CEPS

TASK FORCE REPORT

BUILDING A EUROPEAN COMPETITIVE EDGE IN SPACE

An agenda for action

RAPPORTEURS

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CEPS is an independent think tank based in Brussels. Its mission is to produce sound policy research leading to constructive solutions to the challenges facing Europe and the world.

This report builds on discussions of the CEPS Task Force on 'Fostering European leadership for the new space race'. It was composed of representatives of national space agencies, European institutions and bodies, industry and academia, as well as other experts. A list of members is given in the appendix.

Task force members participated in discussions over the course of several meetings held between May and July 2025. They contributed input before and after the meetings, and submitted general comments on earlier drafts of the report. The recommendations of this report do not necessarily reflect a common position reached by all members of the task force, nor do they represent, in any manner, the views of the institutions to which they belong. It should be read as an independent work by CEPS researchers.

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EXECUTIVE SUMMARY

The global space economy is entering a decisive phase of structural transformation. Rapid reductions in launch costs and the proliferation of mega-constellations of satellites are changing the space sector. The convergence of space technology with digital and defence infrastructure, coupled with the expansion of dual-use applications, is reshaping it from a specialised industrial domain into a foundational layer of economic competitiveness and geopolitical power.

Forecasts suggest that the global space economy could reach USD 1.8 trillion by 2035, growing at a significantly higher rate than global GDP. In this context, Europe's relative position has weakened: market share has declined, budgets remain low and private capital markets remain underdeveloped.

This report assesses not only geopolitical and competitiveness challenges, but also opportunities for the way ahead. It considers the strategic implications of reports by Enrico Letta, Mario Draghi and Sauli Niinistö, as well as the European Commission's 2025 Communication on the Space Economy and its proposal for an EU Space Act. The report identifies a common structural diagnosis: Europe's space ecosystem is constrained by institutional, financial and industrial fragmentation.

Institutionally, the coexistence of EU bodies, the European Space Agency (ESA) and national agencies often results in overlapping mandates, diffused accountability and slow procurement cycles. Financially, Europe's space sector depends heavily on public sector demand while lacking a permanent framework for scale-oriented investment able to crowd in private capital. Industrially, a highly capable but dispersed ecosystem struggles to scale or bridge the 'valley of death' for start-ups, and compete globally in capital-intensive areas like launchers, satellite manufacturing or secure connectivity.

This report argues that incremental coordination is no longer sufficient. Europe must move from coordination to orchestration. It provides a set of policy recommendations in this direction:

- Clarify the division of competences between ESA and the EU Agency for the Space Programme.
- Accelerate and modernise public procurement.
- Create a dedicated space arm for defence.
- Establish a European Space Fund within the European Investment Bank.
- Develop and pursue a European space industrial strategy focused on critical dependencies and scaling.

Space is a stress test for Europe's ability to act collectively in strategic technologies. In a geopolitical environment characterised by speed, scale and publicly backed industrial ecosystems, inaction constitutes strategic regression. Europe faces a stark choice: manage gradual decline through the many facets of fragmentation and modest ambition, or embrace simplification, capital mobilisation and industrial consolidation to secure its place in the emerging space order.

1. INTRODUCTION

Space has always been at the forefront of technological innovation. This is why the world's most advanced economies have made long-term bets on supporting the space sector. New commercial activities in space powered by advances in micro-electronics, space infrastructure and other complementary innovations (e.g. in power technologies) are driving the private sector and governments to increase their investment in space-related activities.

The space economy, understood as encompassing both upstream and downstream components[1], is progressively becoming a horizontal enabler. It creates value in a wide range of sectors – from transport to agriculture, from environmental protection to energy and biodiversity, and from civil protection to mass market products such as smartphones. Its spillovers help to address many of the world's most urgent challenges.

Despite common misperceptions, space technology has become integral in many aspects of daily life with a growing number of commercial use cases, leveraging the combined potential of communication satellites, global navigation satellite systems and Earth observation. It is no surprise then that the question of how to boost the European space sector is attracting attention by the main European institutions, research centres and think tanks. The aim is to enable the sector to capitalise on the advancements and opportunities of the NewSpace revolution and to reverse the decline that Europe has faced over the last two decades.

