

EU Tech Sovereignty Package

European Commission — Digital Autonomy & Resilience Initiative

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Executive Summary

- The European Commission unveiled its most ambitious digital industrial policy to date — the European Technological Sovereignty Package.
- Two legislative proposals (Chips Act 2.0 and Cloud and AI Development Act), one Open Source Strategy, and an Energy Digitalisation Roadmap form a cohesive policy stack.
- Total investment mobilisation target: approx. €422 billion across semiconductors, data centres, cloud, AI, open source, and energy — predominantly via private capital.
- The package signals a structural shift from regulatory governance to active industrial policy, directly targeting Europe's >70% dependence on non-EU cloud providers and <10% share of global semiconductor production.
- Legislation now enters co-decision between Commission, Parliament and member states.

1. Context and Strategic Rationale

On June 3, 2026, European Commission President Ursula von der Leyen and Executive Vice-President for Tech Sovereignty Henna Virkkunen presented the European Technological Sovereignty Package — the Commission's first comprehensive multi-stack strategy to reduce structural dependence on non-European providers across the full digital value chain.

The Dependency Problem

EU cloud market share (US hyperscalers)	>70% controlled by US cloud providers
EU semiconductor production	<10% of global output; near-total dependence on US and Asia
EU annual IT spend	€264 billion, predominantly on US proprietary products
EU data centre energy share	~2.5% of EU electricity consumption (rising sharply)

The Commission frames 'technological sovereignty' as Europe's capacity to 'develop, control and scale' critical technologies, infrastructure, services and data — reducing strategic dependencies and exposure to foreign interference. While the US is not named explicitly, language referencing extraterritorial laws and supply chain weaponisation leaves little ambiguity about the policy direction.

"We cannot afford to depend on others for the technologies that keep our hospitals running, our energy grids stable and our services secure. This is about protecting our citizens, defending our interests and making our own choices." — Commission President Ursula von der Leyen, June 3, 2026

The package marks a deliberate pivot: from a regulatory-first model (GDPR, AI Act, NIS2) toward active industrial policy, using procurement, investment co-ordination, and targeted legislation to shift market conditions in Europe's favour.

2. Package Architecture — Four Pillars

The package is structured as four mutually reinforcing instruments, spanning the technology stack from chips to cloud to software to energy:

Pillar	Instrument	Type
1	Chips Act 2.0	Legislative Proposal
2	Cloud and AI Development Act (CADA)	Legislative Proposal
3	EU Open Source Strategy	Strategy / Non-legislative
4	Strategic Roadmap for Digitalisation and AI in Energy	Strategic Roadmap

3. Pillar 1 — Chips Act 2.0

Purpose and Context

The original 2023 European Chips Act committed €43 billion in public and private investment toward doubling Europe's global semiconductor market share to 20% by 2030. The European Court of Auditors has since assessed that target as 'very unlikely' to be met, with the EU share remaining below 10%. The original act was heavily supply-side focused, incentivising manufacturing capacity without sufficiently developing domestic demand.

Key Changes in Chips Act 2.0

Chips Act 2.0 significantly rebalances the strategy:

- Demand-side shift: Creates demand aggregation mechanisms connecting European chipmakers with domestic industrial users — particularly automotive, cloud computing, and AI infrastructure sectors.
- Massively scaled investment: Targets €120 billion in semiconductor investments by 2035, nearly three times the original figure.
- Advanced AI foundry: A proposed €30 billion foundry dedicated to advanced AI semiconductors, targeting chips at the 3 nm node, co-funded by the Commission, member states, and private enterprise.
- Crisis powers: In the event of a declared supply shortage, the Commission gains authority to issue priority-rated orders requiring manufacturers to prioritise production. Companies complying are shielded from contract breach liability.

- State aid expansion: Enables State aid funding for 'First-of-a-Kind' projects not yet present in the EU, covering the full semiconductor value chain from raw materials to packaging.
- Strategic Projects: Designates Strategic Projects to unlock EU funding; introduces a new 'Semiconductor Regions of Excellence' label.
- B2B Supply Chain Platform: Establishes a Business-to-Business Semiconductor Supply Chain Platform to support supply chain resilience.
- Synergy with CADA: Creates explicit demand linkages with the Cloud and AI Development Act, benefiting from data centre and AI Gigafactory growth.

