

The "GALAXY" Report

**Governance, Autonomy and
Leadership Analysis in the
European Space Industry**

FROM FRAGMENTATION TO
SCALE, FROM PROGRAMMES
TO POWER

The "GALAXY" Report

Governance, Autonomy and Leadership Analysis in the European Space Industry

From fragmentation to scale. From programmes to power.

What is the GALAXY Report?

The GALAXY Report is the first independent, industry-led assessment of the European space sector's strategic challenges and future prospects. It is based on in-depth interviews with 15 CEOs of leading European space companies, from large system integrators to mid-caps and start-ups.

This is not a lobbying document. It is a frank, convergent diagnosis from the people who build Europe's space capabilities, and a concrete set of proposals for European decision-makers.

Why did Industry leaders decide to speak up?

European space leaders share a sense of urgency, and frustration. The political rhetoric has never been stronger. Yet, on the ground, the industry faces structural fragmentation, constrained budgets, weak profitability, and risks falling further behind the USA and China in terms of capabilities and technologies.

While major space powers deliberately protect and scale their domestic industries, Europe continues to fragment its (small) demand.

Industry leaders are speaking with one voice and insisting that the window for action is narrow. Europe now has political momentum, rising defence budgets, and growing recognition of space as a sovereign domain. This opportunity must not be squandered.

Diagnosis

The picture that emerges is remarkably convergent, despite operating in different countries and at different scales.

Europe has the talent. It lacks the scale.

European companies are technically excellent; Galileo, Copernicus, Ariane, Vega, space-based meteorology and countless science missions prove it. But the problem is not capability, it is industrial performance. Development cycles are too long, volumes too low, speed insufficient. Reliability alone is no longer enough.

Fragmented demand is killing industrial momentum.

71% of industry revenues depend on European institutional customers; yet, that demand is split across the EU, ESA, and national programmes, each with its own rules, priorities and timelines. The result is a patchwork of overlapping, undersized programmes. No single actor reaches the scale needed to invest, industrialise, or compete globally. As one CEO put it: "How strange would it be if California decided to build its own constellation? It would never happen. Yet in Europe, it does."

Procurement frameworks penalise performance.

Current procurement models, designed to build industrial capacities across Member States and minimise risk, have delivered Europe's space capabilities; today, they too often prevent its evolution. Margins are controlled to the point where companies cannot fund their own transformation. Speed and efficiency are not rewarded. The sector is expected to modernise itself without the financial conditions to do so.

Strategic autonomy is not guaranteed.

Europe's dependency on foreign technologies, the absence of a strong domestic commercial market, and the lack of a clear European preference in procurement all create strategic vulnerabilities. The global market is largely closed: spacecraft and launch services are dominated by domestic suppliers. Europe competes on a small and shrinking fraction of accessible demand.

Recommendations

Industry is not asking for subsidies. It is asking for a demand that is commensurate with Europe's size and ambitions, and it is asking for better organisation.

Aggregate European demand.

Establish a "space demand pact" between the EU, ESA and Member States. Offer long-term visibility to Industry, define (joint) 10-15 years demand plans, commit to minimum volumes for key capabilities. Stop over-duplicating the same things in parallel across countries.

Enforce a European preference.

All major space powers protect their domestic market. Europe should define strategic capabilities where European sourcing is the rule and not the exception requiring justification.

Shift from programmes to infrastructures.

Design flagship initiatives as long-term operational infrastructures (15-20 years). Recurring production, continuous upgrades, and lifecycle planning from the outset, this is how you create industrial scale.

Reward performance, not just compliance.

Move toward performance-based contracts for operational programmes, with risk and reward sharing. Link acceptable profits to delivery and results. Without adequate margins, there is no investment. Without investment, there is no transformation.

Accelerate industrial transformation.

Launch a dedicated European Space Industrial Acceleration Initiative. Mobilise EU financial instruments to de-risk investment in production capacity, cross-border partnerships and industrial specialisation.

FROM WORDS TO POWER

Europe has potential. Its rivals have power. That gap will not close on its own.

The political moment is here. Defence budgets are rising. Space is finally recognised as a sovereign domain at the highest levels.

Awareness is no longer the key issue. Every European institution knows the diagnosis. The challenge is execution: aggregate demand, enforce European preference, modernise procurement, enable investment.

If Europe does not act now, consolidation will happen anyway, but driven by attrition, not by strategy. Companies will shrink, capabilities will be lost, and European autonomy in space will become increasingly theoretical.

The tools exist. The only thing missing is the will to use them, together. Now, each institution and each level shall contribute to make the sector move from fragmentation to scale, and from programmes to power.

Table of Contents

Foreword, by Marco Fuchs – President of Eurospace	3
Introduction, by Jean-Marc Nasr – Honorary Member of Eurospace	4
1. The Current State of the European Space Industry	5
1.1 A sector with strong technological capabilities and recognised reliability	5
1.2 A changing environment marked by defence demand and new space dynamics	5
1.3 An ecosystem in transition: historical actors, new entrants and evolving roles	6
2. Market Realities Shaping the Industry	7
2.1 A predominantly institutional (and fragmented) market	7
2.2 Beyond fragmentation, a lack of long-term visibility	8
2.3 Weakness and uncertainty of commercial markets	9
3. Industrial Organisation and Governance	10
3.1 Fragmentation of industrial capabilities	10
3.2 Procurement frameworks shaping industrial behaviour	10
3.3 Cooperation, consolidation and verticalisation	12
4. Risks and Opportunities Identified by Industry	13
5. Key Recommendations for European Decision-Makers	15
Aggregate European demand to create scale	15
Secure a minimum viable market through European preference	16
Improve the balance between “one-off missions” and operational infrastructures	16
Shift procurement from control to performance	17
Accelerate industrial transformation and investment	17
Annexes	18

Foreword, by Marco Fuchs – President of Eurospace



European institutions are regularly talking about “the space economy”, a vague term that has the benefit of avoiding to address the uncomfortable topic of “the global space market”, which one would like to imagine as open and competitive. In reality, it largely isn’t.

Most institutional demand around the world is served domestically, and only a small share of the market is truly open to international competition. So, in practice, European companies compete on only a small fraction of the global market – often against industries that benefit from stronger and deliberate government backing.

At the same time, our industry is undergoing a major transformation to adapt to new requirements and expectations from its core customers, European (and national) space programmes increasingly lean towards medium LEO constellations with sovereign concerns and more funding from defence budgets.

As a consequence, European suppliers must now shorten lead times, adapt to rapidly evolving missions, and scale production in larger series to unlock economies of scale while maintaining the highest quality standards and matching lower unit costs. We need to move towards more standardised equipment, with common interfaces and designs that can serve multiple systems and missions.

