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Dear Lord Whitty

Thank you for your letter of 23 April 2018 regarding the impact of EU exit on the UK space sector. I am grateful to the Committee for providing this evidence on such an important issue and I would like to assure you of this Government's commitment to supporting our excellent space sector.

Your findings rightly highlight the central role that the UK has played in the development of the EU Galileo programme and the urgency that is needed to safeguard our industrial involvement in the programme. The Prime Minister has been clear that we need to get the necessary agreements concluded to allow the UK and its businesses to take part on a fair and open basis.

The Secretary of State, Greg Clark, has recently written to his EU counterparts highlighting the importance of finding a solution for the benefit of both parties. We have undertaken repeated diplomatic efforts with Member States and the Commission in order to change the Commission's approach and made clear to our European partners our desire to remain involved in the Galileo space programme, provided that the UK, and UK companies, can continue to participate on a fair and open basis. These efforts continue.

In terms of the impact of leaving Galileo, the UK currently contributes 12% of the Galileo programme budget, or around €140m per year. In addition to our financial contribution, the UK has been at the heart of building the Galileo system and particularly the encrypted Public Regulated Service (PRS) signal. Without the UK's involvement and expertise, it is highly likely that the Programme will be delayed by several years and the EU would lose an expected future financial contribution of around €200m per year up to 2027.

In that event, UK companies would no longer be able to compete for EU contracts relating to Galileo; these are currently a significant source of work for companies involved in upstream satellite navigation development. Losing access to the PRS signal would not immediately affect users in the UK, as the signal is not fully operational. The EU is open to the possibility of third countries obtaining access to the PRS signal – a position that the UK has championed as a Member State. However, the standard third country model does not meet the UK's objectives because, in order to be able to assure our use of the system, we need access to the secure aspects of the system in both programme development and industrially.

The Government has been actively engaging with UK industry to discuss these issues and what the implications are for each of their businesses. They have also been involved in shaping our negotiating

position. Alongside this, the Government is continuing to engage with the European Commission to reiterate our request for a procurement freeze and the re-opening of contracts to allow UK industry to be able to bid fairly and openly.

As your findings show, the UK has also been instrumental in developing the EU Copernicus space programme and we are seeking to negotiate a strong and secure partnership with the EU following our exit. Copernicus is an important programme for the UK Earth Observation industry, with UK industry having played a leading role in its development and winning a significant number of contracts for the development of satellite hardware and data services. The UK is a leader in Earth Observation satellite technology and expects to discuss all options for future collaboration in EU space programmes as part of the exit negotiations.

The UK currently contributes 14% of the Copernicus programme budget or around €86m per year. UK industry and expertise has contributed significantly across the Space and Service components of the Copernicus programme, in areas like calibration of space instruments, Climate Change science and the build of the Sentinel 5P satellite. If the UK does not participate in Copernicus after the transitional period, the EU would lose our considerable future financial contribution up to 2027.

Regarding the Horizon 2020 programme space funding, the Joint Report reflected in the draft Withdrawal Agreement envisages that UK entities will be eligible to bid, participate and lead consortia in all Horizon 2020 programmes for the lifetime of projects. The UK Government's underwrite guarantee provides further assurance to UK businesses and universities, so they can feel confident bidding for Horizon 2020 funds while the UK remains a member of the EU. Horizon 2020-related funding from the European Space Agency (ESA) is outside of this commitment, though our participation in ESA is not affected by leaving the EU.

For our future involvement in the EU Framework Programmes, we are committed to ongoing collaboration with the EU on Science and Innovation. To that end, we would like to ensure the Ninth EU Framework Programme (FP9) remains open to our association. We recognise that such an association would necessarily involve an appropriate financial contribution in line with other associates and would like to discuss the details. We intend to engage fully and constructively in the design of FP9 and welcome the chance to discuss these specific arrangements.

Whilst these discussions continue, we are also taking action to support our space sector to enable it to continue to succeed. The Government's Industrial Strategy set out to make the UK an innovative nation and we are working with industry to ensure we thrive in the commercial space age. Sector Deals remain a competitive process and we are putting forward our case to demonstrate how proposals meet the high-level expectations of Sector Deals published in the Industrial Strategy. The UK Space Agency is coordinating closely with the sector to build the best possible case.

On the impact of new customs arrangements on the space sector, the Government does not want to see the introduction of any tariffs or quotas for any sectors including space, and trade at the UK-EU border should be as frictionless as possible. We will be seeking a comprehensive arrangement on data protection to secure a deal that provides stability and confidence.

Lastly, I want to assure you of the commitment being made to the UK space sector, which is growing fast - 8-10% per year. It is clearly important that the UK maintains this strong position. The Government continues to invest in the success of the sector, having recently invested more than £100m in new satellite test facilities at Harwell, and manufacture and test facilities for rocket engines at Wescott, Buckinghamshire. This is in addition to substantial UK investments in the European Space Agency of around £300m per year. The UK leads ESA programmes on telecommunications and navigation which

have a strong commercial focus. Our sustained investment – alongside our Industrial Strategy – will ensure we build on the strengths of the UK's growing space industry.

A handwritten signature in black ink, appearing to read 'Sam Gyimah'.

Sam Gyimah MP

Minister of State for Universities, Science, Research and Innovation