

International Cooperation for Space Exploration (1)
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HARMONISED SYSTEM OF SECURED TRANSACTIONS FOR SPACE ASSETS – THE SPACE
PROTOCOL OF THE CAPE TOWN CONVENTION

Abstract

With the space industry expected to be worth over 1 Trillion USD by 2040, the importance of harmonisation of rules to provide greater legal certainty and security when entering into financial transactions within the space sector will become increasingly important, especially as the democratisation of the space sector leads to the entry into this area of private entities from countries all over the world.

As the level of private sector investment into the space industry grows, and more space ventures become independent of public funding, a useful mechanism which companies within the space sector could rely upon is asset-based financing, wherein access to capital would be dependent upon the commercial viability of the asset a company holds, as opposed to its creditworthiness or on-ground collateral. A major hinderance when it comes to the transfer of security interests in assets in a globalised sector such as space is that of a multitude of rules applying to the different parties within any transaction. An international harmonised system of secured transactions corrects this problem – this is what the Space Assets Protocol of the Cape Town Convention, an international instrument adopted at a Diplomatic Conference by 25 States and the European Union in Berlin in 2012, does for the space industry.

This presentation will explore the benefits of harmonised rules in the financing of high-value equipment, and how an asset-based model for financing could be beneficial to the space sector. It will draw upon already existing examples of harmonised secured transactions rules having measured and very large economic benefits on other industries comparable to space, and will examine some of the key technical details within the Cape Town Convention and its Space Protocol, and their impact on promoting greater certainty and security in financial transactions.

The Space Protocol is an international instrument which decreases the risk a lender has when investing money into a highly capital-intensive sector. It does so by providing for uniform internationally enforceable standards and rules for security interests which are safeguarded as to their priority through registration in an international wholly electronic registry. This presentation will specifically distinguish between the financing needs of NewSpace companies from developing economies, and that of traditional space companies from highly-developed States, and will conclude by outlining the potential economic benefits asset-based financing, at a harmonised international scale, has for NewSpace economies and companies looking to augment their growth in the space sector.