

Introduction

On 1 December 2025, European Commission President Ursula von der Leyen and Prime Minister of Canada Mark Carney announced the conclusion of negotiations on an agreement for the participation of Canada in the EU Security Action for Europe (SAFE) investment instrument (the Agreement). The conclusion of negotiations on Canada's participation in SAFE follows the conclusion of the EU-Canada Security and Defence Partnership on 23 June, and should open opportunities for Canadian defence contractors and subcontractors in the procurement of European countries under SAFE.

SAFE provides up to €150 billion in loans to EU Member States seeking financial assistance for investments in their defence capabilities. Funds can be used by groups of EU Member States, as well as Iceland, Lichtenstein, Norway and Ukraine, to procure military equipment.

Under the terms of the EU's SAFE Regulation, preferential treatment is generally given to equipment originating in the EU or Ukraine, with 65% of the cost of project components originating in the EU or Ukraine. In general, contractors and subcontractors must be established and have their executive management structure in the EU, Iceland, Lichtenstein, Norway or Ukraine. They cannot be controlled by another country or entity either.

By way of exception to the above, the EU may conclude agreements with certain countries, including countries that it has entered a security and defence partnership (such as Canada), to make them eligible for participation in common procurement under SAFE.

The EU and Canada have now concluded negotiations on such an Agreement. As the specific provisions of the Agreement have not been made public, the precise conditions and the extent of Canada's participation in SAFE remains to be seen (e.g. the precise conditions for the participation of contractors in contracts under SAFE, the precise rules on the location of the relevant infrastructure for such contracts, etc.).

Nevertheless, it is certain to offer Canadian contractors and subcontractors better opportunities to bid for common procurement contracts under SAFE than they currently enjoy. Likewise, they will enjoy improved access in comparison with contractors and subcontractors from countries that have not concluded such an agreement with the EU.

Overall, the conclusion of the Agreements constitutes a major development for the Canadian defence industry. Likewise, it may also have consequences for European companies maintaining business relations Canadian suppliers, as well as for competitors from other parts of the world.

How We Can Help

Should you have any questions concerning SAFE, our firm's Public Policy Team is available to discuss this instrument and related developments.

Team



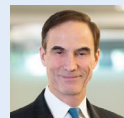
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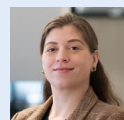
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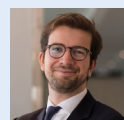
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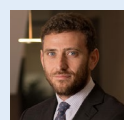
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