

Position Paper



The European Aerospace, Security and Defence Industrial Ecosystem in the post-2027 EU Multiannual Financial Framework

Executive Summary

ASD is the voice of Europe's aerospace, security, and defence industries, representing over 4,000 companies across 21 European countries that employ over one million people. In 2024, our members generated a turnover of €290 billion, accounting for 98% of the turnover and 93% of the workforce in our industries.

In a world of intensifying geopolitical competition, instability, and transformation, Europe must act strategically. Its civil aviation, defence, security, and space domains mutually reinforce each other and form a single, integrated ecosystem — vital for protecting European citizens and values, enabling the climate and digital transitions, and preserving Europe's global position.

Investment in this ecosystem is investment in Europe's competitiveness, resilience, and sovereignty.

The next Multiannual Financial Framework is crucial in this respect. It should include sector-specific investment envelopes that match the scale of the ambition and the urgency of the challenge:

- **Defence:** ~€100 billion
- **Security:** ~€50 billion
- **Space:** ~€40–60 billion
- **Civil Aviation:** ~€23,5 billion

These figures refer to dedicated sector-specific funding instruments. In addition, the MFF includes transversal tools — such as cohesion funds — which must remain accessible to support ramp-up and transformation across the sectors of the ecosystem.

The next MFF is not merely a matter of financial planning. It is a strategic choice about Europe's ability to remain sovereign and competitive. Chronic underinvestment in aerospace, defence, and security would weaken capabilities, delay critical transitions, and deepen dependencies. The MFF must be the vehicle that secures Europe's freedom to act — on land, at sea, in the air, in space, and in cyberspace.

Contact: Jan Pie

Aerospace, Security and Defence Industries Association of Europe | Rue du Trône 100 | 1050 Brussels

Phone: +32 2 775 81 10 | info@asd-europe.org | www.asd-europe.org

Introduction

The European aerospace, security, and defence industries are deeply interlinked with the Union's strategic autonomy, economic competitiveness, and capacity to act in an increasingly volatile global environment. Our industries are not only drivers of technological innovation and high-quality employment but also essential enablers of Europe's political and operational ambitions. In light of Russia's war of aggression against Ukraine, growing geopolitical instability, the constant presence of hybrid threats, intensifying global technological competition, and the imperative of decarbonisation, our industries have emerged at the forefront of Europe's most pressing challenges. Ensuring secure and green skies, resilient infrastructure, strategic deterrence, and access to space are now core requirements for the EU's sovereignty and security.

This paper sets out ASD's position on how the post-2027 EU Multiannual Financial Framework (MFF) can best support Europe's strategic interests across our four industrial domains—civil aviation, defence, security, and space—each underpinning Europe's long-term resilience, technological leadership, and strategic autonomy. ASD's recommendations emphasize the pressing need for scale, consistency, and strategic alignment in EU funding policy, especially amid rising global competition and the urgent green and digital transitions. While each domain presents concrete budgetary recommendations and tailored proposals, all are rooted in a unified vision of a more resilient, competitive, green, and sovereign Europe.

1. Strengthening Europe's Defence Industrial Readiness and autonomy

Security from military threats is a precondition for Europeans' freedom, prosperity and way of life, enabling to uphold our core values – democracy, human rights, and the rule of law. Without it, progress in justice, economic development, and social cohesion would be impossible. Today, Europe's security environment is more perilous than at any time since the Cold War. Faced with an aggressive and militarised Russia and growing threats in its neighbourhood and beyond, and amidst a fundamental shift in US foreign and security policy, Europe must urgently assume responsibility for defending itself.

Decades of underinvestment have severely weakened Europe's defence capabilities and industrial capacities, undermining its ability to defend itself and support its partners and allies. Despite recent increases, Europe's current rate of defence investment and procurement is inadequate to address the most extreme military contingencies. European leaders have recognised that ensuring a minimum degree of defence readiness and deterrence capacity requires a significant and sustained increase in defence spending and investment, as reflected also in the EU Strategic Agenda 2024-2029.

