

Brussels, 2nd of October 2025

## *Consultation Statement by the European AI Forum (EAIF) on:*

# **EU Innovation Act**

We welcome the opportunity to provide feedback on the European Innovation Act. The initiative comes at an important juncture: The Draghi Report highlighted that Europe cannot remain competitive without a stronger innovation framework. Over the past year, this call has only become more urgent. Structural underinvestment, around 270 billion Euros less in Research and Development annually compared to the United States<sup>1</sup>, and a broader investment gap of 1.2–1.3 trillion<sup>2</sup> Euros, combined with persistent regulatory fragmentation, limit Europe’s ability to scale innovative companies.

The European Innovation Act now provides the opportunity to address long-standing obstacles: access to finance, regulatory complexity and market fragmentation. For AI, this is particularly important since AI companies are highly capital-intensive and depend on scale, infrastructure, and regulatory clarity. If implemented successfully, the European Innovation Act can help translate research into innovation, scale companies within the Single Market, and strengthen the EU's competitiveness and digital sovereignty.

This consultation statement therefore sets out the perspective of the European AI Forum and is structured around the Commission’s thematic areas. In each section, we diagnose the challenge, outline the impact on European AI startups and scaleups and provide corresponding policy recommendations.

### **Policy recommendations**

#### **1. Regulatory Framework & Single Market**

A truly harmonised and united Single Market must be the foundation for scaling innovation, yet European (AI) startups still face different national regulatory regimes. This fragmentation creates legal complexity, higher compliance costs, and redundant procedures that slow down cross-border growth. For European AI companies, which

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<sup>1</sup> Draghi Report 2024, [LINK](#).

<sup>2</sup> Draghi Report 2024, [LINK](#).

depend on access to large markets and data flows, divergent rules on topics such as data usage, certification, or data protection can be fatal. In many cases, promising products never launch EU-wide because the regulatory hurdles outweigh the market potential of a single country.<sup>3</sup> This results in founders often looking outside of Europe, where unified markets and more innovation-friendly frameworks make scaling easier.

The European Innovation Act should therefore address this fragmentation head-on by simplifying procedures and embedding innovation-friendly rulemaking into EU law. This requires both reducing red tape for startups and scaleups, and ensuring that future regulatory frameworks systematically assess their impact on innovation before being passed.

To achieve this for the European Single Market we recommend the following priorities:

- Cut red tape for startups and introduce same-day online incorporation across all Member States, a common EU digital portal for regulatory filings, and the removal of redundant reporting obligations.
- Fully commit to an ambitious 28th Regime in the form of a Regulation, providing a single harmonised company law framework to reduce fragmentation, cut costs, and give investors certainty.
- Apply an innovation stress test to new and revised EU legislation to assess its impact on startups and scaleups.

## **2. Finance and Funding**

AI startups often require significant upfront investment due to longer development cycles, training on HPC infrastructure, etc. However, the EU's fragmented venture capital markets and cautious lending practices create a persistent scale-up funding gap. Intellectual property is rarely recognised as collateral, public programmes still focus on early-stage research, and late-stage capital is limited compared to global competitors. This leaves many high-potential European AI startups and scaleups struggling to scale up within Europe, particularly when considering an IPO.

To generate growth opportunities and elevate the Finance and Funding situation across the EU, we recommend the following measures:

- Enable IPR-backed financing with EU-wide valuation guidelines and guarantee schemes. At present, startups cannot use algorithms, models or data as collateral since banks lack common valuation methods. The Innovation Act should

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<sup>3</sup> EU Startup- and Scaleup Strategy, 2025, [LINK](#).

introduce valuation standards and EIB or EIC guarantees so that patents, data and models can be used as collateral.

- Expand pan-European venture capital funds to increase late-stage growth capital. Europe lacks large-scale VC funds, therefore scaling up EU-level funds would provide the growth capital needed to keep startups in the EU.
- Redirect public funding towards commercialisation and scale-up support, not only research. European and national programmes still prioritise research and early-stage SMEs, leaving a gap at the scaleup stage. Dedicating more funding to testing and certification would help especially European startups with growing.
- Provide targeted tax incentives to mobilise private investment into startups and scaleups. Private investors remain cautious due to fragmented tax regimes. An EU framework for tax reliefs could mobilise more VC investment into startups and scaleups.