And in the meanwhile, we must integrate new requirements around environmental impact, resilience, security and autonomy. For this, a new industrial setup, with new manufacturing capabilities, is needed. Scaling up investment to match demand perspectives.

The key question today is how to create in Europe the conditions that allow its industry to scale, innovate and lead. And that is where European clients like ESA and the EU plays a critical role.

We need strong and determined European institutional customers to anchor a strong European market, with stable and predictable institutional demand. We need demanding and creative space agencies to challenge industry to innovate, to be efficient, and to deliver real value for European missions. We also need strong European Member States backing the European efforts rather than focusing only on growing national competences in a market that cannot sustain them.

We need procurement frameworks that allow industry to build sustainable and profitable businesses. Because profitability is what enables companies to invest, to innovate, and to take the risks that technological leadership requires.

If those conditions are in place, we have no doubt that European industry will succeed wherever the global market is open. And increasingly, we will not only compete in the markets that exist today: we will help define the markets of tomorrow.

Introduction, by Jean-Marc Nasr – Honorary Member of Eurospace

When Marco Fuchs, president of Eurospace, and Olivier Lemaitre, its Secretary General, proposed to me in November 2025 to conduct this survey across the European space industry CEOs, I had two doubts:

- Would the industry CEO welcome such initiative and contribute efficiently to the survey?
- Would the result be a sufficient consensus that could help Europe, its institutions and its member states to embrace the challenges and opportunities and be at the industry side, the partners to build the ecosystem we need for our continent?



The results depicted in this report are going well beyond my expectations:

The 15 interviews, conducted under Chatham House principles, have been strongly welcomed by all CEOs showing their will to address all our questions in a honest and direct way.

There is a clear convergence of view across Europe and across the CEOs of the Large-Scale Integrators, midcaps and start-ups on what works well in our industry and what needs to be urgently addressed.

Throughout these interviews, I have met most of my former colleagues and friends from the time I was in charge of space at Airbus. It has been a pleasure to meet them again in this context. I want to express my warmest thanks to all of them for their time and very valuable contribution.

Going forward, I am confident that the conclusions and recommendations parts of this report will form the basis of a renewed relationship between the industry and our European institutions and Member States aiming at making Europe stronger and sovereign for the benefits of its citizens.

Last, I want to warmly thank Marco Fuchs and Olivier Lemaitre for their trust and Lea Kessler from Eurospace for having been at my side in all interviews, compiling the results and contributing to this report.

1. The Current State of the European Space Industry

Strong technical capabilities mask structural weaknesses. Industrial performance is hampered by slow execution and limited scale. A changing environment raises the bar. Capability alone is no longer enough.

1.1 A sector with strong technological capabilities and recognised reliability

The European space industry remains a high-level engineering ecosystem. Across launchers, satellites, and ground facilities and services, companies demonstrate strong technical capabilities, deep know-how, and a proven ability to deliver complex and reliable systems. Programmes such as national civil and defence programmes, Galileo, Copernicus, meteorological satellites, and all the ESA missions confirm that Europe can operate at the technological frontier.

This strength extends throughout the supply chain. System integrators, equipment suppliers, and specialised components, materials and engineering suppliers all contribute to critical capabilities, with some being globally competitive; in certain niches, European firms are essential to international value chains.

However, technological capability is not the problem: Europe struggles to convert this capability into industrial performance. Development cycles are long, deployment is slow, and scaling remains limited. European space industries can build advanced systems, but the programmes are neither decided nor implemented fast enough and the production does not reach sufficient volumes.

Reliability alone is no longer a differentiator: Europe is behind when it comes to speed and volume.

”

“We have a strong tech and skills base. Programmes like Galileo and Copernicus show that. So, we prove that we can be at the leading edge.”

“Europe has the capabilities, but not the industrial model to exploit them.”

“

1.2 A changing environment marked by defence demand and new space dynamics

The sector is being reshaped by defence and geopolitical priorities. Rightfully, space is increasingly treated as a strategic and sovereign domain – at EU level as well as in an increasing number of Member States – driving higher institutional demand and stronger political attention. Defence budgets might soon become a key source of activity and visibility for the space industry at European level. But a demand driven by defence new challenges come with additional challenges: fragmentation in the defence segment is different from civil fragmentation and the intra-European cooperation in this domain is still in infancy; on the other hand, the integration achieved in the space sector could serve as an inspiration for defence in Europe.

At the same time, global space markets have shifted to increasingly embrace LEO proliferated architectures, in both the commercial and institutional segments. New industrial models – high cadence, lower costs, and vertical integration – are setting new standards. European actors are now benchmarked against systems operating at much larger scale and speed.

The broader environment is also changing. Demand is increasingly linked to connectivity and digital infrastructure. Space is increasingly seen in the US and in China as part of a wider ecosystem and Europe is weaker in these adjacent domains, which limits its ability to generate demand.

”

“We are back to a quasi-Cold War scenario where a satellite delivery that is too late can make all the difference.”

“The future of the European space industry depends on a strategy of space autonomy in Europe.”

“

1. The Current State of the European Space Industry

1.3 An ecosystem in transition: historical actors, new entrants and evolving roles

The industrial landscape is changing but not yet stabilised. The traditional model – dominated by large integrators operating within institutional programmes – is being challenged by new entrants promising faster cycles and more integrated approaches based on simpler, stabilised system architectures and designs.

These new actors introduce useful pressure on cost, speed, and organisation. At the same time, established players remain central with unique capabilities and scale that newcomers will likely not replicate. The issue is not the presence of new entrants, but the absence of a clearer structure and a sufficient demand for industry to thrive (besides, a key point is whether the demand is structured in such a way that it promotes more efficient industrial structures, able to sustain execution at speed and scale).

Roles across the ecosystem are increasingly blurred. System integrators, suppliers, and new players, often extending their activities to operations, increasingly overlap. Cooperation exists but is inconsistent; consolidation is discussed but remains limited.

The ecosystem is evolving without an identifiable destination, trying to respond to a variety of antagonist market signals. It is perhaps more dynamic or more diverse, but not more coherent. Some voices argue that the issue is not the transition itself, but the pace of adaptation. The industry remains too slow, too risk-averse, and still anchored in legacy operating models, which are also encouraged by the key institutional customers.

”

“I think there are now tens of companies capable of integrating space systems, whereas there were only about ten 10 years ago.”

“We [prime companies] have responsibility as architects. We have the responsibility to gather the innovation and to make a network at the industrial level.”

“

2. Market Realities Shaping the Industry

Dependence on external markets and technologies creates vulnerabilities. The absence of a strong domestic market further weakens autonomy. Maintaining capability is not enough; control over the value chain is critical. Lack of long-term visibility prevents investments.

