

## Satellites

### **‘No substitute’: Europe’s battle to break**

### **Elon Musk’s stranglehold on the skies**

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Brussels wants to create a homegrown alternative to Starlink with satellite groups such as Eutelsat

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Europe is proposing to fund a homegrown alternative to Elon Musk’s Starlink, following US threats to switch off the dominant satellite company’s broadband services in Ukraine.

In a boost to the bloc's struggling satellite operators, the European Commission's defence white paper last week said that Brussels "should . . . fund Ukrainian [military] access to services that can be provided by EU-based commercial providers".

Miguel Ángel Panduro, chief executive of Spain's Hispasat, told the Financial Times that Brussels had asked his company, Eutelsat, and SES to present an "inventory" of services for Ukraine. "These are capabilities we could offer right now," he said.

The prospect of a new European push for space sovereignty has boosted shares in heavily indebted [operators](#) such as Eutelsat and SES in recent weeks. But even with EU funding, success will not come easy.

Starlink has 40,000 terminals in Ukraine serving consumers, government and, in particular, the military on the front line. Troops have even strapped Starlink's compact user terminals on to drones to transmit live video footage to help direct attacks.



A Ukrainian soldier using the Starlink system during military exercises in the Chernihiv region © Maxym Marusenko/NurPhoto/Getty Images

No single European network can replicate such a wide variety of applications, say industry experts. Instead, a European solution would be made up of a patchwork of satellites in different orbits, offering differing performances and requiring different user terminals for different networks.

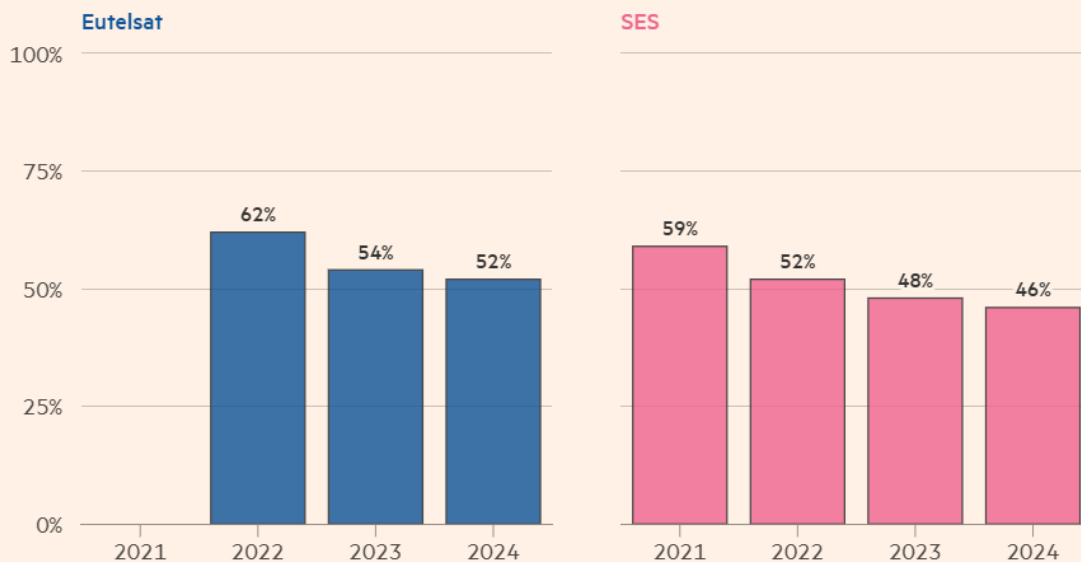
“Today, there is no substitute for Starlink,” said Panduro. “But there may be alternatives that, without being a substitute, can help to alleviate the absence of those capabilities.”

A senior executive at a rival satellite operator put it more bluntly: “Starlink is so disruptive, so cheap, so pervasive, and so excellent.”

At the heart of the problem lies the failure of legacy operators, in [Europe](#) and more widely, to match the agility of Starlink. Many assumed the challenges of operating in space would protect them from disruption while they tried to offset declining broadcast revenues with new connectivity businesses.

