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DATA UNION STRATEGY
POLICY WATCH

JANUARY 2026

LUXEMBOURG AI FACTORY

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the European Union

DATA UNION STRATEGY
Context

The European Commission has introduced its [Data Union Strategy](#) end of 2025, which aims to accelerate the European Union's competitiveness in the age of artificial intelligence (AI). As AI continues to transform the global economy, access to large volumes of high-quality data has become a critical factor for innovation, industrial leadership, and economic growth. Without sufficient data, the EU risks falling behind in developing powerful AI models, optimising key sectors like healthcare and energy, and supporting the growth of its small and medium-sized enterprises (SMEs).

This strategy builds on the legal foundations established since 2020, including the [Data Act](#) (*see our dedicated briefing on our Knowledge Hub*), the [Data Governance Act](#), and the [AI Continent Action Plan](#) (*see our dedicated briefing on our Knowledge Hub*).

However, despite this groundwork, the EU faces three strategic challenges that require urgent action:

- Data scarcity: A structural bottleneck for innovation, as valuable data often remains siloed or underused, hindering the development of competitive AI solutions, particularly for SMEs and startups.

- Regulatory complexity: A fragmented patchwork of data rules across Member States, which creates legal uncertainty and increases compliance costs, thereby hampering innovation and data sharing.

- Geopolitical competition: The increasing use of data as a strategic asset by global competitors, with protectionist measures and restrictive access regimes limiting opportunities for EU firms abroad.

In response, the Data Union Strategy marks a shift in focus from creating rules to delivering practical results. It aims to unlock the value of data for AI by acting on **three priority pillars**: scaling up access to high-quality data, streamlining data rules, and strengthening the EU's position in international data flows.

DATA UNION STRATEGY

Key pillars of the strategy: pillar I

The strategy is structured around three pillars designed to create a seamless single market for data.

PILLAR I: SCALING UP ACCESS TO QUALITY DATA FOR AI AND INNOVATION

This pillar aims to move the EU from fragmented pilot projects to an interoperable and sustainable data ecosystem that directly fuels AI development and deployment.

Objectives: To scale up access to high-quality data for AI, connect data infrastructures with AI ecosystems, and provide secure environments for data sharing and collaboration.

Key measures and instruments:

- **Data Labs**: In alignment with the [Apply AI Strategy](#) (*see our dedicated briefing on our Knowledge Hub*), specialised facilities will be launched (Q4 2025) to link data holders, common European Data Spaces and domain-specific data ecosystems with the AI ecosystem. They will provide hands-on services like data pooling, curation, labelling, trusted pseudonymisation and synthetic data generation to help public and private organisations, particularly SMEs, share and use data safely for AI training. Data Labs will also provide regulatory guidance and training to help companies, especially smaller ones, to comply with EU law.

- **Common European Data Spaces (CEDS)**: The strategy will scale up existing data spaces in key sectors, through an investment of around €100 million, and link them to AI infrastructure through Data Labs and AI Factories. Future EU funding will prioritise data spaces in areas of public interest (e.g., health, mobility, energy, environment) .

- **Cloud and AI Development Act**: A legislative proposal (Q1 2026) will be introduced to support the roll-out of sustainable data centre capacity and ensure the EU has the necessary infrastructure for sovereign cloud and AI services.

- **Quality data for AI initiative**: This initiative includes several actions to increase the availability of high-value data:
    - Expanding the list of high-value datasets under the Open Data Directive (Q4 2026).
    - Setting up a stakeholder forum with public broadcasters and AI developers (Q2 2026).
    - Launching a crowdsourcing initiative for domain-specific and language data, especially for smaller European languages (Q2 2026).
    - Making over 30 million digitised cultural heritage objects available for AI development (Q4 2026).

Targeted actors: Businesses (especially SMEs and startups), researchers, AI developers, and public-sector bodies.

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Key pillars of the strategy: pillar II

PILLAR II: STREAMLINING DATA RULES

This pillar focuses on simplifying the EU's complex regulatory landscape for data to reduce administrative burdens, lower compliance costs and make the framework more innovation-friendly.

Objectives: To create a clearer, more practical and consolidated legal framework for data access and use.

Key measures and instruments:

- **Digital Omnibus proposal (Q4 2025)**: A legislative proposal to modernise and consolidate the EU's data laws. Key reforms include:
    - Repealing the Data Governance Act (DGA) and integrating its essential provisions into the Data Act to create a single, coherent framework.
    - Repealing the Free Flow of Non-Personal Data Regulation, as its principles are now covered by the Data Act.
    - Modernising rules on cookies by reforming the ePrivacy Directive and integrating its provisions into the GDPR framework to simplify consent mechanisms (Q4 2025).
    - Introducing targeted amendments to the GDPR to clarify key concepts and streamline procedures, such as data breach notifications (Q4 2025).
    - Refining the Data Act for easier and practical implementation through limited business-to-government data sharing, tailored regimes for custom-made cloud services and removal of provisions on smart contracts (from Q4 2025 onwards).
    - Creation of a small mid-caps (250 – 749 employees) category to extend SME-type provisions under the Data Act.

- **Support package for the Data Act**: A set of measures to help businesses, especially SMEs, comply with the Data Act. This includes:
    - A legal helpdesk for companies (Q4 2025).
    - Model contractual terms for data sharing and standard contractual clauses for cloud services (from Q4 2025).
    - Guidelines on reasonable compensation for data sharing and other key definitions (Q1 2026).

