

## ENERGY AND SECURITY CRISIS: THE FUTURE OF SPACE FOR A EUROPE AT RISK



Europe is mobilizing unprecedented public funding in response to the geopolitical challenges it is facing. Governments in Europe have earmarked nearly €500B to cushion citizens and companies from energy prices. Germany has been setting aside 100B, and several countries like Italy have earmarked more than 3% of their GDP to tackle the energy crunch according to Brussels-based Bruegel. The European Commission reckons that EU members have announced plans for €200B in additional defence expenditure. The OECD confirms a greater urgency in the transition to greener energy. All of this is on top of critical investment needed to secure the future of a strong and competitive Europe, including in space.

The **current policy focus risks depriving Europe of developing its strategic autonomy and strength in a global space-enabled economy, in which space-based data and services will be all pervasive**. This is particularly critical today, as actors and competitors worldwide prioritize and provide annual space investments of \$100B into a market opportunity of \$1T, which will shape the future similar to what the Internet did, and as AI and Quantum technologies will do. McKinsey recently used the growth over the past 10 years of the Internet economy into a multi-trillion market to contextualize the space economy of today and its prospects.

The socio-economic benefits of space already comprise solutions to the energy transition, to reach NetZero, for telemedicine and education, finance, autonomous vehicles, smart cities, aviation and maritime transport, digital sovereignty, connectivity, security and more. This value of space is acknowledged by the majority of Europeans, who also recognize space as a key driver of inspiration, innovation and for mobilizing young talent.

However, there remains a **persistent lack of political awareness in Europe on the strategic role of space**, to perceive space not merely as a cost but as part of a more effective response to energy and security challenges, not as a niche market but as an investment opportunity and key enabler of the future. Europe missed out on the Internet age, which today is dominated by companies like Amazon with **an annual R&D budget equivalent to about three times the total European investments in space** of about €14B. Europe's 15% share of the global public funding for space is already modest. Recent indications from leading European economies for a further reduction below 0.075% of GDP do not reflect the required level of ambition, compared to the 0.25% in the US and above \$10B of private investments outside Europe.

With its low level of public funding for space, **Europe risks missing on the next opportunity for high economic multipliers** at a time when continued support from smart and directed public funding will be essential to raise the share of private investments in Europe. This support is key at a time when the inflation triggered by the current crisis is expected to slow down venture capital flows, threatening the future of many start-ups which Europe just recently created with high hopes.

Therefore, **for Europe to be a part of the (space) powers of the future** it will be crucial to involve the strong support of policymakers. The upcoming ESA Council at the Ministerial level with a significant commercial component and at the ongoing negotiations on the EU Secure Connectivity Programme based on public-private partnership and co-investments will provide the opportunity to garner this support.

Yours sincerely,



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