### Streaming services are eating into traditional satellite TV's revenue share

Share of annual revenue attributed to broadcast\* (%)



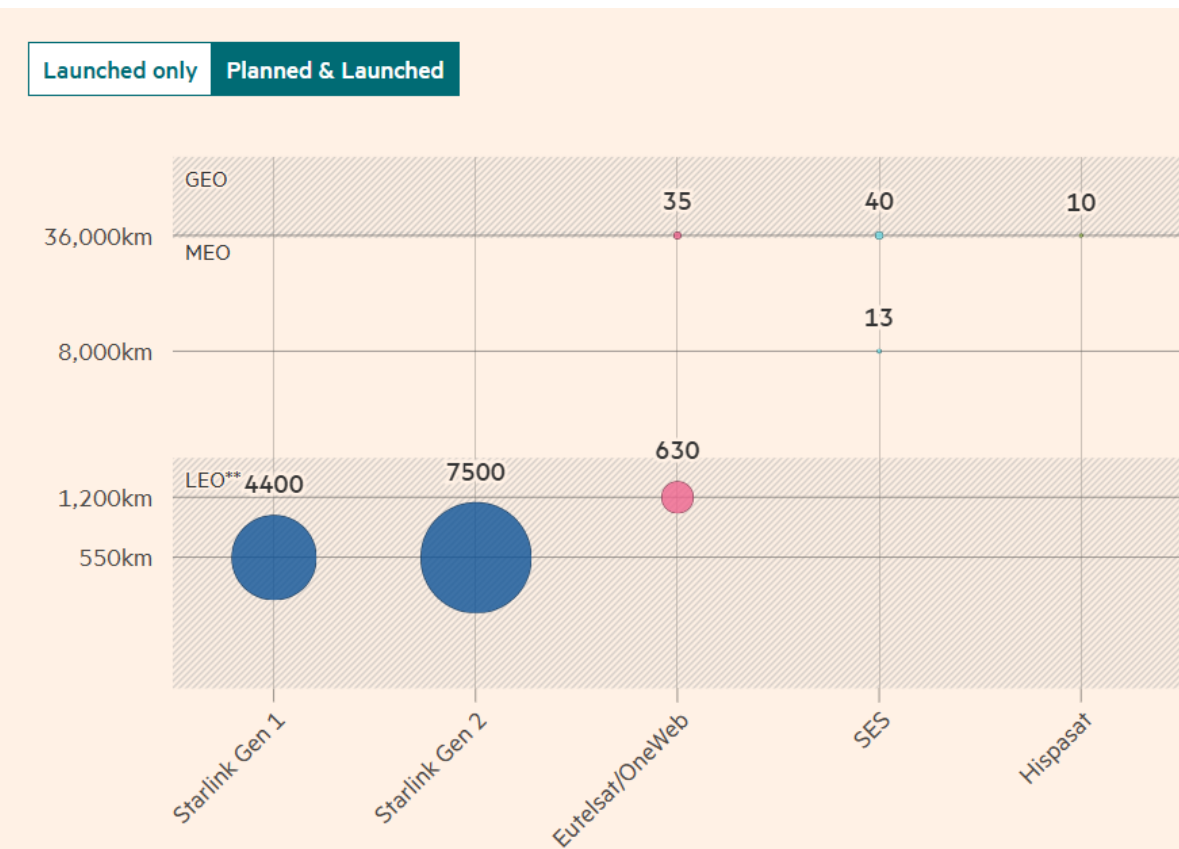
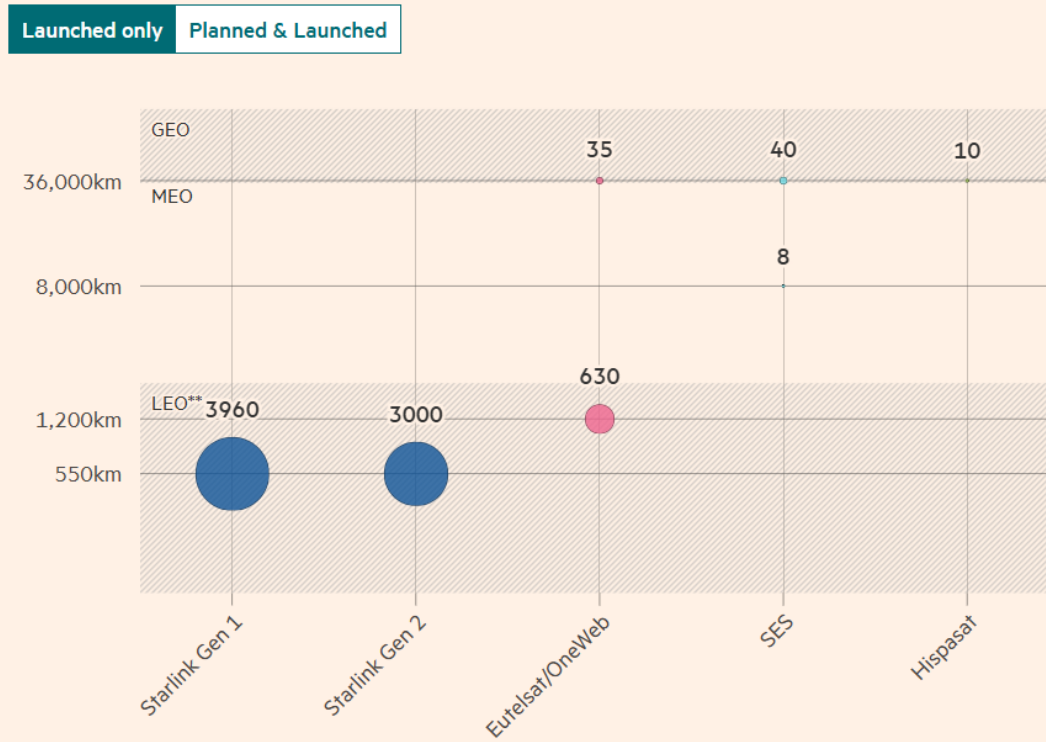
Source: Company data • \*Defined as the broadcasting of visual content to more than 6,550 television channels. Note: Eutelsat changed the way it split out revenue in 2021 so no comparable data that year. Eutelsat 2024 data is half year results to Dec 31 2024.