During the last 18 months, significant lines of thinking have provided valuable contributions to this debate, such as Enrico Letta's report on *The Future of the European Single Market* (April 2024), Mario Draghi's report on *A Competitiveness Strategy for Europe* (September 2024), and Sauli Niinistö's report on *Strengthening Europe's Civilian and Military Preparedness and Readiness* (November 2024).

Within this framework, CEPS launched a task force to respond to the question of which policy actions are needed to revamp Europe's leadership in space. CEPS announced its task force on space in March 2025 at the Ideas Lab, its flagship annual conference. Later, it held three closed-door workshops in Brussels between May and July, attended by a select group of 21 stakeholders, including national space agencies, European institutions and organisations, industry representatives, academics and other experts.

This report draws conclusions from those meetings and the input provided by the task force members as well as desk research. However, it does not represent stakeholder interests or specific viewpoints and should be read as an independent piece of work by CEPS researchers.

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[1] Upstream components refer to the hardware and infrastructure required to design, build, launch and operate space assets. Downstream components are those that use the data, signals and services produced by these assets to provide applications such as weather forecasting or satellite communications.

2. EU SPACE POLICY: FROM COORDINATION TO ORCHESTRATION

For two decades, EU space policy has involved coordination among Member States and relied on technical stewardship by the European Space Agency (ESA). This model has produced remarkable achievements – most notably the Galileo system, Copernicus programme and the European Geostationary Navigation Operating System. Yet it has also entailed fragmentation, regulatory asymmetry and subscale private markets. The new policy package is a step towards bringing together this patchwork into a single European market for the space sector, equipped with uniform rules, harmonised safety standards and predictable investment conditions.

The years 2024 and 2025 marked a turning point for Europe's space policy. The publication of a Communication on the Space Economy by the European Commission, along with its proposal for an EU Space Act, constitutes an ambitious attempt to bring coherence to Europe's space ambitions. These initiatives recognise the need for action to increase competitiveness, fix the single market and safeguard European defence in a tense geopolitical context, as analysed in reports from 2024 by former Italian prime ministers Enrico Letta and Mario Draghi, as well as former Finnish president Sauli Niinistö.

Taken together, these three documents represent more than a technical roadmap; they articulate a political project – the long-delayed recognition that space is no longer a peripheral domain of science and exploration, but a central pillar of competitiveness, resilience and sovereignty.

The Communication is forthright about the scale of the challenge. Europe, it argues, 'possesses all the ingredients required to be a leader in the global space economy', yet continues to underperform relative to its potential. The diagnosis is not new: excessive fragmentation, uneven access to finance, insufficient industrial scaling and a chronic dependency on non-European technologies. What is new is the framing. The document redefines the space economy as an ecosystem encompassing upstream and downstream activities, data-driven services and dual-use infrastructure. It is, in short, a key component of Europe's competitiveness.

The proposed EU Space Act is conceived as the regulatory backbone of this vision – a horizontal instrument designed to harmonise national frameworks, clarify liability and licensing rules, and codify sustainability and safety standards for space operations. In doing so, it seeks to replicate what the single market once did for telecommunications and energy: turn an assortment of national systems into a coherent European market capable of supporting scale, investment and innovation.

This new architecture does not emerge in a vacuum. It must be read alongside the three reports. Each of these texts, in its own way, elevates the space sector from a technical niche to a political metaphor for the EU's wider transformation (see **Error! Reference source not found.**).

Box 1. Mentions of space-related matters: quotations from the 2024 reports by Enrico Letta, Mario Draghi and Sauli Niinistö

Letta report

> [C]larity and complementarity in the roles and responsibilities of ESA and EUSPA are essential.
>
> [G]reater coherence and coordination of the rules applied to space activities by all European institutional space actors [should be established].
>
> ESA should also consider revising the scope of application of the geo-return method.
>
> Deeper financial market integration and enhanced public procurement are also crucial to stimulating the space economy.

