 – Build Sovereign Capacity

How do we build the sovereign capacity that Europe needs? This report focuses on defining sovereign competences, conditioning compute on EU-controlled firms, reforming acceleration zones, and fixing the sustainability clause.



Report 4 – Buy European

How do we buy strategically to scale sovereign solutions? This report outlines mandatory contract terms, how to decisively apply the Union added value criterion, and disciplining procurement derogations.



Annex: Recommendations at a Glance

A consolidated list of all 27 recommendations mapped to the specific CADA legislative text.


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