



# The Space Resources Fund: A Proposal for Benefit Sharing and Investment in SRU

Australia's Global University

Faculty of Engineering

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## Space Resources Roundtable

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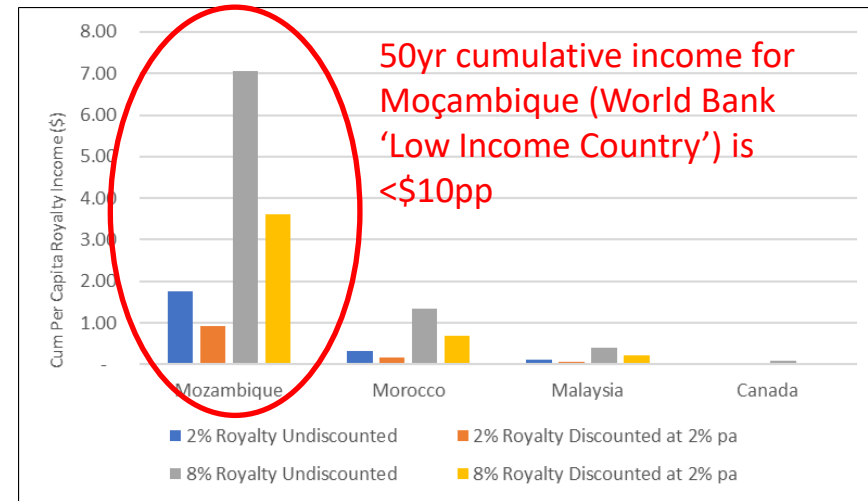
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# Context – Commercial SRU faces challenges:

- **Issue of benefit sharing**
  - Monetary / non-monetary?
  - Analysis indicates limited tolerance to royalties
  - Benefits from royalties could be immaterial on global basis
- **Funding challenges**
  - Capital requirements could be enormous
  - Public sector constrained by govt. mandates
  - Private sector constrained by portfolio / timing limits
- **Is there a mechanism that could address these challenges?**
- **We believe so!**

Tax rate	Max Royalty
0%	8%
15%	2%
25%	0%

*Tolerance to royalties for hypothetical lunar ice mining project is limited*



*Indicative 50yr Aggregate Per Capita Royalty Revenue for Select Countries at 6% pa Growth Rate*

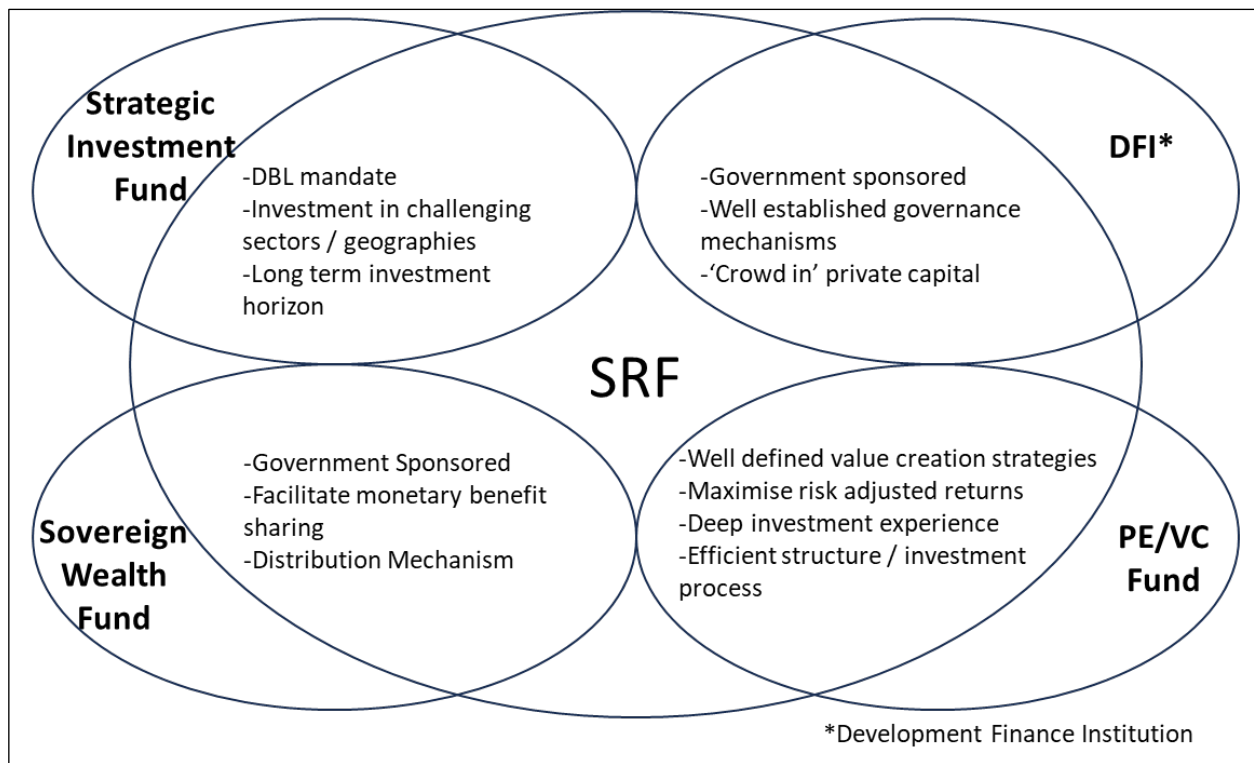
# What objectives could such a mechanism have?

