artificial minds

Rules Without Megawatts: Why Europe's AI Sovereignty Depends on Infrastructure It Cannot Build

How Physical Constraints Now Shape Europe's AI Infrastructure Strategy

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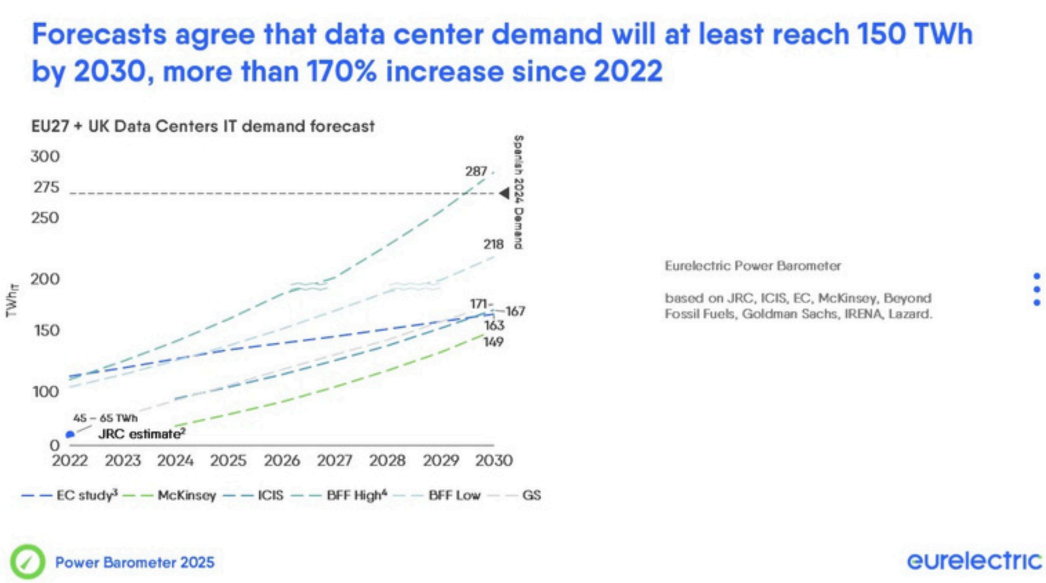
Executive Summary

Europe built one of the world's most comprehensive governance frameworks for AI and cloud services - and, at least at the regulatory level, it worked. Hyperscalers adapted their offerings, launched sovereign cloud structures, and accepted compliance as the price of operating in the European market. In governance terms, Europe achieved a meaningful form of sovereignty.

However, infrastructure did not follow. The EU has approximately [11.9 GW](#) of installed data center capacity, roughly 15% of the global total. The [AI Continent Action Plan](#) set a target of at least tripling EU data center capacity within five to seven years. The [IEA](#) projects capacity will grow only about 70% by 2030, reaching roughly 20 GW. [McKinsey](#) estimates demand will reach 35 GW. Regardless of how it is measured, the structural deficit is 10 to 15 GW. *

*A note on measurement: This paper uses deliverable grid-connected facility power (MW/GW). Because facility power includes cooling and overhead, 1 GW from the grid delivers roughly 670–770 MW of IT load (PUE 1.3–1.5). IEA reports facility power and McKinsey reports IT load, but both indicate the same shortfall when converted to comparable terms.

The gap is physical. Core hubs in Frankfurt, London, Amsterdam, Paris, and Dublin (FLAPD) hold more than 60% of European capacity and face binding constraints simultaneously. [Grid reinforcement](#) takes 7 to 10 years, but AI investment cycles run 12 to 24 months. These timelines are structurally misaligned, and regulatory fast-tracking cannot accelerate the construction of substations, transmission lines, or high-voltage system upgrades.



[Figure 1](#): EU27 + UK data center electricity demand forecasts, 2022–2030 (TWh). All major forecasts project demand at least 150 TWh by 2030, a 170%+ increase from 2022.

Closing the capacity gap requires capital that European governance mechanisms are not sized to mobilize. The Important Project of Common European Interest for Next Generation Cloud Infrastructure and Services (IPCEI-CIS), the EU's flagship cloud industrial policy vehicle, totals approximately €2.6 billion across seven member states. US hyperscaler collective capex is projected to reach US$350 billion in 2025, though that figure covers global infrastructure across all workloads, not European deployment alone. Disclosed European commitments provide some calibration: Brookfield committed US$10 billion to build an AI hub in Sweden; Microsoft announced €4 billion for French cloud and AI infrastructure; AWS committed €7.8 billion to expand its Frankfurt region through 2040. Even accounting for multi-year deployment timelines, these commitments point to tens of billions flowing into European infrastructure annually. That is an order of magnitude larger than the IPCEI-CIS program.