A robust, resilient, and competitive EDTIB is itself a key military capability and an indispensable prerequisite of defence readiness and credible deterrence. This is because the defence industry develops, produces, and sustains the products and services our armed forces need to fulfil their missions, which would be crucial in high-intensity attritional warfare, where materiel must be rapidly repaired, replaced and/or improved. A robust defence industrial capability not only enables our armed forces to defeat an attack, but its very existence signals the ability to do so and can thus deter adversaries from even attempting one. To fulfil its role as an insurance policy for Europe's security, the EDTIB must be supported in scaling up and accelerating to reach a critical mass and remain technologically at the cutting edge.

The importance of the EU budget

The EU budget has an important role to play in fostering a strong and innovative EDTIB. While national governments will remain the customers of defence systems and equipment – and therefore by far the most important defence spenders and ultimate authorities on R&D, investment and procurement priorities – the EU can propose, incentivise, and support Member States' actions in this area. To play its role effectively, the EU budget for defence must reach a certain critical mass, i.e., an appreciable share of Europe's overall defence investment, to support EU defence industrial tools with financial means that make a difference and have a structural effect. At the same time, the EU budget for defence must be directed to the EU defence industry to strengthen the EDTIB and thereby European sovereignty.

Against this background, the 2028-2034 MFF should include a substantially increased budget line for defence investment, approximately **€100 billion**, in line with the declared level of ambition outlined by Heads of State and Government in the EU Strategic Agenda 2024-2029. This should include ambitious financial envelopes for both a fully-fledged EDIP 2.0 and an improved EDF 2.0, focused on reinforcing the EDTIB and provided that the conditions mentioned below on European design and European preference are met. This represents the bare minimum for starting to rebuild Europe's defence industrial capacities after accumulating a defence investment deficit of €600 billion during the decades of the 'peace dividend'¹. At the same time, an increased EU budget for defence must not be an excuse for Member States not to increase and sustain their national efforts in this area.

An EU budget for defence investment of roughly €100 bn can make an important difference for the EDTIB, provided that it is used in compliance with the following core principles:

- The goal of all EU defence industrial programmes must be to support the EDTIB in meeting Member States' capability needs. This means also that Member States rapidly define their priorities and how they want to address them.
- All relevant instruments should be well-coordinated and consistent with each other. They should be as simple as possible and focused on where EU-level action can bring real added value, incorporating lessons learned from existing instruments.
- Starting in 2028, EU defence industrial programmes funded under the next MFF should no longer be urgency instruments. They should pursue the strategic objective of enhancing Europe's defence industrial readiness and autonomy. This means enhancing European content and ensuring EU design authority for all defence products and services supported through the EU budget. The final aim of these programmes must be that European forces buy from the EDTIB solutions that are truly European and without critical dependences on non-European actors.
- Defence industrial programmes funded through the EU budget must therefore strongly promote investment into European-designed products and technologies as well as procurement from European companies. This 'European preference' is vital for strengthening our industrial base and bolstering our armed forces' freedom of action and security of supply. It is thus not merely an economic objective, but a strategic imperative for enhancing Europe's

¹ Dorn, F., Potrafke N., and Schlepper M. "European Defence Spending in 2024 and Beyond: How to Provide Security in an Economically Challenging Environment", *EconPol Policy Report* 45(8), January 2024. Available at: https://www.econpol.eu/sites/default/files/2024-01/EconPol-PolicyReport_45_0.pdf

defence and deterrence capacity. This does not impinge on Member States' sovereign prerogative to use their national budgets as they deem fit.

- The ultimate purpose of any EU investment in defence is to foster European cooperation between Member States and/or industries. It is therefore crucial that all future EU programmes set the right incentives to fulfil this purpose.
- The next MFF must fully respect the specificities of the defence sector. All defence instruments should therefore come under a dedicated Heading with specific governance structures, operational rules and a ring-fenced budget.

2. Securing Europe Beyond Defence: The Non-Military Dimension

Europe faces an increasingly complex and dangerous security environment. In response to Russia's war of aggression against Ukraine, the EU and its Member States have focused their efforts on strengthening Europe's defence posture. However, the non-military dimensions of security require equally urgent attention: Throughout the Union, hybrid attacks from Russia (sabotage, cyberattacks, disinformation, etc.) are growing in frequency and sophistication. This hybrid warfare comes on top of other transnational security threats like organised crime and terrorism but also increasing risks of natural disasters and large-scale technical incidents.

In this situation, non-military security must be recognised as an indispensable complement to defence, providing an essential contribution to Europe's resilience. Consequently, Europe should urgently strengthen its non-military security capabilities, including the technological and industrial base that underpins these capabilities.