But when Starlink arrived, helped by cheap launch services from parent SpaceX, “everything changed completely”, said Jean-Baptiste Thépaut, principal at space consultancy Novaspace.

In just five years, Musk’s broadband service has launched 7,000 satellites into the relatively unexploited region of space known as low Earth orbit (LEO). It is now the world’s biggest satellite operator, and has won broadband contracts with airlines, shipping groups and governments. Traditional operators, such as SES and Eutelsat, had hoped those sectors would give a new lease of life to their satellites in higher geostationary (GEO) orbits of about 36,000kms above the earth.

## Starlink dominates in low Earth orbit

Estimated\* total planned and launched satellites for Starlink and selected European companies. Size = number of satellites.

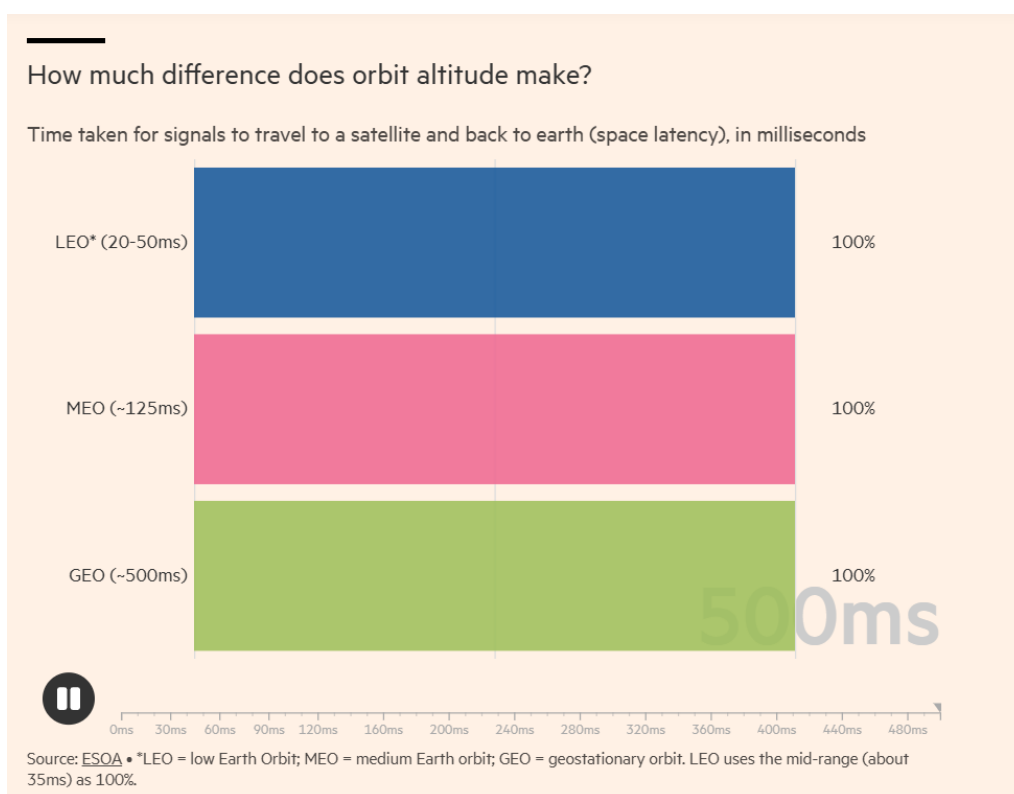


Source: Novaspac • \*\*Estimated' as additional satellites are launched frequently, and in-orbit failures aren't always communicated.  
 \*\*LEO = low Earth orbit; MEO = medium Earth orbit; GEO = geostationary orbit

Flying at lower altitudes — roughly 550km in Starlink’s case — requires thousands of satellites and billions in investment for a global service. But by operating in LEO, Starlink has delivered lower latency — the time it takes for a signal to travel from Earth to a satellite and back — and higher speed connectivity to the mass market than many legacy operators.

