

The 2025 EU Defence Agenda:

What opportunities for the defence industry?

Overview

Over the next four years, the EU and its Member States will invest €800 billion in defence. This funding will encompass EU loans for joint procurement, national defence spending, redirected EU funds, and revised European Investment Bank (EIB) policies.

This strategic shift is a response to the complex geopolitical and security landscape, alongside increased EU-backed initiatives such as the Rearm Europe programme, the forthcoming Defence White Paper, and the appointment of the first-ever EU Commissioner for Defence.

For companies in the sector, this environment presents significant business opportunities. It boosts funding for R&D and manufacturing, encourages joint ventures, facilitates large-scale defence contracts at both national and EU levels, and strengthens European supply chains.

Below is a list of the main funding opportunities and policy actions the Commission will undertake in the coming year in the aerospace and defence sectors.

Funding opportunities

- **Evaluation of the European Defence Fund** – A €7 billion instrument supporting R&D of military products, the EDF will be revised by Q2 2025 with a view to promote large projects of common European interest.
- **White Paper on the Future of European Defence** – Planned for 19 March, this highly anticipated strategy will detail a list of capability gaps, financing tools, and an industrial production plan for the years ahead.
- **National spending on defence** – Relaxation of budgetary rules will allow increased national defence spending of about €650 billion over four years. Cohesion funding may also be redirected to fund defence projects.
- **EU support for defence investments** – The Commission will propose a new EU financial instrument providing €150 billion in loans to Member States for defence capabilities. Collaborative defence acquisitions will be encouraged, particularly in critical areas such as missile defence, artillery, drones, cyber defence, and military mobility.
- **Private Sector and Investment Bank Involvement** – the expansion of EIB into funding for defence projects is also expected to mobilize additional private capital.

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Legislative & Policy initiatives

- **White Paper for European defence:** published on 19 March, the White Paper identifies key gaps (including air defences, artillery, drones, and AI & quantum defence capabilities), promotes the integration of the EU-Ukrainian defence industries, and sets out a vision for a single market on defence. Notably, the paper proposes giving preference to **European firms** in defence procurement and ensuring that non-EU companies can only benefit from public contracts where no European solution exists.
- **Preparedness Union Strategy** – expected by the summer, it will aim to strengthen the EU's ability to handle crises. For the defence industry, it is expected to create new procurement opportunities and increase demand for advanced security solutions.
- **Internal Security Strategy** – expected during the first quarter, it will update the existing EU Security Union Strategy and push for further integration of the EU Defence Union.
- **Space Act:** Planned for the summer of 2025, this instrument – particularly relevant to the aerospace industry – will aim to establish a Space Single Market to enhance the EU's independence in the space sector, including for the military.
- **Defence Procurement Directive Evaluation** – to be published in the third quarter, it will update the 2009 procurement rules for the defence and security sectors to further open up the defence market in the EU.
- **Arms Transfers Directive** – the Commission will review this Directive at the end of the year, alongside an evaluation of the 2020-2025 Firearms Trafficking Directive.

What should businesses do?

To capitalize on the available opportunities, companies in the defence sector should:

- **Stay ahead of the curve:** Monitor regulatory and policy developments to keep ahead of defence procurement rules, cybersecurity regulations, and technical requirements.
- **Engage with Policymakers:** Actively engage with EU policymakers to advocate for defence funding priorities that align with companies' capabilities.
- **Collaborate Strategically:** Position themselves as partners and enablers of EU defence goals by collaborating with key institutions such as the European Commission, NATO, as well as industry associations, and think tanks.