Draghi report

> Reform the European space governance framework to reduce complexity, fragmentation and overlap.
>
> Remove the European Space Agency's geographical return principle to reduce the fragmentation of the EU's industrial base and modernise EU procurement rules.
>
> Establish a functioning Single Market for space, through a common EU legislative framework. Introduce common standards and harmonise licensing requirements in Member States, so that products and solutions comply with the same requirements (i.e. in line with the planned EU Space Law). Necessary EU legislation should ensure EU sovereignty concerning standards and norm- setting in this strategic policy field.
>
> Establish a multi-purpose EU Space Fund.
>
> Improve access to finance for the EU's space SMEs, start-ups and scale ups to ensure they can innovate and grow.
>
> Introduce targeted European preference rules for the space sector to support the necessary scale up of European space companies.
>
> Define joint strategic priorities for space research and innovation.
>
> Further exploit the synergies between space and defence industrial policies.
>
> Define an EU policy framework for launchers aiming to ensure autonomous access to space.
>
> Promote further access to international space markets.

Niinistö report

> Develop a Comprehensive EU Stockpiling Strategy to incentivise coordinated public and private reserves of critical inputs, and ensure their availability under all circumstances, finally exploiting in full the dual-use nature of Space Technologies.
>
> Enhance public-private cooperation to facilitate resilience-building, as well as swift and coordinated responses to future crises, finally exploiting the high potential of Public Private Partnerships as a mean to bridge commercial and defence requirements.

Letta's vision of a 'fifth freedom' – the free circulation of knowledge, data and innovation – provides the conceptual scaffolding for the Space Act. His call for a deeper and broader single market resonates directly with the Commission's argument that the internal fragmentation of Europe's space industry is a structural handicap. By promoting common certification, procurement and regulatory frameworks, the Space Act attempts to apply Letta's logic in one of the most cross-cutting domains of the European economy.

The Draghi report extends this reasoning to the realm of competitiveness. He calls for a 'scale revolution' across strategic sectors – a shift from incrementalism to mission-oriented investment and bold industrial orchestration. The 2025 Communication channels this concept with unusual clarity. It proposes to use EU demand – public procurement, anchor tenancy and long-term service contracts – as a lever for private investment, while encouraging cross-sectoral missions linking space with digital, climate and security objectives. In essence, it calls for the EU to act not as a passive regulator but as an *entrepreneurial state*, able to shape markets and absorb risk.

Niinistö's report, for its part, brings the dimension of resilience to the foreground. It argues that Europe's competitiveness and preparedness are now inseparable – that no union of countries can be secure if it is structurally dependent on others for critical technologies. In this light, the Communication's emphasis on space technology as critical infrastructure, and its explicit integration of defence, cybersecurity and sustainability, should be read as a direct response to Niinistö's call for a new compact between economic and security policy. Space, after all, is where data, defence and diplomacy intersect.

What emerges from this confluence of documents is an embryonic but coherent strategic narrative: Europe must complete its single market for the space sector, scale its industrial capacity, and secure its assets in orbit and on the ground. The architecture is there, but the foundations remain fragile, as discussed above. Moreover, governance remains unresolved.

The Communication promises coordination among the Commission, ESA, EU Agency for the Space Programme (EUSPA) and national agencies, yet the institutional geometry is still opaque. Even so, for all its imperfections, the 2025 Communication marks the most mature iteration yet of a truly European space policy. It integrates market logic with strategic purpose, and economic scale with security imperatives. It draws from Letta the need for integration, from Draghi the need for investment and from Niinistö the need for resilience. In doing so, it elevates space from an industrial cluster to a metaphor for Europe itself: diverse, ambitious, often divided, yet capable of extraordinary synthesis when political will aligns.

3. TRENDS AFFECTING THE SPACE SECTOR

Technological advances in manufacturing (such as 3D-printed components), software (notably artificial intelligence) and reusable launch vehicles have collectively driven down the cost of accessing, and operating in, space. In addition, improvements in launch-vehicle reuse and the standardisation of components plus a significant increase in the cadence have enabled economies of scale and vertical integration across the supply chain.

The launch-market revolution – driven primarily by reusable first stages, component/sub-system standardisation and industrial vertical integration – has materially reduced launch costs. Although the exact figures vary by source and vehicle class, at the turn of the millennium dedicated launches to low Earth orbit (LEO) often cost tens of thousands of US dollars per kilogram, whereas more recent medium- and heavy-lift vehicles have reduced this cost to the low thousands. Some forward-looking projections envisage cost levels as low as USD 100 per kg to LEO under high-reuse, high-cadence systems.

