



From civil to defence

**A shared path to
European readiness**





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Setting the scene

▶ **Europe's path to defence readiness demands more than incremental change.**

It calls for bold investment in industrial capacity, supply chains, technology and talent. Europe will need to draw on the full strength of the civil ecosystem, not just the defence base. Now's the time to unlock new capabilities and move with speed.

▶ **Defence is being redefined.**

With a new wave of funding from the EU and NATO providing support, civilian sectors are now recognised as strategic players in Europe's industrial readiness. The opportunity to lead is real, and rising.

▶ **Industries like energy, telecoms, automotive, and transportation and logistics are at a turning point.**

By pivoting toward defence applications, they can secure long-term relevance in Europe's evolving defence economy and help shape what comes next.

▶ **Lead with strategy. Scale with confidence.**

Entering defence takes discipline, foresight and a commitment to strategic transformation. The companies that succeed will be those that move with purpose and build momentum.

Overcoming Europe's hurdles and building tomorrow's defence ecosystem

Years of underinvestment have weakened the European defence ecosystem, making it more vulnerable to today's complex geopolitical threats. This was the result of a long era of "guaranteed peace," where deterrence eroded, industrial preparedness declined, and technological progress slowed.

The EU's White Paper for European Defence – Readiness 2030 highlights persistent gaps that undermine Europe's ability to sustain a credible and effective defence posture. Addressing these could have significant positive impacts:



Limited industrial capacity

Production limits and a lack of agility are hindering Europe's ability to sustain long or intense operations. **Repurposing facilities in sectors with low utilisation could help.**



Fragmented procurement

Disjointed governance and siloed planning are slowing progress. **Integrating approaches could improve interoperability, cross-border synergies, and economies of scale in capability development.**



Supply chain dependence

Europe's reliance on non-European sources for critical components and raw materials creates structural bottlenecks—and exposes vulnerabilities in times of crisis. **Resilience starts with rethinking sourcing.**



Slow technology adoption

The gap between R&D and deployment remains wide. Weak coordination across research, testing and industrialisation is limiting the rollout of advanced critical technologies. **It's time to accelerate the transition.**



Skills shortages

Demand for advanced technical talent is rising fast—but education, training and reskilling aren't keeping pace. The defence sector must invest in people to unlock long-term readiness. **Skilled staff from civilian sectors could help fill some of the gaps.**



Using civil technologies can help Europe reshape defence—at speed and at scale.

Modern conflicts have expanded far beyond the battlefield. Advanced technologies like AI, space systems, cybersecurity, autonomous platforms and next-gen electronics, which were mostly born in civil domains, are now decisive enablers of operational superiority. They're redefining how Europe defends itself.

Both the EU and NATO have stressed that Europe needs to ensure **readiness** and **resilience**. Focusing on improved preparedness, interoperability, and rapid deployability is critical. But to get there, the region needs an industrial and innovation surge. That means strengthening the link between civil and defence sectors to unlock disruptive innovation, dual-use capabilities and shared industrial capacity.

Civilian industries will be central to this shift. By scaling production and driving innovation, they'll reinforce Europe's strategic autonomy and technological sovereignty and help build a defence economy fit for the future.

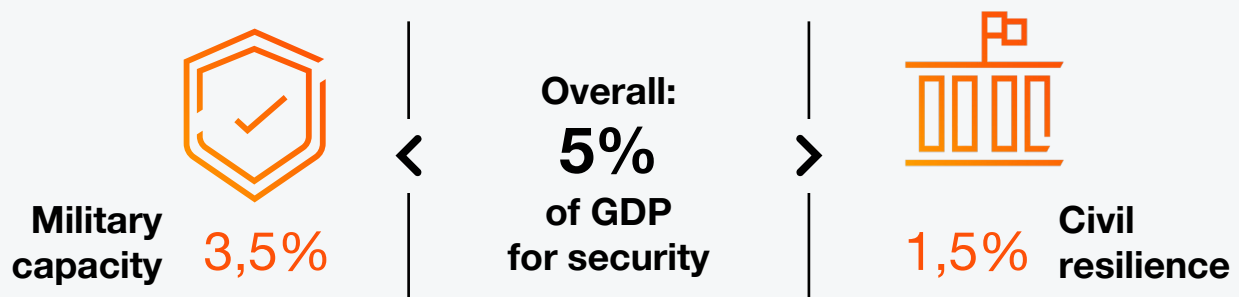
- ▶ **Addressing key gaps and ensuring Europe's strategic autonomy calls for collaboration rather than isolated efforts.**
- ▶ **Governments, defence ministries, and civil industries need to work together. With united action, they can turn ambition into lasting industrial capacity.**

