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Space Economy - New models and economic approaches for private space ventures, with an emphasis on
the needs of emerging space nations (3)

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FINANCING OF SPACE ACTIVITIES IN EMERGING SPACE-FARING NATIONS: THE
IMPORTANCE OF INTERNATIONAL RECOGNIZED COLLATERAL SYSTEMS.

Abstract

While private space ventures have been, and still are, heavily reliant on public funding (notably through grants or, more recently, long term agreements, with public entities acting as anchor clients), this approach does not often work for emerging space-faring nations which do not have deep pockets, nor does it contribute to the long-term financial sustainability of private space ventures in general. It is, therefore, necessary to understand how private funding can be directed in an efficient manner to such private space ventures, especially in emerging space-faring nations. Working on this premise, his paper starts by briefly describing the main aspects of private commercial funding of complex assets – with typical examples ranging from project finance to asset-backed finance –, highlighting the importance attached to security packages (be it by contractual mechanisms – such as step in rights – or by more traditional erga omnes rights – such as pledges) and effective enforcement thereof. Especially on enforcement, and bearing in mind the international nature of space activities, it is important to identify the specific challenges in connection with space activities, with the paper analyzing in detail the following, both in connection with assets that do not leave Earth and those that do: (i) third-party awareness of any levies or encumbrance over the asset, (ii) territorial nature of enforcement and associated limitations, and (iii) legal limitations to appropriation arising from the specific nature of the relevant space assets (ranging from authorizations required under national space laws to national interest and security limitations). To this effect, the paper concludes on the relevance of an international recognized collateral system in drawing private funding for space activities, and contributing to the creation of an international lending market for space activities. In particular, the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Space Assets (UNIDROIT, 2012) – with its strengths and weaknesses being briefly detailed in the paper – is an example of how international recognized systems on collateral over space assets can work. The paper however further highlights that efforts should be put into developing a broader collateral system, capable of addressing the new sources of revenue in space (both in the upstream and downstream sectors) and effectively addressing the issues raised by the specific nature of space activities.