A direct effect of these cost reductions has been the rapid growth in satellite launches. Mega-constellation programmes such as Starlink, OneWeb, Kuiper, China's G60/Guowang plans and Europe's IRIS² all exemplify this trend. These constellations promise to reduce the cost of connectivity by satellite to levels comparable with current connectivity methods, thereby helping to bridge the digital divide both within and between countries. Consequently, consumer-device manufacturers are adapting smartphones to communicate directly with satellites: direct-to-device satellite technology will enable mobile phones and IoT devices to connect to satellites without traditional cellular infrastructure or external specialised hardware – allowing affordable global connectivity even in remote areas.

In this context, considerable divergence remains between forecasts of how large – and how rapidly – the space economy will grow over the coming 10-30 years. Much depends on technology trajectories, market adoption, geopolitical tensions and regulatory frameworks. Nonetheless, several recent analyses provide a plausible baseline. For example, the World Economic Forum, in partnership with McKinsey & Company, estimates that the global space economy could grow from USD 630 billion in 2023 to USD 1.8 trillion by 2035 (overall potential addressable market). This would imply a compound annual growth rate of roughly 9%, well above projected global GDP growth.

A breakdown of that USD 630 billion figure shows that in 2023, 'backbone' applications like satellites, launchers, broadcast/television and PNT (positioning, navigation and timing) accounted for just over half (approximately USD 330 billion). 'Reach' applications (space-enabled services across industries) made up the remainder.

Another interesting trend is space exploration, which is undergoing renewed momentum. NASA’s Artemis programme, despite recent contradictory remarks by the US administration, is envisaging a long-term, sustained human presence on the Moon by 2030. It will be complemented by ESA’s Moonlight initiative, which aims to establish the first commercial lunar telecommunications and navigation service. Beyond lunar orbit, NASA’s Mars plans and China’s International Lunar Research Station (developed jointly with Russia, with expected completion by 2035) exemplify both the weight of geopolitics and the consolidation of alternative poles of power beyond the US and Europe.

4. THE ROLE OF GOVERNMENTS IN THE SPACE ECONOMY

Despite the new commercial use cases for space advancements, governments continue to play a decisive role not only as regulators but also as strategic orchestrators. They set long-term missions, de-risk investment and anchor demand for high-capex, long-lead technologies. Investing in space has a strong multiplier effect on the world's economy.

Several actors, including the ESA, have noted that every euro of public funding can generate between four and seven euros of wider economic return, through spillovers into manufacturing, digital infrastructure, Earth observation and scientific research. This effect underlines the dual role of space technology as a strategic asset and an enabler of innovation across the broader economy. It can be seen in the increased number of national space agencies: while at the beginning of the century there were around 40, currently they number over 70.

According to the European Space Policy Institute (ESPI), global institutional budgets for the space industry exceeded EUR 110 billion in 2024, reflecting steady growth despite fiscal tightening in other sectors. The US remains the largest single contributor, with an estimated EUR 73.6 billion, nearly five times the combined level of European spending. China has consolidated its position as the second-largest public investor, while Europe's collective outlays – including ESA and national space programmes – account for approximately 20% of global public space budgets.

In proportional terms, Europe's institutional effort remains below that of its peers. The US space budget is equivalent to about 0.25% of GDP, whereas European spending stands at roughly 0.07%, according to a briefing by the European Parliament on the EU space sector. This is further evidence that a European revamp will need not only ideas and actions, but also a surge of investment.

While public expenditure is necessary to increase long-term bets on space, it is also a catalyst for private investment. At the global level, private investment in space companies has seen significant growth in the last few years, with a 6% year-on-year rise to EUR 6.9 billion in 2024 (though from a downturn in 2023), a large portion of it coming from venture capital. The focus of investment has shifted from traditional satellite communication to new ventures in low and medium Earth orbit, as well as areas such as reusable rockets, 3D printing and satellite servicing.

What is interesting, moreover, is that for the first time, investment in the US accounted for less than 50%, with China and Europe capturing almost the other half. Europe's positive outlook is marked by investment in security-related or dual-use domains, reflecting the growing convergence of space, defence and digital infrastructure.