Seizing the investment momentum

To address the challenges already outlined, European NATO members are investing at dramatically increased levels to rebuild deterrence and operational readiness.

Today, NATO European member countries collectively spend **around 2%** of GDP on defence, amounting to roughly €525 billion. However, NATO's new benchmark significantly raises the level of ambition: member countries are now expected to **allocate 5% of GDP** to security, split between 3.5% for defence and 1.5% for civil resilience. This reflects a fundamental shift in how security is understood, acknowledging that credible deterrence relies on both military and civilian preparedness.

Breaking down NATO's 2035 spending targets



Where will governments channel the new 1.5% of GDP target for civil resilience?

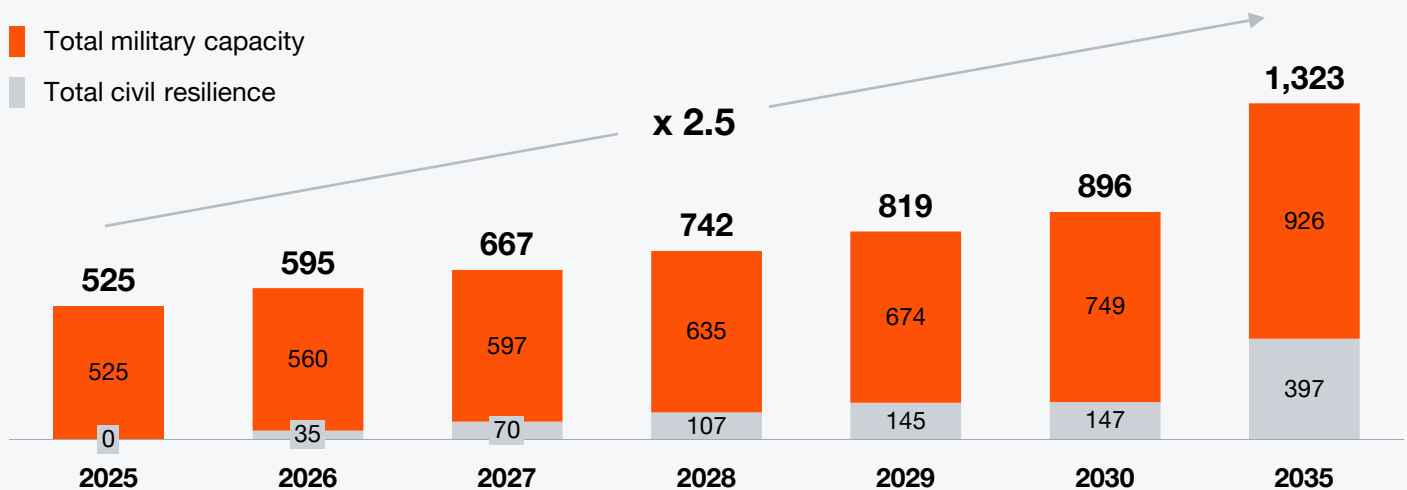
The 1.5% of GDP allocated to civil resilience will mainly support critical civilian infrastructure that helps Europe respond, adapt, and continue operating during crises. While exact national priorities are still being finalised, early analysis points to several key infrastructure areas receiving focused investment.

