A&O SHEARMAN

2025 in review

EU DEFENSE REGULATORY MILESTONES

Executive snapshot

2025 was a critical year for the development of a defense-specific regulatory framework across the European Union. Motivated by the deterioration of Europe's security environment, defense went from being a highly sensitive topic reserved for national action, to becoming a priority for the EU's future readiness, with the delivery of a common European defense architecture that combines:

i) **A new strategic framework** leading up to 2030 (the "Defence White Paper").
ii) **Financing tools**, notably the Security Action for Europe (SAFE).
iii) **Regulatory simplification**, like the Defence Readiness Omnibus, intended to shape an EU-wide defense market and faster procurement cycles.

To help you navigate next steps, please find below a summary of 2025 key regulatory milestones, their status, as well as what to look forward in 2026.

Milestones, business impact, and legislative state of play

MARCH 19, 2025

The European Commission (EC) presented the **White Paper for European Defence**, and the **ReArm Europe Plan/Readiness 2030**. For industry, the White Paper and the Plan functions as the EU's "investment thesis": it marked seven priority areas of investment, in line with the most pressing capability needs identified (air and missile defense, artillery, ammunition and missiles, drones, military mobility, AI and applied tech, and strategic enablers).

It also introduced **SAFE**, a new EU financial instrument which will provide Member States with up to EUR150 billion of loans backed by the EU budget to be spent via common procurement. This seeks to reduce market fragmentation, creating larger, predictable orders that enable industry players to achieve economies of scale.

The European Commission also invited Member States to activate the **national escape clause** under the **Stability and Growth Pact** to create fiscal space for defense spending within EU fiscal rules. This was a critical enabler of national procurement acceleration, including multi-year orders, with cascading effects for production ramp-up and planning.

With the Commission's endorsement of the first eight National Defence Plans on January 15, 2026 (from Belgium, Bulgaria, Denmark, Spain, Croatia, Cyprus, Portugal, and Romania), the Council has four weeks to adopt the corresponding implementing decisions. The first loan disbursements are expected in March 2026.

APRIL 22, 2025

The EC presented its **mini-defense Omnibus**, a proposal including targeted legal adjustments to five key EU programs to facilitate the use of its EU funding for defense and dual-use technologies investments. For industry, it broadens direct access to EU instruments for defense and dual-use projects, accelerating funding flows and deal making for scale-up projects. The measure has been approved following the ordinary legislative procedure and will enter into force on the day following its publication in the Official Journal of the EU.

JUNE 16, 2025

The Commission presented the **Defence Omnibus**, aimed at supporting a more functional EU-wide defense market by reducing administrative burden and simplifying rules. The legislative package—comprising a **Directive on intra-EU transfers and defense procurement**; a **Regulation on the acceleration of permit-granting**; and a **Regulation on "defense readiness"**—is now under institutional negotiation, with the Council agreeing to its positions on the simplification package on November 26, 2025.

Trilogue negotiations and a joint final agreement with the European Parliament are expected in Q1 2026. If adopted, the two Regulations would apply shortly after publication in the Official Journal, while the Directive would take effect following national transposition, likely from 2027.

JUNE 22, 2025

The EC presented the **Space Act**, the first ever legislative proposal governing space matters. For businesses, it seeks to establish unified rules on debris tracking, cybersecurity, and the environmental impact and in-orbit servicing. The final outcome risks being highly diluted as there is strong opposition within the Council to the Commission's proposal. No major developments are expected in the first months of the year, as the file will likely be subject to intense lobbying efforts—both from institutions and industry actors.

NOVEMBER 19, 2025

The EC introduced its **Military Mobility Regulation**, the first comprehensive and harmonized EU framework for military transport. Military mobility reforms matter commercially because they drive **dual-use infrastructure** investment and can increase demand for logistics, transport, engineering, and enabling technologies—including secure digital solutions supporting movement permissions. The file will be negotiated in the next months, and an agreement could be reached during the first half of the year.

DECEMBER 17, 2025

Following more than one year of negotiations, co-legislators finally reached an agreement on the **European Defence Industry Programme** (EDIP), which was published in the Official Journal of the EU. Initially proposed in March 2024, negotiations dragged on as institutions disagreed over the level of involvement of third-country actors. For the industry, EDIP creates a permanent EU framework for defense industrial support, including joint procurement incentives, R&D funding, and SME participation schemes, with new tools (including long-term cooperation structures) that can de-risk investment, aggregate demand, and create predictable multi-year orders.

What's next?

Trends to watch for in 2026

2025 was marked by intensive regulatory change and a wave of proposals; in 2026, their market impact should begin to materialize across the market. While further context is set out in the EU Defence Readiness Roadmap (a concretization of the White Paper) and the EU Defence Industry Transformation Roadmap (focused on technology and innovation measures), the immediate watch items for business are:

- Commission guidance on the need and format of guarantees for market actors—particularly those established in third countries—participating in EU-funded actions. Besides, the first half of the year will also witness the entry into force of the new Regulation on Foreign Direct Investment screening regime, and the introduction of potential additional FDI requirements in the proposal for an EU Industrial Accelerator Act.
- The proposal to review the Defence Procurement Directive, expected in Q2 2026, which could redefine procurement rules and cross-border opportunities.
- The operationalization of ongoing initiatives, including the rollout of SAFE loans and the inclusion of third countries (e.g. UK, following the endorsement of Canada's participation), and the translation of financing and innovation support into concrete calls, procurement programs, and industrial partnerships.