



RESPONSE OF MICROSOFT CORPORATION

European Commission's Call for Evidence for an Impact Assessment on the Cloud and AI Development Act

30 June 2025

Microsoft welcomes the opportunity to participate and provide feedback in the call for evidence for an impact assessment on the Cloud and AI Development Act. We appreciate the European Commission's efforts to address the critical need for enhanced computational capacity within the EU, particularly in the context of AI development and cloud computing.

Introduction

We recognize that Microsoft must constantly remain focused on earning and sustaining our "license to operate" in each country across Europe. With datacenters and digital technology, this starts with each local community and country and includes officials with continental-wide responsibilities.

Since we first brought the first version of Microsoft Word to Europe 42 years ago, digital technology has changed the ways people work many times over. Yet as we look forward, we believe the second quarter of the 21st century may bring even bigger changes ahead. Artificial intelligence offers what may become the most powerful tool for people in the history of humanity.

More than ever, it will be critical for us to help Europe harness the power of this new technology to strengthen its competitiveness. We will partner with smaller and larger companies alike. We will support governments, non-profit organizations, and open-source developers across the continent. And we will listen closely to European leaders, respect European values, and adhere to European laws. We are committed to doing all these things well.

As we celebrated Microsoft's 50th birthday this year, we recognized that our longstanding presence in Europe has been a lynchpin of our success. Europe has treated us well. Our support for Europe has always been—and always will be—steadfast.

Our reflections, set out in this document, are structured around the following key points:

- I. Building European Infrastructure for Europe's Future**
- II. Ensuring Access to Cutting-Edge Technology to Digitalize the EU's Economy**
- III. Continuing Advancement of Sustainability and Innovation**
- IV. Tackling Bottlenecks to the Growth of Digital Infrastructure in Europe**
- V. Developing a Balanced Regulatory and Policy Framework**

Hereby Microsoft would like to share key points of feedback and more specific comments for your consideration.

I. Building European Infrastructure for Europe's Future

Microsoft supports the initiative to significantly increase the EU's datacenter capacity. This aligns with our commitment to expanding our infrastructure to meet the growing demands of AI and cloud services in the EU. Microsoft has been investing in Europe for over 40 of the 50 years of its existence. Over the years we have invested billions of Euros in AI infrastructure in Europe to help build its AI economy and boost Europe's competitiveness. We strive to remain a reliable partner to Europe, given our shared European values, and we will continue to expand our AI services.

We recognize that European nations want and need a world class and broad AI and cloud ecosystem. Recently Microsoft re-emphasized commitment to Europe through five commitments¹ aimed at boosting Europe's AI capabilities and resilience. We plan to increase our European datacenter capacity by 40% over the next two years. We are expanding datacenter operations in 16 European countries. When combined with our recent construction, our plans will more than double our European datacenter capacity between 2023 and 2027. It will result in cloud operations in more than 200 datacenters across the continent.

This expansion will play an important role in boosting Europe's economic growth and competitiveness. We recognize that a competitive environment will be built on trust in digital infrastructure, also when it is provided by a foreign company. We believe that broad AI diffusion will be one of the most important drivers of innovation and productivity growth over the next decade. Like electricity and other general-purpose technologies in the past, AI and cloud datacenters represent the next stage of industrialization. They are creating real-world capabilities to fuel business and manufacturing innovation, run national health systems, enable secure government services, and support digital tools in education — all while keeping data and operations close to home, subject to European laws and regulations. Moreover, we have made a digital resilience commitment including both legal recourse as well as contingency arrangements with European partners to facilitate business continuity if any government anywhere in the world asked Microsoft to suspend or cease cloud operations in Europe.

Economic success, and European competitiveness, is driven by interconnected ecosystems that enable rapid adaptation, AI adoption, and growth. AI's true potential can only be realized through collaboration. That is why we are committed to working hand-in-hand with our European customers and believe that our overall commitment contributes to the EU's ambition to become an AI continent.