These are likely to include the following defence domains:

- **Land:** Improvements to energy terminals as well as land transportation and logistics networks
- **Sea:** Upgrades to naval bases and ports
- **Air:** Modernisation of key air bases and runways
- **Cyber:** Strengthening network and data infrastructure to enhance cyber security

If this trajectory is maintained, total European spending is projected to reach around €1.3 trillion in 2035, of which over €900 billion will be dedicated to defence. This represents an increase of more than 2.5 times compared to today's levels and signals a decade of sustained, structural investment aimed at strengthening Europe's ability to prevent, withstand and respond to emerging threats.

European NATO member countries targeted spending (€bn)



Notes on methodology: Figures include European NATO member countries: Albania, Belgium, Bulgaria, Croatia, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Montenegro, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Turkey, United Kingdom.

GDP refers to the index “GDP at constant prices and domestic currency”. Figures have been calculated using the IMF 2025 price deflator and currencies converted at the ECB exchange rate on 15 November 2025.

Sources: [NATO - Defence Expenditure of NATO Countries \(2014-2025\)](#); [IMF World Economic Outlook \(WEO\)](#), [European Central Bank – Eurosystem](#); Strategy& analysis

The EU is backing this transformation with a dedicated financing architecture. Civil programmes like [Horizon Europe](#), [Digital Europe](#) and the [Connecting Europe Facility](#), as well as the [Strategic Technologies for Europe Platform \(STEP\)](#) coordination mechanism, are expected to support dual-use and security-relevant investments. Defence-specific instruments—including the [European Defence Fund](#), the [European Defence Industry Programme \(EDIP\)](#) and the [Security Action for Europe \(SAFE\)](#) mechanism—can also support adapting civilian capabilities for defence and scaling production.

Together, these tools mobilise hundreds of billions in funding, available to companies that contribute to security and resilience, regardless of whether they are traditional defense suppliers.

Additional details on EU and NATO programmes and funding opportunities are provided in the [Appendix](#).

Example funding mechanisms

€150bn

(2025-2030)

EU SAFE loans

€1.5bn

(2025-2027)

European Defence Industry
Programme (EDIP)

€17.65bn

(2028-2034 proposed)

Connecting Europe Facility
for Transport earmarked for
military mobility

Sources: [SAFE | Security Action for Europe](#), [EDIP: European Defence Industry Programme](#), [Connecting Europe Facility for Transport](#)

Public spending is no longer the only driver. Private capital is moving along the same trajectory. Venture investors are backing defence and dual-use technologies, and major industrial players are accelerating M&A in defence-related domains.

- ▶ **The signal is clear: Europe's ramp-up can't be delivered by incumbents alone.**
- ▶ **New actors are essential to drive innovation, expand capacity and accelerate strategic transformation.**
- ▶ **The volume of capital now in play creates a once-in-a-generation opportunity for companies across Europe to participate—and capture value.**

Bridging civil capabilities

Turning Europe's integrated defence strategy into reality means identifying the civilian sectors that can actively support new priorities—and prioritising them for action.

Key sectors already hold assets, infrastructure and expertise that are directly relevant to defence readiness and ramp-up:



Energy

Defence depends on uninterrupted and resilient energy supply. Energy players can contribute with hardened grids, emergency continuity solutions and dual-use infrastructure upgrades.



Telecommunications

Secure communications are becoming a core defence enabler. Telco operators can deliver classified cloud, encrypted private networks, satcom and quantum-ready connectivity to support command and interoperability.



Transportation and logistics

Operational readiness relies on rapid cross-border mobility and resilient infrastructure. Ports, airports, rail networks and logistics operators must coordinate to support military mobility, secure corridors and crisis-resilient supply chains.



Automotive

With deep experience in dual-use technologies, the automotive industry can adapt vehicles, components, engineering practices and manufacturing capacity for military and unmanned applications.

Other sectors with high potential include healthcare and pharma, advanced manufacturing, and agri-food.

Now's the time for civilian industries to assess how they can contribute, concretely and at scale:

Products and services

Military-grade components, systems and solutions; technical, digital, and logistical digital services, dual-use products that integrate into defence supply chains.

Skilled workforce

Engineers, data scientists, technicians and programme managers that defence lacks and cannot scale fast enough internally.

Industrial assets and capabilities


Facilities that can be activated or converted; excess capacity that can be leveraged for ramp-up.

