

Topics (T)
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ESG IN THE SPACE INDUSTRY

Abstract

On 22 June 2020, the EU's Regulation on the establishment of a framework to facilitate sustainable investment was published in the Official Journal of the European Union (the "ESG Framework"). The ESG Framework established certain rules aimed at helping a stakeholder understand how an organisation manages risks and opportunities related to environmental, social, and governance matters ("ESG"). Although the implementation of such regulation is still in progress in Europe, France and Germany have decided to be at the forefront of the ESG Framework and have introduced steps that go far beyond mere reporting requirements. Moreover, European countries are not the only ones discussing this issue. ESG investing is considered to be an effective tool to address climate change in many countries around the world. In light of this important milestone, it is worth asking a question of whether the space sector is ready for a corporate change introduced by the ESG regulations.

Without a doubt, space technologies provide the data necessary for preparing reports, which are required from certain companies under the ESG Framework. However, the requirements under the ESG regulations also apply to the space sector and individual space companies. Financial institutions are introducing the ESG regulation's criteria into their investment criteria. Thus, greener space activities, which meet the criteria under the ESG regulation for business ratings, will be able to gain certain financing easier. On the other hand, bigger space companies may also be required to present such data in their public information. Similarly to other sectors, the space sector will be under immense pressure to act in accordance with the ESG regulations.

This paper presents and discusses why the adoption of the ESG regulations is crucial in the space sector from the financial and social perspective. It presents the requirements that have been introduced by the ESG Framework and that may have an impact on space companies. Lastly, the paper contains a recommendation that may help such companies prepare for significant changes being introduced by the ESG regulations.