¹ Microsoft announces new European digital commitments – April 30, 2025 ([Link](#))

We agree that addressing obstacles such as long permitting times, ensuring the successful interplay between our infrastructures and natural resources (i.e. such as land and water), and access to capital is crucial for fostering a competitive and sustainable datacenter ecosystem in the EU. The initiative's potential to stimulate research and development, boost resilience, and strengthen the security of supply in computational capacity and cloud services is laudable and timely. We also recognize and want to contribute to the potential social benefits, including boosting digital public services and overcoming the digital divide.

II. Ensuring Access to Cutting-Edge Technology to Digitalize the EU's Economy

Microsoft acknowledges the EU's ongoing discussions around digital sovereignty and resilience and remains a committed partner to Europe's security and digital transformation. We understand concerns around over-reliance on foreign technology and are committed to addressing them constructively, especially during a time of volatile transatlantic relations. Microsoft is not the US government; our security partnerships with European governments are built on decades of trusted collaboration. And, as the world's largest cybersecurity provider, we want to emphasize our history of active joint collaboration with European governments, industry, and customers underlining the value we see in continuing our trust-based relationship.

We take European sovereignty discussions seriously and want to work constructively with the EU to find solutions and address any concerns. A testament of our commitment to the EU's digital sovereignty is our expanded efforts with Sovereign Cloud, which is the most comprehensive set of sovereignty solutions, with integrated productivity, security and cloud platform². Moreover, we have delivered upon our commitment to Europe's cybersecurity and autonomy by fully implementing our EU Data Boundary, a geographically defined boundary within which Microsoft has committed to store and process European Customer and personal data for our Microsoft enterprise online services³. We implemented the EU Data Boundary in 2023, and we announced in February 2025⁴ that we have completed our extensive engineering efforts to make it possible.

We believe that, as a primary goal, public procurement policies should ensure access to cutting-edge and secure technology to drive digitalization in the EU's economy and public sector, in accordance with the goals set out in the Digital Decade targets. Procurement criteria should lead to selecting solutions that are sustainable and offer high cybersecurity protection. They should also enable SMEs to fully participate in tender procedures. The recently released Competitiveness Compass proposes "the introduction of a European

² Microsoft's announces comprehensive sovereign cloud solutions empowering European organizations – June 2025 ([Link](#))

³ With only limited exceptions e.g. in view of the global analysis of security daily signals to discover cyber threats timely and be able to mitigate malicious activity. For further details see Microsoft EU Data Boundary Transparency Documentation ([Link](#))

⁴ Microsoft completes landmark EU Data Boundary – February 2025 ([Link](#))

preference in public procurement for strategic sectors and technologies". Regardless of how such preferences are defined, whether as local or EU-wide preference measures or local content requirements, they inherently restrict choices for governments and potentially prevent them from using a diverse range of innovative, sustainable, and secure products at accessible prices, including from European SMEs who often use third country subcontractors or sub-processors.

Strengthening Europe's economic resilience and security is essential and promoting an open and competitive market that encourages global partnerships in critical tech areas remains the best path forward. Rather than imposing prohibitory or restrictive procurement policies or measures - such as data localization and European headquartering requirements that impede government access to a range of state-of-the-art technologies - the EU should focus on diversifying supply chains, ensuring access to critical technology, and fostering collaboration with trusted technology providers. The EU's participation in the World Trade Organization's (WTO) Agreement on Government Procurement (GPA) is a strategic asset in achieving these goals and thus securing procurement opportunities abroad for products developed in the EU. Upholding its commitments under the GPA will help promote reciprocal access to international markets. Restrictive measures, on the other hand, may further increase friction with global partners and set a wrong example, potentially leading to retaliatory actions and inspiring the proliferation of similar policies abroad, contradicting the spirit and principles of the WTO GPA.

