

**SPEECH DELIVERED BY PHILIPPE BRUNET, DIRECTOR OF
AEROSPACE, MARITIME, SECURITY AND DEFENCE INDUSTRIES IN
DIRECTORATE-GENERAL FOR INTERNAL MARKET, INDUSTRY,
ENTREPRENEURSHIP AND SMES**

Thank you for the opportunity to address this distinguished audience and share with you, as food for thought, some elements of our evolving reflections on the topic of “European space governance”.

Space governance in Europe has developed from a certain historical background. ESA was created more than 4 decades ago as an intergovernmental agency dedicated to space technology R&D and science, to promote cooperation among European States. To fulfil its objectives ESA adopted some very specific features, including a *juste retour* policy, which contributed to the development of the European technological and industrial base in space. Thanks to the efforts of Member States and ESA, today we have a world-class space industry, which is recognised globally for its technological excellence and its know-how. This is a great achievement, in particular as it laid the solid foundations for the future challenges.

At the same time, during the past 10-15 years, we have witnessed a growing recognition of the political relevance of

space. Space is no longer, or not only, about technology and science. It is not only the expression of nations' sovereignty or power. It has become a strategic tool serving the Union's internal and external policy goals, in particular in the global economy.

This was heralded by the Lisbon Treaty in 2009, which confirmed Space as one of the areas of EU policy. It gave the EU a shared competence and clear mandate to act in space matters alongside the Member States.

As a consequence, the role of the European Commission has also grown as a new actor in space. The Commission's overall historic objective is to drive forward the process of European integration and the development of the single European market. In the EU context, space will be rather an additional tool to implement and boost community policies and serve general goals.

From this historical background, today we have these two different organisations – one intergovernmental and one supranational – with largely the same Member States; both aspiring to develop a European space policy; both funding space programmes and both supporting the space industry. In this context we have to add the national space agencies which play key roles in designing policies and programmes at national level.

Some people see in this set-up the benefits of diversity and a historical heritage to value; others see the drawbacks of fragmentation, inefficiencies and unnecessary overlaps no longer matching the new global challenges.

A sound management of public money implies to reconcile these two institutional settings in order to be more efficient and more effective in the way we spend public money on space in Europe.

I want to stress two factors which are important to consider in this debate on the future of space in Europe: a budgetary shift and a competitive shift.

- First, EU budgetary allocation to space is growing alongside its political role. The EU space budget has increased from almost zero, ten years ago, to over €12bn in the current financial period. Around €1.6bn will be injected annually into the European space economy from the EU budget until 2020. The EU has become one of the largest sources of institutional space funding in Europe, second only to ESA [annual budget of ar. €3bn, excluding the EU contribution] and on equal footing to some of the big Member State [e.g. the FR space budget was estimated at €1.96 bn in 2014 and that of DE at €1.26bn, excluding their contributions to the EU space programmes].

- Second, we are witnessing today a new shift in the space sector globally. A shift which increasingly distinguishes between research activities for the advancement of Space Science and Exploration (which are significant for technological breakthroughs and innovation, but remain mainly outside the competitive rules of the market), and a more commercial and operational area, on the other hand, which is driven by global market rules and subject to quasi common competition rules. This shift should lead us to rethink our business and economic models in the way others do to remain global leaders.

Look at what is happening in the US. We see a rise of new, private actors with increasing amounts of private funding entering the space sector. In the domain of launchers, companies like SpaceX are virtually changing the “rules of the game” (with the Falcon 9 rocket), but this model may soon expand to other sectors, such as satellite manufacturing. (e.g. Business giants like Google are entering the space market with ambitious plans to fund low-cost satellites for faster internet communications or earth observation activities.)

Again, these paradigm changes in the global space markets will force us to alter the way we do business in Europe if we want to keep our rank. This is just a Darwinian economic rule.

For space science and exploration missions, which are not driven by competitive considerations and not aimed at the opening of markets or creating market opportunities, the current models are satisfactory, provided that increasingly constrained public budgets will continue to afford the cost of such endeavours. No one can exclude an opening more and more explicit to private funding.

For industrial projects and competitive space activities, if we want to continue to exist on the global scene, we have to create a corresponding European version, including new governance and new business models, more integrated, more cost reduction oriented.

Launchers and Satcom are just two examples of sectors where competitive shifts in the global space economy imply a review of these business models. Tomorrow we might see the same kind of changes happening in earth observation.

Against this backdrop, if we are to admit that both the EU and ESA should contribute to the success of the space domain in Europe, then the future governance architecture should acknowledge this market shift. Institutional, legal or procedural differences currently existing between the two environments should not be seen as justifications to miss this global evolution step.

In several communications issued in the past few years, the Commission has called for an overhaul of the relations between the two organisations, which today are based on a rather general Framework Agreement signed in 2004. The Commission has argued for greater operational efficiencies; for more transparent and efficient management of our space programmes; for overall coordination, including with the Member States; for greater synergies and complementarity of the actions supported in the two environments, particularly in the area of space research and applications.

While the institutional discussions are still ongoing, we should not lose sight of what is happening in the space economy globally, and anticipate and accommodate these changes.

Another important point to consider is that we cannot address the space challenges ahead of us just from the point of view of technology. The models of Google, Amazon, Facebook and Apple (GAFA) clearly show that, in the end, space is part of a new business model, including services, data management, user driven offers.

What we do in the EU space programmes should have structural effects on the real economy, creating new business models and opening up new commercial opportunities for applications and value-added services catering to the evolving

needs of the users. Because it is there that we'll find the real source of jobs, growth and wealth.

Today, the annual revenue generated by the European space industry is around €50bn; only €7.8bn of this comes from the upstream, manufacturing industry. In terms of jobs, we have around 36,000 highly qualified jobs in the European space industry and more than 200,000 jobs in the Satcom downstream sector alone.

The full deployment of the two flagship programmes, Copernicus and Galileo, will open up new economic and business opportunities for Europe. Both programmes will generate benefits for the EU economy, many times larger than the value of the EU investments in them. [The benefits arising from Copernicus are estimated at €30 billion through 2030 (almost 0.2% of the EU GDP), while Galileo and EGNOS are expected to bring between €60 and €90 billion over the next 20 years.]

Most of this economic potential lies in the emerging downstream industries, which should be nurtured and developed. That is why the Commission is studying accompanying ways and means as flanking measures to support the development of commercial applications and services from Copernicus and Galileo, and to promote their uptake by the end-users.

The future European space governance architecture must take account of these emerging trends – the paradigm changes in the global space economy, based on technological shifts and rising competition from commercial actors, and the growing importance of the users.

The space landscape in Europe has not changed much in the last 30 years.

Established structures and institutions have a natural tendency to resist change, but the environment around us is changing fast, and it calls for fresh approaches to the way we do our space business in Europe. New business and governance models are needed to respond to these dynamic changes.

Member States and national parliaments, as the representatives of European societies and the citizens, will have a decisive role in these discussions.

Thank you for your attention.