



European Cloud Competition Observatory

Third Report

October 2025



The European Cloud Competition Observatory (ECCO) was created to build awareness of unfair software licensing conditions that hamper growth and development of Europe's cloud sector, as well as to provide updates on ongoing actions against those players who use these unfair licensing practices. ECCO is an independent monitoring body comprising CISPE (Cloud Infrastructure Providers of Europe) members plus the support, as observers, of European customer organizations, such as Cigref in France and Beltug in Belgium. It operates as an independent body under the auspices of CISPE. Guided by CISPE and European customer organizations, ECCO will monitor software giants whose practices restrict cloud choices for European customers.

For simplicity, ECCO has adopted a Red/Amber/Green (RAG) rating for each of the issues it considers. Green = On-Track, significant and sufficient progress towards ending unfair software licensing practices is being made. Amber = Off-Track, there are concerns either that progress has stalled, or that barriers to resolution are proving hard to overcome. Red = Critical, insufficient progress has been made at the time of the report.

This third report focuses on the successful agreement made with Microsoft, ongoing concerns and actions regarding Broadcom and the identification of potentially unfair practices from other players.

Microsoft

Overall Status = GREEN

On 10th July 2025 CISPE reached a second landmark agreement with Microsoft that provided remedies to many of the issues the European cloud sector faced from Microsoft's licensing practices, following up the initial agreement of July 2024. The agreement built on changes already implemented by Microsoft in response to concerns from CISPE and others and will further reform licensing terms for Microsoft software operating on CISPE members' European cloud infrastructure. The agreement, however, does not extend to other hyperscalers because these cloud providers are in a radically different position than their European cloud competitors.

Under the terms of the agreement, CISPE members have secured a series of changes to Microsoft terms which, if delivered as set out in the agreement, will resolve many of the issues raised in its competition complaint. ECCO will continue to monitor Microsoft's progress in delivering the promised features to CISPE members and, in addition, Microsoft has also agreed to assess the effectiveness of these changes with a view to extending them to all European cloud providers.

Importantly, CISPE's agreement with Microsoft does not cover new bundling strategies, nor the integration of AI capabilities with productivity software or cloud. Through the European Cloud Competition Observatory, we will continue to monitor these changes insofar as they affect European cloud providers competing with Microsoft.

Key benefits by CISPE through the settlement with Microsoft include:

- **Pricing Benefits:** CISPE members will access Pay-As-You-Go licensing for Windows Server and SQL Server at Azure-comparable rates, alongside the Flexible Virtualization Benefit that lets customers bring their own Microsoft licenses (BYOL) to European CSP clouds.
- **Sovereign Cloud Enablement:** Microsoft 365 Local will allow deploying on local cloud infrastructure, taking a further step toward true digital sovereignty for European customers. CISPE members may access this offering if made generally available in Microsoft's Cloud Solution Program.
- **Customer Privacy Benefit:** CISPE members can now host Microsoft workloads as pay-as-you-go for their customers on independent European infrastructure with additional privacy guardrails - addressing a core concern raised by CISPE.
- **SPLA Program guarantees:** CISPE has secured guarantees from Microsoft regarding continuation and competitiveness of the SPLA program for at least 5 years from initial agreement date.

The agreement opens the program to current CISPE members and eligible European cloud providers who join CISPE in the coming months. Microsoft has committed to reviewing the program's effectiveness in its first year, with the potential to expand access thereafter.

A more expansive list of benefits gained and those still not secured is included on the next page.

