

space
hubs
network

POSITION STATEMENT



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ABBREVIATIONS

EC: European Commission

ESA: European Space Agency

EU: European Union

EUSPA: EU Agency for the Space Programme

SUN: Space hUbs Network

VC: Venture Capital

1 INTRODUCTION

Space Hubs Network (SUN) is an EU-funded project that fosters development and helps excel the most promising entrepreneurs, start-ups and scale-ups in the space technology sector. The main objective of the project is to increase the commercialisation of space-enabled solutions and growth of European start-ups and scale-ups in the space downstream and upstream sectors. SUN implements tailored mentoring programs directed to space-related entrepreneurs and start-ups, offering help to access funding, develop business ideas, and build relationships with relevant stakeholders in the space industry.

In parallel to the mentoring activities, the project created a group of experts in space commercialisation, with the goal to identify measures to further support space-related start-ups and scale-ups in the EU. This document was realized by the project partners and the group of experts (SUN Interest Group) and is intended to serve as an agenda setter for policy makers, researchers and other stakeholders in the space entrepreneurship sector.

2 CURRENT LANDSCAPE

In the EU, a wide range of initiatives exists to support start-ups and scale-ups, both in the space and non-space sectors. These initiatives are backed either by public organisations (e.g., HorizonEU funding schemes, ESA Business Incubation Centers, CASSINI), by the private sector or by both. While the abundance of initiatives is beneficial to prHi Covide support at multiple levels, companies could also perceive it as hard to navigate. This can lead to problems such as the difficulty for companies to be aware of the initiatives that best fit their needs, especially in relation to funding opportunities. Furthermore, EU start-ups are facing significant challenges when it comes to scaling up their solution on the international markets. While not being a direct cause for this problem, the fragmentation of support initiatives represents another barrier in building robust companies that can compete both internally and on a global level. Three main areas are identified here below in relation to the challenges faced by EU start-ups and scale-ups in the space sector: public funding, private finance, market scale.

2.1 PUBLIC FUNDING

Europe is characterised by an excessive fragmentation of funding opportunities. With funding opportunities being granted by the EU, EUSPA and ESA, in addition to national initiatives, subject to the coordination with national agencies, the situation appears confusing to many entrepreneurs in the space-sector. Ultimately, the complexity of the scenario and the excess of information leads start-ups to having difficulties in understanding which instrument is the best one to support their development.

2.2 PRIVATE FINANCE

Space start-ups in the EU struggle to find investors that could grant them traction in raising capital and fuel their growth to a mature stage. Big companies are risk-averse and, particularly when it comes to the EU space sector, seem to be reluctant to invest in start-ups. This results in a lack of private VC funds focused on space start-ups, which shrinks the available resources to create strong players in the market.

2.3 MARKET SCALE

Despite being the world's largest single market area, the EU market is highly fragmented. This constitutes a major obstacle in scaling up the activities of start-ups. Furthermore, the public administration, which is the first client by size in the upstream and downstream sectors, is not accustomed to procuring services from start-ups (and generally require administrative efforts that are too heavy for start-up's resources), further reducing their opportunities to increase their size and robustness. Companies outside the space sector and end-customers are mostly unaware of the critical role of space technology in a wide range of products in all industry sectors and for other civil applications.

3 PROPOSED SOLUTIONS

The above-listed challenges contribute to the difficulty space start-ups have in scaling up their activities and becoming competitive players in the EU and at a global level. Luckily, several actions could be implemented by the EU to simplify the landscape of support initiatives, encourage the connection between entrepreneurs, and create an ecosystem for the establishment of strong companies in the sector. The proposals of the SUN Interest Group will cover the three areas identified in the previous section, suggesting potential solutions to the current challenges.

3.1 PUBLIC FUNDING

By simplifying and unifying funding sources in the EU, entrepreneurs could have a better overview of the options that would best suit their needs. Furthermore, it would be easier for them to access only the opportunities that are truly of their interest, without being overwhelmed by information on opportunities that are not relevant for them and that create disengagement from the public support initiatives. Additional support could be provided by strengthening the presence of national "one-stop-shops" (e.g., through the National Contact Point structure adopted by the EC and in the past also by ESA) to guide early-stage start-ups through the opportunities available for their funding and to partner with established players. Ultimately, the EU, EUSPA and ESA could jointly work on a one-stop-shop for space start-ups and scale-ups, providing easy access to all the relevant support initiatives, both financial and non-financial ones.

3.2 PRIVATE FINANCE

For the success of the space entrepreneurship sector in the EU, it is vital to support the creation and implementation of dedicated VCs focused on space. However, this would require start-ups to be more appealing to investors thanks to the perspective of future gains. In the space sector, this could mainly come from an increased engagement between start-ups and large companies. Fiscal incentives, in coordination with national authorities, could be granted to established companies that decide to invest in space start-ups. On a policy-making level, these incentives could also be justified by the critical role of space-enabled solutions (e.g., satellite monitoring of wildfires) in tackling the challenge of climate change, a priority for the EU as demonstrated by the Green Deal. Thus, such incentives would both strengthen the space entrepreneurship sector and contribute to generating a positive impact on the environment.

3.3 MARKET SCALE

Space start-ups should focus on finding sustainable commercial customers to ensure their growth and to reach the critical mass to compete on international markets. However, in addition to this approach, the public sector – which still represents the main client for space – can also play a role. Similarly to what is done in the USA upstream sector, engaging in long-term contracts with the public sectors could increase both robustness and visibility of start-ups, thus attracting investors and traditional finance providers to fuel their activities. Due to a lower amount of legacy players in the downstream sector compared to the upstream one, downstream applications could be an area of focus for public administrations to pioneer the use of start-ups as providers of solutions. Combining the focus on commercial customers and the interaction with the public sector, start-ups will further sustain their growth and ultimately attract more investors, thus generating a positive feedback loop on the private finance side.

4 CONCLUSION

Over the years, the EU has provided many funding and support initiatives to start-ups and scale-ups in the space sector. Nonetheless, key challenges still exist that prevent them to reach a critical mass and be competitive on the internal market and at a global level. The SUN Interest Group identified three key areas that currently represent barriers to scale space entrepreneurship in the EU, and proposed potential solutions for each of them:

- ➔ **Public Funding** – unify and simplify funding sources to better meet entrepreneurs' needs;
- ➔ **Private Finance** – provide incentives to large corporates to invest in space start-ups;
- ➔ **Market Scale** – encourage the use of start-ups as solution providers for the public sector.

The combination of these measures will contribute to the creation of a strong space entrepreneurship ecosystem in the EU, with benefits in terms of market competitiveness, internal employment and impact in the fight to climate change.

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End of Document



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