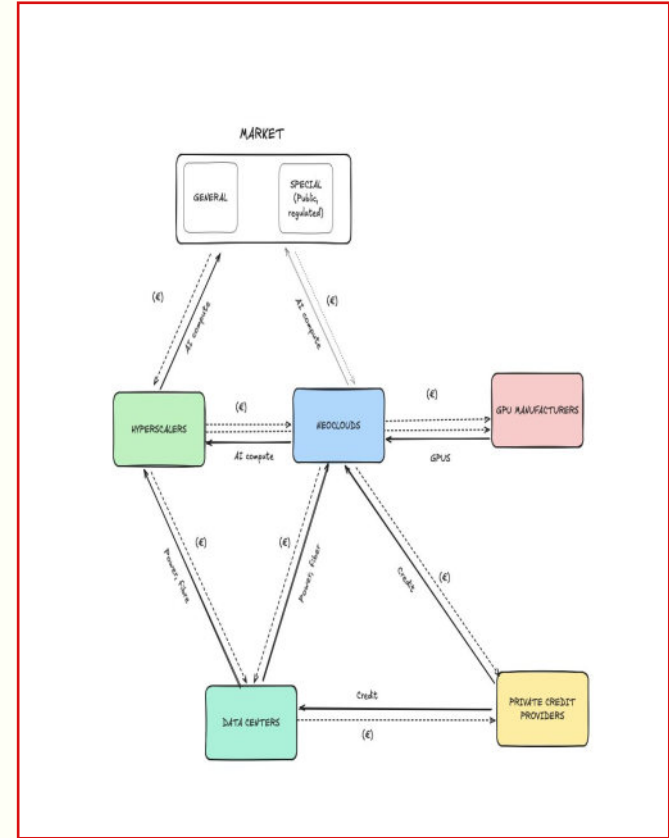


Political Economy of the Private AI - A reality check and emerging trends on AI infrastructure

19 March 2026, Wien



Leevi Saari

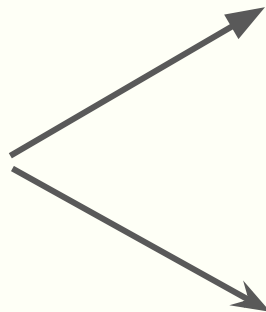


Policy Advisor

AIDA-Committee

AI Act

Data, Cloud, AI, Digital



AINOW

EU Policy Fellow



PhD Researcher

Friedrich Ebert Stiftung Report

Chasing the AI Cloud in Europe: Handover blindness and Implications for European AI Sovereignty