- **One-click compliance**: An initiative to automate regulatory reporting by making compliance requirements machine-verifiable, enabled by the European Business Wallet (from Q4 2025 onwards).

Targeted actors: Businesses of all sizes (with a focus on SMEs and small mid-caps), AI developers and public authorities.

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Key pillars of the strategy: pillar III

PILLAR III: SAFEGUARDING THE EU'S DATA SOVEREIGNTY THROUGH A STRATEGIC INTERNATIONAL DATA POLICY

This pillar aims to strengthen the EU's position globally, ensuring that international data flows are fair, secure and aligned with EU values and interests.

Objectives: To protect the EU's control over how its data is accessed used and protected, defend against unfair practices abroad and promote EU data governance models internationally.

Key measures and instruments:

- **Assertive international stance**: The EU will act more assertively to ensure fair conditions for cross-border data flows and address unjustified data localisation requirements or discriminatory rules imposed by third countries.

- **Anti-data-leakage toolbox (Q1 2026)**: A set of tools will be developed to counter unjustified localisation demands, market exclusion, weak safeguards and data leakage.

- **Guidelines on international data flows (Q2 2026)**: The Commission will issue guidelines to assess the fair treatment of EU data and entities in third countries.

- **Protection of sensitive non-personal data**: A package of targeted measures will be adopted to protect sensitive non-personal EU data from misuse or exploitation by actors outside the EU (Q3 2026).

- **International partnerships**: The EU will deepen digital partnerships, promote its data framework in international forums (G7, G20, OECD) and work with like-minded partners to create interoperable data ecosystems.

Targeted actors: EU companies operating internationally, EU institutions, and international partners.

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Conclusion

The Data Union Strategy represents a significant evolution in the EU's approach to the data economy. By shifting from regulation-setting to practical implementation, the Commission aims to build a sovereign European data economy where data flows securely and responsibly to power AI, fuel innovation and reinforce competitiveness.

The strategy's strategic importance lies in its direct response to the critical challenges of data scarcity, regulatory fragmentation and global competition. It seeks to transform the EU's foundational data legislation into tangible results for businesses and innovators.

The expected impacts are a more streamlined and predictable regulatory environment, lower compliance costs and easier access to high-quality data, particularly for SMEs and startups.

By strengthening Europe's data infrastructure and promoting its standards globally, the strategy aims to ensure the EU can compete and lead in the next wave of digital transformation driven by artificial intelligence.
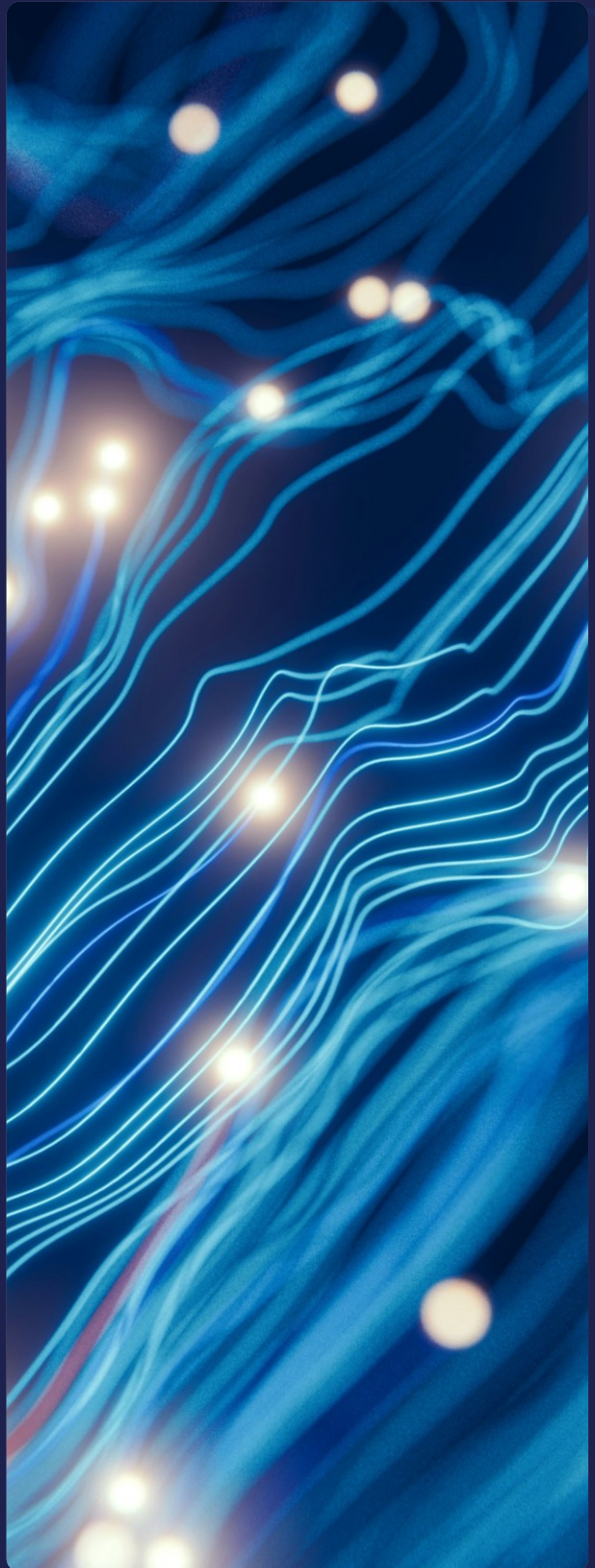
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