Objective	Rationale for objective
Facilitate monetary benefit sharing	Share benefits from SRU more widely
Provide funding for SRU	Facilitate growth of commercial SRU
Facilitate intergenerational equity	Foster ongoing 'social licence to operate'
Minimise impact on project economics	Encourage the economic sustainability of SRU
Achieve 'superior' fund returns	Generate material monetary benefits

- **Based on these objectives, propose the concept of a Space Resource Fund (SRF) with a double bottom line (DBL):**
  - Generate monetary benefits for global distribution
  - Provide capital for emerging SRU industry
- **In essence, initial capital seeds SRF to invest in commercial SRU => generate value for global monetary benefit sharing**

# What could the SRF look like?

- **We reviewed the universe of fund types**
  - No one fund addresses the objectives / requirements
- **But by combining different fund types it could be possible to develop bespoke fund**

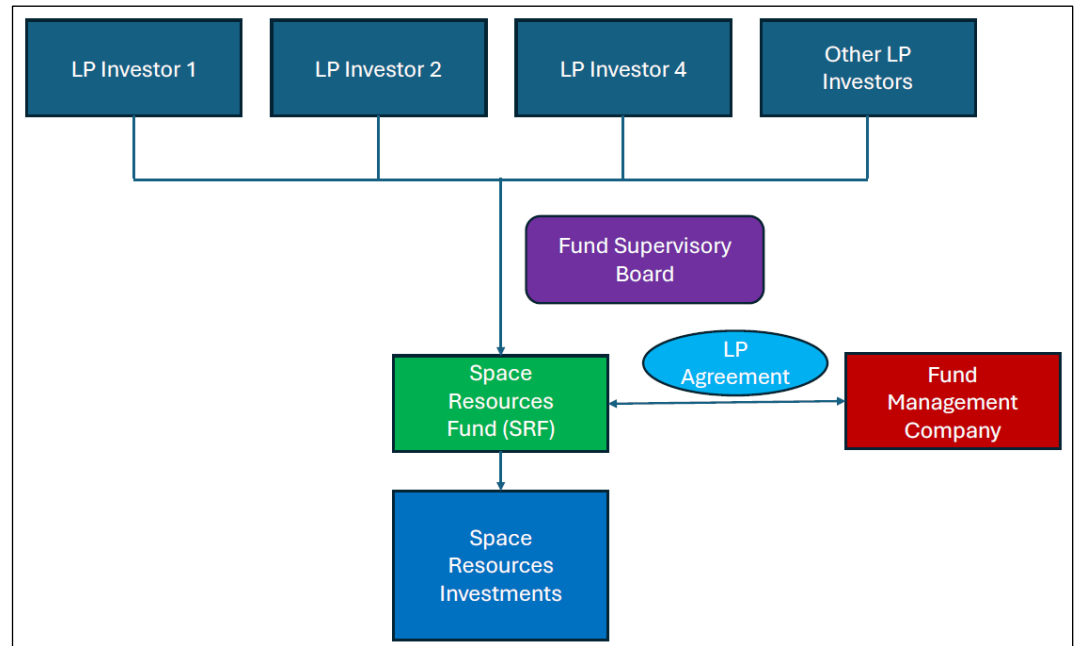


***Combining components of different fund types for SRF***

# SRF – Structure & Funding

- **Structure**

- Look to avoid supranational organisation structure
- E.g. based on analogue SIF structures
- Similar to PE/VC funds



*Indicative structure proposed for SRF*

- **Indicative Seed Funding - \$2bn**

- Sized to generate material benefits over long term, but not so big that performance is compromised
- Global contributions e.g. based on GNI and population (ISA methodology)
- Could use concessional loans (or similar)