Why does this matter? Because when infrastructure is scarce, allocation authority matters more than regulatory authority. The EU sets rules and standards, but the member states control the physical inputs required to build: grid access, land-use planning and permitting, and public financing. When deliverable megawatts are limited, allocation happens nationally. Member states prioritize grid connections and negotiate directly with hyperscalers over sovereign cloud partnerships. This is not a failure of EU governance. It is the rational outcome when the entity that sets the rules does not control the scarce physical resources.

If Europe does not close this gap, it will retain regulatory sovereignty but lose infrastructure sovereignty. European AI workloads will run primarily on hyperscaler infrastructure outside European control. Europe will regulate these systems but will not determine where they run or who operates them. Regulation is strongest when governments can rely on domestic alternatives. Without domestic capacity at scale, Europe cannot credibly enforce its own rules. Compliance depends on having an alternative.

This creates a trilemma: under current physical constraints, Europe cannot maximize scale, sovereignty, and sustainability at the same time. No member state achieves all three. Countries are making different trade-offs based on their energy systems, planning regimes, and political priorities. The aggregate of these national choices is becoming Europe’s de facto AI infrastructure strategy. The central question is whether Europe makes these choices deliberately or allows fragmentation to make them by default.

Governance Succeeded at the Regulatory Layer

Europe pursued AI sovereignty through governance because regulation was the one tool it could deploy unilaterally. Mobilizing infrastructure capital directly would have required fiscal capacity and political alignment it did not have.

The strategy relied on three instruments:

- Standards and interoperability through GAIA-X,
- Certification through EU-level and national schemes, and
- Industrial policy through IPCEI-CIS.

GAIA-X defined interoperability rules, metadata standards, and trust architectures for cloud services. Its function was to establish a common compliance framework, not to build infrastructure. In practice, it evolved from an infrastructure ambition into a standard-setting body. It structures how cloud providers operate within Europe and gives member states stronger footing when negotiating directly with hyperscalers.

EU-level certification through the EU Cloud Services Scheme (EUCS), alongside national frameworks such as France's SecNumCloud and Germany's C5, gates access to public-sector and regulated workloads behind security and operational requirements. Negotiations over EUCS exposed competing priorities among member states on sovereignty requirements and openness to non-European providers. In 2024, Belgium proposed separating baseline functional certification from national sovereignty requirements. Non-European providers could meet the EU standard; member states would retain discretion over stricter domestic controls. The institutional pattern is consistent: the EU sets the baseline; member states determine how far to extend it.

IPCEI-CIS, approved in December 2023, mobilizes approximately €2.6 billion across seven member states (France, Germany, Hungary, Italy, the Netherlands, Poland, and Spain) to support edge computing, interoperability, and federated cloud architecture. The program strengthens ecosystem coordination and technical capability, but it is not designed to finance hyperscale campuses, grid reinforcement, or large-scale power infrastructure. Industrial policy supports architecture and coordination, not capacity deployment at scale.

Hyperscalers adapted rather than exited. AWS pursued German public-sector workloads through BSI certification. Microsoft structured Bleu with Capgemini and Orange in France. Google partnered with Thales to launch S3NS. Oracle joined Italy's Polo Strategico Nazionale alongside TIM, Leonardo, and Cassa Depositi e Prestiti. Compliance became a condition of market access, and member states gained bargaining leverage they would not have possessed individually.

