Eramet contribution to the future European Critical Raw Materials Act
May 2023

Eramet, a European mining and metallurgical group, is a key player in the extraction and refining of base metals necessary for the overall growth of our economy (manganese, mineral sands) and those critical for the transition to a climate neutral economy (nickel, lithium, cobalt).

As a European company and currently chairman of the European Raw Materials Alliance (ERMA) Battery task force, we are working towards becoming a major contributor to fulfil the European demand in base metals by 2030. We are developing activities with high growth potential, from our own mines of Lithium in Argentina and Nickel/Cobalt in Indonesia and New Caledonia to metallurgical transformation activities in Europe, combined with batteries recycling development projects, with the aim to become a one-stop shopping place for raw materials supplying the European electrical vehicles (EV) value chain.

- The Group intends to become a partner of choice for the European battery industry, through responsible primary metals extraction and batteries recycling activities.
- The Group supports the transition to a carbon neutral economy by developing activities strategic for Europe to sustain its leadership and autonomy in this transition.

Eramet welcomes the European Commission (EC) proposition for a Critical Raw Materials (CRM) Act. Covid and Ukrainian crisis have highlighted the necessity for the European Union (EU) to secure its supply of CRM, particularly nickel, cobalt, and lithium because they are necessary to become climate neutral by 2050.

Meanwhile, the US Inflation Reduction Act is a game changer in industrial policy. It has unleashed a wave of domestic investment announcements in just a few months. The risk for the EU is that companies will now prioritise the US market over Europe’s: the Critical Raw Materials Act should support resilient and sustainable metals supply for the European Green Deal.

As the demand for those base metals in the coming years is going to explode and the risk of EU dependencies on external resources is real, this new regulation must support the urgent need to secure and develop our supply in critical raw materials.

Eramet will take actively part in the upcoming discussions, as they will contribute to assure a green and clean future for the EU.

1. To effectively control environmental and social risks to support the CRM European industry

Only a compelling regulation applied to domestic production and import of raw materials in our single market can create the adequate level playing field, to ensure that our competitiveness is not jeopardized by our best-in-class Corporate Sustainability Responsible (CSR) engagements.

There is only two ways to develop this level playing field required for being competitive against non-European mining players, considering that one cannot go without the other:
a. Strong compulsory due diligence obligations for the EU supply in raw materials to be safe

Eramet welcomes the article 45 of the new regulation concerning batteries and waste batteries¹ treating "obligations of economic operators with regard to due diligence policies", making the environmental and social commitments of any player of the value chain a real competitive difference. Operators will face various due diligence obligations, such as "identifying" but also "preventing, mitigating and addressing negative impacts associated with their activities or procurement decisions" (art 45.b. and c). In addition, the policies and management plans that will have to be now implemented will be verified by "a third-party report [...] which shall be made available to operators down the supply chain" (art. 45.d).

> Eramet regrets that the same due diligence obligations and verification systems are not considered for the critical raw materials value chain. The future Corporate Sustainability Due Diligence Directive (CSDDD) should not prevent treating due diligence issues in the CRM Act as they are very specific to this value chain.

> Eramet recalls that European companies have a strong background of CSR practices when compared with competitors from outside EU.

> Eramet ask for a list of risks (at least matching the annex X of the batteries regulation) to be inserted, that the CRM users will have the obligation to treat, prevent and mitigate.

b. The necessary recognition within the EU of already existing responsible mining standards

Aligning with strong CSR standards, that European companies are self-adopting, such as the Initiative for Responsible Mining Assurance (IRMA), is currently not recognized by the European regulator as a prerequisite to access to the EU market and we deeply regret it. This lack of consensus puts European offers in a situation of unfair competition with other players who do not respect our rules, to the detriment of environmental protection and human rights.

> Eramet welcomes the EC proposal to recognized existing scheme (art 29). The same provisions existed within the Conflict minerals and Battery regulations and the coherence of methodology is necessary.

> Eramet points out that the criteria (annex IV) for certification scheme to be recognized, must be the most ambitious as possible, with the objective to select a few standards, such as IRMA.

  o Eramet suggest inserting in annex IV.b more detailed requirements, especially on biodiversity and damage to habitats, wildlife, flora and ecosystems, including not practicing deep-sea tailing placement practices (DSTP) especially for the Nickel industry.

> Eramet demands the Commission not to not revise “periodically” the criteria of annex IV, but at least every two years (art 29.3).

> Eramet also thinks that it is important for industrial companies that are already engaged in a process to be certified by a responsible mining standard, to be able to propose due diligence schemes to be recognized by the EC (art 29.1).

> Moreover, Eramet stresses the importance of setting a timeline objective, i.e. two years after the CRM Act is implemented, to have at least one or two standards already certified.

¹ Text published in January 2023 by the European Parliament’s ENVI Committee
2. **To secure international strategic partnerships with regions best equipped to deliver short-term supply of strategic minerals**

Europe will remain highly dependent over the short term on import of critical raw materials. We need to secure mining deposits overseas, as many countries in the world, starting with China, are working to take a global leadership by capturing natural resources.

