

EUROPE DOESN'T HAVE A CAPITAL PROBLEM, IT HAS A BUYER PROBLEM

→ **WHEN YOU RAISE CAPITAL FOR A DEEP-TECH VENTURE** in Europe, the first question from a European investor is almost never “How big is the vision?” or “How do we capture the market?” It is almost without exception: “Do you have commercial traction?”

That question is usually asked last in Silicon Valley, if it is asked at all. Tesla was founded in 2003 and didn't show meaningful market traction until the Model S launched in 2012. Very few European VCs would have backed that journey on the question of traction.

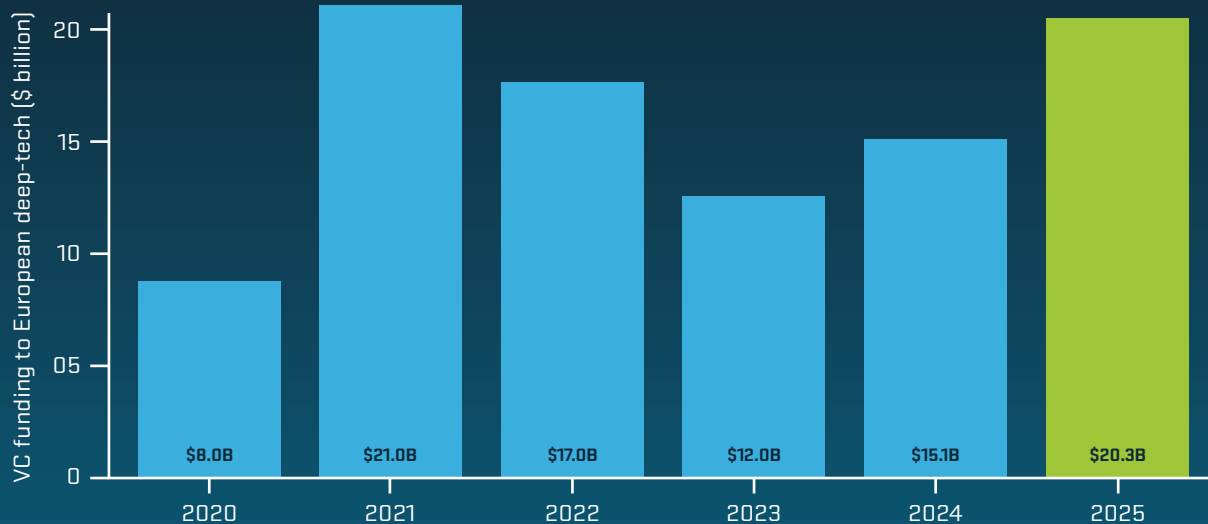
This is not because European investors are less ambitious. It is because they are responding rationally to a structural condition that the current prevailing narrative

still misses: Europe doesn't have a capital problem. It has a buyer and market adoption problem.

In 2025, European deep-tech start-ups raised approximately \$20.3 billion, nearly one-third of all European venture capital. Paris-based Mistral AI closed a €1.7 billion Series C, led by ASML, at an €11.7 billion valuation. Munich-based Helsing raised €600 million at a €12 billion valuation. French unicorns have soared from seven in 2015 to 42 in 2024.

The scale of funding is still smaller than in the United States, but the capital in Europe is sufficient. The high-quality talent is there. What is missing is the bridge between the two and revenue. →

European deep-tech VC funding has reached record levels



SOURCE: DEALROOM EUROPEAN DEEP TECH REPORTS 2021-2026 (WITH LAKESTAR AND WALDEN CATALYST); 2020-2023 FIGURES APPROXIMATE; 2024 AND 2025 CONFIRMED FROM PUBLISHED REPORTS

→ THE FIRST-BUYER CONSTRAINT

European deep-tech founders live inside a circular dependency. Smart capital waits for first industrial buyers before backing scale-up rounds. First industrial buyers wait for the technology to be de-risked at commercial scale before placing orders. Each side is acting rationally, but together they are paralyzing the European technological scale-up.

This dynamic exists with much less intensity in the United States, where industrial competition is fiercer than collaboration. If a US incumbent does not adopt a novel technology, their closest competitor will – and then overtake the incumbent. The prevailing R&D culture in Europe is collaboration, inadvertently removing the urgency for incumbents to take early bets on scale-up companies. The result is a continent that funds world-class research, builds globally competitive labs, then watches its scale-ups stall, get acquired abroad, or relocate to where buyers move first.

Two developments are now disrupting this equilibrium that deserve a closer look.

The first is geopolitical. The post-2022 environment has shaken Europe's sense of strategic security, and not entirely in a bad way. There is now a top-level commitment to building European capacity in defense, AI, semiconductors, aerospace, and clean industrial technology. For the first time in decades, European deep-tech rounds rival Silicon Valley headlines, and Gulf capital is opening offices to participate. Aramco Ventures will open a Paris office in 2026, with over \$7 billion in allocated capital and hundreds of millions earmarked for European deep tech. Its first French bets include Pasqal,

a quantum company that signed an agreement in 2024 to install Aramco's first quantum computer in Saudi Arabia. A European scale-up and a Gulf first-buyer is precisely the kind of industrial demand architecture needed for European start-ups to succeed.

The second is industrial pressure. Europe's chemical, energy, and materials majors are being squeezed by disrupted supply chains, high energy costs, and regulatory complexity. This perfect storm is forcing European incumbents to do what they have historically resisted: take real risks with scale-up companies to share market exposure and accelerate local technology development.

WHAT EUROPE STILL NEEDS TO BUILD

The strategic autonomy lever Europe is missing is not another funding round (though Europe needs those too), but an industrial demand architecture – public procurement guarantees for first-of-a-kind technologies, government-backed offtake agreements, and project insurance that allows European industrial leaders to act as first buyers without their boards treating it as a career-ending bet. The Gulf does this instinctively. The US does it through both private competition and government procurement. Europe must learn to do it more deliberately.

The capital and science are here in Europe. The geopolitical will is also finally here. What is needed now is the demand-side commitment that converts scale-up pilots into European industrial champions. Building that architecture is the most consequential industrial policy decision of the decade, and the one with the highest return if executed successfully and urgently. ■



ABOUT THE AUTHOR

DR. AHMED ISMAIL is a scientist, serial entrepreneur, and cofounder of Dunia Innovations, pioneering AI and high-throughput experimentation for accelerated materials discovery. He has led innovation and commercialization projects across Europe, the Middle East, and Asia with energy operators including Aramco, ADNOC, Petronas, Exxon, and Shell.