Capacity Tracked Power, Not Governance Maturity

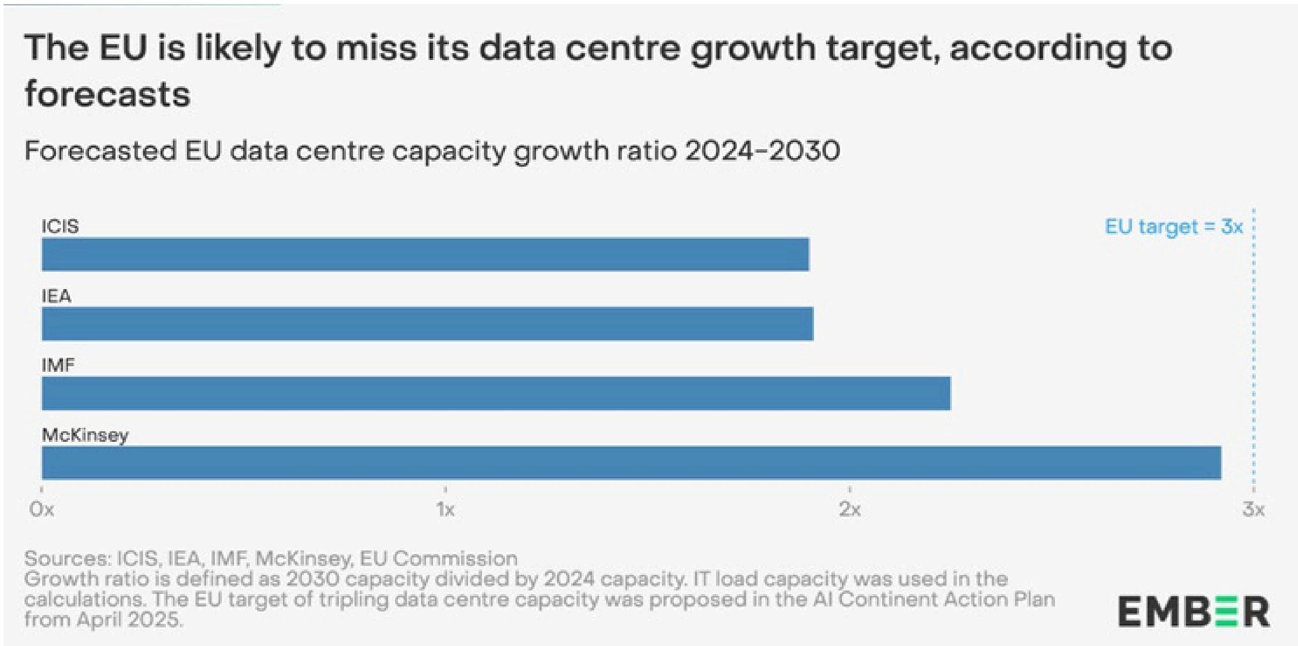


Figure 2: Forecasted EU data center capacity growth ratio, 2024–2030. No major forecast projects Europe reaching its 3x growth target.

The governance instruments that reshaped hyperscaler behavior did not determine where new infrastructure was delivered. New capacity followed grid access, available power, and land. Governance maturity had no measurable effect on where facilities were built.

Frankfurt is the clearest case. Germany has one of Europe's most developed governance frameworks for regulated cloud, with strict sovereignty requirements under BSI's C5 certification and strong industrial policy support. Yet Frankfurt recorded the fewest new project starts among major European markets in 2024 as power and land constraints in the Rhine-Main region tightened. Strong compliance posture did not translate into faster delivery.

Paris follows the same pattern. France operates some of the most stringent sovereignty requirements in Europe under ANSSI's SecNumCloud, and sovereign operating models are highly developed. Yet core Paris faces saturation, pushing new development to suburban locations, Marseille, and Lyon. Development follows where the grid can energize new load, not where compliance frameworks are most advanced.

The Nordics present the opposite constraint: abundant power, insufficient enterprise density

Sweden, Norway, Finland, Denmark, and Iceland combine low-cost renewable power, favorable cooling conditions, and abundant land. This has translated into real AI momentum. In Europe, AI-specific capacity sold to neocloud providers roughly tripled year on year to 414 MW through September 2025, with nearly 60% concentrated in the Nordics. But training and inference have fundamentally different infrastructure requirements. Training workloads are power-intensive, latency-tolerant, and geographically constrained. Inference is latency-sensitive, must sit close to customers, and depends on dense connectivity to enterprise users, regulated workloads, and financial services concentrated in FLAPD hubs. The Nordics can absorb training capacity that FLAPD markets cannot energize, but they lack the enterprise density, regulatory touchpoints, and financial services ecosystems that anchor inference deployment. This is not a temporary gap. Europe's AI infrastructure is fragmenting along functional lines. The Nordics become Europe's training backend and inference stays locked in saturated core hubs where capacity cannot expand fast enough to meet demand. This split is