As part of the forthcoming proposal, it is essential to ensure that a set of highly critical use cases are not only narrowly defined, but also strictly limited to prevent undue discrimination and uphold the EU's commitments under the WTO GPA. This can be done by promoting an open and competitive market that encourages partnerships with trusted providers in critical tech areas. However, we urge against the introduction of restrictive requirements for the procurement of cloud services via the Cloud and AI Development Act. This would harm availability and choice of innovative services for users and negatively impact the digital transformation of the EU's public sector. In addition, such measures would be particularly detrimental for SMEs and smaller market players, significantly limiting their access to critical technologies which runs counter to key objectives under the EU's Digital Decade targets. This would also challenge the EU's ability to achieve its ambitions for open strategic autonomy not by strengthening Europe's technological capability, but by reducing its access to secure, high-performing global technologies that are essential for resilience.

Rather than imposing restrictive policies or measures that impede government and users access to a range of state-of-the-art technologies - the EU should focus on diversifying supply chains, ensuring access to critical technology, and fostering collaboration with trusted technology providers. This will allow governments and customers to rely on an open and competitive market and to choose from a diverse range of cloud service providers, based on their needs and on objective and risk-based criteria such as governance, risk management, security, transparency and performance.

III. Continuing Advancement of Sustainability and Innovation

We commend the focus on advancing research and innovation to make the EU a leader in resource-efficient data processing infrastructures. Digital infrastructure plays a key role in advancing the sustainability of several industrial sectors and is therefore crucial for the green transition of European businesses. In 2025, the International Energy Agency has projected that with the current technology, the widespread adoption of today's AI applications could result in emissions savings that surpass datacenter emissions by 2035.

Microsoft has set ambitious goals to become carbon negative, water positive, and zero waste by 2030. This translates into our commitment to integrate sustainability from the outset of our datacenter design. We are continually investing in improving the design and operation of our datacenters to minimize water and energy use.

Our datacenters operate at a high level of energy efficiency, using advanced technologies and best practices to optimize their Power Usage Efficiency Index (PUE), which is the total amount of power entering the datacenter divided by the power used to run the IT equipment. We fully recognize the importance of the European Union's ongoing debate on digital sovereignty and the strategic imperative of strengthening regional control over digital infrastructure. At the same time, we note that the sustainability requirements being proposed for data centers are highly ambitious — to the degree that only a few operators, mostly hyperscalers, are currently equipped to meet them. Rather than being seen as a barrier, we believe this presents an opportunity for collaboration. Hyperscalers can play a constructive role in supporting the EU's objectives by sharing best practices, driving innovation, and investing in the technologies needed to meet these high standards. Our inclusion in the European digital ecosystem is not only compatible with the EU's goals of sovereignty and sustainability — it is essential to achieving them at scale and with speed.

Cloud services enable businesses to retire from less efficient legacy on-premises systems, which were hosted, administered and upgraded locally. They are replaced with cloud systems that are centralized and that benefit from enormous economies of scale⁵. Additionally, cloud datacenters can be 80% more energy efficient than traditional onsite servers, reducing the carbon footprint of computing workloads⁶.

With electricity being a core driver of the operational cost of our datacenters, we have a direct incentive to run our operations in the most energy efficient way to minimize our electricity needs. We are matching 100% of our electricity demand with renewable energy purchases through Power Purchase Agreements (PPAs) and therefore contributing to generating new renewable energy generation capacity. By 2030, 100% of our electricity consumption will be matched by zero carbon electricity purchases 100% of the time. Furthermore, also by 2030, Microsoft aims to phase out fossil diesel for backup power generation, and where economically and technically feasible, we are committed to providing waste heat to the surrounding communities in which we operate.

⁵ Green Data: A Vision for Sustainable Data Centres in Ireland - Baringa, July 2022 ([Link](#))

⁶ Idem

Microsoft is committed to continuously improving the energy efficiency of our datacenters, and we consider a range of factors in this effort. One key area is the optimization of cooling systems, where we deploy the most efficient technologies based on geographic conditions and the specific IT configurations in each facility. However, it is important to avoid the misconception that IT utilization is an accurate or meaningful metric for assessing a datacenter operator's energy efficiency. This approach overlooks the nature of our business model: while we can design and operate our infrastructure to be as efficient as possible, we do not control how customers use the capacity they purchase. Unlike some of our competitors, the majority of our datacenter workloads are third-party loads—primarily hosting our customers' applications and services through our cloud platform. While we can optimize the infrastructure that supports our own services, for example by scheduling compute-intensive tasks during off-peak hours, we cannot control when or how customers access their own data and services. Measures targeting utilization requirements risk incentivizing counterproductive behaviors, such as artificially inflating server loads to meet thresholds, which undermines sustainability goals.