Leevi Saari, University of Amsterdam

Boxi Wu, University of Oxford

My brilliant co-author Boxi Wu

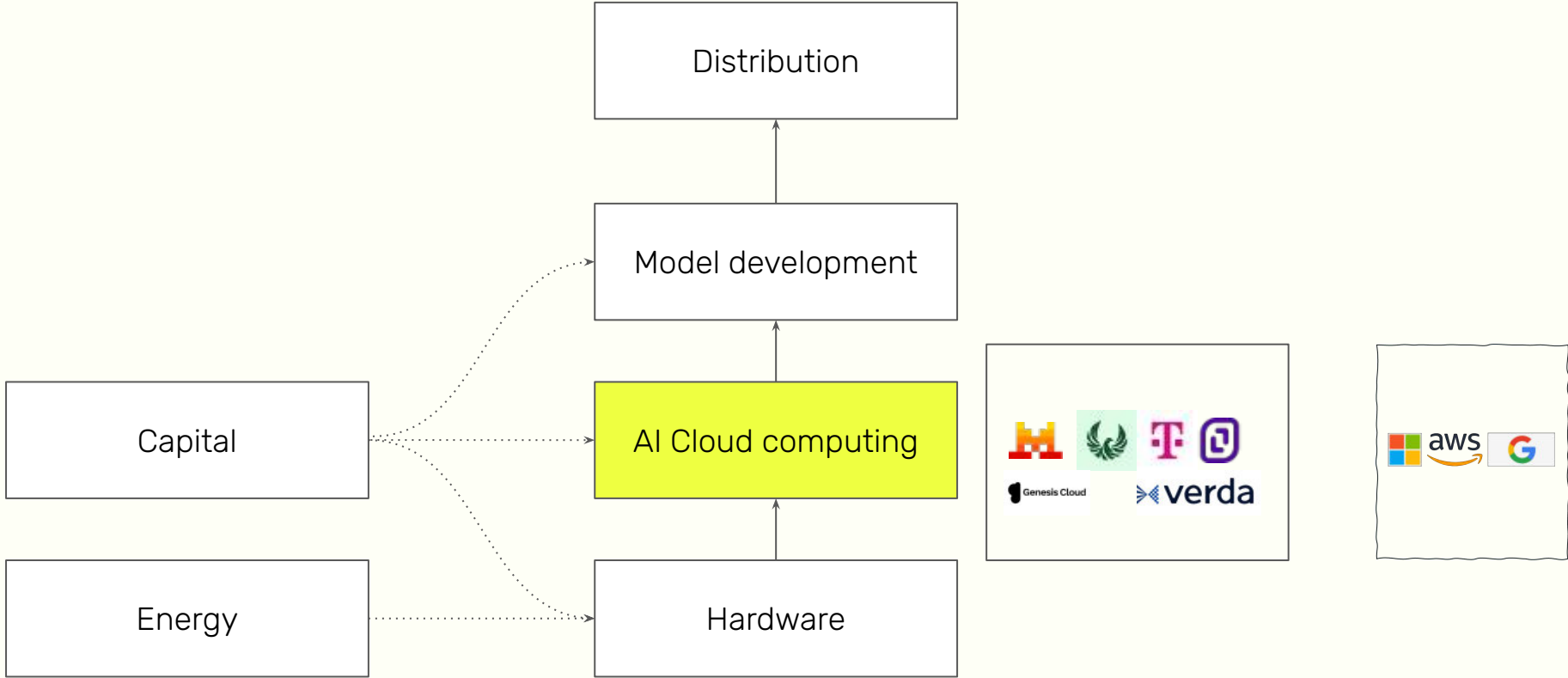


AINOW

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

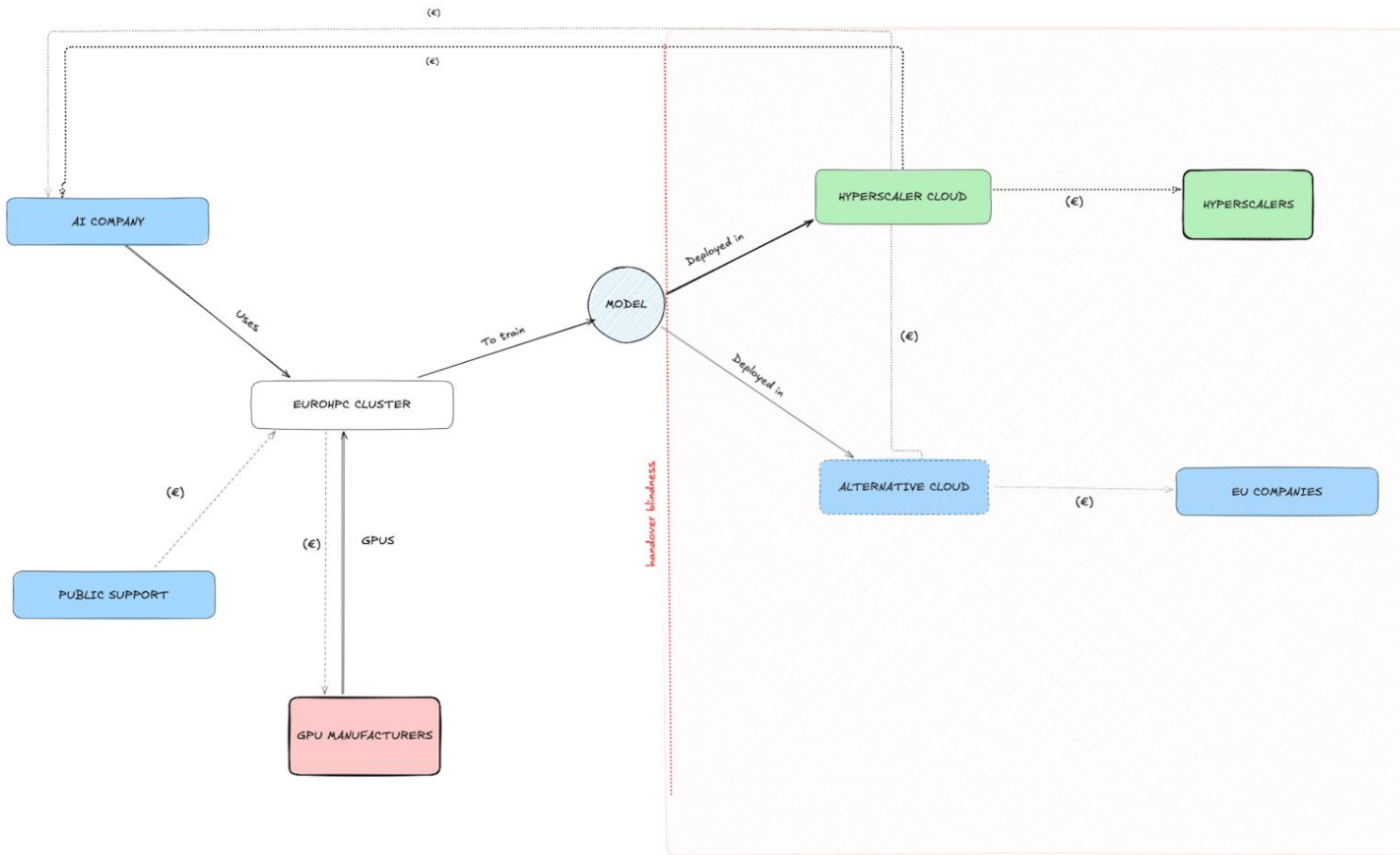
AI Continent Action Plan

The **Cloud and AI Development Act** will create the right conditions for the EU to incentivise large investments in cloud and edge capacity. Today, the average time to obtain a permit and the related environmental authorisations for building a data centre in Europe often lies upwards of 48 months. The data centre industry struggles to identify suitable sites, and to obtain access to sufficient energy to power their facilities. The Cloud and AI Development Act will address these obstacles, with a **view to at least tripling the EU's data centre capacity within the next five to seven years and bringing it to a level that meets the needs of EU businesses and public administrations by 2035**. To this end, the Commission envisages that data centre



WHERE DOES THE MODEL LIVE?