- **Eramet calls for having chapters on environmental and social guarantees included in strategic raw materials partnerships**, to ensure that any European investment realized in third countries, or any supply agreement developed under the European Commission umbrella, is achieved within the right ESG framework. It is the only way to differentiate European offer from those of competitors.

- **Eramet underlines the necessity to develop strategic partnerships with a short list of countries that have the capacity to deliver important volumes of critical raw materials over the coming 3 to 5 years.** 85% of new Nickel projects currently under development in the world are in Indonesia, which should supply about 70% of Nickel for batteries in 2030: **EU must prioritize a strong diplomatic relationship with Indonesia for securing its Nickel, as it should prioritize Latin America for securing Lithium.**

- **Eramet calls for having an annex to list the countries to prioritize for signing those partnerships focusing on the strategic, and not critical, raw materials** (annex I).

- **Eramet suggests also to refocus as much as possible the already existing and efficient scheme of the Global Gateway initiative to this shortlist of countries** to avoid disseminating our efforts on too many challenges.

  - In this optic, Eramet hopes that 2023 will be the year to conclude a Free Trade Agreement (FTA) with Indonesia and a strategic raw materials partnership with Chile, after last year FTA.

- **Plus, Eramet says that it is important to set a clear timeframe for the board to discuss which third countries should be prioritized** *(art 33.c), for instance at least once a year.*

3. **To develop a European dedicated financial fund to support upstream industries**

The development of mines and first transformation metallurgical activities is highly capital intensive. For some critical metals such as nickel, a single project can account for more than two billion euros. On markets which are highly volatile, as it is the case for Nickel, **only China is currently investing** massively in new greenfield projects. Also, there is now in many countries, and one can refer to the recent US policy updates, a true understanding that the most strategic value chains such as the e-mobility will be developed in a timely manner only with a State financial support.

European mining projects are suffering from a lack of debt financing, but more importantly are weakened by the struggle to attract equity investors at the appropriate level. **State-owned national and European financial institutions must be in capacity to grant debt financing and take equity participation in the mining projects in and outside Europe.** The credit policy of these institutions (the first one being EIB) must be adapted to the specificities of our sector, especially to undertake the country risk that is inherent to most of these projects. Such a financial support shall also be provided to the scaling-up of industrial projects that have been supported by Europe through initial stages of development of R&D and innovation.

- **Eramet highly regrets that no European dedicated raw materials public/private investment fund is planned for now.**
Eramet would like to remind that ERMA in 2021 had a similar process as the one described in the CRM Act, for project to be labelled as “strategic”. The European Raw Materials Alliance activities have been for two years on hold, notably because of the difficulty of not having dedicated funds.

- Therefore, this new application process must not resemble to the latter, as it will put constraint for companies, with no financial support at the end, but only “advise on how financing of its project can be completed” (art 15).

Eramet also underlines the necessity to be ambitious in the development of criteria for the recognition of strategic projects. Eramet asks for the sustainability criteria to be detailed (art 5.c and annex III.4) to prove to the end-users and citizens that doing mining & metals sustainable is possible, as proven by European companies in their daily operations.

Eramet hopes that before the 2024 European elections, the Commission will publicly engage in the constitution of a raw materials fund, that is urgently needed to fill-in the gap of existing financial tools and ensure that all tranches of risks are undertaken by appropriate lenders/risk-takers.

The CRM Act can pave the way to accelerate the setting up of any sovereignty fund and ensure that, for any new future EU-level funding sources established with a link to the Green Deal Industrial Plan, the European Commission shall include a formal link to the Critical Raw Materials Act and ensure sufficient finance is allocated for supporting Europe’s strategic projects.

4. To make mining and metallurgical activities eligible and aligned to taxonomy

Activities of extraction and transformation of raw materials which are necessary for our energy transition should be eligible and aligned to taxonomy, as they should be considered as enabling activities in the sense of art16 of Regulation 2020/852 due to the downstream outlets.

We note that the activity of manufacturing of batteries is already included in the taxonomy (activity 3.4 of annex 1 of climate delegated act) without criteria nor guarantees for the minimization of the environmental and social impacts of the extraction and transformation of the constituent materials, despite being a significant contributor, along the value chain, to the overall environmental impact of this activity.

These are sectors in which practices are very diverse globally and where European players are positioned as best-in-class. These differentiating factors must be objectively assessed and recognized to establish the adequate level playing field. Taxonomy should favor the most environmentally responsible extractive operations. We call for the inclusion of non-EU activities performed by EU companies.

Eramet would like for the European Commission to ask as soon as possible the platform on sustainable finance, to develop taxonomy criteria for mining, refining and recycling. It is essential to avoid an extremely negative signal sent to financial institutions that will jeopardize our developments. Eramet will participate actively in the discussions.

CONTACT Corporate Affairs Department – Eramet group

Tel: +33 Email: CorporateRelations@eramet.com