There is no security without technology and no technology without industry. To protect Europe against increasingly sophisticated threats, operational security actors – including police forces, civil intelligence agencies, border authorities, emergency services, and critical infrastructure operators – must be equipped with advanced and often tailored-made technological solutions. In times of increasing geopolitical tensions, it is essential not to depend on non-European suppliers for such solutions. To ensure control over sensitive technologies and critical networks, Europe needs its own industrial capacities. This requires sufficient investment in strategically important, high-end security areas. In this context, the EU Budget can and must play an important role.

The importance of the EU Budget

The EU has several security-relevant funding programmes with relatively limited budgets and no significant industrial dimension. Moreover, these programmes are scattered across different policy frameworks, with limited coordination and no strategic direction. The next Multiannual Financial Framework (MFF) should follow a new policy-driven approach aimed to spend more and better.

- 1) The next MFF should consolidate all security-related instruments into a single '*Securing Europe Facility*' (SEF), as proposed in the *Niinistö Report*. This facility should come under a specific Security and Defence heading and bring together the current civil security research cluster of *Horizon Europe*, the *Internal Security Fund*, the *Integrated Border Management Fund*, as well as the cybersecurity elements of the *Digital Europe Programme* and the *Connecting Europe Facility*

- (CEF Digital). This would ensure consistency and continuity between security-focused programmes and allow for a coherent use of EU funding from research to deployment.
- 2) To this end, the SEF should also introduce and support *European Security Projects of Common Interest* (ESPCI). Federating different instruments, ESPCIs could catalyse strategic investments into critical security areas and drive market uptake of advanced European security technologies. ESPCIs could, for instance, be used to address the urgently required protection of Europe's transnational energy, transport, and communication networks. The implementation of structured flagship projects at EU-level could also help steer procurement towards European solutions, reducing the reliance on off-the-shelf products from non-European suppliers.
 - 3) Under the 2021-27 MFF, the above-mentioned non-military security programmes represent just over 1% of the total budget – roughly €10 billion. Given Europe's current security situation, this financial envelope seems far below what is required to build the necessary operational and technological security capacities. The *Niinistö* Report recommended allocating 20% of the EU budget to security and crisis preparedness, which includes military- and non-military security, as well as preparedness against natural disasters and other large-scale incidents. We as ASD argue for a €100 billion financial envelope for defence under the next MFF. We believe that the budget for the *Securing Europe Facility* as proposed above should be at least **€50 billion**. This would represent a considerable budget increase for the non-military security programmes. At the same time, the spending on non-military security would still be smaller than for defence, which seems appropriate given the higher cost of defence investment.

3. From Earth to Orbit: Building Europe's Resilience Through Space Investment:

Strengthening Europe's resilience does not stop at its borders or physical infrastructure. The next decisive layer of Europe's security and strategic autonomy lies in orbit. Space systems provide the invisible backbone of the modern EU, from emergency response to secure communications, border surveillance, to early warning. Galileo provides precise navigation for everything from emergency services to autonomous vehicles. Copernicus is at the heart of Europe's climate strategy and an indispensable tool in anticipating and reacting to crisis and natural catastrophes. IRIS² is set to deliver sovereign, secure communications for both public and defence use. SST will contribute to keep Europe's orbit clear of collisions in increasingly crowded orbits.

As hybrid threats evolve and geopolitical rivalry intensifies, control over space-based infrastructure is no longer optional — it is foundational. Europe must invest in space capabilities with the same urgency and strategic foresight as in defence and security on the ground.

Given the unstable geopolitical situation worldwide and the rapidly increasing risks provoked by global environmental changes, a ring-fenced and predictable EU budget for space in next MFF for 2028–2034 must secure the future of European space programmes with a protected, long-term budget line – one that shields operations, upgrades, and services from volatility and fragmentation.

One simply cannot operate 24/7 global infrastructure with year-to-year uncertainty; operational infrastructures delivering critical services to all EU citizens, policymakers and businesses need sustained investment – just like for roads, power grids, or defence capabilities. The EU's role in space is very unusual, it is not about supporting Member States, industry or research, it is about acquiring, owning and operating

vital infrastructures that provides public services to each citizen, public decision-maker and business in the EU.

