CREDIT HORIZONS

Unlocking Debt Financing in the Evolving Space Economy

Prepared by

Atlantic Alliance with the support of the **European Space Agency**

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Introduction

About the report

The European space ecosystem, increasingly driven by SMEs and midcaps, is vital to Europe's strategic autonomy but remains constrained by structural barriers and an underdeveloped debt market. While equity investment has grown rapidly, with €1.5 billion raised in 2024 across 87 deals, equity alone cannot sustain companies as they scale, leaving firms at risk of losing competitiveness or relocating abroad.

Debt financing, a key driver in sectors like energy and infrastructure, has yet to take root in space, highlighting the need for new instruments and risk-sharing mechanisms. With increasing private investment, strategic public initiatives, and a shift toward commercially procured services, Europe is positioning itself to capture a larger share of future market space expansion.

This report was prepared by Atlantic Alliance with the support of ESA's Ventures and Financing Office. It is based on extensive survey data collected from leading debt providers across Europe, providing a detailed view of lenders' perceptions of the space sector.

The full version includes in-depth data analysis, illustrated results, and key findings, providing a comprehensive overview of need for debt financing in Europe. This summary highlights the main conclusions, while the complete report is available here: **https://www.atlantic-alliance.net/report.php**, for those seeking further detailed insights.

Methodology

Atlantic Alliance designed and executed a targeted survey between Q2 and Q3 2025, shared with European commercial banks, private credit funds, asset managers, leasing companies, infrastructure investors and insurers. Thirty-one organisations responded, offering both quantitative and qualitative feedback.

€1.5 B

Equity investment in the space economy exceeded €1.5 billion in 2024

Although not all invited institutions responded to the survey, this is an important signal. The respondents represented a broad cross-section of Europe's debt providers, many of whom expressed clear interest in further exploring the space sector. The combination of non-responses and strong interest among those who did reply suggests that lenders may be cautious but curious, highlighting both the current knowledge gap and the untapped potential to expand engagement if better information and risk-sharing mechanisms are available.

The survey explored five themes: appetite for space exposure; instruments most suitable for the sector; barriers to lending; the role of guarantees and risk-sharing mechanisms; and typical structures and timelines. ESA supported the process by providing industry context and facilitating stakeholder access.

Key findings

Space sector interest

Regarding sectorial interest, 64% of respondents expressed moderate to high interest in space. However, a significant majority (81%) said they would be interested in learning more about the sector, suggesting that awareness-raising and better market information could quickly expand the pool of potential lenders.

Only 32% of institutions reported having previously lent to space companies, which highlights the absence of a robust credit track record and confirms that SMEs and midcaps remain underserved.

Pre-allocated capital

The survey showed that there was no dedicated capital allocated: 93.5% of respondents indicated that they do not maintain specific allocations for space projects, instead treating them as part of wider corporate or infrastructure lending portfolios.

Without dedicated pools, lending decisions are made on an ad hoc basis, which limits consistency and makes it harder for space firms.

Barriers to lending

The most frequently cited obstacles were technical and regulatory risk, limited operating histories, and uncertainty over market size and demand growth.

Together, these factors create significant barriers to credit evaluations, preventing many viable companies from passing lenders' initial screening processes.

In-demand sectors

Despite these constraints, satellite operations, earth observation, and ground infrastructure were consistently identified as the most attractive sub-sectors for debt investment.

These activities are perceived as having clearer revenue visibility, stronger demand signals, and contractual arrangements that can provide the predictability lenders require.

Recommendations

Expand institutional risk-sharing mechanisms

To mitigate lender risks and facilitate greater debt investments, two recommendations are made to ESA.

First, to establish a guaranteed schemes specifically for space-sector debt, with a focus on strategic sub-sectors, under relevant European institutions such as the EIB. An ESA–EIB facility could backstop loans from private credit funds and commercial lenders, encouraging financial institutions to take an active interest in the space sector. Guarantees on loan principal would backstop loans from private credit funds, reduce lenders' exposure to default risk and secure more competitive rates and terms.

The second recommendation is to participate actively in blended finance platforms combining public funds with private lending capital.

Build lender knowledge and confidence

To address the lack of lender knowledge about the space industry, ESA is advised to launch a dedicated space finance initiative to equip potential lenders with training on market dynamics, EU strategy, technical risks as well as long-term governmental space strategy.

Additionally, industry benchmarks should be developed to be used by financial institution. This would accelerate due diligence processes and improve credit assessments. Closing the knowledge gap will accelerate due diligence processes, improve credit assessments, and broaden the pool of lenders and eligible borrowers.

Create dedicated debt-supporting vehicles

To build a sustainable debt market for European space companies, public–private debt funds should be established with a clear mandate to support SMEs and midcaps. Seeded with public capital, these vehicles would act as a clear ground for institutional investors, ensuring that financing is aligned with European strategic priorities while lowering the barriers to entry for private lenders. To further de-risk participation, such funds could be complemented with insurance-wrapped products, for example, technology performance cover, to reduce loss-given-default.

Alongside these dedicated funds, a broader toolkit of tailored non-dilutive instruments, such as venture debt, asset-backed loans, revenue-based financing and hybrid structures, should be developed to address both working capital and capital expenditure needs. By ring-fencing capital and placing it under the management of experienced space and debt specialists, Europe can ensure that resources are channelled towards commercially viable and strategically relevant projects, thereby unlocking a critical new pathway for investment into the space sector

Conclusion

Debt financing remains a critical gap in Europe's space ecosystem and key financing cog to reinforce its sovereignty in space

The European space industry is increasingly confronted to external financial and political constraints, and it must rapidly scale and adapt to new markets and growth opportunities.

Debt financing remains a critical gap in Europe's space ecosystem and key financing cog to reinforce its sovereignty in space. SMEs and midcaps amongst the rest of the sector are the engine of innovation and dynamic growth, yet they face limited access to debt markets. Lenders show interest but face structural barriers, limited track records, and insufficient sector knowledge.

Targeted interventions, from risk-sharing facilities to dedicated credit vehicles and tailored non-dilutive products, can unlock new sources of capital and ultimately position the space sector to keep growing competitively.

This summary provides the headline review. For a detailed breakdown of survey responses, sector analysis and recommended actions, we invite the reader to consult the full report on Atlantic Alliance's website: **https://www.atlantic-alliance.net/report.php**.