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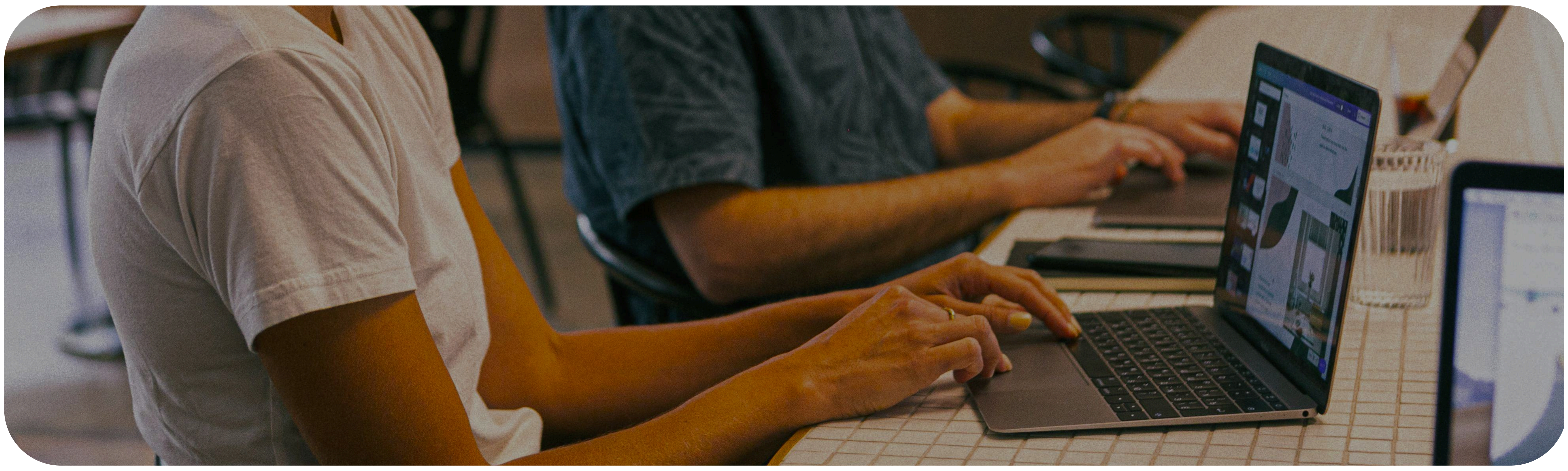

Open Letter: Safeguarding AI Innovation in Europe

Startups' concerns about the future of AI development in Europe

The European Union stands at a critical juncture in shaping the future of artificial intelligence. The General-Purpose AI Code of Practice (GPAI Code), currently being finalized by the AI Office, has the potential to either reinforce Europe's global competitiveness or stifle innovation and drive AI development out of Europe. **As the leading business organization for Denmark's startup ecosystem—home to 17,000 entrepreneurs—**we are committed to fostering an environment where startups can thrive, scale, and remain in Europe. Our concern is that **the current trajectory of the GPAI Code may create unintended barriers that hinder AI-driven innovation**, making it harder for European startups to compete globally.

A call for proportionate and innovation-friendly regulation

We support the EU's ambition to develop a responsible AI framework that ensures transparency and safety. However, **it is crucial that the GPAI Code remains strictly within the boundaries of the AI Act** and does not introduce additional regulatory obligations beyond what was politically negotiated and agreed upon. **Startups in our community have voiced significant concerns** about increasing compliance complexity. Many fear that overly restrictive measures will create an unworkable framework, limiting their ability to develop and deploy AI into their business models and scale effectively.

The AI Act was designed to balance innovation and responsibility. If the GPAI Code introduces new, stricter requirements beyond the Act's scope, **it will have a chilling effect on overall AI innovation**, deter investment, and slow the technological development in Europe.

Regulatory uncertainty threatens investment

For startups, **access to capital is essential for growth and success.** Investors take a long-term view, often looking 5 to 10 years ahead. If they anticipate that **a startup will face excessive bureaucracy due to rigid regulations**, they may hesitate or choose to invest elsewhere. This is **especially problematic for AI startups developing next-generation technologies** that Europe's future economy depends on. Increasing compliance **burdens risks discouraging investments in high-growth sectors.** Meanwhile, markets like the U.S. and China offer more flexible regulatory environments, making them more attractive for AI investment.

The UK is also adopting a more competitive AI strategy, having launched an ambitious AI plan and recently postponing AI regulation to align with U.S. policies and avoid discouraging AI companies from investing in the UK. **If Europe continues down a path of overregulation, startups will struggle** to secure funding, leading to capital flight and a weakened position in global AI innovation.

Creating a level playing field

While SME exemptions may seem like a way to alleviate burdens on startups, they often create new problems rather than solving existing ones:

- **Regulatory arbitrage** – We have seen cases where startups limit their growth or restructure operations to remain eligible for exemptions rather than focusing on scaling and attracting investment.
- **Risk is not necessarily linked to company size** – High-risk activities, such as AI model development, financial transactions, and cybersecurity, are not inherently tied to company size. A small AI startup developing generative AI tools can pose as much risk as a large corporation.
- **Stifling long-term innovation** – If regulations only apply to large companies, startups will face a regulatory cliff where sudden compliance burdens make scaling prohibitively expensive and unattractive, discouraging growth and creating an uneven playing field.

Instead of exemptions, we urge the AI Office to adopt a proportionate, risk-based regulatory approach that applies consistent standards across the board, regardless of company size.

The consequences of a restrictive approach

An **overly restrictive AI framework will push European AI talent, startups, and investment elsewhere**. We already see a trend where **companies leave Europe** in favor of more AI-friendly environments. The departure of Danish-founded unicorns such as JustEat, Zendesk, Unity Technologies, Tradeshift, and SteelSeries illustrates how **scaleups frequently seek better conditions abroad**, taking jobs, growth, and innovation with them. **But we cannot afford to lose more of them.**

Europe must avoid repeating past mistakes in digital policy. If we introduce additional barriers to AI development, we risk making the continent **less attractive for AI entrepreneurs** and investors, undermining the EU's strategic goal of becoming a global leader in artificial intelligence.

Our recommendations

To foster AI innovation while maintaining responsible governance, we urge the AI Office and policymakers to:

- **Ensure that the GPAI Code remains within the scope of the AI Act** and does not introduce additional regulatory burdens.
- **Adopt a risk-based approach** rather than focusing on company size.
- **Recognize the importance of open-source AI models** while ensuring that GPAI models are treated equally regardless of their release strategies but based on their capabilities and potential risks
- **Create an enabling regulatory environment** where European startups can scale and compete globally without unnecessary restrictions.

We urge EU policymakers to work with us to ensure that the final GPAI Code supports, rather than hinders, European AI innovation. Time is running out, and Europe cannot afford to lose ground in the global AI race.

Kind regards,

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