Industry insiders warn that budget shortfalls in the current MFF (2021–2027) already forced compromises in operations and upgrades. With inflation, rising demand, and new threats such as cyberattacks and jamming, the next MFF must do more than keep the lights on – it must future-proof Europe’s space capabilities.

The importance of the EU budget

The European space industry is backing a proposed envelope of **€40 to 60 billion** for the EU Space Programme under the 2028–2034 MFF – a substantial increase from the current 19B€, but still well below spending levels of other space powers and justified by the increased ambitions of the Commission itself, and the need to accommodate quickly strong security requirements.

The scale and pace of global investment in space underline the urgency for Europe to act. In 2024, NASA operates with a \$25 billion budget, while the U.S. Space Force commands \$26 billion and the National Reconnaissance Office (NRO) is estimated to spend between \$13–15 billion on space systems. Collectively, these budgets offer the U.S. space industry a captive institutional market nearly six times larger than Europe’s. Meanwhile, China’s space programme has tripled in size over the past decade and has launched more satellites than the U.S. government in the last three years alone. Both China and the United States are rapidly accelerating their military space capabilities, signalling a strategic race in which Europe risks falling behind without significant and sustained investment.

The proposed EU budget would ensure:

- Continuity of Galileo, Copernicus, IRIS² and SSA and their evolution in a security and defence framework.
- Modernisation of ground infrastructure and satellite constellations.
- New capabilities, such as Space Traffic Management, In-Orbit Operations, and LEO-based navigation.
- Concrete support to improve the market conditions for launch services.
- Innovation pilots to test new technologies and services that could lead to next-generation missions.
- A competitive European commercial space sector through an updated Partnership between the actors of the supply chain, research organisations and the European Commission.

Industry leaders point to recent crises – the loss of Soyuz access after Russia’s invasion of Ukraine, delays to Galileo satellite launches, and hyperinflation affecting operating budgets – as warnings. Any interruption in service would damage user trust, reduce competitiveness, and jeopardise the EU’s leadership in climate, in transport, and in security policies.

The current programmes are fully-fledged public services – used by governments, emergency responders, businesses and citizens alike. Just as roads and global connectivity require sustained investment, so do space systems.

A guaranteed long-term budget does more than protect public infrastructure. It also gives certainty to private investors, who are willing to fund innovative services and applications – but only if they trust the institutional market won’t collapse in the next budget cycle.

The call for a ring-fenced space budget is part of a broader appeal to realign EU priorities around sovereignty, resilience and innovation. As the Mario Draghi report on competitiveness concluded, chronic underinvestment in strategic sectors like space has weakened the EU's ability to compete globally.

This is not a matter of minor budget adjustments; it is a fundamental strategic choice. Ensuring Europe does not fall behind in space is crucial because this domain increasingly defines economic strength, security, and geopolitical influence in the 21st century.

4. Financing Europe's Leadership in Civil Aviation

Civil Aviation is an indispensable part of the global mobility of passengers and goods contributing to the welfare of the entire European society. Air transport supported 14 million jobs (387,000 direct jobs in Europe in 2023) and €851 billion to GDP in Europe in 2023. That is equivalent to 1 in every 25 jobs across the continent and 4% of all employment and 4.6% of all GDP in European countries. Exports within the civil aeronautics sector witnessed a growth of 11.7% in 2023, totalling €106.9bn. Also, air transport is vital to global trade, representing 35% of world trade value while moving only 1% of cargo volume.

Its contribution to the overall competitiveness of Europe has often been praised and ought to be recognized in the next MFF as the EU's flagship industrial sector, considering its contribution to Europe's economy and the cross-fertilization it brings to the defence sector, thereby contributing to guaranteeing Europe's strategic autonomy.

However, the strategic dimension of the civil aviation sector still must be recognized, when at the same time it is confronted with major challenges of twin transition, safety and needs for innovation, requiring huge efforts and investments. This twin transition must also be supported with a sovereign and resilient approach. The long-term competitiveness of the European aeronautical sector largely depends on the scale of public funding in research and innovation from the EU and national authorities. Past consistent and long-term EU support has been the basis for the current successful global position of the European civil aviation sector in leading the world in innovation and technological breakthroughs and must be preserved.