Technologies

Innovations from automotive, aerospace, ICT and other sectors that can be spun into defence programmes.

Best practices

Lean production, agile development, ESG compliance and digital transformation models that improve defence efficiency and delivery.

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- The path forward starts with action. Civil sectors that move early will not only strengthen Europe's defence base; they'll also ensure their long-term relevance in a changing security landscape.**

Securing a role in Europe's defence economy

Civilian companies have multiple pathways to secure a position in the defence economy.

Collaborate with primes and/or tier 1 and tier 2 suppliers:

Co-develop solutions or integrate into existing defence value chains.

Participate in EU and national programmes:

Access consortia, R&D frameworks and joint procurement mechanisms.

Adapt existing capabilities:

Repurpose products, assets or processes to meet defence-grade requirements.

Invest in compliance and security:

Secure the certifications, standards and operating logic needed to operate in a gated market.

Tap into dual-use funding and equity instruments:

Leverage public and private capital earmarked for spin-in technologies.



Across Europe, the first tangible signs of an industrial shift toward defence are already visible. Civilian companies are converting existing assets and expanding into dual-use applications to meet defence needs.



In **automotive**, leading manufacturers are repurposing industrial assets and production capacity to develop armoured and autonomous platforms—linking mobility innovation with defence operations.



In **telecommunications**, major operators are extending into defence-grade communications and data infrastructure. Secure cloud services, private 5G networks and satellite connectivity are strengthening command-and-control resilience and interoperability.



Navigating defence barriers

The defence market offers unprecedented opportunities—but it's not business as usual. Companies must understand and adapt to the structural constraints that shape how this sector operates.

These constraints translate into specific operational requirements and strategic shifts that companies must embrace to compete effectively:

Structural challenge

Implication

Government-driven demand	Procurement depend on public budgets, strategic priorities and export controls. Companies must align with institutional cycles and political agendas.
Highly regulated environment	Strict security, export and dual-use rules demand strong compliance capabilities and dedicated certification processes.
Concentrated market structure	A few prime contractors dominate long-term programmes. New entrants must find specialised niches or build strategic partnerships.
Critical and sensitive supply chains	Companies must ensure traceability, cyber-resilience and operational continuity to reduce vulnerabilities and disruption risks.
Complex development and validation cycles	Long certification and testing processes extend time-to- market and demand sustained investments.
Specialised workforce	Attracting and retaining qualified talent requires secure environments, targeted training and competitive career paths.



Given this context, entering defence isn't a short-term play. It demands strategic commitment, structured collaboration and shared objectives. The potential for innovation and growth is real—but only for those ready to meet the sector on its terms.

Structuring the path to defence

Entering the defence market isn't a side move. It's a strategic shift.

It demands precision, planning and a clear understanding of what's required to succeed in a gated, high-stakes environment.

Here's how to engineer a de-risked, trusted entry:

01 Understand the defence ecosystem

Start with a deep assessment of your business model. Make sure it can be aligned with defence values, operating principles and regulatory expectations.

02 Define your strategy

Map your internal capabilities, explore adjacent opportunities and partnerships, and set a clear market position. Identify entry points, funding pathways and programme prerequisites.

03 Reinvent your business model

Reshape your value proposition, partnership structures and go-to-market approach to meet the sector's long-term demands.

04 Transform your organisation

Adapt governance, processes and security protocols. Prepare your teams to compete for tenders and participate in industrial programmes.

05 Execute with agility

Launch initiatives, engage stakeholders, enter programmes and track progress—while staying flexible enough to adjust without losing strategic coherence.

06 Enhance and scale

Reinforce your market position, expand internationally, scale dual-use innovation and embed governance and culture that meet defence-grade standards.

Our experienced, multi-disciplinary team can support you on each stage of this journey.



This structured approach helps companies enter defence with confidence and build a position that's engineered to last.

Embracing the opportunity

Europe's defence transformation is already underway. This isn't a distant prospect. It's happening now.

The geopolitical order is shifting, exposing long-standing gaps in Europe's industrial and strategic foundations. As governments ramp up spending and expand the definition of security, civilian and defence domains are converging into interdependent ecosystems.