- Most of the public European compute initiatives (EuroHPC, AIF, AIGF) focus on creating the capacity to **train** the AI models. (running one big training run)
- However, most of the compute demand in the future will come from **inference** (using the models).
- Inference is also where **most of the value will be generated and captured.**
- The public initiatives “hand over” the trained model to the private cloud market
- The inference market is mostly in the hands of **by the U.S hyperscalers.**
- **Are there European alternatives? What could they be?**



AI CLOUD IS NOT CONVENTIONAL CLOUD

	Conventional Cloud	AI Cloud
Hardware	CPUs	AI Accelerators (GPU, LPU, NPU...)
Power density	5-10 kW per rack	Up to 100 kW 600 kW per rack (and growing)
Power draw	~10-50 MW per site	Up to 1 GW per site
Cost	High (\$10M/MW)	Extremely expensive (~\$50M per MW, 50B/GW)
Location factors	Closeness to IXPs	Cheap land and power
Depreciation	Slow	Very fast

WHAT WE SET OUT TO DO?

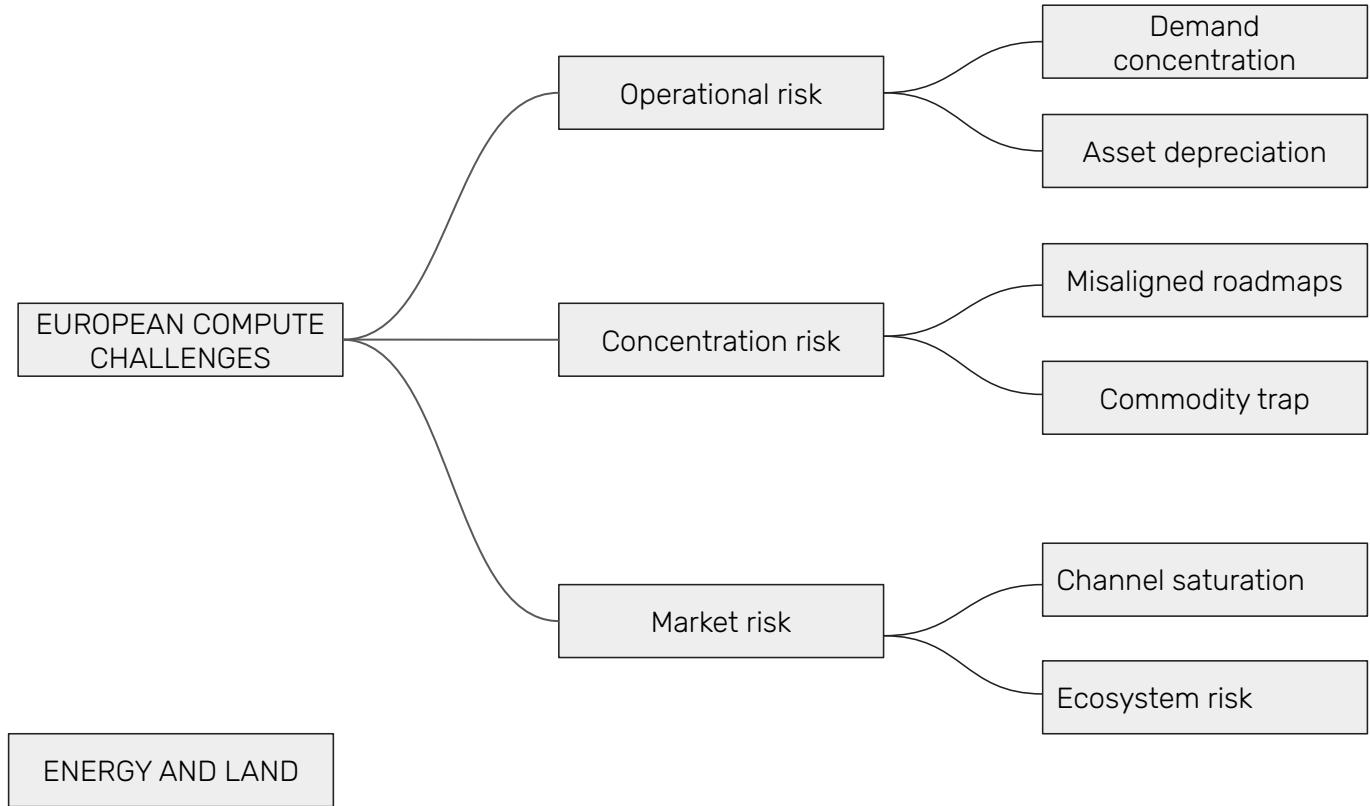
Who the European AI compute providers are or could be?