On top of these breakthrough technologies requiring an unprecedented level of support, the sector will also need a highly qualified workforce and a dynamic supply chain and resilient industrial and energy ecosystems across Europe to sustain and drive innovation.

The revised Destination 2050 Roadmap (www.destination2050.eu) published by the European civil aviation sector shows that European aviation is on the right decarbonization trajectory but that achieving the 2050 goal for climate neutral aviation will become increasingly challenging without further EU public support. According to the Draghi report, the decarbonization of the aviation sector requires high investments and an additional cost of €61 billion a year from 2031 to 2050. This calls for an unprecedented level of private and public investment and a much closer coordination and alignment among EU initiatives and with Member States.

More efficient technologies (both for aircraft and Air Traffic Management), together with Sustainable Aviation Fuels, play a key role in the aviation sector's ability to meet its climate targets. In addition, they are essential for the competitiveness of the EU industry which is a key exporter in the global civil aviation

market. Moreover, these technological step changes must be accompanied with competitiveness related considerations: the industrialization and manufacturing tools and methods to allow these new technologies to be easily adopted by the market need to be drastically re-invented to support EU aviation global export share.

The civil aeronautics sector is critical to ensure Europe's strategic autonomy in terms of technologies for mobility and strategic high value freight transportation and contributes to many advanced technologies with relevant read across to defence and other sectors. Civil aviation products are among the most complex manufactured and integrated systems, with exceptionally high requirements on safety, efficiency, reliability, operating amongst increasing civil aviation traffic density and harsher environmental conditions throughout their life cycle. These technologies need to be matured, worked through and developed to prepare the next generation of aircraft (fixed wing and rotorcraft) and ATM at European level, and this can only be achieved through an appropriate, dedicated strong support in the next MFF.

The European civil aviation industry must maintain its global leadership position considering increased competition from other regions in particular USA and China. There should be no complacency as the level of competition stemming from the US aeronautical industry is increasingly aggressive, benefiting from massive public research and innovation funding, while China has now broken the longstanding duopoly in the large commercial aircraft industry.

As the EU looks to secure its technological edge and economic resilience, civil aviation must remain a strategic priority in the next MFF. To this end, ASD recommends the following allocations within the 2028–2034 MFF

- **Civil Aviation Research:** €6 billion.
- **SESAR deployment:** €1.5 billion.
- **EASA:** protect public funding from cuts in the next MFF and continue to allocate additional EU Commission funds for technical cooperation project.
- **Sustainable Aviation Fuels (SAF):** €5-6 billion.
- **ETS innovation fund:** allocate 20-25% for civil aviation (estimated at around €10 billion out of 40 billion Euro by 2030)

For more details on ASD's recommendations for the civil aviation sector, please refer to the annex.

[Signed by] Jan Pie, Secretary General of ASD
Brussels, 07 July 2025

Annex Civil Aviation

The ASD civil aviation sector has the following key demands in terms of EU public funding in the next EU MFF 2028-2034.

1. Civil Aviation Research and Framework Programme 10 (FP10)

An increased budget and a fully dedicated instrument (including Clean Aviation, SESAR and collaborative research) is required compared to Horizon Europe to match the sector's high ambitions to reach climate neutrality by 2050 and to fulfil the Digital European sky. A doubling of EU public funding for civil aviation research in next MFF and research framework is a minimum, in line with the Draghi Report recommendations to double the overall EU budget for research. Moreover, it is essential that this be a ring-fenced budget for civil aviation research as part of a standalone FP10 programme.

We would recommend 6 billion Euro EU public funding for civil aviation research in the next MFF across the whole TRL spectrum (5.3 billion Euro for aircraft technologies and 700 mEuro for ATM).

2. SESAR deployment / support for market uptake TRL 6+

Deploying SESAR technologies is essential to make European skies the most environmentally friendly skies in the world based on digital technologies. Accelerating deployment will require public funding support to provide incentives to early movers. The funding for SESAR deployment (as per Connecting Europe Facility in the current MFF) should be continued in the next MFF. At least 3 billion Euro public funding would be needed for 2031-2050 for SESAR deployment (out of a total deployment cost of 22 billion Euro for 2031-2050). This would translate to a need for 1.5 billion Euro, EU public funding for SESAR deployment in the next MFF.

