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Cloud could give European economy €1 trillion boost by 2020, predicts EC report

Could cloud computing really boost the EU economy by €957 million by the end of the decade? That is the forecast of a new **European Commission** (EC) report published two weeks ago.

The cloud could be lined with gold for the EU economy, according
to the report. Image courtesy JLogan, Wikimedia Commons.

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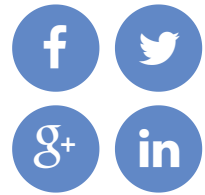
A sound cloud?

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The report, entitled Unleashing the Potential of Cloud Computing in Europe predicts that cloud computing could cause the EU economy to grow by an extra 1% by 2020, as well as creating 3.8 million extra jobs. However, the report warns that a number of major challenges must first be tackled if the cloud is to fulfill this potential in Europe, including: making the cloud a safer place to store data, tackling legal barriers to cloud adoption and improving interoperability. If the correct policies to deal with these challenges aren't put in place now, Europe could end up missing out on much of these economic gains, explains the report's author, EC

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vice-president responsible for the digital agenda, Neelie Kroes.

The report advocates the introduction of an EU-wide certification scheme for trustworthy cloud providers, as well as highlighting the importance of developing "safe and fair" terms for cloud computing contracts, including service-level agreements. The report also emphasizes the need to cut through "the jungle of technical standards" which currently exist, so that cloud users get improved interoperability, data portability, and reversibility. "Europe needs to think big," says fellow EC vice-president Viviane Reding. "The cloud strategy will enhance trust in innovative computing solutions and boost a competitive digital single market where Europeans feel safe," she adds. "That means a swift adoption of the new data protection framework which the Commission proposed earlier this year and the development of safe and fair contract terms and conditions."

Clouds on the horizon

If this can be achieved, the report predicts that cloud computing could be worth an extra €250 billion per year by the end of the decade. By contrast, if "cloud-friendly policies" aren't put in place, the annual boost to the EU economy is likely to be just a third of this value. Equally, the report suggests that publicly available cloud computing offerings could potentially achieve a 38% compound growth rate over the period 2012-2020,which is almost double that likely to be seen if

the decisive policy steps are not implemented. "Without EU action, we will stay stuck in national fortresses and miss out on billions in economic gains," warns Kroes. "We must achieve critical mass and a single set of rules across Europe. We must tackle the perceived risks of cloud computing head-on."

While the potential economic gains put forward in the report may seem high, it is well established that the cloud can have huge positive impacts on companies' success. Kroes's report highlights a 2011 survey conducted for the Commission which shows that through the adoption of cloud computing, four out of five organizations were able to reduce costs by around 10-20%. Also, almost half of organizations reported that their adoption of the cloud had enabled enhanced mobile working and had increased productivity, while a third reported that the cloud had opened up new business opportunities, as well as new markets.

The report also highlights the importance of EU member states working together to shape the cloud's future. While the report does praise national initiatives, such as Andromede in France, G-Cloud in the UK and Trusted Cloud in Germany, it says that these efforts in isolation are not enough. Citizens are not getting the best value for money and service integration is low under the current patchwork system, claims the report. Instead, the report proposes the creation of a European Cloud Partnership between the public and private sectors to "harness the public sector's buying power (20%

of all IT spending) to shape the European cloud
market, boost the chances for European cloud
providers to grow to achieve a competitive scale,
and deliver cheaper and better eGovernment."

Storm gathering?

However, there has been some criticism of the
report, most notably from the UK, where Liam
Maxwell, the government's deputy CIO, has warned
that the plan to certify "trustworthy" cloud
providers could limit the range of IT suppliers the
public sector can do business with. Speaking at the
Strata: Making Data Work conference in London
last week, he described the move towards
certification as a "retrograde step" which would
only benefit those vendors which have traditionally
dominated the public sector ICT landscape. "It will
enable the oligopoly that has driven IT for many
years to be able to police the Cloud. Only they will
have the 'certified' Cloud provision. Consequently
governments will sleep-walk into buying from
them, not just here but across Europe," he said.

Clean clouds

The report also highlights the potential for
cloud computing to make IT infrastrucutre
in
Europe more green. The report states: "The
unprecedented increase of data flow and
processing

of information over the Internet has a significant

environmental impact through energy and water

consumption, and greenhouse gas emissions. Cloud

computing can help mitigate these problems thanks

to more efficient use of hardware as well as, more

specifically, by building data centres to use

low-energy servers and green energy. For example,

according to some estimates, large companies in the

US could save $12.3 billion annually in energy

consumption by adopting cloud computing.

For more information, visit the Cloud Lounge over at
e-Science City."

Concern has also been expressed by some US industry insiders. Thomas Boué, director of government relations at EMEA for Business Software Alliance, warns that European companies could become isolated as a result of the cloud standards proposed in the report: "In implementing the new strategy, policymakers need to align privacy and security rules so that data can flow across international borders. Creating barriers to the free flow of data beyond Europe would

impose inefficiencies and could cut off European companies from the fastest-growing cloud markets in Asia and elsewhere around the world."

Mark MacCarthy, vice president of public policy at the US Software and Information Industry Association, also warns of some of the legal implications of the report's recommendations: "In places, the communication treats Cloud Computing as a discrete entity that is potentially subject to specific government regulation. In reality, Cloud Computing is a variety of evolving business and technical developments that share only a rough similarity. There is no need for European regulations that mandate specific security requirements just for Cloud Computing. Security standards should be market-driven and global, not just European, in character," he argues.

Blue skies ahead

Nevertheless, MacCarthy is generally positive about the report, describing it as "a major step forward". And, reaction to the report on the whole, both in Europe and the US has largely been very positive. HP's European head of innovation and sustainable computing, Ian Brooks, says: "HP supports the vision outlined by Neelie Kroes" and Giles Chester, Industry spokesperson for the European Conservatives and Reformists Group, says "the commission has adopted the right approach". Meanwhile, Stephen Collins, vice-president for corporate affairs at Microsoft EMEA, describes the proposal as a "significant milestone" for cloud

computing in Europe, adding, "The EU cloud
computing strategy will help Europe capitalize on
the great potential of this technology by removing
the remaining obstacles, paving the way for wide-
scale uptake across Europe."

With backing from both the public and private
sectors for her plan, cloud computing could be a
"game-changer" for the European economy,
predicts Kroes. Cloud computing is already set to
create an extra 1.3 million jobs in Europe by the
end of the decade, but if the right policy steps are
put in place now, this figure could be as high as 3.8
million extra jobs, she explains. As such, Europe
has the potential to become "a world cloud
computing powerhouse," the report concludes.

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