With our \$1 billion Climate Innovation Fund, we are investing to hasten the development and deployment of new climate innovations, especially for underfunded sectors and supply-constrained markets like lower-carbon building materials. For example, we are investing in solutions such as H2 Green Steel to expand the market supply of near-zero carbon steel which can deliver up to 95% lower CO2 emissions than conventional steel. We are also evaluating the use of near-zero carbon steel in our own building materials and equipment supply chains.

Microsoft supports several initiatives that the European Commission is leading to advance the sustainability of digital infrastructure. In the interest of maintaining Europe's competitiveness and security, it will be crucial that all upcoming policies preserve the confidentiality of business information, limit potential overlaps and duplication in reporting requirements, and adopt a realistic and holistic approach to the sustainability of digital infrastructure. In support of ongoing regulatory simplification efforts, any upcoming policy actions should build on existing work being led by other departments of the European Commission aimed at addressing the sustainability and energy efficiency of datacenters.

In parallel to the multiple frameworks currently in place or to the ones being developed to address the sustainability of digital infrastructure, the European Commission is also considering the possibility to introduce minimum performance standards (MPS) for datacenters built in the region. We are concerned about the potential introduction of such MPS as they would not sufficiently account for the complex interdependencies between energy efficiency, water usage, heat reuse and local differences. For instance, while mechanically air-cooled data centers may, in certain climatic conditions, be less energy efficient than water-cooled alternatives, they offer greater water efficiency. Similarly, facilities that recover waste heat often require additional energy to operate the necessary systems. Moreover, the EU landscape is marked by significant regional variation in climate, resource availability, infrastructure maturity, and energy systems. In some areas, water is plentiful, but electricity is constrained; in others, district heating networks are well established, while

elsewhere they are largely absent. A uniform MPS framework risks overlooking these local realities and the diverse environmental priorities of Member States and municipalities, while placing the burden of consequence of such divergences on datacenter operators. We therefore encourage the Commission to adopt a more nuanced approach that can be easily delivered via the sustainability rating scheme for datacenters and that can maintain the competitiveness of the region for digital infrastructure.

IV. Tackling Bottlenecks to the Growth of Digital Infrastructure in Europe

As outlined above, Microsoft is committed to investing in the growth of the needed infrastructure for AI development in Europe. However, we encounter significant barriers to the growth of digital infrastructure in Europe and in a way that impacts European countries in different ways:

- **Permitting:** Long and often uncertain permitting processes to build datacenters are considered one of the main barriers that need to be addressed. Currently, permitting processes and timelines differ significantly between member states and it has materially impacted the way investments are directed towards some countries versus others. The long processing times of permitting applications (typically ranging anywhere from 12-48+ months) and lack of predictability, risks hindering secure and timely planning of large-scale investment projects. Datacenter permitting across Europe tends to be a highly idiosyncratic, slow and unpredictable process involving multiple agencies at various administrative levels. Datacenters have become foundational to our modern society and predictability is critical to enabling us to provide our services to customers on time to meet their demand. Some EU countries are therefore recognizing datacenters as essential or critical infrastructure projects, eligible for receiving prioritized and streamlined permit application review by authorities to accelerate project completion while still ensuring full compliance with local laws. Thanks to such fast-tracking options, datacenter permitting processes can be reduced to less than twelve months, with significantly improved predictability for our investments. For example, in Aragon (Spain), the regional government has built two legal instruments⁷ that are designed to fast-track development of projects that are deemed strategically important by providing a comprehensive planning framework that consolidates multiple approvals into a single streamlined process. These instruments are transforming Aragon into one of Europe's most dynamic regions.
- **Community related concerns:** It is imperative to assess and appropriately address community related concerns with regards to digital infrastructure deployments. We are very deliberate to assess and understand local community attitudes and perspectives in relation to the impact of construction and operations on