2.1 A predominantly institutional (and fragmented) market

The European space market is overwhelmingly institutional, and this is not an anomaly but a structural feature shared by all major space powers. Across the United States, Europe, China, Russia, Japan and all other space-faring nations, public demand – driven by defence, security, and scientific/exploration programmes – accounts for the large majority of the financing of space systems build and launch.

In this context, public procurement is not a distortion of the market but its primary organising principle. It enables the development of critical infrastructure, sustains industrial capabilities, and provides the long-term visibility required for investment. Programmes such as Galileo and Copernicus illustrate how sustained institutional commitment can structure entire segments of the industry and create lasting capabilities.

However, while the predominance of institutional demand is not in itself a weakness, the way this demand is organised in Europe creates specific constraints. Unlike in more integrated systems, European demand is fragmented across multiple layers: national programmes, ESA, and the European Union. Each operates with its own governance, priorities, planning and funding mechanisms.

This multi-layered structure results in a distribution of demand rather than its aggregation. Instead of concentrating resources into a limited number of large-scale programmes, funding is often spread across parallel initiatives, each with its own requirements and regulations. Industry repeatedly points out that this limits the potential for economies of scale, reduces industrial efficiency (and profitability), and complicates long-term planning. Companies face a fragmented pipeline of programmes rather than a coherent market.

National dynamics are central to this fragmentation. Member States main focus seem to secure industrial returns rather than to develop durable capabilities, which leads to duplication of (smaller sized) capabilities and overlapping initiatives. Similar systems or technologies are developed in parallel across countries, even when demand (and the strengthening of critical supply chains) would justify a more integrated approach.

Europe is not only suffering from much lower public spending compared to other large space powers, but from its dispersion.

Within this context, the ESA geo-return principle is a central point of discussion. Industry largely recognises its role in ensuring political (and financial) support for new programmes and in developing capabilities across Member States. It has enabled the emergence of a broad industrial base with a very wide skillset and remains a key pillar of European cooperation.

At the same time, it is widely seen as a driver of industrial fragmentation. The over-meticulous and tightly controlled application of the geo-return rule by Member States is susceptible to introduce constraints on programme design and industrial organisation leading to capabilities duplication, increased costs, less mature solutions and overly complex industrial and programmatic arrangements. Geo-return itself is not necessarily the core issue, but rather the way it is applied. In this view, the principle could remain, provided it becomes more flexible and is balanced with other criteria such as cost/price, innovation, maturity and performance.

2. Market Realities Shaping the Industry

More broadly, geo-return illustrates a structural tension in the European model: the need to balance political cohesion with industrial efficiency. It has been effective in building a distributed industrial base, but it might now constrain the ability to consolidate capabilities and achieve scale.

But fragmentation is not limited to ESA. It is reinforced by the coexistence of national procurement, ESA programmes, and EU initiatives, each with different rules and objectives. It is further reinforced by the pressure that Member States exert on the EU programmes to also ensure a measure of industrial return in the EU framework. This creates a complex environment, where industrial actors must navigate multiple systems simultaneously.

Last, but not least, procurement processes relying on competitive tendering cannot accommodate the existence of single suppliers for key capabilities. While the preservation of competitive forces is compatible with large procurements at European scale, and will produce cost benefits for the customers, it is hardly compatible with small-scale local procurement where double sourcing may not be sustainable without assuming cost inefficiencies.

Some voices in Industry consider that fragmentation is an inevitable consequence of the European political structure. Given the importance of national sovereignty in defence and strategic domains, a fully integrated demand framework may not be achievable in the short term. From this perspective, the priority would be to improve coordination within the existing system (around common industrial policy principles and around interoperability of the assets for instance) rather than to seek centralisation. For this, strategic partners must accept a level of interdependence.

”

“The European space industry is in a field that is not a business like any other; it is a field of sovereignty, with an important role for public procurement.”

“The way [our customers] buy and what they buy creates the type of industry we have.”

“The space industry goes where the money is.”

“There is public speech, and there is the reality; the reality is we still focus much on national.”

“

2.2 Beyond fragmentation, a lack of long-term visibility

Beyond fragmentation, companies highlight a lack of long-term visibility on programme volumes and continuity, with limited recourse to recurrent orders, whether at system, subsystem or equipment levels. This uncertainty directly affects investment decisions, as industrial actors cannot commit to large-scale production or infrastructure without predictable demand over time.

Though, opportunities to improve the situation exist. Building on the Multiannual Financial Framework cycle and the implementation plan of the programmes decided at the occasion of ESA Council meetings at ministerial level, the two institutions could start mitigating this problem by developing a rolling multiannual workplan that forecasts institutional demand up to several years ahead, providing industry with clear visibility on volumes and schedules.

2. Market Realities Shaping the Industry

2.3 Weakness and uncertainty of commercial markets

Commercial markets are undergoing a deep transformation, migrating from GEO architectures to LEO proliferated ones. In this context the demand segment exhibits weakened financial structures and erratic shifts. Traditional customers, particularly telecommunications (and especially the historic operators of geostationary satellites heavily focused on television broadcasting), no longer provide sufficient demand. New markets – data services, connectivity – remain underdeveloped in Europe or are dominated by players in the USA and China.

The core issue is the lack of a well-structured European demand base.

As a result, the European space industry now operates without a solid commercial demand base (whereas just 5 or 6 years ago, it was the one where the proportion of its turnover in the commercial sector was by far the highest).

European companies still partly compensate for weak domestic demand through exports, and in some cases perform better outside Europe. The United States, in particular, offers for some European actors more attractive margins despite higher competitive pressure. However, export markets are not a structural solution. Access is constrained in sovereignty-driven segments, scale advantages remain within domestic players, and European firms often capture value only in specific niches rather than across entire systems.

”

“[Downstream/data markets?] Do you really believe in it? I think it's not a stable resource of income.”

“The institutional market remains a structuring factor, but it is not sufficient on its own to ensure growth.”

“We always talk about technology and solutions, never about the need. We build launch vehicles, but for whom? Why? There's this myth, fuelled by [consultants], that the market is going to explode. For now, we don't see it.”

“

3. Industrial Organisation and Governance

Industrial fragmentation is embedded in governance. Procurement rules prioritise distribution over performance. Integration remains partial. Scale and efficiency are still out of reach.

3.1 Fragmentation of industrial capabilities

The fragmentation of industrial capabilities mirrors the fragmented demand: capabilities are spread across countries and companies, often with overlaps. In addition, as these capabilities are spread in a relatively small number of Member States, a “critical mass” of political support is sometimes slow and difficult to achieve at EU level to take quick decisions or to launch ambitious programmes.

This leads to duplications. Multiple players operate in the same segments in all layers of the supply chain without reaching scale, while resources are diluted. No actor matches the level of integration or volume seen in the best performing global competitors.