What is the market in which they try to compete?

What are their **strategies**?

What are the **key challenges**?

CHALLENGES FACING EU AI COMPUTE PROVIDERS



THE DEMAND PROBLEM

Recently many studies have rang the alarm on the demand problem of AI Factories/Gigafactories ([Hess and Sieker 2025](#); [Renda and Kyosovska 2025](#)).

The situation is even worse on the **private compute providers**.

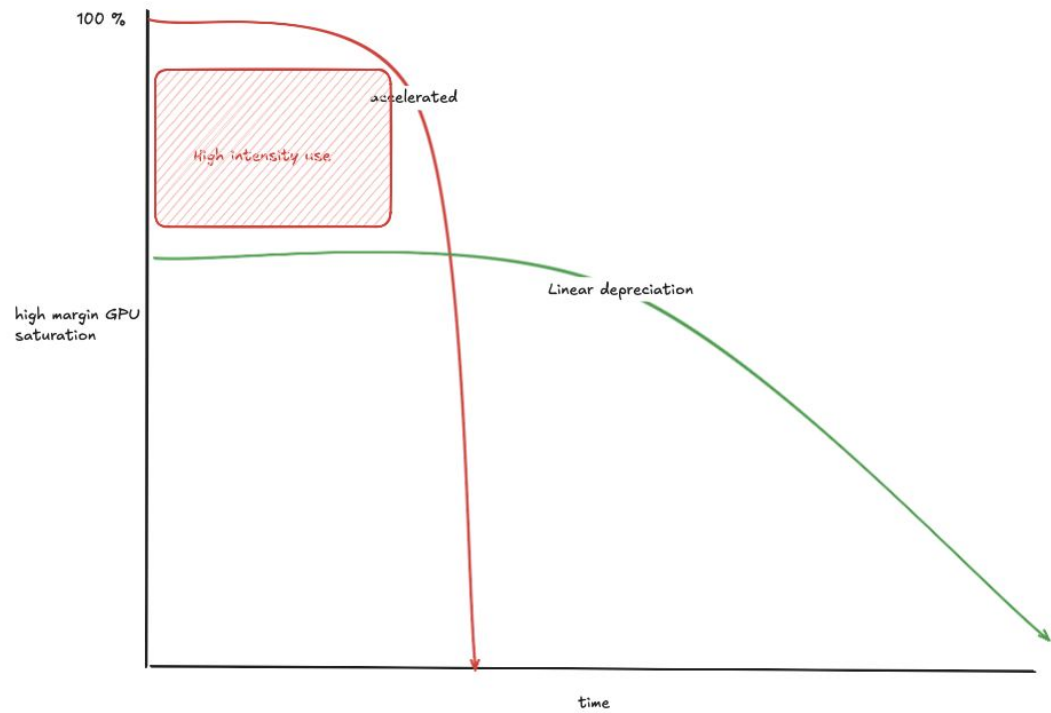
- They lack the **implicit sovereign demand guarantees** and risk absorption:
- They need to refresh hardware and compete on market-based terms.
- They are exposed to fluctuations in demand, with **high cost of capital** and interest payments that erode **margins**.

While customer data is highly confidential, in U.S the private compute providers derive most of their revenue from the hyperscalers.

Yet when you remove hyperscaler revenue — Microsoft, Amazon, Google, OpenAI and NVIDIA — from the revenues of these neoclouds, there's barely \$1 billion in revenue combined, across CoreWeave, Nebius and Lambda. CoreWeave's \$5.35 billion revenue is predominantly made up of its contracts with NVIDIA, Microsoft (offering compute for OpenAI), Google (hiring CoreWeave to offer compute for OpenAI), and OpenAI itself, which has promised CoreWeave \$22.4 billion in business over the next few years.

