



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

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European Union launches new Tech Sovereignty Package

MARKET INTELLIGENCE REPORT

Summary

- On 3 June 2026, the European Commission presented a new [European Tech Sovereignty Package](#).
- The Package consists of four individual measures which, according to the Commission, aim to strengthen the EU's semiconductor production capacity, cloud and AI infrastructure, and toolbox of digital solutions in areas such as digital identity and business wallets.
- The Commission says these measures will help enhance Europe's digital autonomy and resilience while boosting innovation, commercialisation, and uptake of emerging technologies.
- The Package reflects ongoing efforts by the EU and its Member States to strengthen European capabilities in critical sectors such as semiconductors, cloud computing and AI, while continuing to engage with international supply chain partners and managing dependence on any particular country or company.

- The package is now before the European Parliament and the Council of the EU for review and debate. In line with the EU's ordinary legislative process, officials do not expect final approval before late 2027.
- If fully approved, the EU's Tech Sovereignty Package may offer opportunities for economic and regulatory cooperation in emerging sectors including cloud and AI services; sustainably managing the growth of data centre capacity; and in wider digital solutions such as digital identity and digital business wallets.

Report

The Tech Sovereignty Package consists of two legislative proposals, the [Chips Act 2.0](#) and the [Cloud and AI Development Act](#), and two non-legislative strategic documents - an [Open Source Strategy](#) and a [Strategic Roadmap for Digitalisation and AI in Energy](#). The package is now before the European Parliament and the Council of the EU for review and debate. In line with the EU's ordinary legislative process, officials do not expect final approval before late 2027.

Chips Act 2.0

The EU is recognised as a leader in specific areas of the global semiconductor supply chain. For example, Dutch manufacturer ASML produces extreme ultraviolet lithography systems required for printing advanced microchips, and Belgium's IMEC is a leading R&D hub conducting frontier semiconductor research.

The original 2023 Chips Act was the EU's first coordinated response to critical semiconductor supply chain vulnerabilities, mobilising more than €52 billion (NZD \$104.4 billion) in public and private investment. Chips Act 2.0 aims to make private investment even more attractive and better align with demand and industrial needs. Key actions under the proposed Chips 2.0 Act include:

- **Accelerating permitting procedures**, with approvals for new semiconductor projects provided within a maximum of 12 months;
 - **Introducing Demand Accelerators** to ensure that new semiconductor products are aligned with industrial need, and to speed up commercialisation;
 - Funding for novel projects covering the entire semiconductor value chain; and,
 - Establishing a **Business-to-Business Semiconductor Supply Chain Platform**.
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Cloud and AI Development Act

The Commission has identified lengthy permitting procedures and limited access to energy, land, and financing as some of the barriers to scaling Europe's cloud and computing capacity. It also says it wants to enhance Europe's digital autonomy and resilience. The Cloud and AI Development Act (CADA) proposal aims to address these barriers and objectives through a range of measures grouped under three pillars:

- Pillar One - Research, Development, and Innovation:
 - This pillar aims to develop **'EU-made' cloud and AI technologies** and promote take-up in strategic industrial and public sectors.
 - Member States will adopt national cloud and AI strategies complemented by locally based **Experience and Acceleration Centres for AI**.
 - Much of the funding for Pillar One should be expected to come from existing programmes, including **Horizon Europe**, the EU's key funding programme for research and innovation, running from 2021 to 2027.
- Pillar Two – Capacity:
 - The EU aims to **at least triple its data centre capacity** within the next 5-7 years, through simplifying and accelerating the permitting and deployment of data centres across the EU.
 - The Commission also expects to set sustainability requirements for data centres into law in the coming months.
- Pillar Three – Autonomy:
 - The EU is introducing a four tier **'Union cloud and AI sovereignty framework'** to guide public procurement in EU Member States and set a baseline level for what forms of AI and cloud systems may be awarded EU contracts.
 - Non-EU cloud or AI providers will be able to participate in procurement bids up to level three under the framework.