Its dense network of satellites had proved to be “inherently resilient”, said James Trevelyan, executive vice-president at Speedcast, which sells capacity on both Starlink and OneWeb networks.

Starlink was also designed for the consumer market and heavily subsidised its \$2,000 terminals early on, selling them at \$500-\$600.



Since Starlink went operational with beta trials in 2020, it has won 4.5mn subscribers, and snatched key customers from GEO rivals. Air France, which should have been an easy win for Paris-based Eutelsat, opted for Starlink last autumn.

In light of the disruption and price pressure, legacy operators have focused on higher performance GEO networks and new orbits. In 2022, Eutelsat announced its acquisition of OneWeb, which operates in LEO like Starlink but at an altitude of 1,200km.

SES, meanwhile, has expanded in medium earth orbit (MEO) with its O3b mPower network, and [is acquiring](#) rival GEO operator Intelsat.

Both companies took on substantial debt to fund their multi-orbit strategies — moves that have yet to bear fruit.

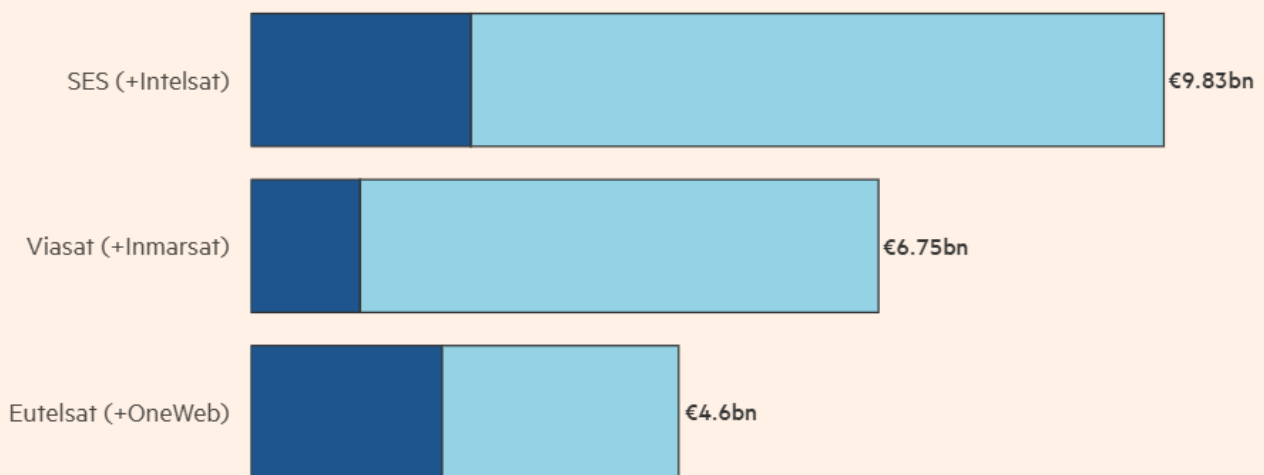


# Competition from Starlink and declining broadcast revenues have driven consolidation among existing players

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Enterprise value of selected European satellite operators (€bn)

■ Market Cap ■ Net Debt



Source: Bloomberg, Bernstein • 'SES (+Intelsat)' net debt is the estimate after the purchase and full consolidation of Intelsat (scheduled to complete in H2 2025). SES's pre-acquisition net debt is €1.6bn. Calculations consider 100% of SES hybrid bonds as debt.