Wins secured by CISPE

Benefit	Result
Microsoft's CSP-Hoster licensing program created to mitigate price discrimination between Azure direct sales and existing licensing programs for CSPs in response to CISPE and individual members' complaints.	✓
BYOL of Microsoft software on European CSP's platforms: Flexible Virtualisation Benefit (FVB) created by Microsoft in response to CISPE and Cigref's 10 Principles for Fair Software Licensing.	✓
The existence of the SPLA program, and its competitiveness through price regulation mechanisms guaranteed for 5 years from initial agreement date.	✓
Additional privacy guardrails for customers running Microsoft software workloads in independent European cloud infrastructure.	✓
PAYG licensing of Microsoft products on European CSP's platforms - via Azure Arc on CSP-Hoster.	✓
Ability to run Microsoft 365 Local on European Owned Azure Local (single tenant) Infrastructure.	✓
Windows 10/11 VDI on European Owned Infrastructure and multi-session on European Owned Azure Local (single tenant) Infrastructure.	✓
Free Extended Security Updates on European Owned Azure Local (single tenant) Infrastructure.	✓
Windows 10/11 VDI multi-session on European Owned multi tenant Infrastructure.	✗
Removing technical tying between Entra ID / Azure Active Directory and Microsoft 365 to allow full replacement and interoperability.	✗



Cloud Infrastructure Service Providers in Europe (CISPE) is the most representative, respected, and relevant association for cloud service providers in Europe. Working for the benefit of both cloud vendors and users, CISPE gives a voice to all players - from local SMEs to global hyperscale providers. It has proven to be a valuable partner to European institutions by offering insights and developing practical tools, frameworks, codes of conduct, and guides that support the implementation of EU policy. CISPE is governed by an exclusively European board that empowers smaller players while embracing the realities of federated, distributed, and multicloud approaches.

Commentary on UK Competition and Markets Authority Cloud Market Investigation

On 31st July 2025 the UK's Competition and Markets Authority (CMA) published its final report in its Cloud Market Investigation. The CMA found that the software licensing practices of Microsoft could lead to adverse effects on competition and thus has suggested that both Microsoft and AWS be prioritised for assessing their strategic market status (SMS). If they are found to have this then additional remedies may be imposed.

CISPE also notes concern among its members around the decision to exclude Google Cloud from scrutiny.

Although the smallest of the hyperscale cloud providers, Google remains several orders of magnitude larger than any European cloud infrastructure service providers and thus wields significant market power especially in the areas of data and AI. Investigating AWS and Microsoft to simply accelerate Google's growth will do little to help CISPE members and the wider European cloud sector. Indeed, by creating a false equivalence between Google and European players this may create further anti-competitive threats to European providers.

As such, we fear that the ongoing UK investigations may focus too heavily on historical issues that have to a large degree been mitigated by the agreement with Microsoft and the benefits it brings to European cloud competitors, whilst ignoring more significant new competitive challenges linked to dominance in data and AI model development and deployment. Indeed, Alphabet, Google's parent company, is expected to spend USD 75B in CAPEX on AI datacentre buildout in 2025, nearly matching Microsoft's 80B (<https://www.cnbc.com/2025/02/08/tech-megacaps-to-spend-more-than-300-billion-in-2025-to-win-in-ai.html?>)

Summary

While CISPE secured access to Windows 10/11 Virtual Desktops on European cloud infrastructure, it remains a single-tenant solution, not multi-tenant. Nor was it able to address the issue of technical tying between Entra ID and Microsoft 365. As such there is still work to do. Similarly, other Hyperscalers were not covered under the agreement with Microsoft.

However, in addition to the significant progress made in the last few months, CISPE and ECCO are confident in Microsoft's commitment to finding resolution to these and other outstanding issues and to removing unfair software licensing terms as they are found. In recognition of the progress achieved, ECCO is happy to confer **Green status** on Microsoft at this time.

In parallel, the UK's CMA concluded its Cloud Market Investigation, identifying Microsoft's licensing practices as potentially anti-competitive and recommending strategic market status (SMS) assessments for both Microsoft and AWS. CISPE members have expressed concern over the exclusion of Google Cloud, which, despite being the smallest hyperscaler, still holds significant market power - particularly in data and AI - posing risks to European providers.

Broadcom

Status = RED

Since the second ECCO report (May 2025) the situation for market parties globally with Broadcom has only deteriorated with significant new forms of unfair licensing behaviour being imposed by Broadcom on European cloud providers and their customers. ECCO summarises some of what it has witnessed in the following paragraphs. Consequences of unilateral market distorting program changes, leading to fiercely deteriorating market positions for customers, should be fully scrutinised. Authorities must take actions to rapidly undo such measures.