This structure is largely political. Member States maintain national capabilities across the supply chain, prioritising distribution over efficiency.

”

“We are fragmented, in industry but also in demand.”

“Space expertise is duplicated everywhere in Europe. It is driven by political competition. We need a stronger industrial strategy that avoids useless duplication.”

“How strange would it be if California decided to use its state budget to license Starlink and build its own constellation? It would never happen. Yet in Europe, it does.”

“

3.2 Procurement frameworks shaping industrial behaviour

Procurement frameworks are the main structuring force. The way public authorities design programmes, allocate work, and manage risk directly determines how companies organise themselves, invest, and compete.

A first defining feature is the strong role of ESA geo-return – but workshare distribution mechanisms exist with the EU too, even in a more “informal” and perhaps less transparent way. It ensures budget aggregation but also shapes industrial structures. Companies are incentivised to maintain or duplicate capabilities across multiple countries, even when this leads to suboptimal allocation of work.

In practice, this results in fragmented supply chains and complex industrial setups. Work is split across multiple actors to satisfy national expectations, thereby increasing coordination costs and reducing execution speed.

A second key feature is the risk allocation model embedded in procurement. European programmes tend to prioritise the reduction of technical and financial risks. This is reflected in sometimes overly detailed specifications and extensive validation processes. This leads too often to a situation where development cycles are longer than expected, costs are higher than projected, and the ability to iterate quickly is limited.

This risk-averse environment also affects innovation dynamics. Innovation funding is often directed toward one-off demonstrators and incremental technology improvements while lagging for the development of fundamental or disruptive technologies.

3. Industrial Organisation and Governance

A third structural effect concerns profitability and investment incentives: current procurement frameworks rarely allow for sufficient margins. Profits are tightly controlled, and cost structures are closely scrutinised, for instance through ESA audits. As a result, companies have limited capacity to generate liquidities to fund internal R&D or industrial transformation. This creates a structural difficulty. Industry is expected to modernise, scale up, and compete globally, without the financial conditions required to support these investments. Several CEOs underline that without adequate returns, it is difficult to justify major capital expenditures, particularly in areas such as industrialisation and the enablers for volume production.

In short, without sufficient profitability, investment in production capacity, innovation, and new business models remains limited, regardless of demand perspectives.

Procurement frameworks also influence industrial strategy more broadly: because access to programmes is critical, companies can be led to focus on securing short term workshare rather than optimising industrial efficiency for the longer term.

Moreover, the coexistence of multiple tendering and procurement systems creates a complexity that is disproportionate to the size of the total available budgets. This increases administrative burden and reduces coherence in industrial planning.

Meanwhile, it is important to recognise that these frameworks have enabled the development of Europe's space capabilities, particularly within the ESA programme framework. They have ensured participation across Member States, supported the emergence of a broad and diversified industrial base, and delivered complex programmes with high reliability. The issue, as expressed by industry, is that the same mechanisms that built the current system now constrain its evolution. As competition shifts toward speed, scale, and cost-efficiency, procurement frameworks remain anchored in a model prioritising distribution, risk minimisation, and control.

These dynamics raise broader concerns about the incentives embedded in the current system; there is broad agreement that current frameworks do not sufficiently reward efficiency, speed, or industrial performance.

”

“If you lack visibility, as is the case with IRIS² today, investing becomes very risky.”

“[In the US] the pressure is much higher than in Europe, but when you deliver, it is appreciated. They share value and they want industry to make good margins which is very different from Europe.”

“We cannot simply take risks; we also need recurring technologies and continuity.”

“The wheel is often reinvented to keep some technicalities in-house. ESA should be able to prevent this.”

“

3. Industrial Organisation and Governance

3.3 Cooperation, consolidation and verticalisation

There is broad agreement that the current model cannot deliver operational effectiveness nor sufficient profitability. Cooperation and consolidation are widely seen as necessary, but difficult to implement.

Horizontal integration could reduce duplications and create scale, but there is no consensus on scope or timing; poorly designed consolidation risks creating inefficiencies without solving the underlying issues.

Vertical integration is also debated: it could improve industrial efficiency and dig a competitive moat in specific very high-volume markets, but its relevance to the European demand model is highly debatable, lacking sufficient volume of demand.

Cooperation remains ring-fenced by national interests and industrial rivalries: it is recognised as necessary, but should be more effectively implemented.

The “Bromo” initiative – aimed at closer integration or the creation of a joint structure between major European primes – is explicitly referenced by several companies as a sign that parts of the industry have reached the limits of the current fragmented model. It is generally understood as an attempt to rationalise capabilities, reduce duplication, and create a more coherent industrial base at European level. For some, it reflects a necessary shift toward greater efficiency and scale: given constrained budgets and increasing global competition, doing everything separately is no longer sustainable.

Others have mixed and cautious reactions with concerns that consolidation among a small number of large players without, in parallel, an increase in demand, could lead to imbalances in the market, especially if it does not translate into improved efficiency or faster execution; neither would it solve the problem of companies that are subsidised to develop the same product in the absence of a coherent industrial policy.

Several interviewees also acknowledge a structural tension within industry itself: while companies collectively call for greater European coordination, in practice they often abide to national priorities when opportunities arise; this is a reminder of the strong influence of national funding and highlights the difficulty of moving from stated ambitions to coordinated action.

”

“We should specialise ourselves in being the best in the world in doing subsystems.”

“The model of geo-return and strong cross-European collaboration... looks increasingly outdated. No country can be self-sufficient.”

“

4. Risks and Opportunities Identified by Industry

Structural risks are increasing. Fragmentation, weak profitability and slow transformation constrain performance. Strategic autonomy at risk. Opportunities require scale, speed and systemic change.

The interviews converge towards a clear assessment: the European space industry is at a turning point. The risks are real and structural, but so are the opportunities.

A first and widely recognised risk is the growing capability and efficiency gap: European companies are confronted with new competitors operating at higher volumes, lower costs, and faster development cycles. These advantages are not only technological, they are the consequence of stronger domestic markets, integrated industrial models, and access to large-scale private and public investment.

This gap is reinforced by a second, more internal risk: fragmentation. It affects the entire system – demand, industrial organisation, and governance. Multiple national initiatives, overlapping programmes, and duplicated capabilities reduce efficiency and dilute impact.

A third set of risks relates to the difficulty of industrial transformation. The European space supply chain is moving slowly and unevenly: many actors remain tied to low-volume, programme-driven approaches, while lacking the visibility and financial conditions required to invest in industrialisation. Without this transition, Europe risks being caught between two models – neither optimised for the traditional complex R&D-driven programmes nor cost-effective or profitable enough on the institutional or commercial capability-driven programmes.