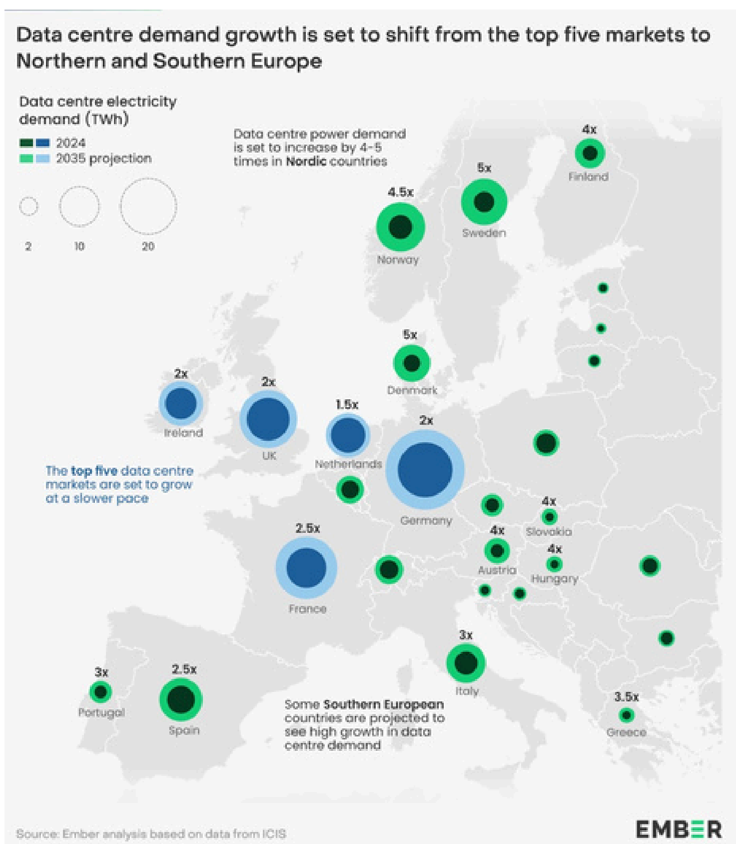


Figure 3: Projected data center electricity demand growth by country, 2024–2035. Top five markets grow at a slower pace while Nordic and Southern European demand multiplies 3–5x.

efficient from a grid perspective, but it scatters Europe's AI stack across jurisdictions with different regulatory regimes, data residency requirements, and sovereign cloud frameworks.

The result is not one European AI infrastructure strategy, but two parallel systems operating under different constraints, and no mechanism to coordinate between them.

This fragmentation carries real economic cost. European firms face higher AI deployment costs and longer procurement timelines than competitors in markets where compute and enterprise demand sit together. Infrastructure constraints that slow inference deployment directly slow the productivity gains AI promises in finance, manufacturing, healthcare, and logistics.

Europe's Major Hubs Face Binding Constraints Simulataneously

More than 60% of European data center capacity sits in mature hubs where expansion is most constrained. EMEA operational capacity reached 10.3 GW by H1 2025, with over 2.6 GW under construction and 11.5 GW in planning stages. FLAPD markets plus Milan account for roughly 4.6 GW operational and 10.9 GW in total pipeline. In principle, demand could relocate if constraints were isolated to a single hub. In practice, all major hubs are reaching capacity limits at the same time. That eliminates the usual substitution play. Developers cannot shift load from Dublin to Frankfurt or Amsterdam to London because all face binding power and land constraints.

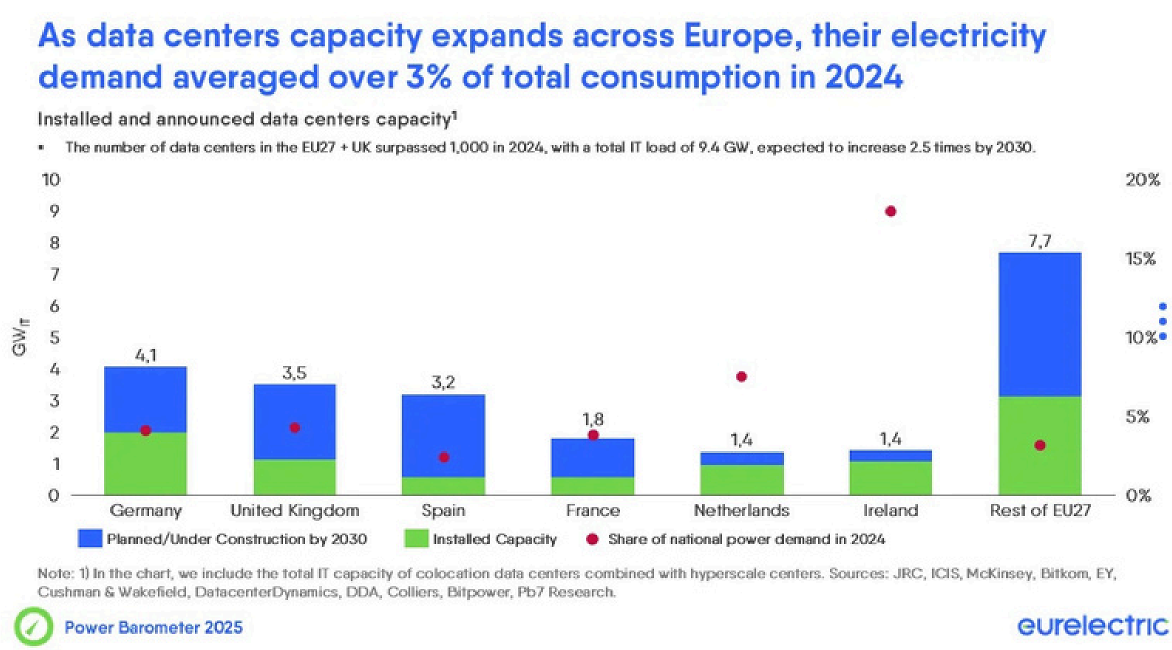


Figure 4: Installed and announced data center capacity by country (GW IT load), with share of national power demand in 2024. Source: Eurelectric Power Barometer 2025.

