

EU implements European Critical Raw Materials Act

27-May-2024 10:48 GMT

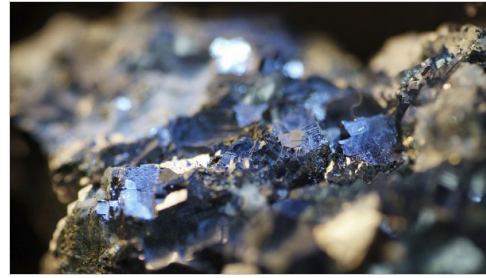
Amit Panday

S&P Global

Supply Chain and Technology, Automotive

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

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.



Source: Getty Images

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.

CONTACTS

The Americas

+1 877 863 1306

Europe, Middle East & Africa

+44 20 7176 1234

Asia-Pacific

+852 2533 3565

www.spglobal.com/mobility

Copyright © 2025 S&P Global Inc. All rights reserved.

These materials, including any software, data, processing technology, index data, ratings, credit-related analysis, research, model, software or other application or output described herein, or any part thereof (collectively the “Property”) constitute the proprietary and confidential information of S&P Global Inc its affiliates (each and together “S&P Global”) and/or its third party provider licensors. S&P Global on behalf of itself and its third-party licensors reserves all rights in and to the Property. These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable.

Any copying, reproduction, reverse-engineering, modification, distribution, transmission or disclosure of the Property, in any form or by any means, is strictly prohibited without the prior written consent of S&P Global. The Property shall not be used for any unauthorized or unlawful purposes. S&P Global’s opinions, statements, estimates, projections, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security, and there is no obligation on S&P Global to update the foregoing or any other element of the Property. S&P Global may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. The Property and its composition and content are subject to change without notice.

THE PROPERTY IS PROVIDED ON AN “AS IS” BASIS. NEITHER S&P GLOBAL NOR ANY THIRD PARTY PROVIDERS (TOGETHER, “S&P GLOBAL PARTIES”) MAKE ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE PROPERTY’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE PROPERTY WILL OPERATE IN ANY SOFTWARE OR HARDWARE CONFIGURATION, NOR ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO ITS ACCURACY, AVAILABILITY, COMPLETENESS OR TIMELINESS, OR TO THE RESULTS TO BE OBTAINED FROM THE USE OF THE PROPERTY. S&P GLOBAL PARTIES SHALL NOT IN ANY WAY BE LIABLE TO ANY RECIPIENT FOR ANY INACCURACIES, ERRORS OR OMISSIONS REGARDLESS OF THE CAUSE. Without limiting the foregoing, S&P Global Parties shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with the Property, or any course of action determined, by it or any third party, whether or not based on or relating to the Property. In no event shall S&P Global be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including without limitation lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Property even if advised of the possibility of such damages. The Property should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions.

The S&P Global logo is a registered trademark of S&P Global, and the trademarks of S&P Global used within this document or materials are protected by international laws. Any other names may be trademarks of their respective owners.

The inclusion of a link to an external website by S&P Global should not be understood to be an endorsement of that website or the website’s owners (or their products/services). S&P Global is not responsible for either the content or output of external websites. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process. S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global Ratings’ public ratings and analyses are made available on its sites, www.spglobal.com/ratings (free of charge) and www.capitaliq.com (subscription), and may be distributed through other means, including via S&P Global publications and third party redistributors.