5. EUROPE'S STRUCTURAL CHALLENGES

In spite of the challenges, Europe retains global leadership in key technological niches – notably through the Galileo and Copernicus programmes, and the development of fully regenerative, software-defined satellites such as Eutelsat Quantum or OneSat (see Table 1).

Yet comparative performance indicators reveal a widening strategic gap. Europe's market share of the global upstream market decreased from 15% in 2018 (and 21% in 2008) to 10% in 2023, with similar dynamic affecting the downstream market – slipping from 22% in 2019 to 21% in 2023. Upstream activities focus on getting to space while downstream activities are about applying space technology on Earth. This means that over the past decade, Europe's position in the design, manufacture and launch of rockets and satellites has fallen dramatically, which has long-term implications for crucial aspects such as economic security and defence.

On top of this, ESPI and ESA data show that Europe represents roughly 10% of global institutional budgets, while the US accounts for over 60%. Beyond this, intellectual property and patent-related activity is also concerning, with disproportionate concentrations in Asia and North America. This does not mean that the EU needs to match US figures, but rather that it needs to make better use of its capacities (institutional, industrial and financial) and capabilities, and to ramp up activities to match ambition.

Industry signals underscore this pressure. In early 2024, Thales Group announced 1 300 job cuts, citing 'structurally weak demand'. In October 2024, Airbus SE followed suit, cutting 2 500 positions in its Defence and Space division due to losses in space business lines. These developments point to an industrial base increasingly squeezed between public procurement cycles and a still-underdeveloped entrepreneurial ecosystem.

All of this has an impact on innovation but the gap between Europe and its geopolitical competitors looks wider if also taking into consideration its risk-averse financial environment. Venture-capital penetration remains low, and access to equity financing for space start-ups and SMEs is limited. By contrast, in the US, firms such as SpaceX – with estimated revenues of USD 13 billion and a workforce of over 13 000 in 2024 – exemplify the capacity of a venture capital-rich ecosystem to scale innovation rapidly from research to global markets.

If Europe is to secure strategic autonomy in space, the response by policymakers must address multiple angles, including those that reflect long-term practices and the ambition that Europe used to show in space. For that, policymaking must evolve from traditional funding models towards systemic orchestration – aligning mission-oriented investment, agile regulation, cross-sectoral coordination and a financial framework capable of mobilising private risk capital. Such a shift would transform Europe's institutional strength into an innovation advantage, ensuring that the next phase of the space economy not only reflects European values but also boosts European competitiveness.

Table 1. Key European space programmes and the involvement of public and private actors

	Programme/ operations agency	Technical development partner(s)	EU Member States & agencies	Main industrial actors	Timeline for operationalisation
Copernicus	EUSPA (service uptake & security)	ESA (satellite development) EUMETSAT (meteorological missions)	Strong participation via national space agencies (e.g. CNES, DLR, ASI & CDTI) and national data infrastructure	Airbus Defence and Space; Thales Alenia Space; broad EU SME ecosystem	2014 (Sentinel-1 launch, programme operational)
Galileo	EUSPA (operations & service provision)	ESA (system design & deployment)	ESA Member States co-finance development phases; national agencies support industrial return	OHB SE; Airbus Defence and Space; Thales Alenia Space	2016 (initial services declared)
EGNOS	EUSPA	ESA (initial development)	Aviation authorities & national ANSPs support certification and deployment	Airbus Defence and Space; Thales Alenia Space	2011 (safety-of-life aviation service)
EU Space Surveillance and Tracking	EUSPA (front desk & service provision)	Decentralised sensor network	Consortium of ~15 EU Member States operating radars & telescopes (e.g. France, Germany, Italy	National industrial radar & tracking suppliers	2016 (services provided to users)

			& Spain) via national defence/space agencies		
GOVSATCOM	EUSPA	Hybrid model leveraging national & commercial assets	Member States provide government al satcom capacity	European satellite operators (e.g. SES, Eutelsat, Hispasat)	2024-25 (initial pooled services implementatio n phase)
IRIS²	EUSPA	ESA (technical support)	Member States participate via concession model & regulatory alignment	SpaceRISE consortium led by SES with Eutelsat, Hispasat; manufacturing by Airbus, Thales Alenia Space, OHB and others	2027-30 (phased deployment of constellation)

Note: ANSPs = air navigation service providers; ASI = Agenzia Spaziale Italiana; CDTI = Centro para el Desarrollo Tecnológico Industrial; CNES = Centre National d'Etudes Spatiales; DLR = German Aerospace Center; EGNOS = European Geostationary Navigation Overlay System; ESA = European Space Agency; EUMETSAT = European Organisation for the Exploitation of Meteorological Satellites; EUSPA = EU Agency for the Space Programme; IRIS^2 = Infrastructure for Resilience, Interconnectivity and Security by Satellite.

