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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	*Preparation of the Council (Competitiveness (Internal Market, Industry, Research and Space)) on 3-4 December 2026* From Innovation to Market: Enabling Growth and Scale Up in Europe's Space Ecosystem *- Exchange of views*

Delegations will find attached a Presidency background note on "From Innovation to Market: Enabling Growth and Scale Up in Europe's Space Ecosystem" with a view to an exchange of views at the Competitiveness Council on 4 December 2026.

ANNEX

From Innovation to Market: Enabling Growth and Scale Up in Europe's Space Ecosystem

Scaling Europe’s Space Ecosystem

Europe's space ecosystem has established a strong reputation for scientific excellence, technological innovation and collaborative research. Through sustained investment in research programmes, satellite infrastructure, Earth observation systems and launch capabilities, Europe has developed a diverse and increasingly competitive space sector. Across Member States, a growing number of start-ups and SMEs are developing solutions in areas such as telecommunications, climate monitoring, agriculture, mobility, security and digital infrastructure, often building on strong university research networks and publicly funded innovation programmes.

At the same time, the space sector is undergoing a significant transformation. Traditionally dominated by institutional programmes and government agencies, the sector is increasingly characterised by commercial entrepreneurship, private investment and new business models. Emerging technologies such as small satellites, reusable launch systems, space-enabled connectivity and advanced Earth observation applications are creating new opportunities for innovative firms to develop products, enter global markets and scale their businesses.

The global space economy is entering a period of rapid expansion, with GNSS revenues forecast to increase from more than €300 billion in 2024 to over €580 billion by 2034 and the Earth Observation market is predicted to grow from €3.5 billion to almost €8 billion over the same period. Europe already holds a leading position in downstream Earth Observation services, with European companies accounting for more than 60% of the global market for Earth Observation analysis and decision-support services[1]. The priority now is to translate these strengths into sustained commercial growth, enabling European space companies to scale and compete globally. This objective is reflected in the EU's Vision for the Space Economy Strategy, adopted in 2025, which highlighted the need to strengthen Europe's capacity to not only innovate but to commercialise technologies, attract investment and support the growth of globally competitive European space companies.

Challenges for Future Growth

Despite these strengths and opportunities, translating innovation into commercial success remains a key challenge for Europe. While Europe generates a significant number of promising technologies and start-ups, pathways from research and development to market adoption and global scale remain fragmented. Without effective scale-up pathways, European firms may become increasingly dependent on non-European investment, infrastructure and supply chains, reducing Europe's ability to retain critical capabilities and capture the economic value generated by its research and innovation base.

Access to Finance **-** Access to scale-up finance remains a key challenge. While early-stage grants and seed funding are relatively well established through national and European programmes, firms seeking larger investments face fewer specialised investors than competitors elsewhere. Despite significantly increased public investment in 2025, a substantial private funding gap persists: European space companies attracted approximately €1.4 billion, just 12% of the €11.7 billion global total[2]. This may lead promising firms to relocate, be acquired by non-European entities or struggle to establish a global market presence.

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1 EUSPA, *EU Space Market Report 2026*

2 European Space Policy Institute, *Space Venture 2025* report, https://www.espi.eu/wp-content/uploads/2026/04/Space-Venture-2025_Final_April.pdf retrieved 04/11/2026

Market Development and Demand Generation – Europe offers a large collective market, yet differences in regulatory frameworks, procurement practices and operational requirements can create barriers for companies seeking to scale across borders. In addition, innovative firms often struggle to secure the institutional demand and anchor customers needed to demonstrate commercial viability and attract investment.

Talent & Skills Pipeline - Competition for highly skilled talent and expertise is becoming increasingly intense across the European economy. Emerging space companies must often compete with fast-growing sectors such as artificial intelligence and cybersecurity for engineers, software developers, data scientists, and other specialist personnel, which can constrain growth and limit their ability to scale.

Opportunities for Future Growth

Europe's ambitions in competitiveness, resilience and strategic autonomy create opportunities for emerging companies and SMEs to strengthen European supply chains across launch services, satellite systems, manufacturing and space-based data services. Their ability to participate and scale will depend on the barriers they face and the conditions needed for them to scale, as well as the balance between institutional and commercial demand.

Growing demand for Earth Observation, secure communications, positioning and navigation services, together with increasing requirements in the security and defence domains, is creating significant opportunities for European space companies. Programmes such as Copernicus, Galileo and IRIS², together with links between space technologies and other emerging technologies, provide a basis for developing and scaling new commercial applications, provided the conditions exist to support this transition.

Summary

Europe's space ecosystem is entering a period of significant opportunity, driven by technological innovation, growing commercial demand, and the increasing strategic importance of space-based capabilities. Realising this potential will require creating conditions that enable innovative companies to grow, access finance, participate in European value chains, and scale successfully in global markets. Strengthening the pathway from innovation to commercialisation will be important not only for the future competitiveness of the European space sector, but also for supporting wider economic growth, resilience, and technological leadership across Europe.

Against this background, Ministers are invited to address the following questions:

1. **What are the most significant barriers preventing European space companies from scaling successfully?**

2. **What policy measures at national and European level could help overcome these barriers to create growth opportunities for space companies and strengthen European space value chains?**