Original Chips Act (2023) — Summary

- Introduced in 2023 as the EU's first coordinated response to critical semiconductor supply chain vulnerabilities, highlighted by global chip shortages during COVID-19.
- Set a target of €43 billion in combined public and private investment to double EU global semiconductor production share to 20% by 2030.
- Primarily supply-driven: focused on attracting advanced chip fabrication plants (fabs) and R&D infrastructure to Europe.
- Established the concept of 'Integrated Production Facilities' and 'Open EU Foundries' as state-aid-eligible structures.
- Despite triggering a wave of manufacturing investment announcements, it failed to attract cutting-edge chipmakers and was criticised for funding fragmented across member states with slow EU approval processes.
- European Court of Auditors assessment in 2025/26: the 20% market share target is 'far off the pace' and 'very unlikely' to be met by 2030.

4. Pillar 2 — Cloud and AI Development Act (CADA)

Purpose and Scope

The Cloud and AI Development Act is the centrepiece of the package for digital infrastructure governance. It simultaneously addresses supply-side capacity building and the demand-side governance of cloud and AI services used by public authorities across the EU.

Cloud Sovereignty Tiers

CADA introduces a four-tier trust framework for cloud services procured by public authorities, assessed on criteria including:

- Ownership and control structure
- Supply chain dependencies
- Data processing and storage location
- Infrastructure location within the EU
- Cybersecurity posture and certifications

The framework is mandatory and graduated. All public bodies must use at least Tier 1 services. Sensitive functions — national security, defence, law enforcement, border management —

require higher tiers subject to independent audit. The Commission estimates approximately 1% of public services are sensitive enough to require the strictest tier, which would effectively exclude providers subject to foreign jurisdiction. Limited exemptions are available in duly justified cases.

Critically, CADA directly addresses extraterritoriality risk: the Commission notes explicitly that the EU-US Data Privacy Framework does not remove sovereignty concerns about operational dependence on non-EU providers, as sovereignty 'goes beyond data transfers and relates to operational autonomy too.'

Supply-Side: Cloud and AI Leadership Initiatives

- Fast-track 'Data Centre Acceleration Zones' with 12-month permit approval guarantees.
- Procurement preferences for providers demonstrating added value within the EU.
- EuroCloud Federation: allowing member states to pool and share unused cloud and data centre capacity across borders.
- National cloud and AI strategy requirement: governments must adopt strategies aligned with the Commission's AI policy framework.
- Experience and Acceleration Centres for AI: local hubs to support AI integration and scaling across member states.
- Target to roughly triple EU data centre output within five to seven years, reducing geographic concentration beyond the Dublin-Frankfurt-Amsterdam-Paris cluster.

CADA Policy Context

- A single EU-wide sovereignty assessment framework replaces the current patchwork of national approaches.
- The proposal directly challenges operational dependence on US hyperscalers (AWS, Azure, GCP) for sensitive public sector workloads.
- It aligns with and builds on EUCS (EU Cloud Cybersecurity Scheme) under ENISA and complements NIS2 and DORA requirements.
- The market remains largely open to 'like-minded partners' — sovereignty criteria do not imply protectionism for commercial cloud services.

5. Pillar 3 — EU Open Source Strategy

The EU Open Source Strategy recognises that Europe is home to over 3 million open-source contributors, and that the Commission itself spends €264 billion annually on largely proprietary IT products and services — creating structural vendor lock-in rather than market competition. The strategy frames proprietary software concentration as a strategic vulnerability, not merely a competition concern.

Key Objectives

- Scale up open source alternatives in priority areas: semiconductors, operating systems, future internet architecture, cloud stack, DevOps, AI, and cybersecurity.

- Invest in skills, start-ups and digital infrastructure built on open source.
- Support greater use of open source in public administrations across the EU.
- Develop and provide more 'sovereign solutions' built on European principles and values.
- Target investment: €2 billion over seven years to catalyse the open source ecosystem.