### **3. Data and Infrastructure Access**

For European AI companies, data and compute infrastructure are as critical as capital. Yet access to large datasets, high-performance computing, and specialised testing facilities remains limited and fragmented across Europe. European AI startups and scaleups oftentimes struggle with high costs of accessing compute resources or licensing large data sets, complex bureaucratic procedures, and restricted availability compared to research or non-European hyperscalers. A major uncertainty remains whether solutions developed in sandboxes can seamlessly transition to commercial deployment, which undermines their value for startups and investors. This lack of accessible AI infrastructure slows down training, testing, and deployment of European AI models, and ultimately weakens Europe's global competitiveness and digital sovereignty.

In order to make Data more accessible and strengthen the EU's AI infrastructure, we recommend the following measures:

- Acknowledge data and AI models as strategic assets, recognising them alongside patents would allow startups to leverage their core value drivers more effectively. This shift would also unlock new financing and support instruments for data-driven innovation.
- Accompany sandboxes with complementary innovation measures, including funding, training and compliance support for startups and SMEs
- Improve startup access to HPC centres and testbeds, with simplified entry and reduced costs. These simplified entry procedures would help young companies to train and test AI models at scale, while being affordable.

- Support cross-border data sharing frameworks to enable innovation within the Single Market. Common EU frameworks would make it easier for startups to engage with larger datasets and foster interoperability.
- Develop an EU blueprint for collaboration agreements with research infrastructures. Standard agreements on IPR and liability would lower the entry barriers for startups and accelerate partnerships and create trust between public institutions and private innovators.

#### **4. Regulatory Sandboxes**

Regulatory Sandboxes can provide AI startups with a safe environment to test innovative solutions under regulatory supervision. In practice, however, they remain fragmented across the Member States, with differing rules, limited capacity and little cross-border recognition. For AI startups, this patchwork raises costs and legal uncertainty instead of creating clarity. A major concern is that it remains unclear whether solutions developed in sandboxes can seamlessly transition to the market, which undermines their value for startups and investors. A coherent European framework is needed to make sandboxes an effective tool for scaling innovation.

To foster effective sandboxes, we recommend:

- Establish EU-level principles for regulatory sandboxes, ensuring interoperability, mutual recognition and legal clarity on the transition from testing to market deployment.
- Guarantee equal access for SMEs and startups, with proportional requirements to prevent capture by large incumbents.
- Foster cross-border sandboxes to reflect the Single Market dimension of innovation and enable companies to scale across borders.
- Accompany sandboxes with support measures, such as EU-level funding, training and compliance assistance, so that startups with limited capacity can fully benefit.

#### **5. Public and Private Innovation Procurement**

Public procurement accounts for around 15% of EU GDP<sup>4</sup> and could be a strong lever for innovation. At the same time startups rarely win contracts due to complex procedures, risk aversion, and disproportionate requirements. Public authorities should not only regulate but also act as first customers, creating early demand and providing reference

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<sup>4</sup> Single Market and Competitiveness Scoreboard, [LINK](#).

markets for AI innovation. For AI startups, public authorities could act as crucial first customers, helping validate and scale solutions.

We recommend the following measures:

- Simplified procurement procedures for startups and SMEs, reducing administrative thresholds so young companies can realistically participate in tenders. This should include SME-tailored lots, pre-commercial procurement, and fast-track options to make participation feasible and attractive.
- AI pilot programmes in public services, with dedicated public funding for testbeds in public services, enabling startups to demonstrate solutions under real-world conditions while administrations gain early experience with innovation.
- Dedicated budget shares for SMEs and startups, ensuring innovation procurement is accessible beyond large incumbents thereby ensuring that public demand actively creates market opportunities for young companies and positions that state as a first customer.
- Create incentives for large private companies to cooperate with startups, not only by financing, but also by offering collaboration opportunities that help startups improve their product-market fit and build more sustainable business models.
- Fair IPR conditions in tenders, limiting requirements to usage rights and avoiding full transfers that discourage innovators so startups can further develop and commercialise their solutions, avoiding clauses that discourage SME participation.