3. EU public funding for the European Aviation Safety Agency (EASA)

The European Aviation Safety Agency (EASA) is a critical executive agency, indispensable to our strategic sector. It plays a key role in certifying new aircraft & engines and as such plays a key role in enabling the deployment of European technology on the global civil aviation market. It also plays an active role in defining international standards, which contributes to EU sovereignty. On top of its world-leading role in ensuring aviation safety, industry appreciates the active role of the agency in accompanying the implementation of the EU environmental and digital roadmaps to our sector. 2/3 of EASA's budget is funded by industry (through EASA fees and charges) and 1/3 from the EU public budget. To continue supporting the aviation and the aeronautics industry in the years and decades ahead, EASA needs an adequate and sustainable financing scheme.

It is therefore essential to protect EASA's public funding from any cuts in the next MFF. We stress that the EU already lacks a level-playing field *vis-à-vis* the US, where the FAA is fully financed by the US government. This negatively impacts our industrial competitiveness at a time when this has been identified as a top priority for the EU. EASA is today already facing severe resource constraints due mainly to the fact that new responsibilities have been assigned to EASA with neither additional dedicated funding nor resources. Outside the scope of the current amendment, the assignment of functions from the Commission should be coupled with the necessary public funding increase.

EASA also plays a key role toward third countries in the field of aviation safety. Many EASA technical cooperation projects (financed through the EU External Action Service) in third countries are of great benefit for aviation safety and for promoting the EU industry interests in those third countries. It is

essential that those projects continue to receive support in the next MFF with a level of funding equal to the current MFF.

4. Funding for SAF

The most urgent priority, as identified by the Clean Industrial Deal, is the uptake of Sustainable Aviation Fuels (SAF), both from biological and synthetic sources. Therefore, the upcoming Sustainable Transport Investment Plan must provide ambitious measures¹ to “prioritize support to specific renewable and low-carbon fuels for aviation”, complemented by political leadership to break the current vicious cycle between fuel suppliers and uptakers. We recommend 5-6 billion Euro public funding in the next MFF to facilitate the deployment of SAF which are an essential pillar of the EU civil aviation sector decarbonization efforts.

This allocation addresses the EU's SAF blending mandates and innovation needs as outlined in the ReFuelEU Aviation initiative (part of the Fit for 55 package). The funding should encompass grants, Contracts for Difference (CfDs), and production subsidies to expedite SAF deployment and mitigate market risks. The range reflects the significant cost gap between SAF production and conventional aviation fuel. In addition, a significant increase in the number of ETS free allowances for the aviation sector to support SAF uptake is required, and as a rule, earmarking all ETS derived revenues from aviation to SAF policies.

5. ETS innovation fund

We recommend allocating at least 20–25% of the future ETS Innovation Fund for civil aviation decarbonization efforts bearing in mind that civil aviation is a hard-to-abate sector and more public support is therefore needed to enable the civil aviation sector to meet its net-zero goal. The adaptation of the Innovation Fund selection criteria is critical, so that projects related to the aviation development cycle and SAF can be prioritized. Currently, the criteria and application process are neither adapted to enhance the development of innovative aviation decarbonized technologies nor sufficiently aligned with the specific needs of SAF production.

A ring-fenced budget for civil aviation is essential. Funds should be specifically used for aviation cleantech and SAF-related projects, including advanced biofuels and synthetic e-fuels (Power-to-Liquid). With the Innovation Fund projected to raise over €40 billion by 2030, earmarking this portion for SAF is both feasible and necessary to address sector-specific decarbonization priorities as well as competitiveness and sovereignty considerations.

6. Ensuring security of supply for EU aviation's critical and strategic raw materials

The Critical Raw Materials Act (CRMA) has strengthened the EU's security of supply for critical raw materials through reliable partnerships. The inclusion of strategic materials that are key for civil aviation like titanium, special steels, and aluminum is also a positive outcome.

To reduce external dependencies of EU aviation's critical and strategic raw materials, we recommend a dedicated funding mechanism to support capital-intensive projects across the entire aviation value chain (incl. extraction, processing, refining and recycling capacity) and measures to ensure fair competition with third countries, in particular the USA and China (e.g. R&D support on critical raw materials substitution and innovation on advanced materials). Considering the substantial investments, specialized skills, and stringent operating regulations and licenses to be involved, these value chain strategies should be addressed at a European level.