This represents the first time open source has been placed at the centre of EU digital policymaking. The strategy explicitly draws a line between vendor lock-in and strategic vulnerability — acknowledging that EU public spending on proprietary software funds the very dependencies it seeks to reduce.

6. Pillar 4 — Strategic Roadmap for Digitalisation and AI in Energy

The fourth pillar addresses the intersection of digital infrastructure growth and energy system sustainability. Data centres are already consuming approximately 2.5% of EU electricity, and the Commission warns that unchecked AI-driven expansion could strain electricity systems, worsen grid congestion and increase energy prices.

Key Provisions

- Voluntary framework between data centre operators, energy providers and public authorities, due H2 2026.
- Binding measures remain an option if voluntary coordination proves insufficient.
- Data centre energy labelling scheme to be introduced later in 2026.
- Minimum performance standards: formal assessment not expected before 2027.
- Accelerate digitalisation and AI integration in energy grids ('smart grids') to reduce the energy investment gap, estimated at €400 billion per year.
- AI-enhanced grid management to balance rising digital energy demand with renewable integration.

7. Investment Landscape

The package sets out the following investment mobilisation targets. The Commission is explicitly relying on private capital as the primary funding mechanism, channelled through the proposed European Competitiveness Fund (ECF) in the next EU multi-year financial framework (MFF), and through InvestAI, which aims to mobilise €200 billion.

Area	Investment Target	Horizon	Primary Instrument
Semiconductors	€120 billion	To 2035	Chips Act 2.0
Data Centres	€200 billion	To 2036	CADA / EuroCloud
Cloud & AI Infrastructure	€100 billion	Medium term	InvestAI / ECF

Open Source Software	€2 billion	7 years	Open Source Strategy
Energy (annual gap)	€400 billion/yr	Ongoing	Energy Roadmap

Brussels has acknowledged publicly that Europe still lacks the risk capital depth needed to scale its own technology champions to global competitiveness. The reliance on private capital at this scale represents a significant execution risk, particularly in the semiconductor sector where US and Asian competitors benefit from larger and faster state support programmes.

8. Related and Cited Regulatory Acts

8.1 Original Chips Act (EU Regulation 2023/1781)

The foundational semiconductor regulation was enacted in 2023, establishing the EU's first coordinated industrial strategy for semiconductors. It created three pillars: the Chips for Europe Initiative (R&D and innovation), a framework for increasing production capacity, and international cooperation on supply chain monitoring. It committed approximately €52 billion in public and private investment with a target of 20% global market share by 2030. The 2.0 revision described in Section 3 supersedes and significantly expands this framework.

8.2 AI Act (EU Regulation 2024/1689)

The world's first comprehensive horizontal AI regulatory framework, entered into force in August 2024 with phased application through 2027. It establishes a risk-based classification of AI systems (unacceptable, high, limited, minimal risk) with corresponding obligations for providers, deployers and importers. High-risk applications in sectors like critical infrastructure, education, employment and law enforcement face conformity assessments, transparency requirements and human oversight mandates. The Tech Sovereignty Package's AI infrastructure investments are designed to ensure European entities can comply with and benefit from the AI Act framework without dependence on non-EU system providers.

8.3 NIS2 Directive (EU Directive 2022/2555)

The revised Network and Information Security Directive, transposed by member states by October 2024, significantly expanded the scope of cybersecurity obligations across 'essential' and 'important' entities. NIS2 covers sectors including energy, transport, banking, health, digital infrastructure, and ICT service management. It mandates supply chain security requirements, incident reporting within 24 hours, and sanctions of up to 2% of global annual turnover. The CADA sovereignty tiers build directly on NIS2's security requirements for critical infrastructure, adding a sovereignty dimension beyond technical security controls.

8.4 DORA — Digital Operational Resilience Act (EU Regulation 2022/2554)

Effective from January 2025, DORA establishes binding ICT risk management, resilience testing and third-party risk oversight requirements for financial entities and their critical ICT service providers. It introduces direct oversight by EU supervisory authorities (EBA, ESMA, EIOPA) of

'critical third-party providers' — primarily hyperscale cloud providers serving the financial sector. DORA's concentration risk provisions directly motivated elements of CADA's sovereignty framework: the concern that European financial infrastructure is operationally dependent on a small number of non-EU cloud providers.

