



Dr Paul Bate
Chief Executive Officer
UK Space Agency
Polaris House
North Star Avenue
Swindon
SN2 1SZ
www.gov.uk/ukspaceagency

Pete Wishart MP
Chair, Scottish Affairs Committee
House of Commons
Palace of Westminster
SW1A 0AA

1 March 2024

Dear Chair,

ESA Contract Allocations in Scotland

Thank you for your letter of 31 January 2024 requesting further information about Scotland's receipt of European Space Agency (ESA) contract allocations.

We appreciate the Committee's ongoing interest in the growth and prosperity of the Scottish space sector and welcome the opportunity to provide more information about what the UK Space Agency is doing to support Scottish based businesses.

Explanatory Information on ESA Contract Allocations

Contracts awarded by ESA can be a result of open competition, restricted competition, direct negotiation, or a call for proposal. The evaluation process is conducted by Tender Evaluation Boards comprised exclusively of ESA personnel, which evaluate each bid based on pre-defined, commercial criteria published alongside the Invitation to Tender (ITT). This ensures fairness and impartiality, and ensures the UK Agency complies with the Subsidy Control Act 2022. The decision of these boards is final.

Statistics relating to contract allocations are calculated quarterly by ESA, and are broken down to UK regions by the Agency. The reported region is based on the self-reported headquarters of the entities which have been awarded a contract or Contract Change Notice (CCN), which may differ from the location where the work is fulfilled. The full details of contracts, including subcontracting arrangements, are not publicly disclosed as that is commercially sensitive information. This means that the ESA contract reported figures do not factor in spillover benefits or wider funding to the local economy.

Origins of the 3% Figure and Latest Estimate

The figure quoted to your Inquiry by Scottish Enterprise is that Scottish entities have received 3% of the UK's ESA funding receipts. This figure refers to contracts awarded to Scottish entities by ESA between Q2 2013 and Q2 2022.

The Agency has taken steps since Q2 2022 to reduce the UK's geo-return deficit with ESA and increase the value of ESA contracts awarded across the UK. Since this activity began, there has been a 25% (€17.68M) increase in the total value of contracts issued to Scotland by ESA. This contributes to a 152% increase in ESA funding to the Scottish space sector over the past decade, and we are working to support the continuation of this upwards trajectory.

As of Q3 2023, Scotland accounts for 4% of the total value of all contracts issued to the UK by ESA. Because funding is associated with company headquarters only, as mentioned above, the figures do not reflect the full benefit to Scottish entities, either in practical receipt of funding or in broader economic, social, scientific, or technological benefits of the contracts. It may be helpful to note that GDP figures do factor in those broader benefits.

Overall funding to Scotland's space sector

Figures for funding directly from UK Space Agency or via ESA are calculated using different methodologies, and therefore it would be misleading to compare figures directly. Nonetheless, to provide a broader picture of funding that flows into Scotland's space sector from the Agency (directly and via ESA), I set out figures for the period 2017-2023 below. I hope this provides useful additional context.

Table 1: UK Space Agency spend in Scotland (not via ESA), Apr 2017 – Mar 2023*

	Spend in Scotland	Spend outside Scotland	Total	% of Total allocated to Scotland
UK Space Agency spend	£47,887,977	£254,817,219	£302,705,196	15.8

*Figures are calculated based on grant agreements and the postcode reported by grant applicants.

Table 2: European Space Agency weighted contract amounts in Scotland, Apr 2017 – Mar 2023**

	Weighted amount awarded in Scotland (€)	Weighted amount awarded outside Scotland (€)	Total UK weighted amount awarded (€)	% of Total allocated to Scotland
ESA Weighted Contract Amount	€63,888,212	€1,506,606,155	€1,570,494,367	4.1

	Weighted amount awarded in Scotland (£)	Weighted amount awarded outside Scotland (£)	Total UK weighted amount awarded (£)	% of Total allocated to Scotland
ESA Weighted Contract Amount	£54,703,495	£1,290,012,976	£1,344,716,471	4.1

****ESA reported figures are based on 'weighted contract amounts', in line with the geo-return methodology i.e. some elements of the contract value are not included within the reported figures. The regional basis of ESA figures is related solely to the reported HQ of the entity receiving the funding. Conversion to GBP calculated using a rate of £1:€1.1679, as quoted in CM22 Business Case.**

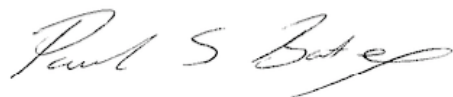
Improving ESA Contract Allocations for Scotland

The Agency has taken targeted actions to support Scottish entities in bidding for and winning more ESA contracts, and therefore reducing the under-return mentioned in your letter. These include:

- Bid writing workshops tailored specifically for ESA calls. One was held in Edinburgh in September 2023, with further workshops in Scotland planned over the next 12 months.
- Producing a "Common mistakes when bidding for ESA contracts" guide, which will be published on gov.uk in the summer.
- Facilitating ESA interactions with industry at the recent Space Investment Forum in Edinburgh, in January this year.
- Promoting ESA's own Learning Hub (a central repository for materials to support companies) and ESA Match (a platform to facilitate partnering between companies) to Scottish entities.
- Continuing to work closely with colleagues in the Scottish Government – including Highlands and Islands Enterprise, Scottish Enterprise and Scottish Development International – and with Space Scotland, to maximise the potential for continued business success and growth of the Scottish Space ecosystem, including leveraging the ESA Ambassadors, the ESA Technology Broker, Business Incubation Centre (ESA BIC) and Phi-Lab (Φ-lab).

We remain focused on providing the necessary support, guidance, and nurturing required to unlock investment, secure more substantial contracts, and sustain the positive trajectory of the Scottish space sector with funding via ESA. I look forward to discussing this topic and the Agency's wider activity with the Committee in due course.

Yours sincerely,



Dr Paul Bate

Chief Executive Officer, UK Space Agency



**Scottish Affairs
Committee**

**From the Chair
Pete Wishart MP**

**Dr Paul Bate
Chief Executive
UK Space Agency**

By email only

31 January 2024

Dear Paul,

Thank you for your letter of 27 October 2023, responding to my request for information regarding the UK's geo-return on its contributions to the European Space Agency. We are grateful for the information you provided and your willingness to help the Committee.

During the course of our ongoing inquiry into Scotland's space sector, we have also been told that Scotland receives 3% of overall European Space Agency funding to the UK, despite Scotland being home to a significant workforce and technical expertise. This point was raised in Space Scotland's written evidence submission which is published on the Committee's website.

Following their appearance on 27 November, Scottish Enterprise officials committed to providing a further written submission on the background to the 3% figure, which we received on 19 January. We were told that UKSA had suggested writing to them directly to better understand the 3% figure and how it was calculated.

The Committee would therefore be grateful if you would provide us with information on the origin of the 3% figure, and any additional information that would be helpful in understanding its context. Further to the information you provided about how UKSA is working to improve the UK's geo-return position, we would also be interested in any action you are undertaking to specifically address the under-return in Scotland.

I would be grateful for a response by 14 February.

Yours sincerely

Pete Wishart MP
Chair, Scottish Affairs Committee