Ireland

Ireland's grid cannot support additional data center load at current scale. Data centers already consume 21% of Ireland's total metered electricity, with projections reaching 30 to 31% by 2030. In December 2025, the Commission for Regulation of Utilities published a new Large Energy Users connection policy. The policy requires new data centers to supply their own dispatchable generation or storage, source most of their annual demand from new renewables, and provide flexibility services back to the grid. These requirements do not resolve the underlying constraint. Transmission and substation capacity in the Dublin region remains insufficient to support additional large loads. EirGrid has halted new grid connections for data centers in greater Dublin until at least 2028. Industry estimates suggest that approximately €6.5 billion of data center projects on hold as a result. EirGrid's Powering Up Dublin program targets these bottlenecks through major high-voltage reinforcement, but planning, permitting, and construction will take years to deliver.

The Netherlands

New hyperscale data center development in the Amsterdam region effectively halted in 2025 due to overlapping municipal, provincial, and national planning constraints. The City of Amsterdam tightened zoning and permitting rules; new large data centers and major expansions are no longer approved. Provincial restrictions further limit large facilities to designated industrial zones, narrowing viable sites. National planning guidance steers hyperscale development away from the Amsterdam metropolitan area toward locations with available grid capacity and renewable supply. The Amsterdam power grid is effectively full. Net new large-scale capacity is unlikely before 2035. Limited carve-outs for redevelopment, campus densification, and edge facilities do not alter the constraint on new hyperscale delivery.

Germany

Frankfurt is the clearest example of the delivery gap. Data center operators have already secured all available grid capacity in the Frankfurt network area. Mainova, the regional grid operator, says further connections require years of advance notice. No new allocations are expected before 2030. The consequences are visible at the project level. CyrusOne's FRA7 campus, a hyperscale facility under construction in Griesheim, has an 81 MW grid connection but insufficient grid access to expand beyond it. In June 2025, CyrusOne announced a partnership with E.ON to install a 61 MW on-site gas generation system, allowing the campus to reach 126 MW of IT capacity by 2029 without relying on additional grid supply. The arrangement is commercially rational and technically innovative, but it illustrates the structural problem: one of Frankfurt's largest new facilities must source expansion power locally because the grid cannot provide it. Mainova has indicated grid capacity could be doubled during the 2030s through new transmission coupling points, but that timeline falls well outside the current AI investment cycle. Germany has more data centers than any other European country and its governance framework is among the continent's most developed. Its grid cannot keep pace with either.

The United Kingdom

London is the largest data center market in EMEA by operational capacity and the only European hub exceeding 1 GW. The constraint pattern is the same. West London, where major hyperscaler availability zones are concentrated, has experienced severe grid saturation since 2022. A London Assembly report found that grid capacity in Hillingdon, Hounslow, and Ealing had reached full utilization, temporarily halting even housing developments. Across the UK, the demand connections queue reached 125 GW by mid-2025, up from roughly 40 GW just seven months earlier. Data center applications drove much of that surge. The UK government has responded with AI Growth Zones at sites including Culham in Oxfordshire, the North East, and Wales, with accelerated planning and grid prioritisation. These are meaningful steps, but the AI Growth Zones are deliberately sited outside London, in regions with surplus renewable generation. They may absorb training workloads but do not address inference demand concentrated in the capital.

London's electricity requirements are projected to grow 200 to 600 percent over the long term. The grid investments needed to support that growth target the 2030s for completion.

France

France is the structural exception. Central Paris still faces grid saturation, but France's position is distinct because of its nuclear fleet. With roughly 94% low-carbon electricity, France operates a baseload-heavy power system that can support large incremental loads without the multi-year grid build timelines that constrain other European markets. EDF's Project Giga reflects this advantage by directing data center development toward pre-identified industrial sites with existing grid connections, reducing reliance on new transmission build. Early nuclear-backed contracts and pre-connected sites are already translating this power advantage into executable projects, with initial commissioning targeted for 2027 rather than the mid-2030s.

France is not unconstrained, but it is the only major European market where deployment is limited more by ecosystem coordination and demand formation than by the physical ability to deliver power. Other member states cannot energize new load; France can energize it but must coordinate where and for whom.