## 6. Talent Attraction

AI innovation depends on qualified experts, while Europe faces a persistent shortage of talent. Startups in particular struggle to attract and retain experts: they cannot compete with corporates on salaries, immigration frameworks remain fragmented, and employee stock options are treated inconsistently across Member States. These barriers prevent (AI) companies from recruiting globally and offering competitive incentives to retain their teams. This is compounded by a structural skills gap: the EU faces a projected ICT deficit of 12 million workers by 2030, and in AI more than half of PhD graduates in Germany leave for the US, UK or Switzerland.<sup>5</sup>

Talent policy must be treated as a core component of Europe's innovation framework, with clear objectives for attracting global experts, retaining European graduates, building a sustainable pool of AI and deep-tech professionals in Europe, and making startup employment more competitive. This requires not only targeted visa pathways

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<sup>5</sup> AI Talent Flows in Germany, [LINK](#).

and harmonised structures, but also long-term investment in education, training, and mobility programmes aligned with the needs of innovative sectors.

To achieve this, we recommend measures such as:

- Strengthen the EU talent visa framework with specific provisions for AI and deep tech.
- Expand reskilling and upskilling programmes tailored to SMEs and startups.
- Establish common EU standards for the taxation of employee stock options, ensuring they are treated consistently across Member States and function as an attractive, competitive incentive for startups and their employees.
- Facilitate cross-border mobility of AI researchers and professionals within the EU.
- Introduce EU-wide measures to retain graduates in Europe, for example through startup career programmes and simplified entry into the labour market.

## **7. Research and Industry-Academia Collaboration**

The European Union generates excellent AI research but often fails to translate these discoveries into market-ready solutions. Furthermore, AI Spin-offs often face administrative and regulatory barriers, technology transfer is slow and fragmented, and IPR policies remain inconsistent across universities and research organisations. Moreover, European AI startups frequently encounter difficulties in licensing intellectual property or navigating certification and standardisation processes required to commercialise products. These obstacles limit the commercialisation and economic impact of Europe's R&D investments and slow down innovation-driven growth. Startups also struggle with fragmented and costly access to data and testing facilities, more open data pools and shared testbeds are needed to enable AI research and innovative scale.

The Innovation Act should strengthen the pathways from research to market by aligning IPR policies, supporting spin-offs, and ensuring that publicly funded research results can be more effectively commercialised through measures such as:

- Require universities and RTOs to adopt clear, transparent IPR policies covering protection, licensing, and transfer.
- Support spin-offs with dedicated funding and simplified procedures to accelerate their creation and growth including targeted measures to strengthen university spin-offs, such as simplified licensing rules, dedicated funding lines, and incentives for underrepresented groups.
- Incentivise joint R&D projects between academia and startups with clear frameworks for technology transfer.

- Provide fast-track certification and standardisation processes for startups in strategic technologies such as AI.
- Establish a European centre of excellence for AI research (CERN for AI), combining large-scale infrastructure, open datasets and collaborative projects across Member States.
- Establish a European platform for IPR assets to connect researchers, startups, and investors and improve market uptake, making it easier for researchers to list assets and for startups and investors to find and license them.

## **8. Coordination of Innovation Policy**

Europe's innovation policies remain fragmented across Member States, with limited alignment at EU level. This creates overlaps, inefficiencies, and a patchwork of initiatives that are difficult for startups to navigate. Stronger coordination could significantly improve the impact of public investment, reduce duplication, and provide a clearer framework for scaling innovative companies.

The Innovation Act should therefore establish mechanisms to better align EU and national efforts, while also offering practical tools that make the support landscape more accessible to startups. Coordination must take place both at the policy level and at the service level, through structured cooperation and joint planning as well as through user-friendly entry points that translate policy into practice.

To accomplish that, we recommend the following measures:

- Transform the European Innovation Council Forum into a formal platform with a mandate to coordinate innovation policies and investments.
- Align national and EU roadmaps, supported by joint monitoring and benchmarking against global competitors.
- Create a single EU entry point for startups, a central digital portal consolidating information on funding opportunities, infrastructure, and regulatory guidance.
- Facilitate cross-border cooperation between national innovation agencies, ensuring that startups can scale beyond their home markets without facing fragmented support systems.

## **About the European AI Forum EAIF:**

The European AI Forum (EAIF) is the umbrella organisation of 13 national European AI associations and clusters. Combined, we represent over 3000 members, making us the largest European AI organisation. We represent members such as SMEs, corporates, organisations and individual experts in AI.

## **Contact:**

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