Finally, the current low and constrained profitability situation should stop being seen as a “side issue”; it is a structural constraint that limits investment, industrialisation and long-term competitiveness.

Low profitability is also expected to lead to significant consolidations in the coming years, with only a limited number of actors likely to achieve the scale required to remain viable (unless industrial capabilities remain propped up by targeted subsidies).

These dynamics raise broader concerns about strategic autonomy. While Europe retains strong capabilities, its ability to maintain independent capacity to devise and develop space programmes and to access to (and operate in) space is not guaranteed. Dependence on external demand, dependence to foreign technologies in critical areas, and the absence of a strong domestic market all create vulnerabilities. The absence of a clear European preference is considered a structural weakness, particularly in comparison with more protected markets abroad.

4. Risks and Opportunities Identified by Industry

At the same time, the interviews do not point to a declining industry, but to one facing a window of opportunity. The most immediate driver is the rise of defence and security demand. Space is now firmly established as a strategic domain for European nations, and this is translating into increased budgets, stronger political support, and more stable institutional demand. Besides, its usefulness is regularly demonstrated in the increasing number of civil security issues (floods, fires, blockage of commercial routes...). For many actors, this provides the visibility needed to sustain activity and justify investment.

Another opportunity lies in the evolution of value creation within the space economy. There could be a clear shift toward downstream services, data applications, and integrated solutions. Earth observation, secure communications, and other space-enabled services offer the potential for more sustainable business models, provided they are connected to real market needs. This implies moving beyond an upstream focus and strengthening links between manufacturing, operations, and services. Nevertheless, some companies remain cautious about the maturity of these markets, noting that several anticipated commercial opportunities have yet to materialise at scale. This reinforces the importance of anchoring new developments in concrete and sustainable demand.

More broadly, several companies highlight the need – and the opportunity – to position space within a wider digital and industrial ecosystem. But Europe is not currently leading in these areas.

There is also a more immediate opportunity: making better use of existing strengths. Europe does not lack capabilities, but it does not always deploy them efficiently. Greater coordination, clearer prioritisation, and a focus on a limited number of key technologies and key players could significantly increase impact without requiring entirely new capabilities. The historical budget shortfall is real, so now with the resources available, spending better is no longer optional, it is the very first urgency to delivering more and to recover.

Industrial transformation itself, while a challenge, is also an opportunity. The shift toward higher volumes, faster production cycles, and more integrated models could, if successfully implemented, significantly improve industrial performance. Some actors are already moving in this direction, investing in industrialisation and exploring new organisational approaches; scaling these efforts remains difficult, but not out of reach.

Finally, the current European context offers a degree of political momentum that is rarely seen. Space has gained visibility at the highest levels, funding is expected to increase, and there is growing awareness of the sector's strategic importance. This creates a favourable environment for reform, if it translates into concrete decisions on demand aggregation, procurement, and industrial organisation.

”

“I don't know if we'll see a cooling of the opportunities offered by defence, but the risk exists. Some states are already beginning to waver on the question of European sovereignty.”

“We need to be faster. We need to be faster.”

“Investors look at return on equity. Today, we are not profitable enough to motivate investment at scale.”

“Overall profitability remains an issue... governments don't understand it; some believe to solve it with startups.”

“

5. Key Recommendations for European Decision-Makers

The interviews conducted for this report converge on a clear conclusion: Europe does not lack capabilities, talent or ambition. It lacks scale, alignment and execution.

The EU and several Member States have already publicly expressed their intention to increase space budgets: and indeed, the critical bottleneck is the absence of sufficient projects, programmes and sustained demand to support an industrial base capable of keeping the pace with the evolutions happening outside of Europe.

To fully benefit from the opportunity of this expected increase of the European demand, European institutional actors must ensure that it does not translate into more fragmentation: this requires adjustments in the way Europe organises demand, designs procurement, and supports industrial transformation.

To inform these adjustments, Industry proposes the following recommendations for European policy-makers, at national, European and intergovernmental levels:

1

Aggregate European demand to create scale and streamline the supply chain

Objective: turn fragmented public spending into a coherent market

- Establish a European space demand “pact” (EU, ESA, Member States)
- Take into consideration the components, equipment, sub-systems that have already been developed and actually work (this could for instance be achieved through criteria in tender evaluations)
- Define joint priorities and multi-year demand planning (10–15 years)
- Commit to minimum volumes for key capabilities throughout the whole supply chain

The main foreseeable obstacle will lie in Member States’ reluctance to relinquish control over programmes and/or industrial return. Demand aggregation might be perceived as a redistribution exercise, where one worries that gains for Europe translate into losses at national level.

This could be addressed pragmatically: rather than seeking full integration from the outset, aggregation should begin with a limited number of flagship areas through coalitions of willing countries. EU funding can be used as a powerful incentive, in a way similar to what exists with EU instruments for defence (if avoiding the tailoring of procurement regulations and the splitting in lots to meet expected national return targets).

5. Key Recommendations for European Decision-Makers

2

Secure a minimum viable market through European preference

Objective: ensure the European public demand strengthens European industry

- Define a set of strategic capabilities where European preference is enforced strictly throughout Europe
- Apply a European preference principle for EU and ESA procurements
- Allow exceptions only when justified (contrary to the current system, at least at EU level, where the European preference needs to be justified by European security interests)
- In cases where European solutions are competitive but face price disadvantages (in particular due to non-market distortions such as foreign subsidies), European procurement frameworks should include mechanisms to account for these distortions
- In case a component, equipment, system or service is regularly procured outside of Europe, this shall automatically trigger an assessment to determine if the development in Europe should be prioritised

While all major space powers rely on their protected domestic market, this notion is still subject to heated debates in Europe, with resistance coming from concerns related to competition policy, trade openness and also the fear of potential retaliation on other industrial domains.

This could be overcome by framing the approach: the scope could first be limited to clearly defined sovereign domains and progressively extended. A “comply or explain” systematic mechanism would establish a clear default in favour of European sourcing.

3

Improve the balance between “one-off missions” and operational infrastructures

Objective: create continuity, scale and long-term value

- Design flagship programmes as long-term infrastructures (15–20 years), interoperable throughout Europe regardless of the institutional customer
- Ensure recurring production, continuous upgrades, operational continuity
- Envisage lifecycle planning from the outset

Industry acknowledges that the main difficulty linked to this lies in budgetary practices and political incentives, which favour short-term visibility and the launch of new programmes over long-term commitments.

The “re-balance” can be facilitated by reframing infrastructure programmes as tools for cost efficiency over the lifecycle, building on existing programmes rather than conceiving entirely new ones. Delivering early operational benefits remains essential to maintain political support.

More generally, European institutional customers should adopt different procurement practices for exquisite technologies and future looking programmes (with high technological risks) on the one hand, and for operational services (with low technological risks) on the other hand.