Faced with this worsening situation for any customer of Broadcom including Cloud Service Providers (CSP's), on 24th July 2025 CISPE filed an action for annulment before the General Court of the European Union challenging the European Commission's decision of 12 July 2023 approving Broadcom's acquisition of VMware.

CISPE has thereby taken the unprecedented step of contesting the original decision to allow the acquisition of VMware by Broadcom due to the Commission's errors in law and manifest errors of assessment which resulted in a deterioration of the commercial situation for European cloud providers and their customers. These errors have become clearly apparent upon publication of the merger decision. It is indeed clear from this decision that the European Commission and its Directorate General Competition (DG Comp) had been alerted from the market investigation and was already well aware of the deterioration in competition that would inevitably result from the transaction.

In the past quarter, CISPE reiterated its concerns directly with Broadcom and outlined baseline requirements for resolution of its unfair software licensing practices. As detailed in the last report, these include:

- 1. The restoration of predictable and fair business relationships:**
guaranteeing, for example, a minimum 6-month advance specific separate clear and identifiable notice for contractual, pricing, or term changes before renewal.
- 2. Providing better support for smaller cloud service providers (CSPs):**
including additional time extensions (6 months+) for smaller CSPs to onboard as white-label customers.
- 3. Improving flexibility for larger CSPs** with a variety of measures such as introducing adaptable, cloud-aligned models, eligible for committed volume reduction. Plus, fair pricing for peak usage, extending usage caps and removal of penalties for underusage.
- 4. Changes to partner program access** to make it easier for smaller CSPs to attain higher-tier partner status.
- 5. Ensuring end-customer privacy**, as Microsoft has done so that CSPs can deliver services without disclosing end-customer identities linked to their specific core usage and workload data.
- 6. Addressing the substantial total price increase resulting from forced bundling** of VMware products, even those not used by many CSPs, the change in pricing metrics, and other changes driving up costs for CSPs.
- 7. Respecting the Tier One partners'** ability to continue in this market not only for their own success but for their customers' business continuity,

Broadcom has refused to address any of these concerns nor the current situation which sees many customers across Europe faced with licence costs increasing by a factor of 10 or more times at renewal.

Cloud service providers, dependent on the Broadcom/VMware virtualisation tools to deliver services to their customers are faced with an impossible choice to either accept these draconian increases in costs and acquiesce to lengthy lock-ins, or to embark on lengthy, expensive and potentially ruinous transitions to alternative providers. For some workloads there are no alternatives because they are only certified to run on VMware. Even if it is possible to move workloads the process can take months or years, during which time partners are forced to pay both Broadcom's inflated licence fees and their new provider's licenses.

The Commission itself in its decision approving Broadcom's acquisition of VMware (Section 8.4.3.2.1.2.4) acknowledges the fact that *"the majority of end-customers currently using VMware's server virtualization software for their on-premises datacentre submit that switching away from VMware to another supplier is technically complex, disruptive to the business, and time-consuming."*

Broadcom has, in the meantime, turned the screws further on vendors and customers alike. Since the last report the company has added to the already onerous changes by removing (by end of October this year) the lowest layer of partner program upon which many smaller businesses relied to access VMware licenses for resale.

Broadcom's revamped partner program for VMware (VMware Cloud Service Provider, VCSP) is being rolled out globally. The company has been unclear as to when or if it will apply in Europe. It not only allows Broadcom to pick winners, but by preventing customers from porting existing licenses to any other cloud provider, effectively excludes the vast majority of CSPs from the market. Those that are not part of the program will no longer be able to host VMware solutions – only resell licenses. Those that are in the program will not be allowed to resell licenses to customers

This change has forced CSPs to choose between reseller or service provider roles even if they currently have customer contracts for both. Many customers working with managed service providers (where the customer owns the VMware license) may find that their partners are no longer able to offer those licenses and so need to go direct to Broadcom or to one of its distribution partners, further reducing flexibility for end customers, and competition overall.