THE DEPRECIATION OF ASSETS

- **The AI hardware ages like milk.**
- The faster the chip depreciates the less time you have to recuperate the original investment.
- This amplifies the need for **high volume** with high margins
- It is not clear that the regulated industries most likely to favour EU customers provide enough volume to keep this high enough to **keep up with the depreciation schedule.**



Fluidstack selected by Anthropic to deliver custom data centers in New York and Texas

The \$50 billion investment in American computing infrastructure will create approximately 800 permanent and 2,400 construction jobs.

Nov 12, 2025



Meta - Credit: [realinmedia / d](#) - License: [DepositPhotos](#)

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MONDAY, 16 MARCH 2026 - 17:50

Meta signs \$27 billion AI cloud deal with Dutch company Nebius

CONCENTRATION RISK - NVIDIA

- Nvidia has become the coordinator and strategic backstop for the alternative cloud ecosystem.
- Investor, supplier AND customer for many companies.
- This makes many alternative AI compute providers **extensions of Nvidia** and highly dependent for its support.
- Nvidia pursues **ecosystem strategy** to diversity customer base and entrench market position

⊕ AI ⊕ BUSINESS ⊕ REPORT

I looked into CoreWeave and the abyss gazed back

Meet the company Nvidia is propping up.

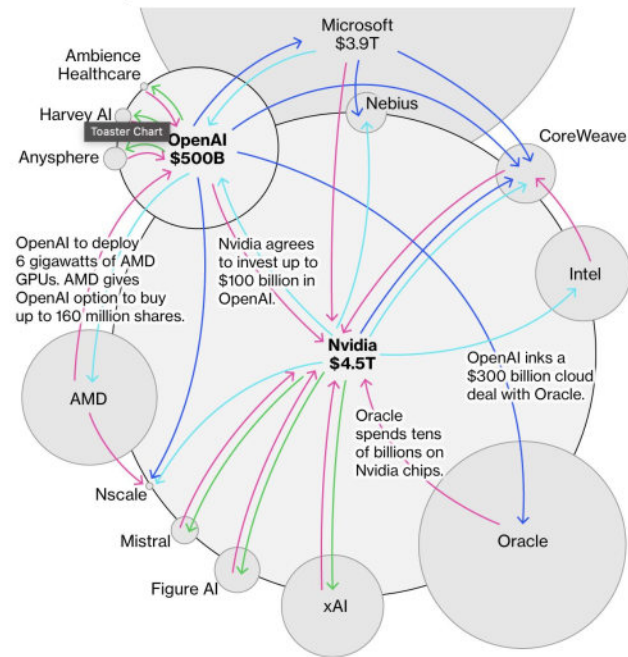
by ⊕ Elizabeth Lopatto

Nov 17, 2025, 2:49 PM UTC

“There is no neocloud that exists without Jensen,” says Saari. That makes neoclouds, in effect, extensions of Nvidia, he says. And none of them make money, so to expand, they must take on debt.

How Nvidia and OpenAI Fuel the AI Money Machine

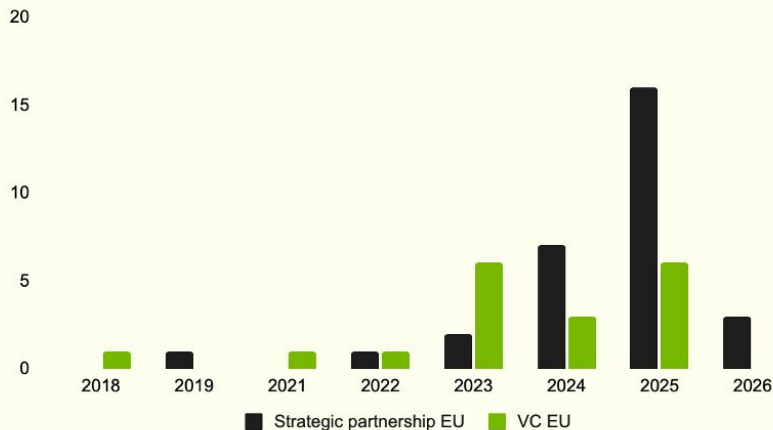
Hardware or Software / Investment / Services / Venture Capital
Circles sized by market value