5. Key Recommendations for European Decision-Makers

4

Shift procurement from control to performance

Objective: enable speed, efficiency and investment

- As much as possible, for operational programmes, move toward performance-based contracts (output-driven)
- Introduce risk/reward sharing mechanisms; link acceptable profits to delivery and performance
- Contracts linked to one-off missions should be cost+ , with transparency on costs and performance (including capped profit, but allowing for sustainable profit margins, with a minimum agreed at European level)
- When Cost+ are pursued, they should include a dual-source strategy, ensuring that the contract can be terminated without jeopardizing programme success

Procurement authorities and audit bodies in Europe are structurally risk-averse as they are accountable for the proper use of public funds. There is also inertia in existing systems, to which both administrations and some industrial actors have adapted. If cost-plus contracts are pursued, they should systematically include a dual-source strategy, ensuring that the contract can be terminated at any time without jeopardizing programme success

A pragmatic approach would be to introduce change incrementally: new procurement models should first be piloted on selected programmes, allowing to build experience and confidence. At the same time, a dual-track system could be maintained: preserving traditional approaches for high-risk missions while introducing more flexible models for operational programmes. Crucially, higher margins must be explicitly linked to performance, ensuring political acceptability.

5

Accelerate industrial transformation and investment

Objective: enable the transition to volume and competitiveness

- Launch a dedicated European Space Industrial Acceleration Initiative to support transformation (by facilitating investment in production capacity, encouraging cross-border partnerships and promoting industrial specialisation)
- Mobilise EU financial tools to de-risk investment

Financial instruments such as those provided by the European Investment Bank or InvestEU can be mobilised to de-risk investments while limiting subsidies. Consolidation does not need to be imposed, but can be encouraged through incentives, for example by linking access to funding or programmes to cooperation across borders.

The industry is fully aware that these recommendations will encounter resistance. But the main obstacles are neither technical nor financial, they are institutional and political. Overcoming them does not require a radical overhaul of the European system, but a more deliberate, coordinated and purposeful use of the tools already in place.

Europe's space sector has the capabilities, and its strategic importance is now widely recognised at the highest political level. The challenge is no longer one of awareness, but of execution. The priority is to organise the system to operate at scale and to turn acknowledged potential into effective power.

List of interviews

Name	Organisation	Datum
Marco FUCHS	OHB Systems	27/01/2026
Alain FAURÉ	Airbus Defence & Space	06/02/2026
Massimo COMPARINI	Leonardo Group	13/02/2026
Enrique FRAGA	GMV Aerospace & Defense	16/02/2026
Miguel Angel GARCIA PRIMO	Hisdesat	16/02/2026
Miguel Ángel PANDURO	Indra	17/02/2026
Hervé DERREY	Thales Alenia Space	20/02/2026
Oliver GRASSMANN	Beyond Gravity	23/02/2026
Rafal MODRZEWSKI	ICEYE	24/02/2026
David CAVAILLOLES	Arianespace	25/02/2026
Jean-Marie BETERMIER	Safran	04/03/2026
Benoît DEPER	Aerospacelab	06/03/2026
Martin SION	Arianegroup	09/03/2026
Giulio RANZO	Avio	23/03/2026
Rafel Jorda Siquier	Open Cosmos	02/04/2026

Overview of the European industrial ecosystem

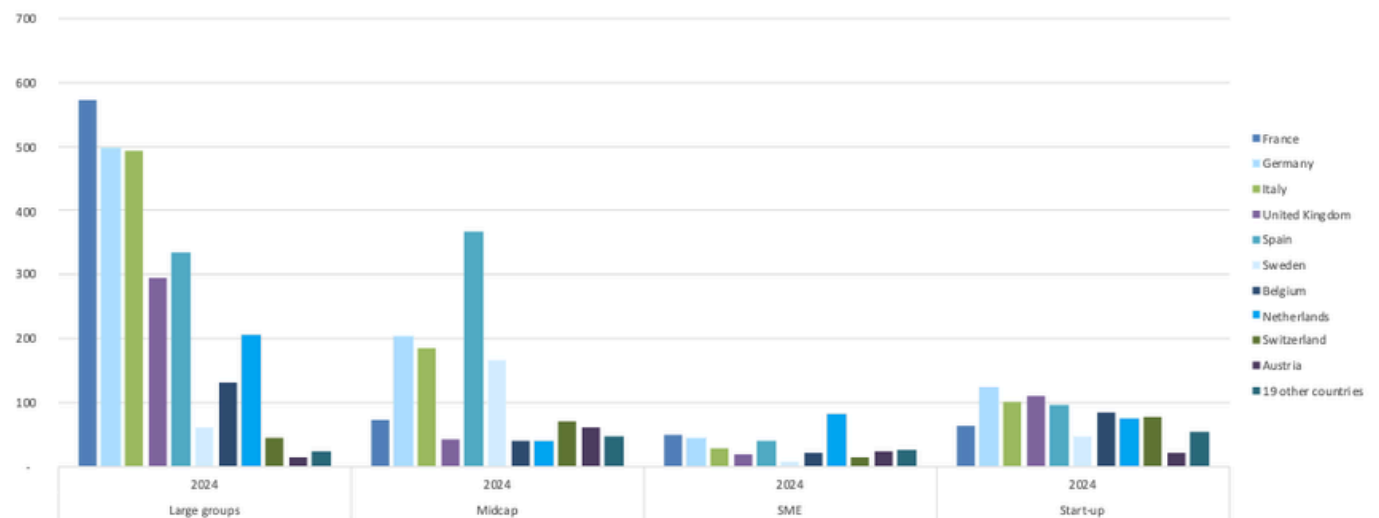
A very fragmented industry

Source: Eurospace facts & figures survey (latest data available; 2024)

Key messages:

- Industry is scattered all over Europe
- We track 509 space units (corporate entities recognised at national level) in our model
- Only 13 Space Units have more than 1000 employees, they represent 40% of total employment
- 90% of European Space Units have less than 250 employees
- The smallest 300 Units have an average 23 employees
- Even in large groups, the average Space Unit size is rather small
- The average space unit employment in Europe is 130 FTE

