Teneo

Closing the AI Gap: Europe's Renewed Push for Digital Sovereignty

Teneo Insights | January 2026

In 2026, the European Union is poised to turn its long-standing concerns about digital sovereignty into a more assertive policy agenda aimed at reducing reliance on foreign technology providers, particularly in cloud, data and AI.

As AI systems become embedded in everything from industrial production and financial services to healthcare and public administration, the question of who builds, operates and controls the underlying digital infrastructure has become unavoidable.

Yet despite growing political interest, digital sovereignty remains an elastic concept, widely invoked but rarely defined in operational terms. As the EU moves from regulating digital markets to actively reshaping them, the lack of Europe-wide champions and a shared understanding of what AI should be risk creating uncertainty for companies while limiting Europe's ability to close its widening AI capability gap.

Europe's Strategic Vulnerability in the AI Era

The debate around digital sovereignty is not new to European politics. In recent years, core legislative files such as the EU's Digital Markets Act, Digital Services Act and AI Act have sought to rein in systemic risks posed by large digital platforms, strengthen regulatory oversight and set global standards. More recently, the EU Commission has begun developing new certification schemes or "sovereignty labels" for cloud and network providers to distinguish services that meet specific European standards around data control, security and governance.

What has changed is the strategic context. AI has dramatically increased Europe's dependence on large-scale compute, hyperscale cloud infrastructure and globally integrated data flows—areas where European providers remain structurally weak. At the same time, geopolitical tensions have intensified, and the U.S. administration has increasingly framed EU digital regulation as discriminatory towards Big Tech companies. For Europe, this has heightened concerns about overdependence on foreign infrastructure, particularly cloud services provided by U.S. hyperscalers. These concerns were reinforced last October, when a series of high-profile outages at U.S.-based cloud providers disrupted European businesses across multiple sectors.

In parallel, China's growing technological footprint, especially in telecommunications equipment, hardware manufacturing and data infrastructure, continues to raise alarms around supply chain security and strategic dependencies. As a result, in this environment of technological concentration, digital infrastructure is increasingly viewed by European policymakers as a strategic asset, akin to energy or defense.

However, Europe's ambition to reduce dependencies collides with the realities of its own technology limitations. These challenges are not solely about model performance, they are also about an ecosystem that rewards regulatory compliance more reliably than rapid deployment and scaling. AI sovereignty, in other words, cannot be achieved through regulation alone.

Digital Sovereignty: Political Consensus, Operational Ambiguity

The EU Commission is expected to advance several major initiatives in the first half of the year, including the Digital Networks Act, the Cloud and AI Development Act, revisions to the Chips Act and a proposed Quantum Act. While these files all differ in scope, they share a common objective: strengthening Europe's control over critical digital technologies and infrastructure.

At the political level, support for this objective appears broad. In November, all 27 EU member states signed a declaration on the sidelines of a Franco-German summit, describing digital sovereignty as a cornerstone of Europe's "economic resilience, social prosperity, competitiveness and security." However, within a few days, both Paris and Berlin distanced themselves from aspects of the text.

