

CLOUD AND AI DEVELOPMENT ACT (CADA)

CADA's Hidden Economic Shock & Taxpayer Burden

Until now, EU policymakers have discussed the Cloud and AI Development Act (CADA) using incomplete data that understates the financial impact of CADA's 'sovereignty' requirements on taxpayers and businesses. This new study by ECIPE reveals the real-world costs missed in the European Commission's official impact assessment.

Key findings: exposing the hidden costs

REALISTIC PRICE TAG

€115bn

Under a moderate scenario, the 'sovereignty' requirements create €115 billion in total financial risks and extra costs across the EU27 over 10 years.

DIRECT BILL FOR TAXPAYERS

€33bn

Out of this, higher cloud bills and software rewrites drain €33.3 billion from taxpayer-funded public procurement in the next decade.

PRIVATE-SECTOR SHOCKWAVE

€80bn

Extending Article 31 sovereignty rules to just 25% of essential private-sector workloads adds €80 billion, driving 70% of CADA's economic footprint.

TABLE 1 Four major EU-wide economic shocks

ECONOMIC SHOCK	NARROW	MEDIUM	BROAD
1. One-off software rewriting & server move costs	€21.4bn	€79.1bn	€159.3bn
2. Extra 'sovereignty' price markup for cloud services	€1.2bn/year	€2.9bn/year	€5.8bn/year
3. Lost savings & productivity from delayed cloud and AI benefits	€150m	€1.9bn	€6.1bn
4. Temporary price surges from cloud capacity shortages	€20m	€310m	€1.3bn
Total 10-year economic exposure	€35.6bn	€115bn	€233bn

Why the Commission's assessment missed the mark

The European Commission's official impact assessment framed CADA as a minor public procurement update with limited economic fallout, structurally underestimating its real-world cost by ignoring three factors:

1 Omitted software rewriting

- The Commission acknowledged application porting costs at €30,000 to €600,000 per app.
- Yet it completely **excluded software re-architecting, substitution, and code-rewriting from its calculations** — which form the vast majority of compliance costs.

2 Ignored private-sector spillover via Article 31 (€80bn)

- The Commission's numbers treated CADA purely as public procurement, **ignoring Article 31 that allows regulators to extend sovereignty mandates to essential private sectors** (energy, banking, transport, healthcare).
 - Essential private-sector cloud spend (€61bn/year) dwarfs public spend (€4.1bn/year).
- Extending CADA mandates to just 25% of essential private-sector workloads would cost €80 billion, or 70% of the entire €115 billion economic footprint.

3 Assumed unrealistic 'frictionless' supply

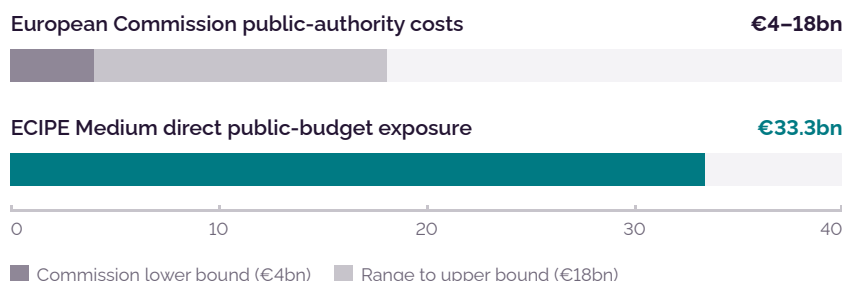
- The Commission **assumed European cloud providers can scale up capacity at high security tiers (UAL3 and UAL4) overnight** without shortages or price spikes.
- In reality, CADA-compliant high-tier capacity is severely constrained. Supply bottlenecks will force public authorities and businesses to defer cloud and AI rollouts.

Missing the full impact: the Commission's 6-fold underestimation

The European Commission's impact assessment only quantified the costs of a narrower public-sector scope, whereas ECIPE incorporates the critical broader technology adjustment.

CLOSEST COMPARABLE PUBLIC-SECTOR MEASURE

10-year estimate, € billion



PUBLIC-SECTOR COMPARISON

EUROPEAN COMMISSION

€4–18bn

Claims public-authority costs between €4 and €18 billion.

ECIPE STUDY

€33.3bn

Finds direct public-budget exposure at €33.3 billion, roughly 2× the Commission's upper-bound estimate.

Outside the narrow public-cost scope, ECIPE projects an additional **€80 billion in private-sector exposure** (specifically through Article 31) that the Commission failed to take into account.

6×

When taking both public and essential-private sectors into account, ECIPE's total impact is approximately **6 times higher than the Commission's CADA impact assessment**.

Direct cost to public budgets & taxpayers

Public authorities are directly hit in their operational and procurement budgets by CADA. Under the central conservative Medium scenario, the public sector carries **€35.1 billion in cumulative economic exposure over ten years**. Out of this, €33.3 billion consists of higher ongoing cloud bills and software migration costs that must be funded by European taxpayers. An additional €1.8 billion is lost in delayed public service digitalisation.

TABLE 2 Direct cost to public budgets & services

PUBLIC-SECTOR IMPACTS	NARROW	MEDIUM	BROAD
1. One-off software rewriting & server move costs	€11.9bn	€26.4bn	€31.9bn
2. Extra 'sovereignty' price markup for cloud services	€460m/year	€590m/year	€660m/year
3. Lost savings & productivity from delayed cloud and AI benefits	€150m	€1.8bn	€5.5bn
4. Temporary price surges from cloud capacity shortages	€7m	€54m	€130m
Total 10-year public sector exposure	€17.4bn	€35.1bn	€45.1bn



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