The Autorité de la concurrence issues its market study on competition in the cloud sector

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Cloud computing: the *Autorité de la concurrence* issues its market study on competition in the cloud sector

On 27 January 2022, the *Autorité de la concurrence* announced that it had started proceedings ex-officio to issue a market study on competition conditions in the cloud computing sector. The *Autorité* is today issuing its final opinion, after publishing an interim document in the summer of 2022 and consulting all the stakeholders.

The cloud is one of the technological developments that is central to the digitisation of the economy. It is a source of productivity gains for companies and value creation for the economy.

In this opinion, the *Autorité* focuses particularly on cloud layers relating to IT infrastructure (IaaS, « *Infrastructure-as-a-Service* ») and platform services (PaaS, « *Platform-as-a-Service* ») for business clients. Developments also concern the entire cloud value chain (among which layers relating to software services (SaaS, « *Software-as-a-service* ») when it is relevant to the competitive analysis. The sector is dominated by three hyperscalers: Amazon Web Services (AWS), Google Cloud and Microsoft Azure, and represent 80% of the spending growth in public cloud infrastructures and applications in France in 2021. Amazon and Microsoft have captured 46 % and 17 % respectively of revenues from IaaS and PaaS services in 2021. Given their financial capacities and their digital ecosystems, these hyperscalers are in a position to hinder competition development.

The *Autorité* proposes an analysis grid presenting possible relevant markets in the cloud sector and analyzes various practices implemented or likely to be implemented in this sector, which could restrict competition.

Certain risks impact overall competition in the sector for instance, cloud credits or egress fees. Others fit into specific scenarios, with risks for businesses when migrating to the cloud for the first time, when building their IT systems directly from the cloud, and when migrating a cloud service provider to another. The *Autorité* also examines risks linked to the barriers to expansion for hyperscalers' competitors.

To tackle these risks, the *Autorité* points out that it has tools to act swiftly and effectively and protect competition on various grounds such as abuse of dominant position law, cartel law, abuse of economic dependence and merger control. The French law on restrictive competition practices can also be an appropriate response to certain situations.

Further, the *Autorité* identifies market failures likely to be addressed by the regulations under discussion such as the European (« Data Act ») or the French Governement's draft law to secure and regulate the digital space.

Finally, the *Autorité* observes that, in the future, several evolutions will potentially have an impact on competition in the sector. Large language models (LLM, such as ChatGPT), *edge computing, cloud gaming*, cybersecurity issues or the growing importance of its environmental footprint can be mentioned, among others. Competition authorities will have to monitor that established players do not hinder the development of smaller or new players based on these technologies.

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