

The EU AI Act: More Exception than the Rule?

Exploring the proposed Digital Omnibus package, potential exceptions to the EU AI Act, and why France might suggest that a novel EU regulatory approach may be in the bloc's best interest.

The European Union is facing a pivotal moment with an impending start date for enforcement of key provisions of its landmark legislation, the EU AI Act. As of this writing, MEPs and the Council of the European Union are wrapping up a series of trilogue talks to reach consensus on which amendments, exactly, should be included in the Digital Omnibus package that will further shape the EU AI Act. This will, subsequently, determine whether existing timelines for regulatory enforcement of high-risk AI systems should be delayed or altered.¹

In a race against the clock (there is currently an August deadline by which enforcement is supposed to kick in), does the EU need to choose between cementing its commitment to hardline AI governance at a cost, or give way to further negotiations with industry? What is in the bloc's best interest to ensure global competitiveness in the development of novel technologies?

The question is perhaps more nuanced than this. Rather than choosing between innovation or governance, there may be a third option: one where the EU sticks to its core regulatory philosophies while pioneering a new era of regulation that embraces more uncertainty than it has in the past.

The EU AI Act at a Glance

The EU AI Act is arguably the most substantive supranational legislation to tackle the regulation of AI across public and private sectors. While it applies only to developers that wish to deploy their products in the EU, it's currently the de facto global standard for managing risk in the era of AI. Per artificialintelligenceact.eu, which provides real-time analysis of the AI Act, there are four main tenets of the Act:²

- Classification of AI is according to risk
- Onus is on developers of high-risk AI systems

¹ "AI: Press Conference Debrief on the Negotiations to Update EU Rules." *PubAffairs Bruxelles*, n.d. Accessed April 29, 2026. <https://www.europarl.europa.eu/news/en/press-room/20260427IPR42003/ai-press-conference-debrief-on-the-negotiations-to-update-eu-rules>.

² *High-Level Summary of the AI Act | EU Artificial Intelligence Act*. n.d. Accessed April 29, 2026. <https://artificialintelligenceact.eu/high-level-summary/>.

- Deployers of AI systems hold responsibility, but not as much as developers
- General Purpose AI (GPAI) providers must share docs, instructions, and training details

The Act [prohibits](#) a subset of particular AI practices such as manipulation, social scoring or biometric categorization, to name a few. But it focuses much of its requirements on tiers of [high-risk systems](#), such as those considered safety products or automated processing of personal data, among others.

Ongoing negotiations around the Digital Omnibus package stand to amend certain provisions in the existing legislation, most notably delaying the enforcement of requirements for high-risk developers from August 2026 to as late as 2028.³

Governance-Innovation Tension

This tension between governance and innovation is nothing new to EU legislators. The General Data Protection Regulation (GDPR), effective since 2018, experienced similar scrutiny in its quest to regulate the use of individuals' personal data across the EU. Varying interpretations of GDPR across EU member states strained early credibility of the regulation, and there is evidence to suggest that there's a similar hesitance among EU firms to comprehensively adopt AI without further adjustments or clarifications to the existing AI Act.⁴ Like GDPR, the EU's regulatory credibility, and the "Brussels Effect," or breadth of impact it can have on global norms, are at stake with the AI Act.

But is this governance-innovation tension necessarily a hindrance to the development of EU-native frontier technologies? The EU comprises a diverse landscape of countries with varying economic motives, but there *are* AI success stories among European countries that have managed to incubate and support industry while *also* aspiring to uphold EU values. This may be the impetus for recent calls to deregulate certain aspects of AI, which some of the negotiations around the Digital Omnibus package cite as necessary due to European vulnerabilities in digital supply chains and sovereign AI infrastructure.⁵

What can we learn from France?

Perhaps the best example of spawning innovation in a gray area, before regulation is fully proven out by governing bodies, rests with France and the likes of Europe's AI darling, [Mistral.ai](#).

³ PricewaterhouseCoopers. "EU's Digital Omnibus Offers AI Regulatory Relief, but Questions Remain." PwC, April 12, 2025. <https://www.pwc.com/us/en/services/consulting/cybersecurity-risk-regulatory/library/tech-regulatory-policy-developments/eu-digital-omnibus.html>.

⁴ Meyers, Zach. *Better Regulation and the EU's Artificial Intelligence Act*. n.d. Accessed April 29, 2026. <https://www.intereconomics.eu/contents/year/2025/number/3/article/better-regulation-and-the-eu-s-artificial-intelligence-act.html>.

⁵ Carnegie Endowment for International Peace. "The EU's AI Power Play: Between Deregulation and Innovation." May 20, 2025. <https://carnegieendowment.org/research/2025/05/the-eus-ai-power-play-between-deregulation-and-innovation>.

Mistral is Europe's answer to sovereign AI technology. Now valued near \$14 billion, it has grown up in a French ecosystem that only really started to gain steam in the last decade. Many startups have benefited from this environment, buoyed by deep investment from the French government in terms of funding, tax incentives, and public-private partnerships, many of which are accredited to Emmanuel Macron's determination for France to become a global startup incubator.⁶ According to the Financial Times, VC funding for French start-ups grew nearly 450% between 2015 and 2025—evidence that this is not a fluke, but the result of sustained investment.

Mistral itself represents a significant portion of the growth that the French startup ecosystem is experiencing, and it's worth highlighting that this has all occurred *before* the main provisions of the EU AI Act have fully crystallized. This is an important aspect of European startup success to date and is reinforced by those at the forefront of tech innovation in the EU. In an open letter to the European Commission, more than 40 CEOs from companies like Mistral, ASML, and others, called for a several years pause before AI regulation is enforced in the EU.⁷ That said, industry calls for delayed enforcement of the Act can hardly be separated from commercial interests.

Should the passage of the Digital Omnibus package represent the latest discussions taking place at the trilogue proceedings between MEPs and the Council of the European Union, it's likely that these CEOs will get exactly what they've asked for: more time for EU industry to grow and scale while the EU AI Act is adjusted to reflect the very real trade-offs that the bloc is currently wrestling with.

EU AI Ecosystem Post-Digital Omnibus Passage

If the current iteration of the Digital Omnibus proposal passes and enforcement provisions in the EU AI Act are delayed, does it suggest that the EU will have the chance to catch pace with the likes of the U.S. or China? Very unlikely. But importantly, this is not what EU startups like Mistral, nor governance bodies like the EU AI Office, seem to be striving for. Rather, they're seeking space to develop a distinctly European model that offers a path of innovation and regulation balanced against acceptable risk.

The EU remains committed to human-centric AI and a governing philosophy centered around the precautionary principle: adopt governance measures early, manage risk, and fuel sustainable development of AI technologies.

The French startup ecosystem suggests that EU regulatory philosophy doesn't have to be a death sentence to innovation, and regulatory uncertainty, to a degree, may not be all bad. In

⁶ Leprince-Ringuet, Daphne. "France Leads the Pack in the Fastest-Growing Companies Ranking." Entrepreneurship. *Financial Times*, March 26, 2026. <https://www.ft.com/content/278bb3db-c660-4494-b8d7-dc4359c52712>.

⁷ Euronews. "Europe's Top CEOs Call for Commission to Slow down on AI Act." <https://www.euronews.com/next/2025/07/03/europes-top-ceos-call-for-commission-to-slow-down-on-ai-act>.

fact, the very reputation of the EU's regulatory prowess might enable them to pioneer a new era of regulation that embraces more flexibility than it has in the past, while working towards a distinctly European AI ecosystem that is sovereign, responsible, and innovative all at once.

Endnotes

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