OneWeb has struggled to meet initial revenue targets due to slower than expected ground station rollouts. Analysts also believe that heavily indebted Eutelsat will struggle on its own to fund a new generation of OneWeb satellites, widely regarded as necessary to be competitive with Starlink's more capable technology.

Europe's flagship €10bn Iris<sup>2</sup> project — which aims to provide secure government communications from 2030 and is its [most ambitious space programme in a decade](#) — will be critical to unlocking funding for this.

SES, meanwhile, suffered power problems on the first satellites in its new mPower O3b generation in 2023, resulting in extra investment and impairment charges.

In recent months, the cost of buying insurance against the two companies defaulting on their bonds soared to record highs, before falling as investors eyed potential defence windfalls.

Both companies are adamant that the market will eventually come round to their strategies.

“It is impossible to replace Starlink in a day,” SES chief executive Adel Al-Saleh told the Financial Times. However, in the longer-term Europe could do so, he added. “A single orbit network is not resilient enough. You need multi-orbit for resilience, for backup, for being able to move traffic around.”

The stakes are now higher, as policymakers focus on Europe’s patchwork industry. “The new landscape repositions Eutelsat and SES as vital components of sovereign defence infrastructure,” said Aleksander Peterc, head of small- and mid-caps research at Bernstein.

Any proposal for Ukraine is likely to include a combination of LEO, MEO and GEO satellites — in essence a dry run for Iris<sup>2</sup>.

A key component of any Ukraine solution — and of Iris<sup>2</sup> — will be Eutelsat’s OneWeb. However, its capacity is much more limited, with about 630 satellites in orbit. At higher altitudes, OneWeb’s latency is slightly higher and its satellites need more power, making antennas and spacecraft larger and more expensive.

OneWeb terminals, designed for business and government rather than consumers, are also bulkier, more complex to configure initially and cost about \$5,000-10,000 each. “The brutal reality is that the terminals remain a big blocker for a European alternative,” said Speedcast’s Trevelyan.

Those who know the OneWeb network say it could still work. Smaller terminals are coming to market. And not all Ukraine’s needs require LEO’s low latency: some could be handled by satellites in different orbits, or by the EU’s GovSatCom initiative which pools member states’ secure communication capacity and makes it available to authorised users.

Hispasat’s subsidiary Hisdesat has the ultra-secure Spainsat NG I, which Panduro said “could be a communications backbone” for Ukraine.

The SES-Luxembourg joint venture GovSat also operates GovSat-1, suitable for military use.

Eutelsat’s Konnect VHTS in GEO was designed, like Starlink, for consumer broadband. And non-latency critical data could also be rerouted to other orbits to ease capacity constraints.

But a multi-orbit, multi-network European alternative would still be more complex and costly, requiring integration across different systems. There is also the question of how much capacity European operators have that is not already being used by Ukraine.

“Europe has a lot of very secure assets, but what it lacks is the total capacity that Starlink has over Ukraine — the ability to bring gigabits of bandwidth,” said Thépaut.

The commission’s desire for a European alternative to Starlink presented an “unexpected opportunity, but it will not be easy and it won’t be enough” to resolve questions about the long-term future of Europe’s satellite operators, said Pierre Lionnet, research director at the trade body ASD Eurospace.

Amazon’s planned LEO constellation, Project Kuiper, will further disrupt pricing and competition when it is eventually operational.

“When that comes, it could be a real problem for European companies because at the end of the day their current technology is inferior,” Trevelyan said.

Short sellers are estimated to have lost about \$150mn on the recent surge in Eutelsat and SES shares over the past month, according to S3 Partners. But analysts question whether the rally is really sustainable.

“Starlink has deep pockets and a vertical integration advantage,” said Nicholas Kordowski, head of non-financial fixed income research at Aberdeen. “All that hasn’t really gone away.”

*Visual journalism by William Crofton*

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