Now it's time to act. Europe's strength will depend on how quickly and effectively its civilian industries anticipate, adapt and contribute to a more prepared, resilient and technologically sovereign continent.



- ▶ **Companies that move early, with a structured strategy, won't just secure a lasting role in this transformation. They'll help shape the blueprint of Europe's future defence architecture.**

Contacts

Authors



Cesare Battaglia

EMEA Aerospace and Defence
Leader, Partner,
PwC Italy



Alex Menghi

Aerospace and Defence,
Director,
Strategy& Italy

Co-authors



Todd Bradshaw

CEE Aerospace and Defence
Leader, Partner,
PwC Slovakia



Jean Von Polier

Aerospace and Defence
Leader, Partner,
PwC France



Hans-Jörg Kutschera

PwC Aerospace and Defence
Leader, Partner,
Strategy& Germany



Gabriele Capomasi

Aerospace and Defence
Partner,
Strategy& Italy

Contributors



Bernat Figueras Comas

PwC Aerospace and Defence
Leader, Partner,
Strategy& Spain



PwC's industry expertise can help

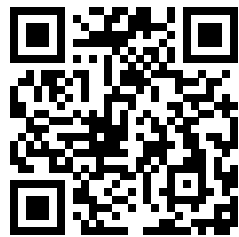
For companies in other industries, entering the defence sector demands more than ambition—it requires a clear, engineered path.

PwC has established a multi-disciplinary team to guide clients through this transition. We combine deep industrial expertise with defence, strategy and operational know-how, providing knowledgeable support as you navigate Europe's evolving defence ecosystem.

Our guided approach spans six key phases from awareness and business model reinvention to transformation, execution and sustained support. We help you build a deliberate strategy, create a step-by-step plan and align your capabilities, partners, compliance and funding—so you can approach the market with confidence.

Please reach out to any of the authors or contributors to this publication for more information.

You can also find out more about **PwC's capabilities in aerospace, defence and security** on our global website.



Appendix

The EU's strategic orientation is already reflected in the range of financing options and instruments deployed across the 2021–2027 period. The European Commission has progressively opened civilian funding programmes to dual-use and security-relevant investments, while parallel defence initiatives are designed to accelerate the transfer of innovation from civil to defence domains.

At the European level, the **Connecting Europe Facility** (CEF) is **expected to dedicate a larger share** of its transport programme to dual-use infrastructure adaptation supporting cross-border troop and equipment movement. **Horizon Europe** (HE) also supports dual-use research through two clusters, Civil Security for Society and Digital, Industry and Space, funding projects in areas such as cybersecurity, space-based situational awareness, artificial intelligence, quantum technologies, and advanced materials.



In addition, the **Digital Europe Programme** (DEP) and the **Strategic Technologies for Europe Platform** (STEP) are expected to expand support to European security and technological sovereignty: the DEP, initially focused on civilian digitalisation and cybersecurity, should **extend eligibility to defence-oriented applications**, while the STEP is anticipated to channel strategic investment towards critical technologies such as semiconductors, AI, quantum, and advanced manufacturing, with direct implications for the defence industrial base. The **European Innovation Council** (EIC) should also contribute by financing deep-tech ventures with clear dual-use potential in fields such as robotics, sensors, and secure communication systems.

€1.5bn

With a €1.5 billion budget for 2025–2027, EDIP will support the rapid adaptation of civilian products for defence applications and the repurposing of industrial production lines.

In parallel, dedicated defence-industrial instruments are taking shape. The **European Defence Fund** (EDF) remains the central mechanism for collaborative R&D in defence, with annual work programmes including spin-in calls aimed at adapting civilian or dual-use technologies for military purposes. **The European Defence Industry Programme** (EDIP), **expected to be formally adopted by December**, will introduce a transitional framework to strengthen Europe's defence production capacity. With a €1.5 billion budget for 2025–2027, EDIP will support the rapid adaptation of civilian products for defence applications and the repurposing of industrial production lines.