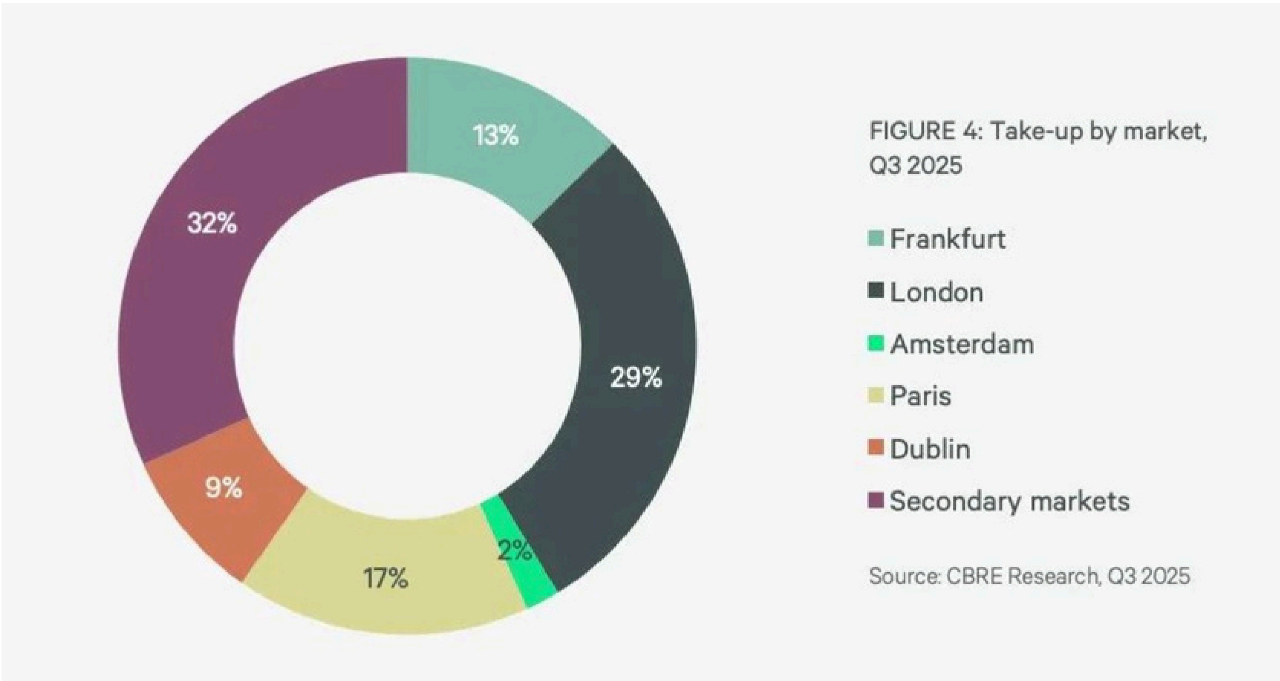


Figure 5: European data center take-up by market, Q3 2025. FLAPD markets account for 68% of take-up despite binding capacity constraints.

The European Landscape

Even with strong growth in Southern Europe and the Nordics, peripheral markets cannot offset the core hub constraint. Southern Europe starts from a very small base: confirmed operational capacity across key hubs remains well below 1 GW. Even under optimistic assumptions for grid delivery and project execution, Southern Europe could add approximately 1.2 to 2.0 GW by 2030. The Nordics face similar arithmetic constraints. While investment momentum is real and the region benefits from abundant power, realistic net additions by 2030 are likely 0.5 to 1.0 GW. Combined, Souther Europe and the Nordics could plausibly add around 1.7 to 3.0 GW by 2030. Against a 10 to 15 GW structural deficit, peripheral markets start from bases too small to absorb the required scale within the required timeframe.

The constraint is not that any single hub faces limits. It is that every major hub faces them simultaneously, and peripheral markets cannot compensate. The result is a structural ceiling on how much capacity Europe's core infrastructure can deliver in the near term, regardless of policy ambition or announced pipeline.

What would closing the 10 to 15 GW gap actually require?

Grid reinforcement alone would cost what the European Commission estimates at roughly €584 billion by 2030, or €65–100 billion in annual investment. This excludes the cost of generation capacity, land acquisition, or facility construction. Beyond capital, it requires transmission planning reform that does not yet exist. No EU body can prioritize cross-border grid capacity allocation. National transmission system operators have no coordination mechanism to reallocate capacity toward AI infrastructure demand. Even under optimistic assumptions (streamlined permitting, accelerated environmental review, pre-identified industrial sites), the timeline to energize 10 GW of new load in saturated hubs extends beyond 2030. Closing this gap through domestic infrastructure alone within the current AI investment cycle would require institutional reforms and capital deployment at scales that exceed historical precedent in the EU digital sector. The question is not whether Europe will depend on hyperscaler infrastructure, but on what terms.