This enforced choice is undermining the business models of many service providers who offer flexible models including both hosting and provision of licenses. Some estimates suggest that being forced out of the reseller market may cost several millions of Euros in revenue annually for even SME providers.

It seems that Broadcom is intent on killing the overage model under which CSPs could flexibly offer virtualisation on cores beyond those licensed and then pay the difference in arrears (so called overage fees). Without this ability cloud service providers are forced to license every core that they predict they may need in advance, massively increasing costs, reducing flexibility and ability to grow and serve clients with real-time fluctuations in cloud capacity requirements. This undercuts not only the CSP business model but the very nature of the cloud.

Broadcom now stipulates specific commencement and termination dates for its licences – removing partners' ability to align licence commitments with those of its contracts with customers. So, for example, by enforcing a '1st of the month' start date when the client contract starts on 15th of the month, service providers must pay 2-weeks extra of licence fees to Broadcom, without revenue from the customer. When multiplied over thousands of cores in a large deal, these excess fees can amount to many thousands of Euros extracted unfairly by Broadcom. The same issue happens if end dates of client contract and software license cannot be fully aligned.

Finally, there is Broadcom's refusal to honour support contracts, and rumours of a 'kill-switch' or 'time-bomb' that can activate to remotely degrade aspects of VMware functionality should customers or vendors fail to report usage figures in the required formats and timeframes.

These concerns are ongoing and indeed increasing. The almost constant change to terms, bundles, termination dates etc. creates an environment of uncertainty with goal posts always moving.

ECCO remains of the opinion that Broadcom's current license terms, and the manner of enforcement on European cloud infrastructure service providers are breaching applicable competition laws.

As noted in the previous ECCO report, CISPE's preference is for negotiation and mutually agreed solutions over litigation.

Therefore, CISPE calls upon Broadcom to deliver fair resolution to all the ongoing unfair licensing and anti-competitive terms enforced since the merger completed.

CISPE seeking annulment of the Commission's approval of the VMware - Broadcom deal

On 23rd July 2025, CISPE filed an action for annulment before the General Court of the European Union challenging the European Commission's decision of 12 July 2023 to approve Broadcom's acquisition of VMware. The opportunity to challenge this decision arose as a result of the significant damage caused by the European Commission's failure to fully and correctly assess the impact of the acquisition which has become painfully apparent following the approval.

However, CISPE was only in a position to challenge the decision as of 13 May 2025, the date on which the European Commission published the decision on its website. The European Commission took nearly two years to publish it, which is unacceptable and also a breach of the principles of good administration, given the seriousness of the errors identified in the analysis and their impact on competition.

Legal Challenge Based on Errors in Law and Assessment

The European Commission's official decision was published on May 23rd, 2025. The decision clearly shows that the European Commission had access to consistent evidence and explicit warnings from market participants throughout the merger review, highlighting the risk of significant anticompetitive effects - including foreclosure, bundling, and the creation or reinforcement of dominant market power in the market

for server virtualization software. However, the European Commission disregarded this evidence and failed to impose any commitments or remedies on Broadcom to address these competition concerns on the market for server virtualization software.

As such CISPE is claiming that the European Commission committed errors in law and manifest errors of assessment in its competitive assessment of the merger which are significant enough to seek an annulment of the decision. CISPE has filed these claims with the General Court within the allowed timeframe.

- CISPE alleges the following errors in law and manifest errors of assessment committed by the European Commission in its decision approving Broadcom's acquisition of VMware.
- First, the European Commission committed an error in law and a manifest error of assessment by failing to assess, despite having at its disposal a body of consistent and converging evidence pointing to a serious risk of anticompetitive effects post-transaction, the risk of the creation or strengthening of a dominant position or a substantial lessening of competition on the market for server virtualization software.
- Second, the European Commission committed a manifest error of assessment, a failure to state reasons, and an error in law by failing to properly assess the alleged risks of bundling between, on the one hand, VMware's virtualization software and Broadcom's hardware, and on the other hand, VMware's virtualization software and Broadcom's software.
- Finally, the European Commission committed a manifest error of assessment by failing to conduct a thorough investigation into the potential adverse effects on innovation - primarily in the market for server virtualization software, but also more broadly across all markets affected by the transaction

Summary

Not only does ECCO regard the software licensing terms imposed by Broadcom as unfair and anticompetitive, but it deplores Broadcom's lack of engagement and willingness to even address, let alone take steps to mitigate the impact of its actions.