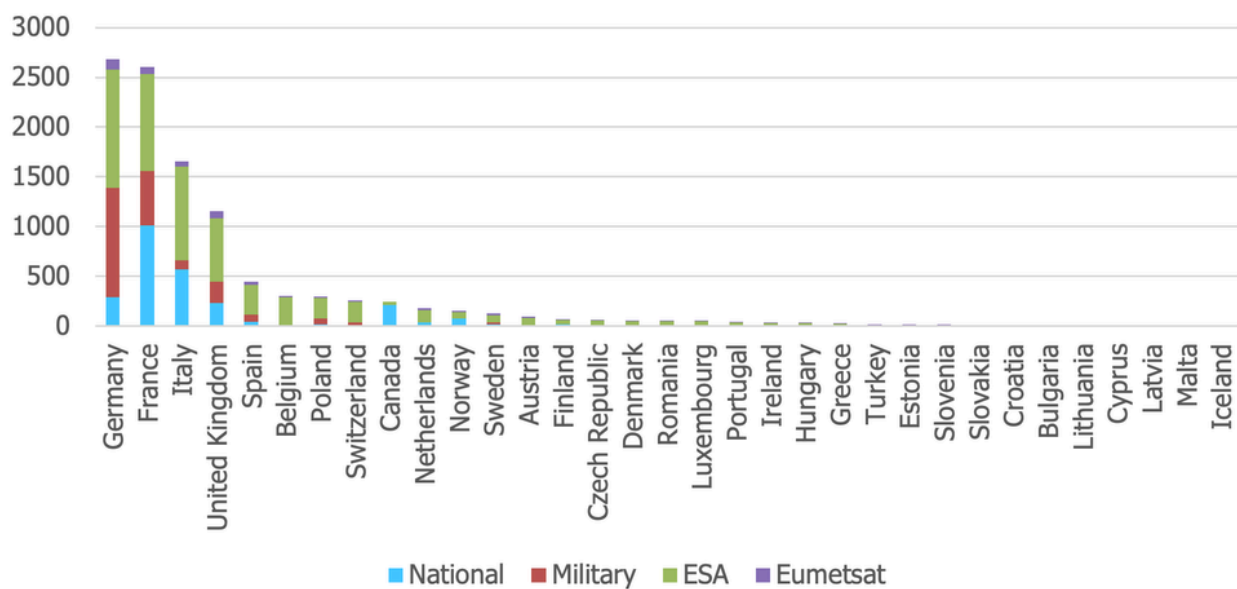
European space industry average employment by Space Unit (FTE), in 2024 by segment and country



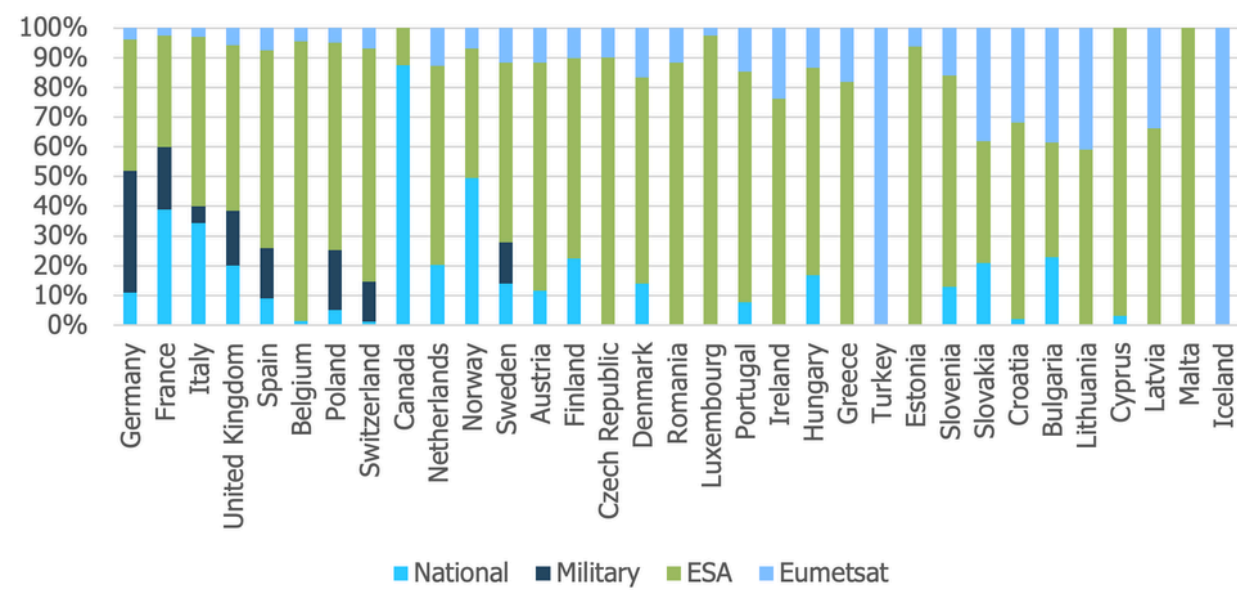
Overview of the European industrial ecosystem

A fragmented institutional demand

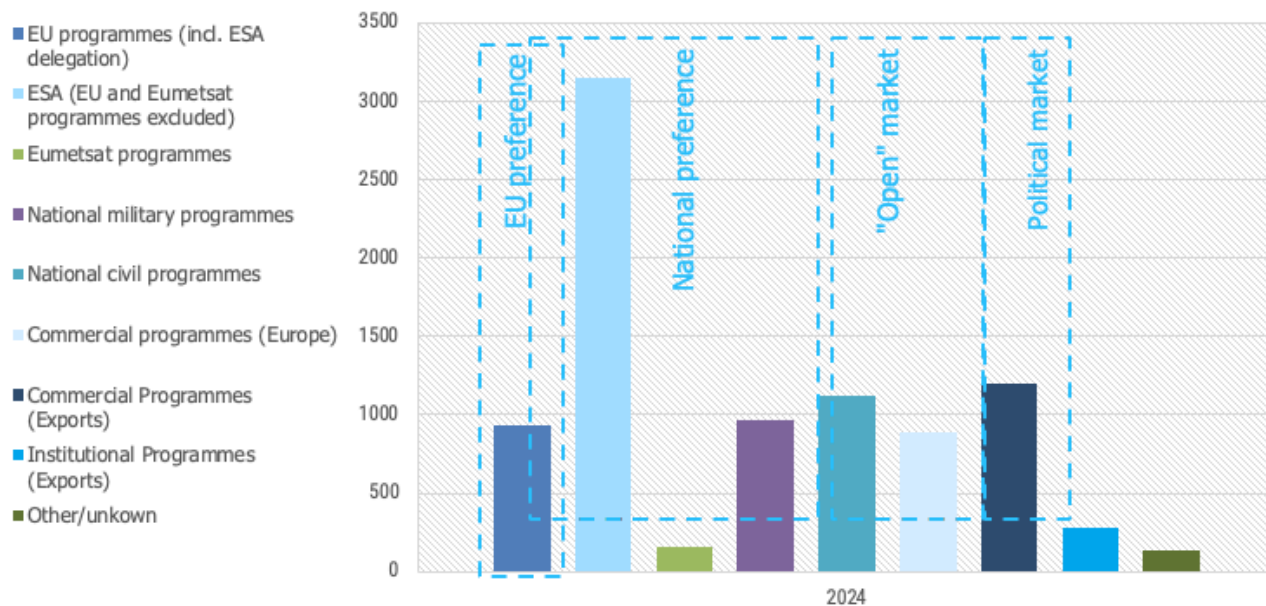
The fragmentation of national institutional funding in Europe (M€) in 2025