AI Demand is Incompatible With Europe's Fragmented Transmission System

Across the EU, wait times for securing a grid connection range from two to ten years, depending on the country. In the FLAPD hubs, developers face queues averaging seven to ten years. By contrast, large data centers can typically be developed within two years. At the same time, direct grid congestion costs reached approximately €4.3 billion in 2024, excluding indirect costs from project delays and deferred investment.

These delays are already shaping investment decisions, pushing data center developers toward regions with more readily available grid capacity. Amazon Web Services has identified grid connection timelines in Europe as a primary constraint on expansion, even as demand continues to grow.

Grid connection queues can overstate realizable demand because many applications are speculative or prematurely submitted, and a significant share will never convert into operational projects. Even after adjusting for speculative applications, the backlog reveals a large gap between investment demand and Europe's ability to deliver connections within commercially relevant timelines.

Europe's governance structure compounds this constraint. Twenty-seven national transmission system operators make planning and investment decisions independently. No supranational authority can prioritize or allocate cross-border grid capacity. This fragmentation limits the ability to optimize transmission deployment where AI-related demand is greatest.

Nuclear power is a partial exception, but only for countries that already have significant capacity. France's nuclear fleet provides baseload power without requiring the same degree of new reinforcement, and Finland and Sweden also derive some advantage from existing reactors. For the broader European system, nuclear does not resolve the fundamental timeline mismatch. New large reactors typically take 10 to 15 years to build. Even small modular reactors are unlikely to deploy widely before the mid-2030s. The infrastructure capable of resolving Europe's dual challenge of scale and sustainability therefore operates on timelines far longer than the current AI investment cycle.

Infrastructure Scarcity Forces Bilateral Outcomes

On allocation authority: No EU directive can create a grid connection in Dublin if EirGrid cannot support additional load, or unlock land in Frankfurt when the Rhine-Main region is saturated. Grid access, land use planning, and environmental permitting are sovereign competences exercised at the national and municipal level. When infrastructure is scarce, capacity allocation defaults to the national level.

On capital: The EU lacks fiscal instruments comparable to those available to member states. National governments can mobilize capital through development banks, guarantees, and co-investment structures at speeds and scales that EU programs cannot match. In a capital-intensive build cycle, this advantage is decisive.

Bilateral outcomes therefore follow a consistent pattern. EU frameworks define the compliance perimeter through standards and certification. Within that perimeter, member states negotiate directly with hyperscalers to secure capacity. Germany positioned AWS for German public-sector workloads through BSI certification. France structured Bleu and S3NS through bilateral negotiations pairing French operational control with hyperscaler platforms. Italy built the Polo Strategico Nazionale through a nationally anchored deal with Oracle, TIM, and Leonardo. The UK, no longer an EU member, pursues the same logic through CNI designation and AI Growth Zones.

When capacity was not simultaneously constrained (2019–2021), EU-level coordination dominated. As hub saturation accelerated after 2022, bilateral negotiations intensified. By 2025, capacity procurement had shifted almost entirely to the national level, while EU coordination remained focused on standards and certification.

This is specialization by capability. The EU does what supranational institutions can do: set rules, establish standards, and enforce compliance. Member states allocate land, prioritize grid access, and deploy national capital. In practice, Europe's AI infrastructure is no longer allocated through EU coordination but through national bargaining over scarce physical capacity.

National Tradeoffs Are Becoming Europe's Strategy

Once capacity becomes scarce and allocation shifts to the national level, every decision becomes a trade-off among three objectives: scale, sovereignty, and sustainability. No member state is maximizing any single dimension. Instead, countries pursue partial progress across all three, with trade-offs sharpening as physical constraints bind.

