

# CRITICAL RAW MATERIALS

Proposal COM(2023) 160 of 16 March 2023 for a Regulation establishing a framework for ensuring a secure and sustainable supply of critical raw materials

cepPolicyBrief No. 8/2023

**SHORT VERSION** [[Go to Long Version in German](#)]

## Context | Objective | Interested Parties

**Context:** The parallel occurrence of numerous recent external shock events has exposed the vulnerability of international supply chains in the EU. The start of a supply chain is of particular importance because downstream value creation depends on it. In the future, this will apply most notably to rare metals and other critical raw materials that are important for the transition to a post-fossil and digital age. Against this backdrop, calls for an EU-wide strategy for dealing with these critical raw materials are increasing.

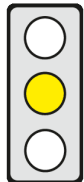
**Aim:** Procurement channels for critical mineral raw materials are to be diversified, and "strategic" raw materials defined and prioritised, to ensure a more resilient and sustainable supply of raw materials.

**Affected parties:** Mining, metal industry, recycling industry, traders of critical raw materials or their products.

## Brief Assessment

### Pro

- ▶ The measures will help to diversify the procurement of critical raw materials and thus strengthen security of supply.
- ▶ The proposal focuses on partnerships with third countries and the development of recycling capacities in Europe as important supply channels of the future.
- ▶ Prioritising "Strategic Projects" in permit procedures is an effective means of reducing administrative bottlenecks during strategically important projects.

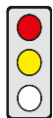


### Contra

- ▶ Empowering the Commission to update the lists of strategic and critical raw materials breaches the concept of reserving essential elements for the EU legislator.
- ▶ The proposed capacity targets are too strictly differentiated and unrealistically high.
- ▶ Requirements for the auditing of raw materials by large companies represent inappropriate interference in the risk management of private actors.

## Definition of "strategic" and "critical" raw materials [Long Version A.2, C.2]

**Commission proposal:** Specific targets are set for raw materials according to whether these are classified as "strategic" or "critical". The Commission is empowered to update the lists of "strategic" and "critical" raw materials. "Critical" refers to raw materials whose economic importance and supply risk reach certain thresholds. "Critical" raw materials whose strategic importance, expected growth in demand and difficulty of production are rated as particularly high, are also classified as "strategic".

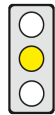


**cep-Assessment:** Restricting targets to particularly critical mineral resources enables EU raw materials policy to prioritise effectively. However, empowering the Commission to update the lists of strategic and critical raw materials by way of delegated acts breaches the concept of reserving essential elements for the EU legislator [Art. 290 TFEU].

## Capacity targets [Long Version A.1, C.1]

**Commission proposal:** By 2030, the following targets are to be achieved for the development of EU-internal capacities in the supply chains of "strategic" raw materials:

- Build-up of raw material extraction capacity amounting to at least 10% of the EU's annual consumption of "strategic" raw materials.
- Build-up of raw material processing capacity amounting to at least 40% of the EU's annual consumption of "strategic" raw materials.
- Build-up of raw material recycling capacity amounting to at least 15% of the EU's annual consumption of "strategic" raw materials.



**cep-Assessment:** Referring to the specific targets as benchmarks is in principle appropriate for examining the success of the new raw materials policy. However, the strict differentiation based on sub-objectives threatens to dilute the key aim of increasing security of supply. The target figures for the short period up until 2030 are also set unrealistically high, which further limits their suitability as a governance instrument.

## Requirements for the duration of permit procedures [Long Version A.3, C.1]

**Commission proposal:** For "Strategic Projects" (i.e. projects for the supply of strategic raw materials) undertaken in the EU in future, permit procedures should not exceed the following maximum durations:

- 24 months for projects involving the extraction of strategic raw materials
- 12 months for projects involving only the processing or recycling of strategic raw materials. These projects will be considered as approved if the maximum time limit is exceeded, unless they require an environmental impact assessment.

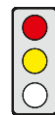


**cep-Assessment:** Long permit procedures are a major obstacle to rapid capacity build-up, especially in mining projects. With respect to possible environmental impacts, it is nevertheless correct that permits will not be issued automatically in the mining sector. The envisaged acceleration of such projects, however, thus depends on the will and resources of the national permit authorities.

## Obligation to audit raw materials [Long Version A.5, C.1]

**Commission proposal:** Large companies in the EU that manufacture strategic technologies in the EU using "strategic" raw materials must carry out an audit of their supply chains every two years, including

- a mapping of where the strategic raw materials they use are extracted, processed or recycled,
- a stress test of the supply chains in which "strategic" raw materials are used, taking into account various causes of supply disruptions, including geopolitical emergencies and natural disasters.



**cep-Assessment:** Stress testing is an important risk assessment tool, but risk-aware companies are already practising it. It is not the EU's task to set guidelines for companies on the use of resources in risk management. Moreover, the scope (large companies in the strategic technologies sector) is not yet precisely defined and could also result, at least indirectly (suppliers in the supply chain), in disproportionate information requirements for small companies.

## Coordination of strategic stocks [Long Version A.5, C.1]

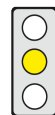
**Commission proposal:** As part of an annual raw materials report, Member States are required to submit information to the Commission on the level and evolution of stocks of "strategic raw materials" held by public institutions as well as by private companies contracted for this purpose.



**cep-Assessment:** Gaining a better overview of internal Union stocks and updating them regularly is an important prerequisite for effective risk monitoring. In order to create stronger incentives for stockpiling on the part of companies that consume raw materials, the Commission should also invite Member States to consider appropriate tax incentives.

## Information requirements for permanent magnets [Long Version A.6, C.1]

**Commission proposal:** Distributors of certain types of products containing permanent magnets must ensure that their products contain a data carrier recording the weight, chemical composition and location of the permanent magnets. If the total weight of the permanent magnets exceeds 0.2 kg, information on the proportion of recycled content in the raw materials used must also be made publicly available.



**cep-Assessment:** Given the diversity in the chemical composition and forms of processing of permanent magnets, the provision of standardised information is an important step towards increasing the recycling rates for this important future technology. In many cases, however, the low threshold may result in extensive information requirements that are disproportionate to the expected additional yield in terms of recycling.