

## **CRM Alliance Position Paper on the Commission's Action Plan on Critical Raw Materials**

### **Introduction**

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The Critical Raw Materials Alliance (CRM-A) represents primary producers, traders and associations of raw materials that the Commission has determined to be critical to the EU economy. Critical Raw Materials (CRMs) are those materials which: (a) have a high economic importance for key sectors of the European economy, (b) have a high-supply risk and (c) do not have viable substitutes due to their unique and reliable properties for existing and future applications.

In September, the Commission released the fourth edition of the EU Critical Raw Materials (CRM) List and, for the first time since they started to assess the criticality of raw materials, the Commission also issued an Action Plan to establish a safe and sustainable CRM supply. This paper outlines our views and recommendations for the Commission's CRM Action Plan. We welcome the proposed measures but believe that a more ambitious approach should be taken to further primary production of critical raw materials in the EU. CRMs and their derivatives are key components in different electronic applications and green energy solutions, and play a crucial role in achieving climate neutrality by 2050. An undisrupted access to critical raw materials is therefore fundamental to achieve the EU's green and digital ambitions, to build resilience and to develop open strategic autonomy.

### **Commission Action Plan on CRMs: Ensuring resilience through a secure and sustainable CRM supply**

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The European Commission has proposed concrete lines of action to establish sustainable and resilient critical raw materials supply chains. According to the Commission, the Action Plan should: (i) develop resilient value chains for EU industrial ecosystems; (ii) reduce dependency on primary materials through circular use of resources, sustainable products; (iii) strengthen the sustainable and responsible domestic sourcing and processing of raw materials in the EU; and (iv) diversify supply with sustainable and responsible sourcing from countries, strengthening rules-based open trade in raw materials and removing distortions to international trade.

#### **Resilient value chains for EU industrial ecosystems**

The Commission aims to address gaps and vulnerabilities in existing raw materials supply chain and therefore recognizes the need to establish a more strategic approach. To address these gaps related to EU capacity for extraction, processing, refining and recycling, the Commission has launched an industry-driven European Raw Materials Alliance and is developing sustainable financing criteria for the mining and extractive sectors in Delegated Acts by 2021.

The CRM Alliance welcomes the launch of the European Raw Materials Alliance (ERMA) and supports their efforts to address the challenge of securing access to critical raw materials and advanced materials and to tackle the EU's industrial knowledge gap on processing CRMs. We also welcome the

aim to develop sustainable financing criteria for the mining and extractive sectors to mobilise investment in our industry; however, high sustainable production criteria as a prerequisite for being incorporated in the Taxonomy might still result in dis-investments. Many CRMs and their derivatives are key components in different green technologies and are essential for the development of renewable energy sources. Considering production activities related to these technologies as harmful for the environment would prove counterproductive to the EU's green ambitions.

**Recommendation:** The CRM Alliance advises the Commission to develop sustainable finance criteria that drive investment towards sustainable primary production projects while ensuring regulatory coherence with other existing policies and initiatives, and avoiding an increased administrative burden on industry. In this regard, it is key that the Commission engages with industry stakeholders in the development of these new criteria to ensure that industry-specific issues are addressed properly. The adoption of delegated acts containing disproportionate and inadequate sustainability requirements might still drive investment away from the mining and processing industry.

#### **Circular use of resources, sustainable products and innovation**

The Commission has proposed actions in line with the aim of the Circular Economy Action Plan to address resource scarcity by promoting sustainable product design and mobilising the use of secondary raw materials: (i) launch research and innovation on waste processing, advanced materials and substitution of CRMs and (ii) map the potential supply of secondary CRMs in Europe and identify viable recovery projects.

The CRM Alliance congratulates the Commission's increased efforts to recover CRMs from waste, to improve resources efficiency and to address the knowledge gap on the amount of raw materials used in products, in extractive waste or landfilled.

**Recommendation:** CRM policies should support enhanced raw materials supply rather than substitution. Substitution is often either not desirable or not feasible as it would ignore the specific characteristics of CRMs that are the basis of technological development. For CRMs, substitution decreases product performance and in many cases to products with a lesser life-time. For some substances, proper alternatives simply do not even exist. Substitution could prevent the EU from meeting its green and digital ambitions and might result in companies offshoring their manufacturing activities damaging the EU's green economy.

The use of secondary critical raw materials is in many cases impossible (e.g. phosphor used in fertilisers, coking coal burned in steel production, etc.). In other cases, critical raw materials are used in alloys in very small quantities to give the material specific characteristics. For example, beryllium is used up to 2% in a copper-beryllium alloys to give it stiffness, less than 1% of niobium is used in steel production to enhance strength, a smart phone contains dozens of substances in small, often alloyed components, etc.). Recovering or recycling would come at even greater economic and environmental costs, thus negating the benefits.

### **Sourcing from the European Union**

The Commission has recognized the key role of primary CRM production in becoming more resilient and developing open strategic autonomy. In this regard, the Commission has proposed several actions to promote domestic production in the EU: (i) identify priority mining and processing projects for CRMs in the EU; (ii) develop expertise and skills in mining, extraction and processing in regions in transition; (iii) deploy Earth-observation programs and remote sensing for resource exploration, operations and post-closure environmental management; and (iv) develop research and innovation projects to reduce environmental impacts of raw materials extraction and processing.

The CRM Alliance welcomes the Commission's emphasis on the importance of domestic CRM production to Europe. The Commission has recognized our concerns in this area, including the lack of incentives and financing for exploration, the length of national permitting procedures and the lack of public acceptance for mining in Europe as key thresholds that halt the development of primary production projects Europe. We are aware that for some substances there are no adequate European sources, even with full recycling. Imports will always be necessary. Still, we regret that the action plan does not contain concrete measures to overcome the hurdles in obtaining permitting licences for extraction and processing projects in the EU. We also note the lack of ambition, or rather competence, in the Commission proposal to take more initiative in the area of primary production.

**Recommendation:** Primary production is a member states competence. To overcome current challenges related to launching domestic extraction and processing projects, the EU should thus actively engage with member states to raise awareness on the importance of domestic mining and create (financial) incentives. It is also important to engage with local authorities and communities to highlight the economic benefits that the development of mining and extraction sites could bring. We strongly recommend the creation of EU competences in the area of primary production. These competences can vary from withdrawing funding if countries do not enable the extraction of CRMs in their territory, setting guidelines for permitting procedures, creating a complaints desk and mediation service, and other.

### **Diversified sourcing from third countries**

The Commission has proposed the development of strategic partnerships with Canada, interested countries in Africa and the EU's neighbourhood in 2021. The Commission will also promote responsible mining practices for CRMs in both the EU and third countries through EU regulatory framework and international cooperation.

The CRM Alliance's primary objective is to uphold a stable supply of those materials crucial for the EU's economy and industry. We welcome the Commission's efforts to diversify its supply chains and to deploy trade policy tools to establish a level-playing field.

**Recommendation:** The CRM Alliance believes that the EU should: (i) incorporate a dedicated chapter on critical raw materials in Free Trade Agreements negotiations, (ii) diversify supply chains to ensure an undistorted access to CRMs, (iii) ensure free and fair trade through the elimination of unnecessary or over-burdensome regulation and (iv) deploy strong trade defense measures where legally warranted and in support of the open strategic autonomy policy.

## Conclusions

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The CRM Alliance commends the efforts outlined in the action plan but would like to encourage the EU to do more in terms of primary production to counter the fast-rising demand of CRMs.

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