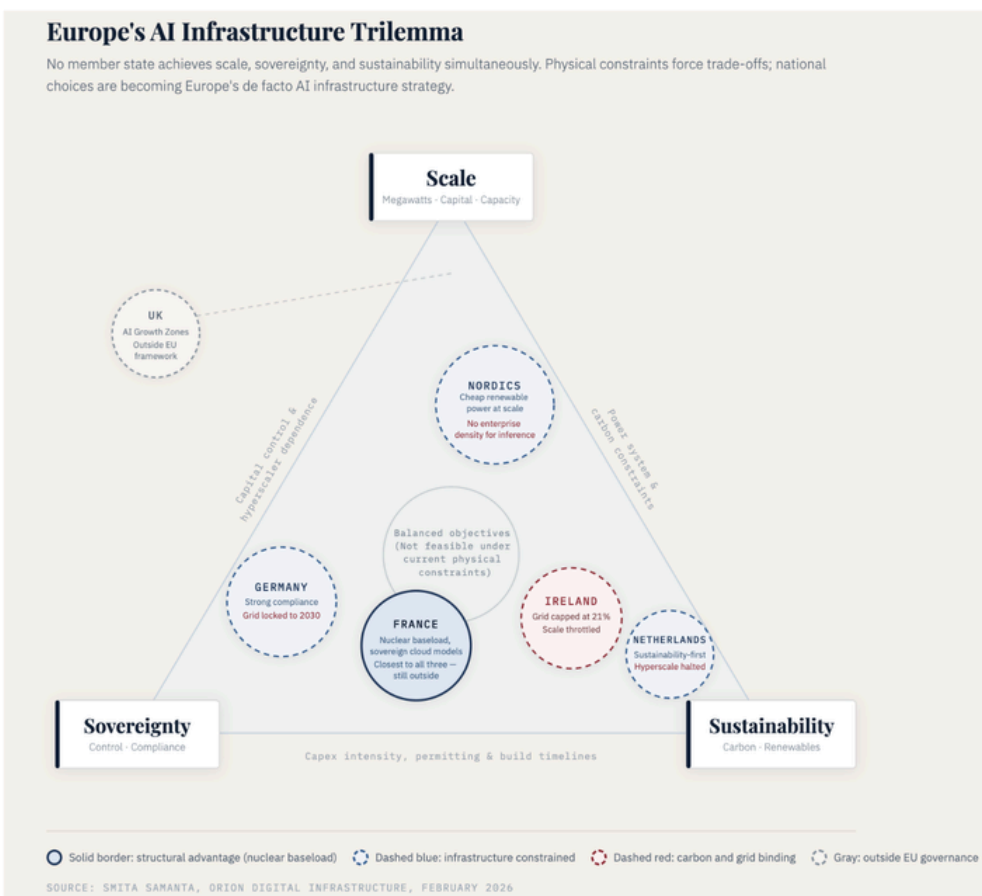


Figure 6: The infrastructure trilemma. No member state achieves all three simultaneously. Physical constraints force trade-offs; national choices are becoming Europe's de facto AI infrastructure strategy.

France comes closest to sustaining all three simultaneously, not by maximizing any single dimension, but because its nuclear fleet relaxes the core constraint that forces sharper choices elsewhere. France enforces high sustainability standards through its 94% low-carbon electricity and EDF nuclear contracts. It maintains sovereignty through SecNumCloud and the Bleu and S3NS partnerships. And it continues to pursue scale through the €4 billion EDF-OpCore campus targeting 2027 and Data4's €15 billion investment plan. Nuclear baseload allows France to satisfy sustainability without sacrificing scale or requiring the grid expansion that renewables-dependent strategies demand. Most member states lack this structural advantage and face harder trade-offs. In Ireland, the [CRU's connection conditions] (on-site generation requirements and 80% renewable sourcing) prioritize sustainability and grid stability at the expense of deployment speed. Ireland is already projected to exceed its [2026–2030 carbon budget] by 77–114 million tonnes, with data center growth a primary driver. The scale–sustainability tension is no longer theoretical; it is binding. Amsterdam illustrates a

Figure 7: Europe's leading data center locations. FLAPD markets (dark pins) hold the majority of capacity; Tier II and emerging markets remain small by comparison.

different trade-off. Planning and sustainability constraints are prioritized directly over capacity growth. The number of data centers in the Netherlands declined from [198 in 2018 to 191 in 2024], even as demand accelerated.

These outcomes are not coordinated European policy choices but national trade-offs shaped by grid limits, capital availability, and domestic political priorities. In aggregate, they are becoming Europe's de facto AI infrastructure strategy. The geography of these trade-offs is visible across the continent.

Europe achieved regulatory sovereignty through governance frameworks that reshaped how hyperscalers operate within its jurisdiction. It has not achieved infrastructure sovereignty: the ability to determine where AI capacity is built, on whose hardware it runs, and on what terms European enterprises access it. The gap is physical, not political. The EU controls standards and certification, while member states control land, grid access, and capital. Regulatory instruments designed for compliance cannot close a 10 to 15 GW capacity deficit.

Europe now faces a strategic choice. It can address these constraints directly through grid acceleration and capital mobilization at scale. Or it can continue to rely on bilateral negotiation as the default, accepting hyperscaler dependency as the price. Europe must decide whether to build the infrastructure its AI ambitions require or accept sovereignty without capacity. AI sovereignty in Europe will ultimately be determined not by regulation, but by where megawatts can be delivered.