8.5 EU-US Data Privacy Framework (2023)

The adequacy decision adopted in July 2023, enabling transfers of personal data from the EU to certified US organisations, replacing the invalidated Privacy Shield. The Commission explicitly cites the Data Privacy Framework in the Tech Sovereignty Package to clarify its scope: the sovereignty concerns being addressed 'go beyond data transfers and relate to operational autonomy.' In other words, CADA's cloud sovereignty tiers are not about data transfer lawfulness (covered by the DPF) but about structural operational dependence on providers subject to foreign jurisdiction, including extraterritorial legal access regimes such as the US CLOUD Act.

8.6 European Competitiveness Compass (2025)

The strategic framework published by the Commission in early 2025, drawing on the Draghi Report on European Competitiveness, which identified three critical gaps: innovation, decarbonisation, and security/resilience. The Competitiveness Compass established the strategic direction that the Tech Sovereignty Package now operationalises with concrete legislative instruments. It called for closing the technology investment gap with the US and China, reducing strategic dependencies in critical sectors, and building European champions in deep tech.

8.7 EUCS — EU Cloud Cybersecurity Scheme (ENISA)

The European Union Agency for Cybersecurity (ENISA) cloud certification scheme, which introduced tiered assurance levels (basic, substantial, high) for cloud services, including a 'high+' level with sovereignty requirements. CADA's trust tier framework builds on and formalises EUCS, extending it from a voluntary certification into a procurement-binding framework for public authorities. The sovereignty criteria in EUCS's highest tier — notably requirements around jurisdiction, control and access — are directly mirrored in CADA's Tier 3 and Tier 4 definitions.

8.8 AI Continent Action Plan

Adopted in April 2025, the AI Continent Action Plan outlined the EU's ambition to become a global leader in AI development, deployment and adoption. It introduced the concept of AI Factories (national/regional supercomputing centres accessible to researchers and SMEs) and AI Gigafactories (larger-scale industrial AI compute infrastructure). The Tech Sovereignty Package directly accelerates this Action Plan by providing the semiconductor supply (Chips Act 2.0), cloud and data centre capacity (CADA), and software sovereignty (Open Source Strategy) necessary to realise the AI Continent vision.

8.9 InvestAI

A financial instrument announced as part of the AI Continent Action Plan, designed to mobilise €200 billion in AI-related investment by attracting public and private capital toward European AI infrastructure. InvestAI acts as a key funding conduit for both CADA's cloud and AI Leadership Initiatives and Chips Act 2.0's semiconductor capacity programmes. It is expected to operate through the European Investment Bank (EIB) and the European Competitiveness Fund.

9. Political and Market Context

Geopolitical Timing

The announcement comes two days after the EU signalled alignment with Pax Silica, a US-led initiative coordinating semiconductor export controls targeting China — illustrating the careful balance Brussels is attempting: reducing dependence on US technology while maintaining strategic alignment with the US on technology competition with China.

Simultaneously, the European Parliament announced it would replace Google with the French search engine Qwant as its default browser search engine, citing sovereignty and privacy concerns. The Netherlands blocked a US acquisition attempt of Solvinity, which operates the DigiD national digital identity infrastructure. These developments signal that institutional momentum toward sovereignty decisions is building independently of the Commission's formal package.

Market Openness vs. Sovereignty

A central tension in the package is between genuine sovereignty ambition and commercial openness. Commission EVP Virkkunen has stressed the package is not protectionist: most cloud and AI markets remain open to 'like-minded partners.' The most stringent sovereignty tier (effectively excluding foreign-jurisdiction providers) applies to an estimated 1% of public services. This graduated approach reflects political realities — excluding US hyperscalers from public procurement broadly would provoke significant trade friction — while establishing the legal and procurement framework to build European alternatives over time.

