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Economics of Procurement in Space Contracting (6)

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PROMOTING NEW SPACE COMPANIES AND INNOVATION THROUGH REGULATORY  
MECHANISMS: EXPERIMENTATION, PROCUREMENT AND LEGAL OBLIGATIONS

**Abstract**

The role of the private sector in space has been undergoing a transformation characterised by the growing importance of start-ups and scale-ups together with long-established space companies. Regulatory incentives, including new approaches by agencies and regulators – both in the space sector and in other sectors resorting to space technology and data – play a central role in promoting the success of new space companies. This paper analyses two main approaches in this scope: the launch of initiatives for promoting innovation and the creation of models for promoting the use of space products and services. As regards the launch of initiatives for promoting innovation, the paper examines the implementation of testing and experimentation frameworks such as regulatory sandboxes, innovation hubs and public-led accelerators, as well as legal approaches such as experimentation and exemption clauses, including restricted and testing licenses. Drawing from the lessons learnt in sectors where these initiatives are more mature (such as Fintech, Energy and Mobility), the paper examines to what extent these mechanisms can be used for space with a view to create more flexible and proportional approaches that encourage new space companies. The increasing importance of emerging technologies such as AI, blockchain/DLT and IoT is taken in consideration, not the least because of the special ability of new dynamic space ventures to take full advantage of the new technological trends. The role of these innovation approaches within the larger scope of traditional procurement is examined, not only to underscore the need for a dynamic and dialogue-based approach, but also to highlight the role of such mechanisms in the development of “RegTech”, an area where new space actors may play a relevant role. In addition, reference to “smart regulation” is also made given its relevance in ensuring the deployment of data-, risk-based, adaptive and collaborative regulatory approaches, which is essential for promoting the development of new products and services at lower costs and responsive to market needs. The creation of models for promoting the use of space products and services draws from examples where mechanisms have been implemented for both the public and private sectors, such as encouraging or requiring procurement of space products and services in public agencies, or imposing the use of space technology by the private sector (e.g., EU regulatory provisions which expressly require compatibility with Galileo / EGNOS for eCall purposes). The paper concludes with recommendations aimed at incentivizing new space ventures, products and services.