NVIDIA IN EUROPE

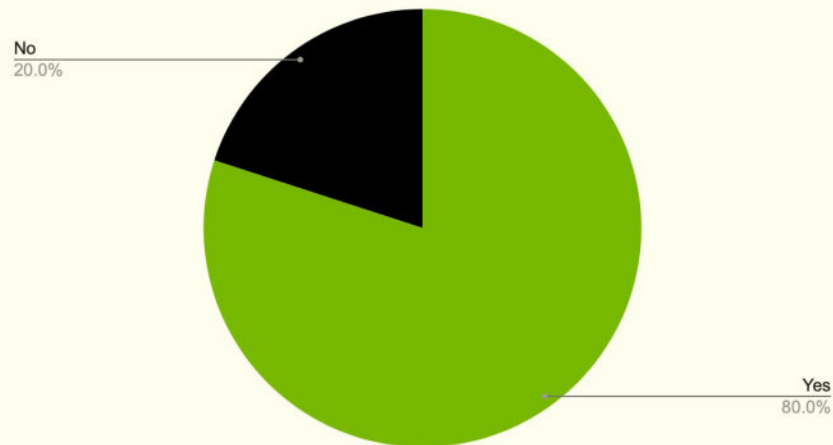
Nvidia strategic partnerships and VC investments in the EU

Source: Factset



Saari (forthcoming)

Part of Nvidia Partner Network?



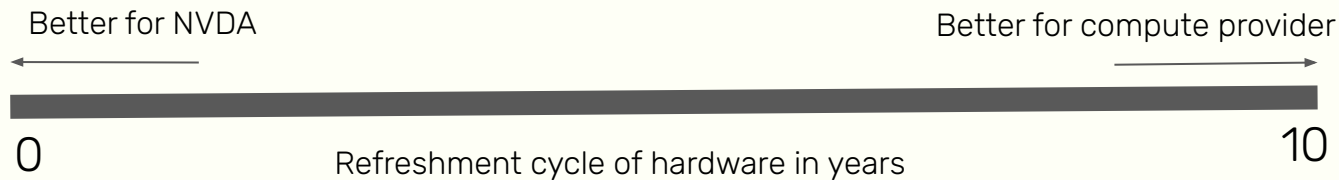
Saari & Wu (2026)

Open standards for Europe's AI Gigafactories: unlocking Europe's largest AI investment

● ● The investment

The AI Gigafactory initiative is the most significant infrastructure investment the EU has ever made in artificial intelligence. With up to €20 billion in public capital at stake, it will shape European AI capability through the 2040s. The regulation governing this investment entered into force on 20 January 2026. Calls for Expressions of Interest launch in Q1 2026.

RISK 1 - MISALIGNED ROADMAPS



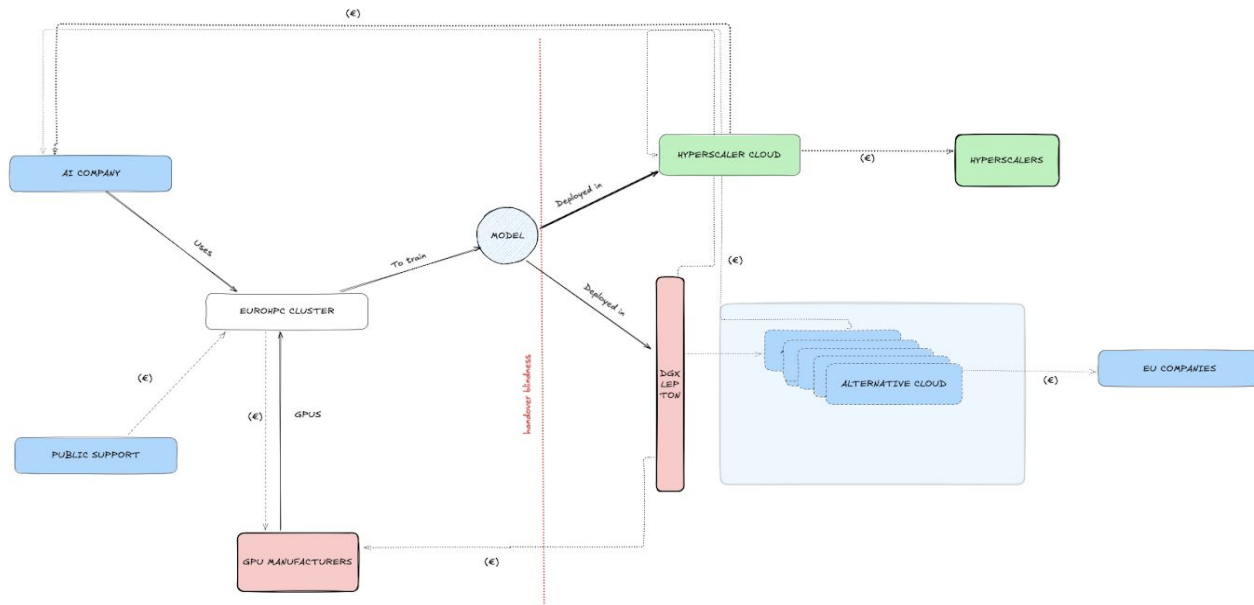
Nvidia is like a car salesman that wants the taxi driver to buy a new car every year and repair kit (by saying that the use of the previous car is fuel inefficient) → **creates a huge pressure for the downstream, intensely competitive market**

