

IISL COLLOQUIUM ON THE LAW OF OUTER SPACE (E7)
The relations between Trade Law, Finance and Space Law (4)

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THE SPAC-IFICATION OF SPACE (OR: A GUIDE TO FINANCING YOUR SPACE COMPANY)

Abstract

The days when the conduct of space activities was an “invitation-only party” for governmental agencies and their guests are long gone. Apart from the popular personas and firms that have monopolized the spotlight for some time, the private sector’s footprint in space is expanding at a fast rate. Thus, not only did Jeff Bezos announce his “retirement” from Amazon to dedicate more time in his Blue Origin venture, but also an increasing number of space start-ups are emerging around the globe due – inter alia – to the lowering of launch costs. Admittedly though, companies involved in the space industry are not in the business of making money – at least not yet. An inevitable question that arises is how these companies will raise the capital necessary to invest in RD, until their bottom line reflects their prospected valuations. Lately, a vehicle that has proven popular among the IPO-shy group of space companies is reverse mergers through special-purpose acquisition companies (SPACs). The rise of SPACs in capital markets has also led to the heated debate whether they are an acceptable means of “going public”, virtually democratizing finance, or whether the lack of regulation will be another “black hole” in the history of financial markets. Initially, the present paper briefly addresses the ambiguous nature and varied acceptance of SPACs in capital markets globally. It then turns to an elaborate examination of cross-border mergers between space start-ups and SPACs, which are anticipated in the months ahead. The paper further attempts to assess their potential implications, in particular whether SPACs are an optimal manner to finance companies with high-end innovation expectations, and what standards of Corporate Governance should be expected thereby. Moreover, the respective regulatory lacuna is juxtaposed to the requirement of close supervision of space activities in general. In conclusion, the paper reflects upon the democratization of space by comparing this capital-raising technique with public-private partnerships. In essence, the promotion of innovation and the survival of new players in heavily regulated realms, as is outer space, depends upon investment-friendly policies, even beyond long-standing geopolitical rivalries. To that effect, financing techniques via governmental subsidies, and their respective compliance with applicable regional regulation, is examined as an alternative.