Source: Authors' compilation.

6. POLICY RECOMMENDATIONS FOR A EUROPE FIT FOR THE NEW SPACE AGE

The question now is whether Europe can realise these ambitions. The cost of failure is not abstract. It would mean ceding technological sovereignty in a domain that underpins everything from secure communications and navigation to climate monitoring and defence. The fruit of success, by contrast, is measurable only in opportunity: a thriving space economy that drives innovation across sectors and reaffirms Europe's capacity to act as a global standard-setter.

Space, ultimately, is where Europe's strategic autonomy might be one of the most fragile and one of the hardest to rebuild. Whether the EU can summon the political gravity to pursue it remains to be seen. This report argues that the EU must take immediate action on four diverse fronts to achieve this vision: institutional, financial, regulatory and industrial. All of this has as the point of departure the issue of fragmentation, which effectively slows European advances at a time when speed (and strategy) is key.

6.1. OVERCOMING INSTITUTIONAL FRAGMENTATION

Europe's space governance remains one of the most intricate institutional ecosystems in the world. The current structure operates across three interconnected levels:

- Member States (acting individually through their national space agencies or in multilateral configurations through ESA programmes);
- the EU (represented by the European Commission and EUSPA);
- ESA (acting either on behalf of its Member States or increasingly implementing EU programmes), a distinct intergovernmental organisation that includes EU Member States and non-EU countries such as Canada, the UK and Norway.

Despite periodic efforts at alignment, an effective mechanism for working in concert across these layers is still missing. The result is a diffusion of responsibilities and structural inefficiencies that weaken Europe's collective position in an increasingly competitive global market.

Recommendation 1: Establish a clear division of competences between EUSPA and ESA to strengthen EU efforts.

Despite of the existence of 'operational agreements', the absence of an efficient functional division of competences generates duplication of effort and dispersed budgetary allocation. It also limits Europe's capacity to conceive and manage dual-use programmes – initiatives that would further integrate civil and defence objectives – given how hard it is to federate demand across multiple jurisdictions.

To address this, Europe must move beyond the currently segmented governance framework to one built on complementarity and trust. ESA, with its unparalleled technical expertise, capacity to manage long-term, high-risk development programmes and innovation heritage, should evolve into a real European Research and Innovation Agency for Space. Its remit should focus on scientific excellence, long-term technology foresight and high-risk, high-impact exploration. It should become the European agency comparable in mindset to the Defense Advanced Research Projects Agency (DARPA), but tailored to civilian and dual-use innovation.

A good example is provided by ESA's European Resilience for Space proposal at its Ministerial Council in 2025. ESA should concentrate on looking 20 years ahead: driving transversal innovation, nurturing disruptive technologies and translating research into commercial potential. To achieve this, ESA could gradually divest itself of the direct management of the 'recurring phase' of operational programmes such as Copernicus, Galileo and IRIS2, transferring these portfolios to the EU institutional framework as soon as they successfully achieve the validation phase. This means applying the EUMETSAT model launched in 1986, which has proven quite successful so far.

A phased reform of the geographical return principle would also be necessary. While the mechanism historically secured political cohesion and guaranteed significant fundraising by Member States for space industries, it now constrains agility and competition and most of all perpetuates fragmentation. A gradual shift towards a merit-based, objective-driven system – already being considered – would better address Europe's need for efficiency and global competitiveness. In the transition phase, current proposals could be tested and exploited, such as:

(i) 'fair contribution' (i.e. calculating the contribution of participating Member States after the selection of suppliers);

(ii) the possibility to transfer contributions among programmes by domain (as per the ARTES programme); or

(iii) the management of geo-returns on an aggregated level (domains/directorates).

