

BOLD WORDS, BLURRED LINES: A REFLECTIVE LOOK AT THE EU SPACE ACT

ESPI welcomes this initiative as a **first step towards addressing Europe's competitiveness, resilience and innovation challenges**. However, as the legislative process unfolds, several provisions raise concerns regarding implementation, legal certainty, proportionality, and the balance of competences between EU institutions, Member States, and international actors. **This Brief explores these challenges, identifying areas that will be critical to ensuring the long-term economic competitiveness and resilience of European businesses.**

In June, the Commission unveiled its legislative proposal for the EU Space Act, a regulation designed to establish a harmonised legal framework for space activities across the EU. The regulation represents a **clear political signal that the Union aims to play a broader and more strategic role in the space domain**—backed by a mandate and funding structure similar to other critical sectors. The negotiation will be long and challenging, but while many voices will weigh in on the Act, **priority should be given to European stakeholders and their arguments.**

As outlined in the draft, the Act's key objective is to promote innovation and foster a competitive business environment. To achieve this, it should more clearly identify areas where the EU can fully leverage its market influence and unique added value. **The current proposal lacks concrete measures to incentivise and prioritise the most lucrative market segments for space-based services in a projected 1T space economy**, and solutions that would also justify enhanced costs for compliance by European companies. Market creation is not merely complementary and limited to the European institutional needs—it is essential for ensuring the long-term sustainability and global competitiveness of the European space industry. A synergistic approach that aligns regulatory action with demand stimulation and innovation will be critical.

Among others, **one crucial concern is represented by the cost increase**. With manufacturing costs projected to rise by up to 10% and launch service providers facing increases of up to 20%, European companies will be further challenged, especially given the ongoing profitability pressures across much of the space sector. When assessing the proportionality between costs or burdens and expected benefits, it's essential to consider not only the direct financial impact but also the perceived burden. Excessive or unclear requirements risk disincentivising innovation and entrepreneurship, particularly in a sector where speed, agility and risk-taking are critical to growth.

Enforcement will also represent a key issue: how sanctions will be applied and whether the EU can enforce compliance across Member States and external actors is not yet clear. It will be crucial to avoid a situation where EU companies operate as a vehicle of extraterritoriality, pressuring those who depend on, or wish to collaborate with, non-EU companies, as this would place a significant burden. **International coordination adds another layer of complexity.** The Commission anticipates a broad application of mutual recognition principles—via "equivalence" rulings—with non-EU spacefaring nations. While this could facilitate cooperation and prevent regulatory clashes, it casts doubt on whether the level playing field envisioned for EU operators will apply globally in practice.

Much of the Act's concrete impact remains difficult to assess in the absence of implementing acts, which will be

crucial for defining operational aspects and setting the stage for standardisation. While the Act's standardisation framework has the potential to enhance the Commission's role as a leader in space standards, it is unclear how this body will leverage the role of ESA and its well-established technical framework. The upcoming international agreement between ESA and the Union presents an opportunity to clarify roles and evolve the governance relationship between the two entities, ensuring greater coherence and complementarity.

In hindsight, **the true value of the Act lies not only in addressing internal market dynamics but in unlocking the EU's potential to lead globally.** By shifting the focus beyond internal objectives and mechanisms to strategic industrial implementation, it can serve as a springboard to position EU industry at the forefront of emerging global services—such as ISOS—and sustainable operations. This is an opportunity to shape international standards, build competitive advantages, and affirm the EU's leadership in future-oriented, innovation. For this influence to materialise, it would be, however, **essential that it be supported by robust programmes and a competitive industrial base capable of delivering tangible market benefits.** Yet crucial, a factor in realising Europe's ambition is also the availability of adequate funding.

While Europe's leadership in promoting environmental responsibility in space comes at a cost, this might also reflect a conscious choice to lead where global efforts have fallen short. In the face of limited progress at international fora, the **Commission does have an opportunity to position the EU as a viable first regional and then multilateral platform for advancing responsible space governance.** Indeed, the Act has the potential to influence global norms through mechanisms of equivalence, encouraging other countries to align with EU standards, as it happened in other fields of EU competence.

As a whole, **the Act's long lead time dilutes its real-world impact.** With full implementation targeted for 2030, it risks being outpaced by rapidly evolving commercial realities. By the time the new rules take effect, several large constellations—such as SpaceX's Starlink, Amazon's Kuiper, and Chinese Guowang and Qianfan—will likely already be operational, limiting the EU's leverage in global negotiations and diminishing the Act's practical relevance beyond the remit of its own constellation.

The Commission continues to promote strategic autonomy and European non-dependence in key space technologies, essential for the evolution of Europe's space systems. However, without an end-to-end level playing field that supports industrial growth, market developments and international competitiveness, Europe risks continuing to fall behind international competitors. Beyond the scope of the Act, **further programmatic actions and market-focused initiatives will be crucial to properly provide for a positive economic impact on the single market.**

A broader analysis of the EU Space Act will be published in September. In addition, ESPI plans to continue contributing to the debate **organising a workshop in early October for its members.** If you are interested in receiving additional information, please contact Sara Dalledonne (sara.dalledonne@espi.or.at).