The fragmentation of national institutional funding in Europe (%) in 2025



Overview of the European industrial ecosystem



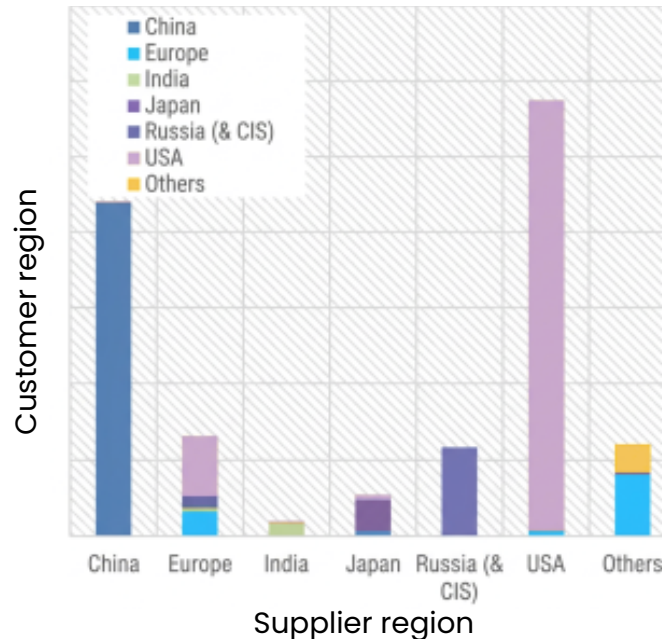
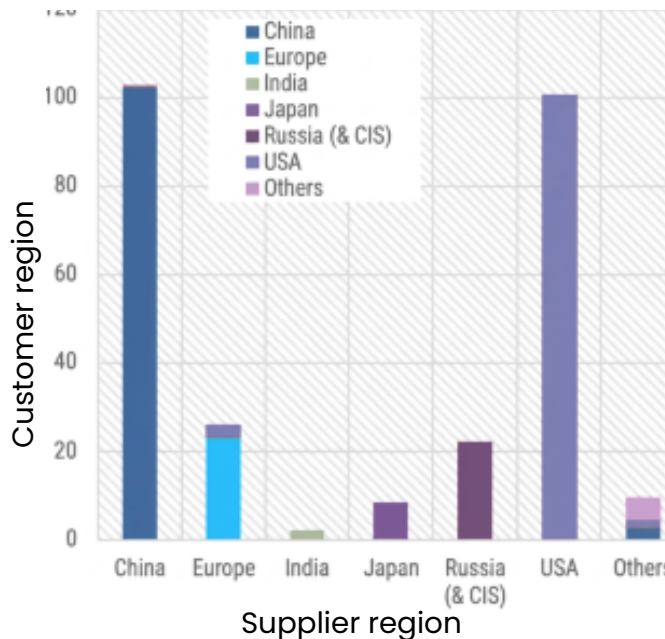
- 82% of industry revenues are tied to European customers
- 71% of industry revenues are tied to European institutional programmes
- 60% of industry revenues are tied to national preference rules
- Export markets are worth 18% (i.e. 30–40% of accessible market)

Global market trends vs accessible market trends

Spacecraft and launch services markets are organised in regional silos, export/import represent a very small fraction of the market (3% of the Spacecraft market; 11% of the launch services market).

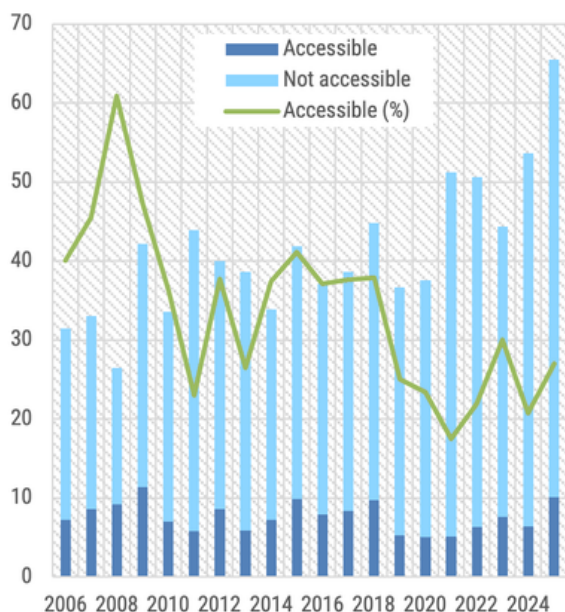
Spacecraft demand and supply by region
ALL customers – 2021 to 2025 – 271B\$ – 54,2B\$/avg

Launch demand and supply by region
ALL customers – 2021 to 2025 – 69B\$ – 13,8B\$/avg

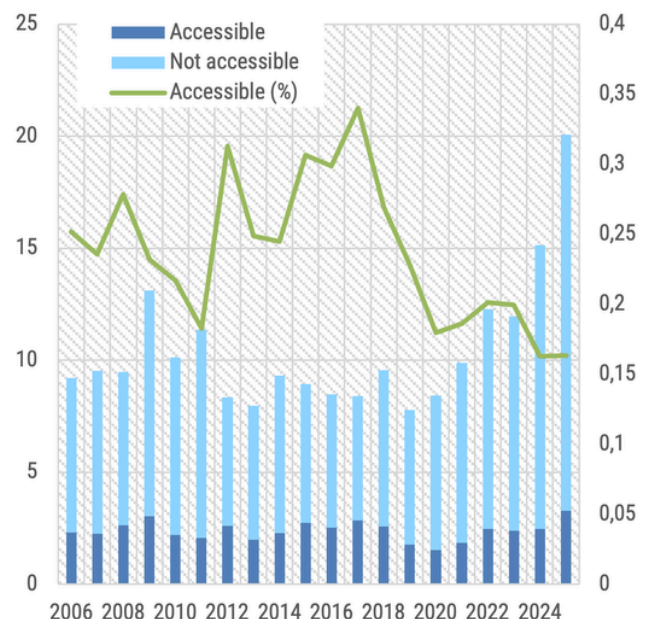


Most of the growth in space markets registered in the last decade is driven by demand segments not accessible to European suppliers (Chinese space programme and integrated supply chains e.g. Starlink).

Accessible vs non accessible spacecraft market (B\$)



Accessible vs non accessible spacecraft market (B\$)



Declining profits in the European space sector

Source: Eurospace industry profit survey.