In parallel, national space agencies could progressively transfer a portion of their R&I budgets and human capital dedicated to this matter in space to ESA through a boost in the seconded national experts programme. This would enable the development of a critical mass for Europe's long-term technology agency.

EUSPA, by contrast, should consolidate and develop its role as the European Union Space Agency, responsible for managing the operational phases of satellite systems. In this capacity, EUSPA would ensure programmatic continuity from development to deployment, working under a unified governance structure that reflects the EU's single market and security priorities.

Recommendation 2: Simplify and speed up decision cycles in public procurement.

At all levels, the public sector must become more responsive to user needs. The procurement process, often lengthy and bureaucratic, is a major drag on Europe's agility. ESA currently takes around 33 weeks on average to process a procurement contract – nearly twice NASA's average of 18 weeks, and vastly slower than private sector benchmarks.

Simplified, innovation-friendly procurement procedures, together with faster decision cycles and key performance indicators, would significantly reduce time-to-market for space services.

Recommendation 3: Emphasise the role of space in European security and defence by creating a dedicated arm to manage defence-related investment.

The convergence of space and defence has been taking place since the very early days of space exploration. Yet, unlike the US, Europe lacks an institutional mechanism capable of federating requirements, coordinating programmes or developing European space-defence systems. The US Space Development Agency, with roughly 330 staff and a budget of USD 4.2 billion in 2024, is an interesting benchmark for what an agile European equivalent might achieve.

Europe should therefore move towards establishing a European Space Defence arm, whether this takes the form of an agency or a dedicated department. This could be developed as part of the European Union Satellite Centre or the European Defence Agency. Such an entity would coordinate defence-related space procurement and promote interoperability. It would leverage synergies between civil and military capabilities and provide military requirements at an early stage of development to ensure the applicability of public programmes to security and military objectives.

Its eventual creation will take time. Thus, a transitional arrangement could involve a coalition of willing Member States pooling budgets and expertise under a dedicated initiative. The recently established SAFE instrument (Security Action for Europe), designed to finance urgent investment in the European defence industry, offers a pragmatic model for rapid deployment without awaiting full consensus. Bilateral arrangements with non-EU partners could complement this framework, ensuring inclusiveness and operational reach.

6.2. Overcoming financial fragmentation

Europe's financial framework for space remains underpowered. In 2023, total public institutional budgets for space (including for civil and defence purposes) worldwide were approximately EUR 106 billion, while Europe's consolidated public space budget was EUR 11.9 billion, representing about 11% of the global total. According to ESPI's data, 70% of revenues for European space companies come from institutional contracts, confirming that public funding remains the primary driver of the ecosystem. Ultimately, space infrastructure functions as an essential public good, much like roads or energy grids.

Recommendation 4: Set up a European Space Fund for long-term investment in space technologies.

Seed-stage initiatives such as the ESA Business Incubation Centres or the Copernicus Start-Up Programme have been valuable, yet early-stage financing remains modest and dispersed. Venture and equity capital for space is limited, and investors with domain expertise are scarce. Even transformative initiatives like NextGenerationEU and national recovery plans have provided only temporary stimulus without establishing a structural funding continuum. As these programmes wind down after 2026, a financing gap looms just as Europe seeks to scale its industrial and space-defence capacities.

Europe needs a European Space Fund (ESF) – a multiannual, multi-purpose instrument jointly managed by the European Commission and the European Investment Bank (EIB). Conceived as a permanent facility under the EIB, the ESF would blend public and private capital, support start-ups and SMEs through risk-sharing mechanisms, and finance strategic (including dual-use) programmes. The European Commission's proposal, tabled in July 2025 as part of negotiations on the Multi-Annual Financial Framework (2028-35), moves in this direction.

The ESF should aim to hedge early-stage risk, attract non-specialist investors and operate a venture-capital arm analogous to the Cassini Initiative, but on a structural, not pilot, basis. To succeed, the ESF must be staffed by professionals fluent in both space technology and financial markets, ensuring that investment decisions are guided by commercial logic as much as by policy objectives. Over time, this instrument could replace Europe's fragmented project-based funding with a stable, internationally recognised reference for long-term investment in the space industry.