To participate in EU procurement bids, the Commission must first issue a decision recognising that the cloud or AI provider's country of origin affords "sufficient sovereignty guarantees and reciprocity." At a minimum, non-EU cloud or AI providers must come from a country which:

- Has obtained data adequacy status under the EU's General Data Protection Regulation (GDPR)
 - Does not impose measures which conflict with lawful access to non-personal data set out in the EU's Data Act;
 - Does not degrade or disrupt service continuity or provision, or enforce restrictive measures such as sanctions and embargoes unless these are legitimate under Member State or EU law;
 - Does not impede the provision of state-of-the-art technologies and services;
 - Maintains an open market to EU cloud computing services; and,
 - Grants EU companies equivalent levels of access to public procurement procedures.
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Strategic Roadmap for Digitalisation and AI in Energy

Data centres are responsible for 2.5% of the EU's overall electricity consumption, though the burden of electricity demand is higher in leading data centre hubs such as Ireland where data centres take up 20% of electricity demand. According to the Commission the Strategic Roadmap for Digitalisation and Artificial Intelligence in energy aims to accelerate the rollout of digital solutions, including European sovereign AI solutions, in areas that are important for the decarbonisation process, such as electricity grid optimisation, energy efficiency in buildings and industry, and demand-side flexibility.

Although not legally binding, the Strategic Roadmap sets up several initiatives to deliver on the EU's sustainable digitalisation goals. This includes developing an **EU model for tripartite agreements** between data centre operators, energy sector players, and public authorities. The Strategic Roadmap also launches a flagship '**AI.grids Project**' to accelerate the use of digital and AI solutions and support efficient electricity use, such as smart metres. The Commission estimates that the digitalisation of the EU's energy systems could deliver €71 billion (NZD \$142.7 billion) per year in direct consumer savings. For industrial users, AI-based energy system operation and maintenance could save up to an estimated €94 billion (NZD \$188.9 billion) annually by 2035.

EU Open Source Strategy

The final element of the Tech Sovereignty Package is a new EU Open Source Strategy which, according to the Commission aims to strengthen Europe's open digital ecosystems by supporting the development, scaling, deployment and long-term sustainability of open source technologies across both the public and private sectors. According to the Commission, the current open-source ecosystem faces several structural challenges, including limited long-term funding, difficulties in maintaining and scaling projects, and barriers in moving from innovation to industrial deployment. To address these hurdles, the Open Source Strategy outlines key actions such as:

- Promoting EU developed solutions such as the **European Digital Identity Wallet**, and **European Business Wallet**;
 - Developing common procurement guidelines and security baselines centred on monitoring, vulnerabilities, licence compliance, and dependency risk; and,
 - Supporting uptake of EU alternatives and scaling the Open Internet Stack - a catalogue for open source solutions which align with EU priorities and rules.
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Opportunities for New Zealand

The EU's Tech Sovereignty Package and broader [Tech Sovereignty and digital architecture](#) across its different elements may offer potential engagement and economic opportunities for New Zealand.

New Zealand is one of 16 non-EU countries which has received a data protection adequacy decision from the Commission – a condition for non-EU companies being able to bid for cloud and AI service procurement under the proposed CADA.

Noting New Zealand's Associate Membership of Horizon Europe, there may also be increased opportunity to participate in cutting-edge cloud and AI technology research with a focus on commercialisation and alignment with industrial and public sector needs.

The EU's approach to tripling its data centre capacity within the next five to seven years and employing AI to efficiently manage energy demand and costs, including through AI-powered smart metres, could also provide avenues for economic cooperation.

Finally, the EU's open-source approach to developing digital platforms and AI tools could provide a foundation for platforms being developed in New Zealand. For example, the European Business Wallets and digital product passports may be used to support compliance and communicate product information in global markets including the EU and beyond.

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