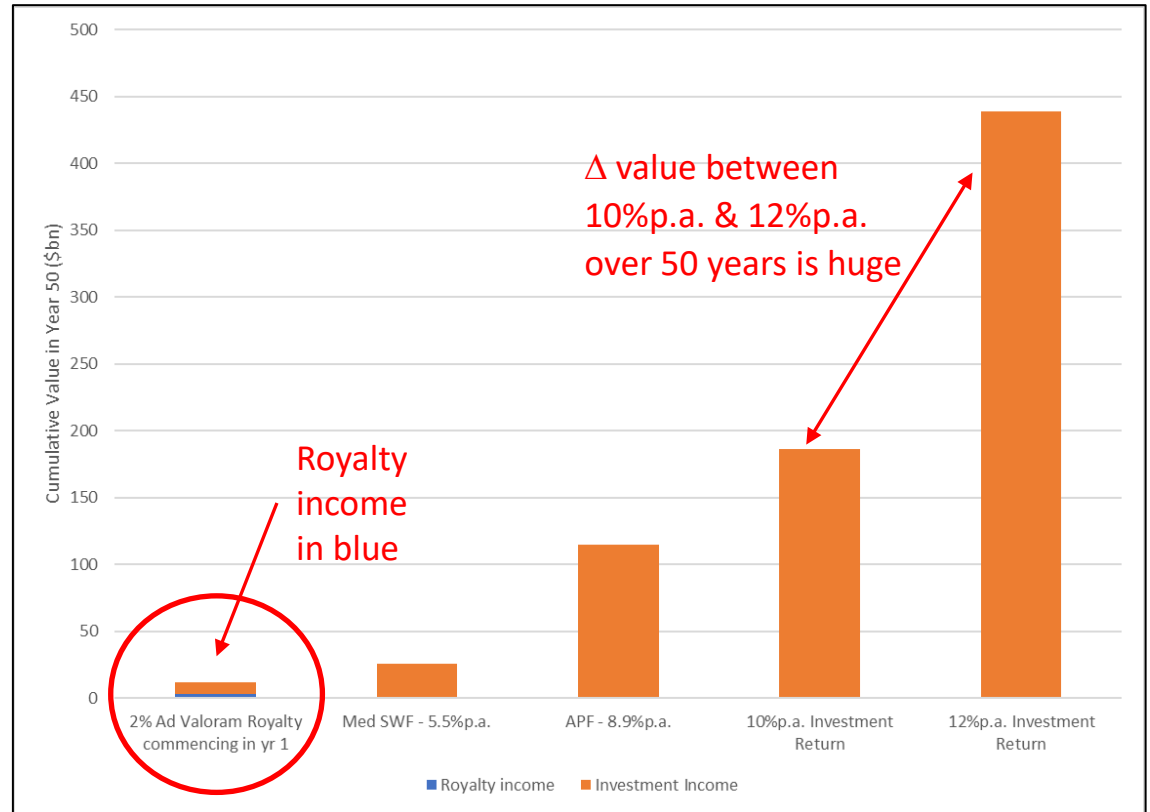
# SRF – Indicative Performance

- **Takeways**

- Over a 50 yr timeframe – investment performance matters!
- Royalty income pales into insignificance v. investment performance