10. Implications for DACH Enterprises and IT Advisors

Immediate Relevance

- NIS2 and DORA clients: the CADA sovereignty tier framework will intersect directly with NIS2 supply chain security and DORA third-party risk obligations — potentially creating mandatory sovereignty assessments for critical infrastructure and financial entities.
- Sovereign AI/cloud positioning: the package legitimises and accelerates client interest in sovereign cloud alternatives (BSI C5-certified, GAIA-X aligned providers) — directly relevant to advisory positioning in the DACH market.
- Public sector IT procurement: German federal and state authorities will face new procurement obligations to assess cloud and AI service sovereignty — creating advisory demand for compliance frameworks and vendor assessment services.
- BAFA and funding programmes: the investment mechanisms outlined (European Competitiveness Fund, InvestAI, Chips Act 2.0 strategic projects) may generate new

BAFA-accessible funding streams for Mittelstand IT modernisation and sovereignty transition projects.

Strategic Advisory Opportunity

- Position sovereign AI and cloud transformation as convergence of regulatory compliance (NIS2, DORA, CADA) and strategic risk management.
- Chips Act 2.0 demand aggregation mechanisms create opportunities for automotive and industrial clients to formalise semiconductor sourcing strategies.
- Open Source Strategy creates public sector advisory demand for proprietary-to-open migration planning and vendor lock-in risk assessments.
- Energy roadmap provisions will require data-centre-heavy clients to develop energy and sustainability strategies integrated with AI infrastructure planning.

11. Next Steps and Timeline

Legislative co-decision	Chips Act 2.0 and CADA enter negotiations between Commission, European Parliament, and member states — expected 12-18 months minimum
Voluntary energy framework	Voluntary data centre energy coordination framework due H2 2026
Energy labelling scheme	Data centre energy labelling scheme expected later 2026
Minimum performance standards	Formal assessment not before 2027
EuroCloud Federation	Design and establishment timelines to follow co-decision process
European Competitiveness Fund	Subject to MFF negotiations for post-2027 EU budget
Open Source investments	Strategy implementation begins immediately; full rollout over 7 years

Key Risk Factors

- Funding gap: €422 billion+ in investment targets relies predominantly on private capital in a European market that historically underinvests in deep tech.
- Timeline risk: co-decision for two major legislative acts, plus MFF budget negotiations, mean full implementation extends well beyond 2030 for most measures.
- Execution gap: the original Chips Act showed that ambitious targets without clear demand-side mechanisms and fast-track approvals do not automatically translate to capacity.
- Geopolitical exposure: simultaneous alignment with Pax Silica and sovereignty push against US hyperscalers requires careful navigation to avoid transatlantic trade friction.
- Member state coordination: pooling cloud capacity (EuroCloud), aligning national AI strategies, and coordinating semiconductor investment require a level of member state cooperation that has historically proven difficult.

Sources: European Commission Press Release IP/26/1187 (June 3, 2026) | TechPolicy.Press | Digital Watch Observatory | IAPP AIGG 2026 | Shaping Europe's Digital Future (digital-strategy.ec.europa.eu) | Insight EU Monitoring | IT Pro | Euronews

Appendix — Reference Links

All URLs cited or referenced in this advisory brief, grouped by category.

A.1 Primary EU Commission Sources

Commission Press Release IP/26/1187

https://ec.europa.eu/commission/presscorner/detail/en/ip_26_1187

Strengthening Europe's Tech Sovereignty (Commission news)

https://commission.europa.eu/news-and-media/news/strengthening-europes-tech-sovereignty-2026-06-03_en

Communication on European Tech Sovereignty & Open Source Strategy

<https://digital-strategy.ec.europa.eu/en/library/communication-european-tech-sovereignty-accompanied-eu-open-source-strategy>

Shaping Europe's Digital Future — Package Overview

<https://digital-strategy.ec.europa.eu/en/news/commission-proposes-tech-sovereignty-package-strengthen-europes-digital-autonomy-and-resilience>

A.2 Chips Act 2.0

Chips Act 2.0 — Digital Strategy Policy Page

<https://digital-strategy.ec.europa.eu/en/policies/chips-act-2>

Proposal for Chips Act 2.0 (full legislative text)

<https://digital-strategy.ec.europa.eu/en/library/proposal-chips-act-20>

Original Chips Act — EU Regulation 2023/1781 (EUR-Lex)

