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EU implements European Critical Raw Materials Act

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Nearly 97% of EU's magnesium supply is sourced from mainland China; 100% of rare earths used for global permanent magnets are refined in mainland China

Source: Getty Images

The European Commission announced May 23 that the European Critical Raw Materials Act went into force in the EU region with a primary aim of securing a stable supply chain of critical materials that are key to the European Green Deal.

The newly implemented regulatory framework under the European Critical Raw Materials Act aims to strengthen domestic capacities and consolidate the sustainability and circularity of raw material supply chains in the EU, while reducing the region's dependency on other countries, primarily mainland China.

For example, nearly 97% of EU's magnesium supply is sourced from mainland China, 100% of the rare earths used for permanent magnets globally are refined in mainland China, over 90% of the world's graphite processing is controlled by mainland China and almost 60% of the world's cobalt is refined in mainland China. The European Critical Raw Materials Act aims to reduce these strategic dependencies, while diversifying the EU's imports, building local supply chain capabilities and the capacity to monitor and mitigate risks of potential disruptions in the future. A secure access to identified critical materials is key to the EU region's strategic sectors such as electric mobility, clean technologies, digital, defense and aerospace industries, among other industries.

"With this Act, the EU will strengthen domestic supply and reduce reliance on single suppliers. As highlighted in the aftermath of Covid-19 and Russia's invasion of Ukraine, strategic dependencies exposed the European industry to supply chain disruption risks," the commission said in its official note.

Notably, the Act establishes benchmarks to increase capacities for extraction, processing and recycling of critical raw materials in the EU and guide diversification efforts:

a) EU extraction capacity of at least 10% of the EU's annual consumption of strategic raw materials;
b) EU processing capacity of at least 40% of the EU's annual consumption of strategic raw materials;
c) EU recycling capacity of at least 25% of the EU's annual consumption of strategic raw materials; and
d) No more than 65% of the Union's annual consumption of each strategic raw material relies on a single third country for any relevant stage of the value chain.

To achieve these benchmarks, the Act also establishes measures to strengthen European critical raw materials production capacities along the entire value chain. This includes a new framework to select and implement Strategic Projects, which can benefit from streamlined permitting and from enabling conditions for access to finance. It also sets out national requirements to develop exploration programs in Europe. That being said, these Strategic Projects can also be developed in third countries, under mutual agreements.

The Act also establishes a European Critical Raw Materials Board, which will be composed of EU countries and the commission, to advise on and coordinate the implementation of the measures set out in the Act and discuss the EU's strategic partnerships with third countries.

According to the press note, the Critical Raw Materials Board also organized its first meeting on May 23, where the Commission opened the call for Strategic Projects Applications, with a first cut-off date for the submission of these applications as Aug. 22, 2024.

Notably, these Strategic Projects are expected to be selected based on their contribution to the security of supply of strategic raw materials, technical feasibility, ability to substitute strategic raw materials, sustainability and social standards.

While the projects in the EU need to provide a European dimension, projects in third countries need to provide local value added, an official note said.

With an aim to diversify its dependency on single sources, the EU has so far signed partnerships with Argentina, Canada, Chile, the Democratic Republic of the Congo (DRC), Greenland, Kazakhstan, Namibia, Norway, Rwanda, Ukraine, Uzbekistan and Zambia.

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