ECCO will continue to monitor CISPE's action to seek annulment of the European Commission's approval of the acquisition. It will also take note of any further enforcement of unfair software licensing terms on cloud infrastructure service providers and/or their customers and supports the imposition of further conditions to protect European cloud customers and CSPs.

In the current circumstances there is no option but to denote Broadcom's status as **Red - Critical**.

Other Vendors of Concern

One of the more insidious impacts of Broadcom's bad behaviour is to encourage other vendors to try to impose less favourable licensing terms on their customers and partners. This is another reason why strong action is needed in this case.

Among those more frequently mentioned by customers and vendors over the last few months are SAP and Citrix.

SAP squeezing out European Clouds

On 25th September 2025, the European Commission announced an investigation into potentially anti-competitive behaviours by SAP. Its concerns related to four specific practices that may restrict customers' choice of support for ERP systems purchased from SAP.

Support contracts enforced by SAP may, in the Commission's words, "prevent customers from 'mixing and matching' maintenance and support services from different suppliers at different price and support levels despite it being more convenient for them."

Some of these practices may prevent other players, including CISPE members, from offering competing support services to SAP customers. However, of greater concern to the European cloud infrastructure sector is the decision by SAP to drive customers looking to move from on Prem ERP instances exclusively to its RISE programme.

ECCO understands that for over a year European customers have been reporting that they are under intense pressure to migrate to SAP RISE without any clear benefits of such a transformation for their organisations.

SAP RISE is a full-stack cloud ERP model that relies on hyperscaler infrastructure effectively excluding European cloud infrastructure providers from hosting SAP for their customers.

Simultaneously, SAP has removed certification from European cloud providers as SAP Certified for cloud and infrastructure operations and for hosting operations.

These unfair software licensing terms mean that the only certified clouds for SAP customers are US hyperscalers (Microsoft, AWS, Google).

ECCO notes that it is unfortunate and unacceptable that one of Europe's only significant software companies seems to be acting in a manner that actively undermines European sovereignty by excluding European cloud infrastructure providers to the benefit of overseas hyperscale cloud vendors.

Shockingly, SAP is directly benefitting from €329,614,000 in European tax-funded funding for its ApeiroRA project, as part of the ongoing IPCEI-CIS program. Whilst it uses public money to develop a 'next generation cloud-edge infrastructure' for Europe it is simultaneously hollowing out European cloud infrastructure by directing customers to US hyperscalers.

ECCO will continue to monitor this situation. It understands that CISPE is taking legal advice as to next steps which may include formal application to inform and expand the Commission's current investigation.

Bundling for Self-Preference at Citrix

Some reports suggest that as Citrix moves from a perpetual to a subscription-based licensing plan (due to be completed by April 2026) it is following some aspects of the Broadcom playbook. The Citrix Cloud Software Group was formed from the combination of Citrix and Tibco in September 2022. In an approach that mirrors that of Broadcom and SAP, existing customers who wish to benefit from future product developments and technical support to switch from a perpetual licence model to a subscription model.

Forced into the Citrix cloud to maintain license viability customers are also seeing significant hikes in cost. Products are being combined into a smaller number of bundles removing flexibility and granularity of offer whilst also increasing prices; and minimum thresholds for licensing are being increased.

It is too early to say if these issues warrant action or further attention, but over the coming months ECCO will be contacting vendors and customers to assess the level of concern. However, the proliferation of such practices within the software industry undermines customer confidence. In the absence of any opportunity to negotiate terms and conditions of sale, it also creates a contractual imbalance for the customers and cloud infrastructure providers seeking to use or provide software from dominant software companies. We urge any CSP or cloud customer facing unfair licensing issues from Citrix, or any other vendor, to get in touch. We will update on these issues in the next report.

About ECCO

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