# The New Space Race: One Objective, Two Approaches

**February 19, 2026**

The global space economy is projected to reach $1.8 trillion by 2035, up from $630 billion in 2023.[1] Governments are moving quickly to modernize regulatory frameworks, creating a new phase of competition in how countries regulate the business of space.

This accelerating regulatory activity is increasingly pulling investors into the crosshairs, as divergent national approaches create overlapping obligations, higher compliance costs and greater uncertainty. Companies and investors now face a patchwork of evolving rules that can shift investment calculations, complicate cross-border operations, and introduce new legal and operational risks.

## TO REGULATE OR NOT TO REGULATE?

On June 25, 2025, the European Commission released a proposal for an EU Space Act (the "Act"), which is expected to become effective on January 1, 2030. The Act regulates space activities by both providers established in the European Union ("EU") (or controlled by EU providers) and third-country providers offering space-based data or services in the EU. New requirements for space operators include spacecraft, launch and in-space operation providers. Lighter regimes apply to certain specialized providers and research institutions.

The proposed new requirements include:

- **Authorization and Registration**: EU space operators must be authorized by a member state, while third-country operators must demonstrate compliance and be registered;

[1] Brookings Institute, "Industrial policy for the final frontier: Governing growth in the emerging space economy," dated 23 September 2025. *Available at* https://www.brookings.edu/articles/industrial-policy-for-the-final-frontier-governing-growth-in-the-emerging-space-economy.

- **Traffic Management**: New tracking, maneuverability and debris mitigation requirements for spacecraft, launchers and satellites, which may require design modifications;

- **Cybersecurity**: Preventive measures to mitigate system failures or attacks, plus reporting requirements; and

- **Environmental Sustainability**: Operators must calculate and report environmental footprint, comply with design requirements, and limit light and radio pollution.

Six weeks later, on August 13, 2025, President Trump signed Executive Order 14335, whose objective is to increase commercial space launch cadence and novel space activities by 2030. Key features of the Executive Order ("EO") include:

- elimination or expedition of environmental reviews for launch and reentry;

- harmonization and evaluation of states' compliance with federal space regulations; and

- a streamlined mission authorization process under the Outer Space Treaty.

The Federal Communications Commission (the "FCC") has also been active in recent months. Its October 2025 proposal on "Space Modernization for the 21st Century" would create a so-called "licensing assembly line," designed to speed reviews through a modular system that would route and resolve applications according to each company's needs.

At the same time, the FCC is stepping up its national security-related regulation and enforcement in the U.S. communications sector. On January 8, 2026, the FCC announced its first-ever enforcement of a Team Telecom mitigation agreement. Team Telecom is an interagency committee that evaluates FCC license applications for foreign ownership risks and can recommend licenses be conditioned on entering into national security agreements that mitigate foreign ownership concerns. In this case, the FCC entered into a settlement with a satellite operator for violating its mitigation agreement obligations related to unauthorized foreign employee access to communications infrastructure and customer data. Under the settlement, the satellite operator agreed to pay a $175,000 voluntary contribution and implement a robust compliance plan. The action signals that the FCC is closely monitoring compliance with Team Telecom mitigation agreements and is prepared to take action to enforce these agreements.

In addition, on January 29, 2026, the FCC adopted new rules that enhance its capability to evaluate national security concerns in the U.S. communications sector. The FCC adopted new reporting requirements for FCC license holders and applicants regarding ownership, control and other ties to foreign adversaries. These new reporting requirements largely track the definitions in existing federal supply chain security regulations, i.e., 15 C.F.R. part 791, with a few narrow modifications. The requirements apply based on the specific FCC license, permit or authorization and the national security risk posed by foreign adversary control. The FCC also adopted new rules clarifying its long-standing foreign ownership reporting requirements for certain FCC licenses.

## WHAT NEXT?

All these measures present near-term costs. The Act's requirements will increase compliance costs through spacecraft redesign, contract renegotiation and new reporting processes. The Commission estimates satellite operators may face up to 10% higher manufacturing costs, with launch providers facing even greater expenses.

In the United States, operators face uncertainty as agencies begin to implement the EO's objectives. No concrete rules have yet been finalized, despite the short time frames in the EO. Meanwhile, novel missions—including in-orbit servicing, debris removal and lunar resource extraction—mean commercial initiatives may outpace regulatory clarity.

Operators subject to both regimes face particular challenges. U.S. providers have called for the EU to adopt an equivalency decision recognizing U.S. regulations as sufficient to satisfy the new Act's requirements, but the uncertainty of the U.S. regulatory landscape may delay that outcome. In addition, the U.S. International Traffic in Arms Regulations ("ITAR") and other export controls that prohibit regulated U.S. aerospace companies from sharing technical details with non-U.S. entities may prevent companies from demonstrating technical compliance with the Act, and the Act's inspection provisions may conflict with ITAR or other export controls even with an equivalency decision.

Long-term, the EU Act may reduce operating costs and enhance the safety and sustainability of space activities through harmonized standards. However, the cross-border nature of the space industry means many U.S. actors will fall within the EU Act's regulatory scope regardless of U.S. deregulation. This could yield either convergence around EU standards or fragmentation of market access.

Overall, this regulatory uncertainty may give rise to disputes, including contractual claims over cost allocation or allegations that new regulation is disproportionate or

discriminatory. Investors should closely monitor implementation, engage early in consultations, and plan for multijurisdictional compliance to mitigate regulatory and dispute risk.

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