If effectively implemented, the ESF could help triple Europe's institutional space budget by 2035 – from EUR 14 billion to roughly EUR 40 billion annually – enabling the scale required to compete with the US and China. Combined with the consolidation of R&I budgets under ESA, such an increase would not only achieve economies of scale but also unlock significant efficiency gains for the overall space ecosystem. Simply allocating more funds is not the solution; more funding is needed but it must be better spent than today – more together, more European.

6.3. OVERCOMING INDUSTRIAL FRAGMENTATION

Europe's industrial landscape for the space sector mirrors its institutional structure: rich in capability, diverse in talent, but disparate in scale. The sector combines a few large system integrators – Airbus Defence and Space, Thales Alenia Space and ArianeGroup – with a dynamic but undercapitalised network of SMEs and start-ups. This structure fosters innovation but dilutes impact: too few firms can compete globally or bridge the 'valley of death' between prototype and market deployment.

Recommendation 5: Develop a European space industrial strategy.

Europe's achievements (Galileo, Copernicus and the IRIS^2 constellation) demonstrate its ability to deliver large, strategic programmes. Yet public-private partnerships remain constrained by rigid procurement frameworks and an overly cautious risk culture. The absence of a shared industrial policy linking upstream manufacturing with downstream services perpetuates inefficiencies and limits dual-use potential. EU institutional demand should gradually increase and exploit dedicated entities (such as EUSPA or a future, dedicated EU arm for security and defence – see Recommendation 3) to expand the market for services and innovation partnerships, using procurement to develop new capabilities.

A European space industrial strategy, jointly developed by ESA and industry, should address these issues. This is urgently needed. Such a strategy should be selective rather than all-encompassing, focusing on critical domains in which European decision-makers collectively agree that Europe cannot be dependent. It should properly align with a series of linked policies, including those on competition, trade, R&D and investment.

Such a strategic plan would help federate institutional demand, create predictable pipelines for industry and enable the exploitation of scale economies. It would also reduce Europe's dependence on external suppliers for key components, while improving the resilience of industrial supply chains. A coherent industrial framework would allow public authorities to exercise effective oversight of critical infrastructure, ensuring faster implementation of strategic programmes.

Achieving this will require a cultural shift in procurement. Europe should embrace agile and iterative contractual models inspired by the US 'spiral approach', which integrates large companies, SMEs and start-ups in successive development cycles. These models reward performance, speed and innovation rather than compliance alone. Open supply chains that integrate smaller actors and research centres into large industrial ecosystems could multiply Europe's capacity for innovation. Large industrial firms should be seen not as monopolies to be feared, but as anchors around which competitive and collaborative ecosystems can flourish – if governance provides safeguards against concentration and promotes permeability between corporate giants and emerging innovators.

7. CONCLUSIONS

The response to our challenges 'must be fast, because time is not on our side', as Mario Draghi reminded the European Parliament in a keynote speech in February 2025. His warning that for Europe to reach the right competitive level it must break taboos and move with speed and cohesion resonates powerfully across this report. The space sector, perhaps more than any other, epitomises the nexus between competitiveness, sovereignty and ambition in critical technologies. It is where the balance between strategic autonomy and global openness will be tested more visibly in the coming decade.

Europe, therefore, faces a simple but profound choice: it can continue to manage space through incremental coordination among separate institutions, modest funding and procedural caution, or act as a real alliance, guided by shared purpose and common investment to secure its position in the new global space economy. The first option guarantees managed decline. The second demands courage, speed and redefinition of the European project's frontiers.

Maintaining the status quo is no longer an option. The analysis presented in this report points to structural weaknesses that cannot be addressed through dialogue alone. If Europe truly wishes to compete with the US and China – nations that now view space as a strategic domain central to their economic and security models – it must decisively pursue restructuring along three interlinked fronts: institutional, financial and industrial.

These three imperatives, covered in the previous sections, are not technical details but conditions for strategic maturity. They require political consensus that transcends national interests and institutional silos. Europe already possesses the scientific excellence, industrial capability and human capital to succeed. What it now needs, above all, is the political will to act collectively.

In the end, the question is not whether Europe can afford to act, but whether it can afford not to. The answer, in space as in the broader economy, is clear. This is the time to act, with speed, scale and shared ambition, to ensure that Europe's place among the leading space powers is not a memory from the past, but a defining feature of its future.

APPENDIX. MEMBERS OF THE TASK FORCE

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