⇒ **Active investment strategy**

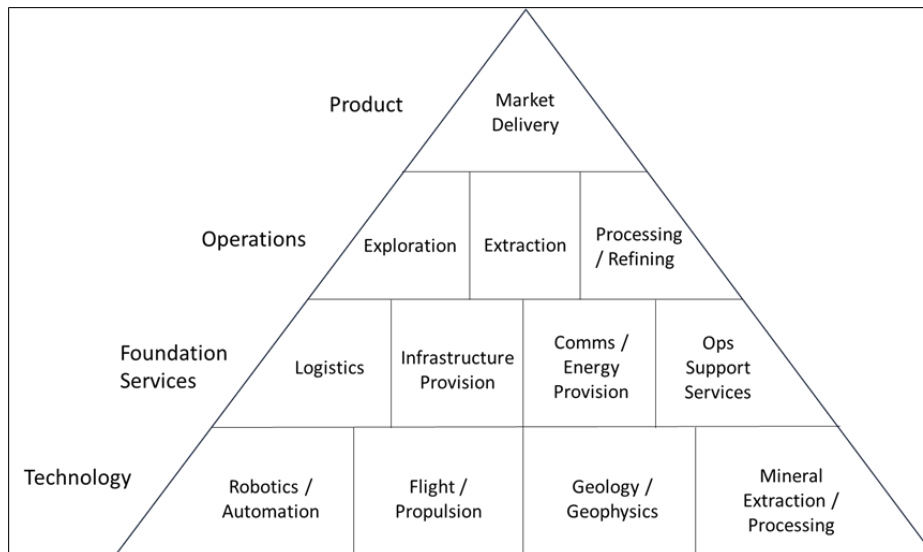
- Akin to PE/VC



***Comparison of SRF growth in value with 2% royalty on hypothetical lunar ice mining industry over 50 years***

# SRF – Active Investment Strategy

Strategy element	Parameters
Investment Focus	<ul style="list-style-type: none"> <li>Broad enough for sufficient high quality dealflow.</li> <li>Target projects / companies in participating countries</li> </ul>
Target Fund Returns	<ul style="list-style-type: none"> <li>Indicatively 10% p.a., ideally 12%+ p.a.</li> </ul>
Fund Term	<ul style="list-style-type: none"> <li>Open-ended fund / reinvestment of investment returns</li> <li>Trigger for the start of benefit distribution</li> </ul>
Investment Structuring	<ul style="list-style-type: none"> <li>Ability to use range of capital instruments</li> <li>Ability to take large minority or majority positions</li> <li>Limited restrictions on investment time horizon</li> </ul>
Portfolio Management	<ul style="list-style-type: none"> <li>Active investment management with board participation</li> <li>Add value to investees through expertise</li> </ul>

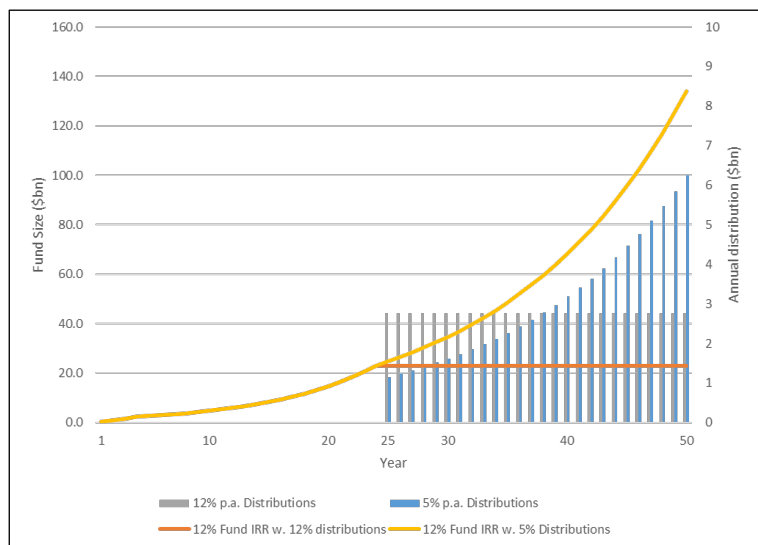


***The SRF could target a broad investment universe related to SRU***

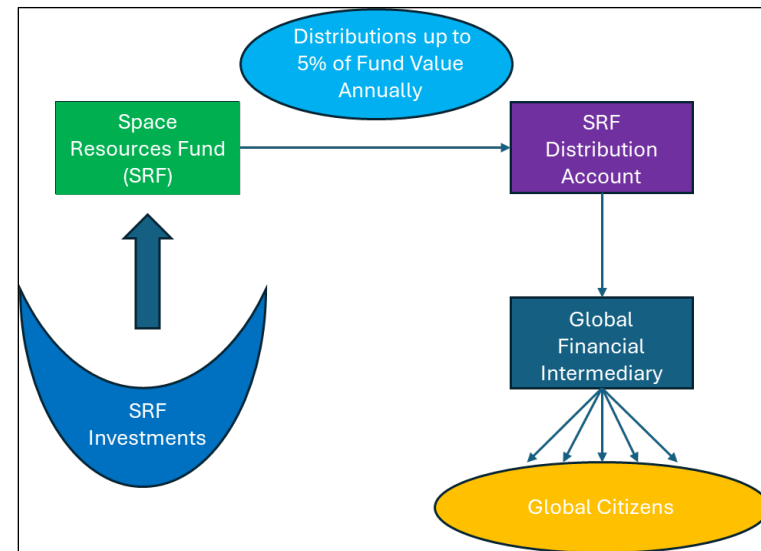
- **Broad investment universe is important**
  - Enables focus on high quality investment opportunities
  - Essential to develop all elements of SRU value chain
  - Investment process could start earlier in development of SRU industry

# SRF – Benefit Distributions

- **Appropriate distribution strategy key to maximising value for benefit sharing**
  - Propose a fund size trigger (e.g. \$50bn) or Timing trigger (e.g. yr 25)
  - A max annual distribution rate – e.g. 5% p.a.



**Annual distributions & fund size for distribution trigger in yr 25 at fund IRR of 12% p.a.**



**Indicative mechanism for distribution of benefits**

- **Modelling indicates that more overall value is generated:**
  - Delaying start of distributions
  - Limiting the max annual distribution rate



# Conclusions

- **We believe it is possible to design a fund mechanism that:**
  - Has potential to generate significant value for benefit sharing
  - Could contribute to addressing funding challenges of SRU
  - Would have limited impact at the SRU project level
  - Could be relatively easy to implement with existing analogues
- **But:**
  - The SRF would need initial seed funding
  - Value generation would be dependent on investment performance