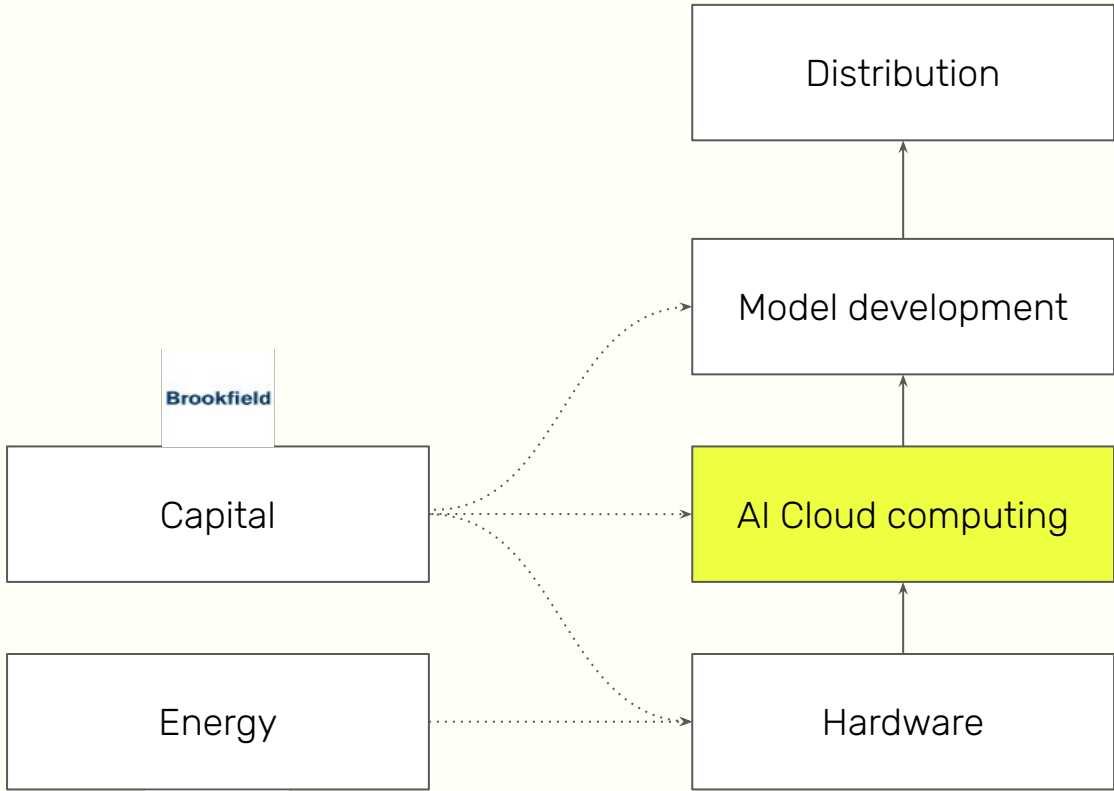
RISK 2 - COMMODITY TRAP

- Recall that the neoclouds have difficulties finding market-based demand for the AI compute.
- Most of the **d**emand comes from hyperscalers **or Nvidia itself** - the rest of the market is fragmented.
- Also, many of the European blue chip enterprises are risk averse - preference for established providers.

Emerging strategy: Nvidia bundles the European compute providers under its own platform. **Commodity trap**, preventing moving up the stack.

DGX LEPTON EATS THE MARGINS





Brookfield

Capital

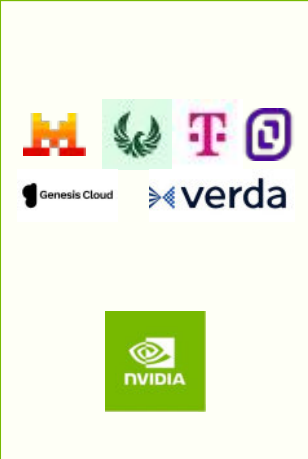
Energy

Distribution

Model development

AI Cloud computing

Hardware



Schneider Electric

CHANNEL SATURATION

- Very few European companies try to **compete head on** with AWS, Google or Microsoft.
- Instead, target market is sovereignty sensitive defence, public sector, regulated industries..
- However, **the demand volume is limited, fragmented and low volume** - how many AI compute companies can this sustain?
- Volumes are **too small and competition too tight** to sustain margins.
- Consolidation?

