

NEWSLETTER

Historic Danish Defence Investment and Industrial Cooperation

Introduction

In this newsletter, we address the historic decision taken by the Danish Parliament to procure new ground-based air and missile defence systems worth DKK 58 billion – the largest single defence investment in Danish history. A defining element of the procurement is the inclusion of industrial cooperation (offset) obligations, which are expected to return substantial value to Danish industry over the coming years.

We outline the key features of the political agreement, the regulatory framework governing industrial cooperation in Denmark – including Article 346 TFEU – and perspectives for the defence industry and investors. This landmark decision has the potential to reshape opportunities for Danish and European defence companies as well as dual-use technology providers.

Main Features of the Agreement

On 12 September 2025, the Danish Defence Agreement parties approved the acquisition of eight ground-based air and missile defence systems, comprising both medium- and long-range capabilities. The total investment amounts to DKK 58 billion.

- **Systems procured:** The Franco-Italian SAMP/T NG has been selected as the long-range system, while several European suppliers will deliver the medium-range systems, including NASAMS, IRIS-T, and VL MICA.
- **Timeline:** The first systems are expected to be operational already in 2025, with full deployment extending to 2029.
- **Financing and oversight:** The investment will be funded via the Finance Act and approvals by the Finance Committee, covering acquisition and life-cycle costs.
- **Industrial cooperation:** Obligations for industrial cooperation (offsets) amount to several billion, ensuring that contracts with foreign suppliers include direct purchases and co-development with Danish companies.

This structure reflects a strategic choice to prioritise European suppliers, NATO interoperability, and rapid delivery.

Regulation of Industrial Cooperation in Denmark

The regulatory framework for industrial cooperation is anchored in Article 346 TFEU, which allows Member States to adopt measures necessary to protect their essential security interests relating to arms production and trade.

Under Danish law, the framework is set out in the 2021 Guidelines on Industrial Cooperation, administered by the Danish Business Authority (Erhvervsstyrelsen).

Key points include:

- *Threshold:* Any defence procurement exceeding DKK 50 million from foreign suppliers may be subject to industrial cooperation obligations.
 - Industrial Cooperation Contract (ICC): Foreign suppliers must sign an ICC with the Danish Business Authority before entering into a contract with the Ministry of Defence.
- *Forms of cooperation:* Obligations can be discharged through direct purchases from Danish defence companies (1:1 credit) or through co-development projects, technology transfer, and joint ventures with Danish firms.

The list continues on the next page.

- *Necessity and documentation:* Each decision to impose industrial cooperation obligations must be based on a documented assessment that such measures are necessary to safeguard Denmark's essential security interests. This assessment considers whether the procurement would otherwise risk eroding critical capabilities in Danish industry. If sufficient industrial relevance or necessity cannot be demonstrated, the transaction cannot legally be tied to offset requirements. This ensures proportionality and compliance with EU law.
- *Consequences of lack of necessity:* If no sufficient justification is established, industrial cooperation obligations may not be imposed. In such cases, foreign suppliers may contract without offsets and attempts to impose obligations without the required documentation could lead to infringement procedures under EU law and possible invalidation of agreements.
- *Compliance:* Where obligations are imposed, projects must be proportionate, targeted to capabilities identified as critical to Denmark's security interests, and consistent with EU law, including state aid and competition rules.

The system thus balances the protection of national security interests with EU obligations, while ensuring tangible benefits for the Danish defence industry.

Key Perspectives

The procurement represents both a capability leap for Danish defence and a significant industrial opportunity:

- *For Denmark:* Industrial cooperation will strengthen technological know-how in sensors, missile integration, maintenance, and advanced software, enhancing Denmark's strategic autonomy.
- *For Europe:* The choice of European systems underscores a "Europe for Europe" approach, reinforcing European defence capabilities and reducing reliance on non-EU suppliers.
- *For investors:* The scale of the investment and binding offset obligations make Denmark an attractive entry point into the European defence supply chain. Companies with strong compliance and ESG frameworks will be best placed to benefit.

Our Comments

The Danish decision combines urgent defence needs with an industrial policy agenda.

For defence and dual-use companies, the inclusion of ICC obligations represents both a historic opportunity and a compliance challenge.

Success will depend on early engagement with relevant advisors and the Danish Defence Acquisition and Logistics Organisation (FMI) and the Danish Business Authority, meticulous documentation of security justifications, and careful alignment with applicable EU law and Danish regulation.

We expect the investment to act as a catalyst for Danish and European defence industries, fostering technology transfer, partnerships, and long-term competitiveness.

Ultimately, only those actors who also manage the compliance and regulatory challenges effectively will succeed.

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