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023R1781>

A.3 Cloud and AI Development Act (CADA)

Proposal for the Cloud and AI Development Act (CADA)

<https://digital-strategy.ec.europa.eu/en/library/proposal-cloud-and-ai-development-act-cada>

A.4 Energy Digitalisation Roadmap

Strategic Roadmap for Digitalisation and AI in Energy

https://energy.ec.europa.eu/publications/strategic-roadmap-digitalisation-and-ai-energy-sector_en

A.5 Related EU Legislation and Frameworks

AI Act — EU Regulation 2024/1689 (EUR-Lex)

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202401689

NIS2 Directive — EU Directive 2022/2555 (EUR-Lex)

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2555>

DORA — EU Regulation 2022/2554 (EUR-Lex)

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022R2554>

EU-US Data Privacy Framework — Adequacy Decision (EUR-Lex)

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023D1795>

European Competitiveness Compass

https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-compass_en

AI Continent Action Plan <https://digital-strategy.ec.europa.eu/en/policies/ai-continent-action-plan>

EUCS — EU Cloud Cybersecurity Scheme (ENISA)

<https://www.enisa.europa.eu/publications/eucs-cloud-service-scheme>

InvestAI (European Investment Bank) <https://www.eib.org/en/topics/invest-ai>

A.6 Analysis and Commentary

TechPolicy.Press — EU Unveils Sweeping Tech Sovereignty Push

<https://www.techpolicy.press/eu-unveils-sweeping-tech-sovereignty-push-balancing-autonomy-with-openness/>

TechPolicy.Press — EU Tech Sovereignty Package and Open Source

<https://www.techpolicy.press/how-the-eus-tech-sovereignty-package-finally-puts-open-source-to-the-test/>

TechPolicy.Press — Why the EU Data Center Boom is a Black Box

<https://www.techpolicy.press/why-the-eus-data-center-boom-is-a-black-box/>

Digital Watch Observatory — EU Package for AI, Chips and Cloud

<https://dig.watch/updates/eu-package-ai-chips-and-cloud-infrastructure>

IAPP — EU AI Sovereignty at AIGG EU Opening Session

<https://iapp.org/news/a/eu-ai-sovereignty-top-of-mind-during-aigg-eu-s-opening-keynote-session>

IT Pro — The EU Charts a Course to Digital Independence

<https://www.itpro.com/business/policy-and-legislation/the-eu-is-charting-a-course-to-digital-independence-with-the-technological-sovereignty-package-heres-what-you-need-to-know>

Insight EU Monitoring — EU Targets Digital Dependencies

<https://ieue-monitoring.com/editorial/top-stories/eu-commission-targets-digital-dependencies-with-chips-cloud-open-source-and-energy-ai-package/1242716>

Euronews — EU Seeks to Boost Europe's Chip Demand

<https://www.euronews.com/my-europe/2026/05/28/eu-seeks-to-boost-europes-chip-demand-in-tech-sovereignty-bid>

CryptoBriefing — EU Chips Act Reset: Demand and Production

<https://cryptobriefing.com/eu-chips-act-reset-demand-production/>

Science|Business — EU Governments Set Out Priorities for Chips Act 2.0

<https://sciencebusiness.net/news/semiconductors/eu-governments-set-out-priorities-chips-act-20>

Value The Markets — EU Chips Act 2.0 Insights

<https://www.valuethemarkets.com/cryptocurrency/news/the-eus-new-semiconductor-strategy-insights-on-the-upcoming-chips-act-20>

A.7 Related Policy Context

Pax Silica — EU to Join US-Led Chip Alliance (Euronews)

<https://www.euronews.com/my-europe/2026/06/01/the-eu-is-set-to-join-us-led-chip-alliance-pax-silica-to-counter-chinas-ai-race>

European Parliament Replaces Google with Qwant (Politico)

<https://www.politico.eu/article/european-parliament-ditches-google-for-french-search-engine/>

Netherlands Blocks US Acquisition of Solvinity

<https://open.overheid.nl/details/ec64d1c2-381a-43c3-9b15-06ba3399fb67>