⁷ 'Plan de Interés General de Aragón' (PIGA) and 'Declaración de Interés General de Aragón' (DIGA)

neighborhood and local areas. In November 2024 Microsoft announced its Datacenter Community Pledge⁸ to:

- Contribute to a sustainable future: We will design and operate our datacenters to support society's climate goals and, as stated above, become carbon negative, water positive and zero waste before 2030.
 - Advance community prosperity and wellbeing: We will deliver significant local, economic, social and environmental benefits to the communities where we operate; and
 - Operate responsibly as a good neighbor: We will partner closely with communities and operate in a way that respects the local environment.
- **Streamlining the implementation of EU Directives:** To accelerate environmental permitting, the EU can play a pivotal role in streamlining the implementation of the Environmental Impact Assessment (EIA) Directive. This process has led to significant delays, particularly for large-scale infrastructure projects, including data centers. The EU could mitigate these delays by expediting the process, establishing clear and consistent guidance on Best Available Techniques and enabling the EIA to be carried out in parallel with other permits (such as the building permit). This can ensure that environmental integrity is upheld without compromising the pace of strategically important development. consolidate multi-level approvals. This can ensure that environmental integrity is upheld without compromising the pace of strategically important development.
 - **Access to grid connections:** Other impediments to the fast development of European AI infrastructure include lack of access to grid capacity and the fact that projects wanting to connect to the grid can stay in the queue for years. The wait times to secure new connections for projects may be up to 10 years⁹ in some cases. Access to a firm grid connection in some cases is the main obstacle to a prompt development of a project. The upcoming EU Grids package should facilitate speedy grids development and connection, encouraging increased accountability of Member States' plans for grids development via regular reporting in their National Energy and Climate Plans.
 - **Access to clean energy:** In some geographies, we have enough renewable energy to be able to cover locally only part of our expected consumption in the upcoming years. It is therefore important to ensure fast implementation of the revised Renewable Energy Directive and its provisions to expedite permitting processes for renewable generation. Microsoft is also contributing to the generation of additional renewable sources of energy by concluding additional PPAs that help renewable energy generators add capacity to the grid.

⁸ Microsoft's Datacenter Community Pledge – November 2024 ([Link](#))

⁹ World Energy Outlook Special report, p. 94 – International Energy Agency, April 2025 ([Link](#))

- **Access to appropriately zoned and developable land:** In some countries, developable land does not have a ready-to-access power supply within the next 10 years and is not properly zoned to enable ease of permitting. A concerted effort from national governments could help identify available land for companies willing to invest in brownfield land or land that is released for development.

V. Developing a Balanced Regulatory and Policy Framework

We appreciate the Commission's considerations about the preliminary set of policy options for this upcoming initiative and welcome their thorough analysis in the forthcoming impact assessment to ensure that the chosen policy option creates the right conditions for the private sector to build out sustainable cloud and AI capacity in the EU. We see the merit in harmonizing cloud policies across Member States and support the development of a trustworthy EU infrastructure ecosystem. However, we believe guidance for Member States to coordinate their cloud strategies, investments and designation of suitable sites for new datacenters is key to ensuring efficient distribution of datacenter infrastructure and achieving the Digital Decade targets, and it is preferable to overly prescriptive rules that might limit choices for public sector and enterprise users.

Conclusion

Microsoft is committed to supporting the EU's digital transformation goals and enhancing the region's computational capacity. We believe that the Cloud and AI Development Act has the potential to be a significant step towards achieving these objectives and look forward to continued collaboration with the European Commission and other stakeholders. Microsoft appreciates the Commission's commitment to wide consultation and stakeholder engagement. We look forward to providing further insights based on our experience and expertise in cloud and AI technologies.