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Space Economy Session – A focus on in-space operations and their potential to stimulate economic
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A SHIFT IN INFRASTRUCTURE INVESTING – HOW A PUSH FOR DIGITAL INFRASTRUCTURE
AND SUSTAINABLE ENERGY DRIVES OPPORTUNITIES IN THE EUROPEAN SPACE SECTOR

Abstract

Volatility, widespread inflation, and tightening interest rate environments are impacting investors on all fronts, prominently Strategic investors - those looking to employ their capital to investments with predictable risk profiles and strong, consistent returns, uncorrelated to the wider equity and debt markets. These investors aim to shield themselves from macroeconomic events as much as possible through stable assets such as infrastructure investments. However, the move to build-out the digital economy and more prominently, a focus on sustainable energy production, has begun to threaten the risk-return profile of existing “Super-core” assets - deemed low-risk, low-return. While energy investors will find themselves unwinding from Oil and Gas, the digital and telecommunications sector grows rapidly over the past 15 years. Remote-working and its ever-increasing reliance on digital connectivity, government investments in secure communications, and upcoming CCAM (Connected, Collaborative and Automated Mobility) initiatives are pushing the sector’s risk below historical levels thus, becoming valuable additions to infrastructure portfolios. An opportunity to reallocate capital from strategic portfolios into telecommunications infrastructure presents itself and is investigated in this paper. Using investment data from the past 40 years ranging from 1990 to 2022, we empirically investigate the additional freed capital flowing into firms, projects, and sectors reliant on space assets. Interest and understanding of Space as a new asset class capable of bringing attractive returns is increasing, ESA can play a role guiding investors through this new environment. We use first-hand and second-hand interview data to map the prevailing behaviours of investors facing this shift. This paper maps the investor shift away from the fossil fuel economy towards investments into renewable and telecommunications infrastructure with a focus on space assets, exposes the inefficient capital allocation in the European Space sector, and describes the opportunities for long-term private capital to be employed in a more efficient manner.