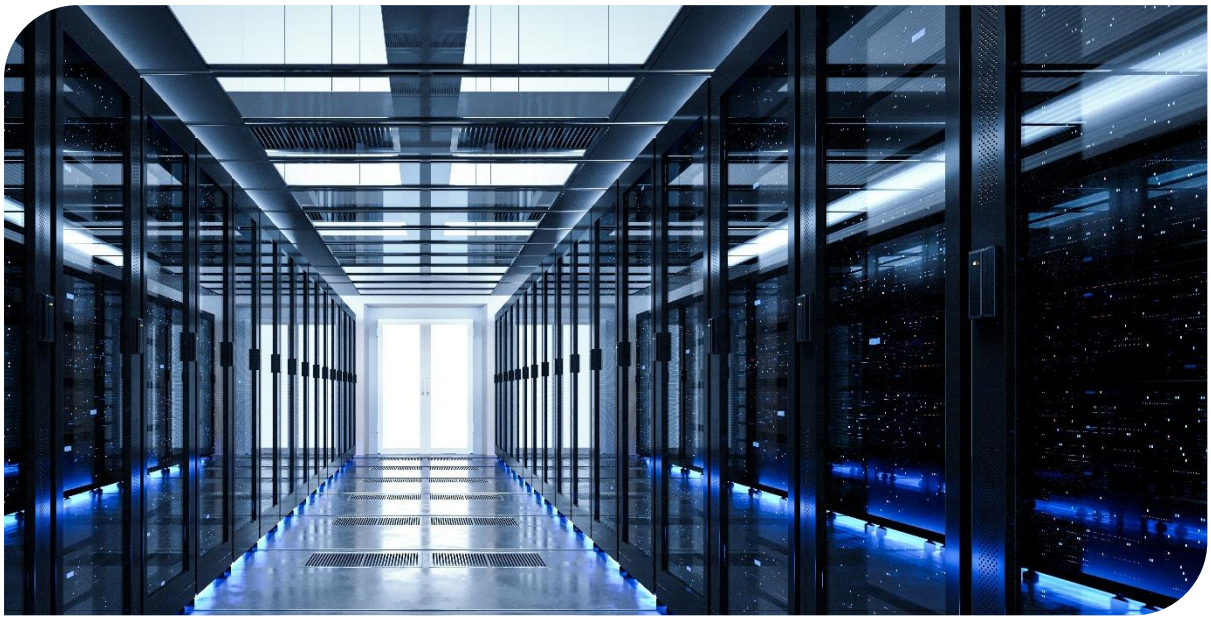
These developments highlight the primary challenge the EU faces at the moment; despite broad political consensus, it still lacks a shared, operational understanding of what "digital sovereignty" is. For some member states, sovereignty emphasizes resilience and risk mitigation. For others, it implies industrial protection or strategic preference in procurement. This ambiguity renders strategic planning challenging and unpredictable for global companies that operate across European markets.

From Regulation to Leverage: What Comes Next

Europe's sovereignty agenda is entering a more consequential phase. Over the coming months, it will become clearer which instruments the EU intends to prioritize—whether procurement guidance, certification schemes, industrial policy incentives or new regulatory obligations. Regardless of the mix, companies active in the European market should expect a shift in how they are assessed by policymakers and regulators.

Compliance with existing rules will remain necessary but is no longer sufficient on its own. Global providers, especially from the U.S., will increasingly be judged on their perceived alignment with Europe's sovereignty objectives: where they locate compute and data storage, how transparently they manage data and algorithms, whether they invest in European infrastructure and how visibly they contribute to local innovation ecosystems.

Even in the absence of explicit "Buy European" mandates, political momentum is shifting towards favoring multinational companies that demonstrate long-term commitment to Europe rather than purely transactional market participation. In contrast, European companies need to scale up their technological capabilities, including their data and compute infrastructure, to increase their competitiveness vis-à-vis their global counterparts.



Authors

Kateryna Kursenko
Consultant

Julia Brandkamp
Associate Consultant

Teneo
The Global CEO Advisory Firm

Teneo is the global CEO advisory firm.

We partner with our clients globally to do great things for a better future.

Drawing upon our global team and expansive network of senior advisors, we provide advisory services across our five business segments on a stand-alone or fully integrated basis to help our clients solve complex business challenges. Our clients include a significant number of the Fortune 100 and FTSE 100, as well as other corporations, financial institutions and organizations.

Our full range of advisory services includes strategic communications, investor relations, financial transactions and restructuring, management consulting, physical and cyber risk, organizational design, board and executive search, geopolitics and government affairs, corporate governance and ESG.

The firm has more than 1,800 employees located in 45+ offices around the world.

teneo.com