The **Security Action for Europe** (SAFE) mechanism complements these efforts with up to €150 billion in long-term EU-backed loans for production and procurement, covering categories relevant to both civilian and defence industries, including cyber resilience, infrastructure protection, and space asset security.

€175m

The Defence Equity Facility (€175 million) provides venture and growth capital to dual-use and defence-oriented start-ups and SMEs.

Alongside grants and loans, new equity-based tools are being established to mobilise private capital. The **Defence Equity Facility** (€175 million) provides venture and growth capital to dual-use and defence-oriented start-ups and SMEs. Overall the **European Defence Innovation Scheme** (EUDIS) focuses on emerging technologies, offering grants and coordination support to innovation networks and accelerators across Europe.

The European Investment Bank (EIB) has also taken decisive steps to integrate defence within its financing policy. In 2025, it launched a dedicated **one-stop-shop for security and defence** to simplify access for defence-related investments and assist companies navigating the new eligibility framework. The EIB is also developing partnerships with national promotional banks to co-finance SMEs and mid-caps active in the defence value chain.

NATO-level instruments complement these EU mechanisms by targeting dual-use innovation and deep technology. The **NATO Innovation Fund** (NIF), with a budget of approximately €1 billion, invests in start-ups and venture funds developing technologies relevant to both defence and resilience, such as quantum sensing, new materials, energy systems, and advanced manufacturing. NATO's **Defence Innovation Accelerator for the North Atlantic** (DIANA) operates a network of test centres and accelerators to support dual-use innovation, with its 2025 programme introducing ten new challenge areas focused on autonomous systems, secure information sharing, space resilience, and climate adaptation technologies. The European Defence Agency (EDA) further contributes through smaller-scale initiatives such as the **EDA Innovation Prize**, rewarding dual-use innovation with direct operational applicability.

Together, these instruments represent a coherent financial ecosystem for 2025–2027, where defence and resilience are progressively integrated into the EU's broader economic and technological strategies.

The next **Multiannual Financial Framework** (MFF 2028–2034) will consolidate this transformation by making defence and security central components of the EU's growth and competitiveness agenda. Building on the experience of the current cycle, the Union aims to integrate its multiple financing lines under a unified framework linking security, industrial competitiveness, and technological sovereignty.

€131bn

ECF allocate around €131 billion to resilience, security, defence, and space

At the core of this new architecture will be the **European Competitiveness Fund** (ECF), designed as the EU's main investment framework for 2028–2034. With a proposed envelope of €409 billion, current plans for the ECF **allocate around €131 billion** to resilience, security, defence, and space, reflecting the political objective of embedding defence and dual-use investments into mainstream EU financing as key enablers of sustainable growth and strategic autonomy.

The ECF will consolidate or align existing instruments into a single ecosystem. **The Connecting Europe Facility (CEF) for Transport** will continue funding critical infrastructure, with an **estimated €51.5 billion allocation**, including **€17.65 billion** specifically earmarked for military mobility and dual-use networks. Horizon Europe is expected to **expand to €175 billion**, maintaining its mission-driven structure while dedicating a larger share of resources to critical and dual-use technologies such as space systems, advanced materials, energy resilience, and AI.

National and Regional Partnership Plans will also mobilise hundreds of billions of Euros in co-financing for national and cross-border initiatives, including those aimed at reinforcing resilience, industrial competitiveness, and technological sovereignty. The **InvestEU** programme will provide EU guarantees to de-risk public and private investment in strategic sectors, ensuring the leverage needed to meet long-term capability and innovation objectives.

Overall, the future EU financial framework will mark the full integration of defence spending into the Union's economic governance. Rather than increasing public debt, Europe's strategy will rely on leveraging synergies between EU funds, national resources, and private capital. This unified approach will allow member states to meet NATO's spending targets while sustaining fiscal responsibility and advancing shared objectives of resilience, competitiveness, and technological sovereignty.

At the same time, member states will complement EU-level financing with national instruments aligned to the ECF, combining domestic budgets, EU funds, and targeted incentives for defence and dual-use industries to ensure coherent implementation across the European landscape.