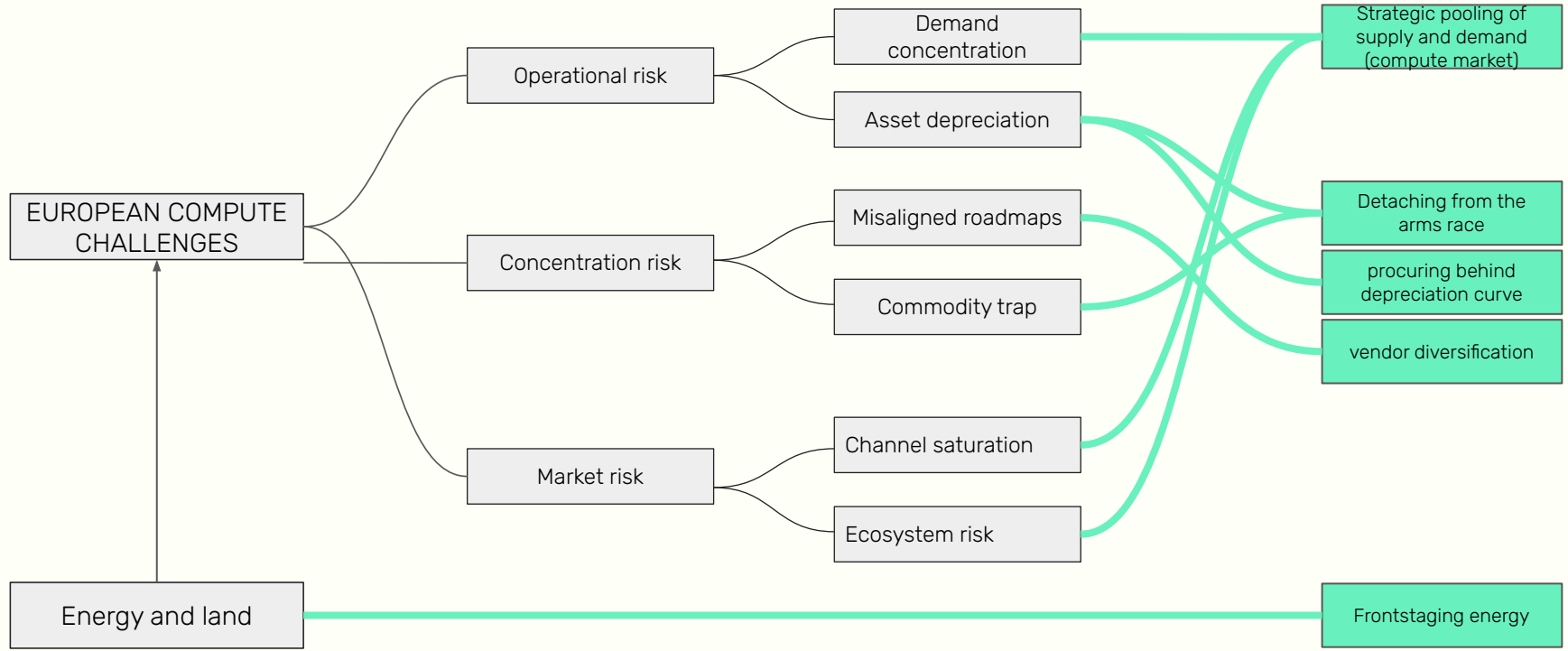
ECOSYSTEM RISK

Lastly, existing ecosystem heavily favors the hyperscalers.

- **End users** have path dependencies
- **Data center providers** prefer hyperscalers as renters
- **Credit providers** prefer hyperscalers as lenders
- (...)

= This means that the horizontal industrial policy interventions (such as tripling the capacity) are likely to benefit the existing incumbents.

NOT SOLUTIONS, BUT..



REALITY SHIFTS?

Feb 10, 2025 10:03 AM Eastern Standard Time

Fluidstack to Build 1GW AI Supercomputer in France

Share      ...

Initial €10 Billion Investment to Establish a Decarbonized Energy-Powered Data Center, to Position France as a Global Leader in Artificial Intelligence (AI)

February, 2025

Fluidstack Drops Out of Marquee €10 Billion AI Project in France



Fluidstack co-founder César Maklary Source: Fluidstack

Yesterday

Parting words

- High-level objectives, such as “tripling the data center capacity” are conditioned by the market structure.
- Strategic thinking and anticipation necessary to prevent policy failures.
- Also, staying on the helm - patience, not taken by the hype, asking questions about the use-cases and purposes



Issue #16 EU AI Cloud - Industrial Policy for the Hyperscalers? Case Apto and EIF

Preview on an upcoming report on the European AI cloud, and our suspicion how EU ended up bankrolling data center for hyperscaler use

EU AI Industrial Policy Monitor

EUAIPOICYMONITOR.SUBSTACK.COM



Research | Dec 3, 2025

North Star Data Center Policy Toolkit: State and Local Policy Interventions to Stop Rampant AI Data Center Expansion

