



Critical Raw Materials Act: securing the new gas & oil at the heart of our economy I Blog of Commissioner Thierry Breton

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“Lithium and rare earths will soon be more important than oil and gas. Our demand for rare earths alone will increase fivefold by 2030. [...] We must avoid becoming dependent again, as we did with oil and gas. [...] We will identify strategic projects all along the supply chain, from extraction to refining, from processing to recycling. And we will build up strategic reserves where supply is at risk. This is why today I am announcing a European Critical Raw Materials Act.”

In her 2022 [State of the European Union](#) address today, European Commission President von der Leyen recalled **some hard facts: without secure and sustainable access to the necessary raw materials, our ambition to become the first climate neutral continent is at risk.**

In fact, without critical raw materials, we will not lead the digital decade and will not be able to develop our defence capabilities either.

For many of these essential raw materials, the global market will not be able to cater for the rapidly increasing demand. In light of the risk of structural supply shortages, **trade diversification alone – although necessary – will not suffice.**

We know it. Our systemic rivals know it. So do our partners. And, most of all, our industry has come to realise it too. **Our twin green and digital transition will live or die through the functioning of our supply chains.**

Take **China, with its quasi-monopoly on rare earths and permanent magnets and prices rising by 50-90% in the past year alone.** Supply of raw materials has become a real geopolitical tool. We saw it in 2010, when China slashed rare earth exports worldwide and entirely cut Japan off to pressure Tokyo to release a detained Chinese fishing trawler captain.

But **let's take a look at our so-called “like-minded” partners**, namely USA, Japan or South Korea: they are all deploying sizable support and investments to lessen their dependence on the extraction, processing and recycling of critical raw materials.

As a result, we are experiencing **a global race for the supply and recycling of critical raw materials.**

This is a major concern for all our industrial ecosystems, pushing them to act, sometimes in a scattered manner: last month, two leading German automakers signed a partnership with the Canadian government, notably deepening cooperation on sustainable critical mineral supply chain.

To act fast, with ambition, and according to our European values and standards, we will put forward a European Critical Raw Materials Act as announced today.

Here is how an EU Critical Raw Materials Act will help.

For Europe to tilt the balance of power in such critical supply chains, it needs to focus, prepare, strengthen and preserve.

1. Focusing on strategic applications

First, focus.

The Critical Raw Materials Act should provide a shared **understanding of which critical raw materials can be considered as particularly strategic.** This requires setting criteria for identifying raw materials which are of particular strategic relevance for our twin transition and defence needs, including economic importance, supply concentration, strategic applications and forecasted supply gaps.

This would give a much-needed signal to private investors on priority needs and guide European and national efforts. **Including for innovation and substitution.** After all – like for energy – the

cheapest and cleanest raw material is the one we don't use!

2. A network of European agencies

Then, anticipate.

I have seen first-hand the quality and knowledge embedded in national raw materials agencies. But without European level action, we will miss out on synergies while some Member States will continue to develop stronger capacities than others. We need to build on those to create a true **European network of raw materials agencies** and anticipate risks.

This network would develop monitoring and stress testing abilities to allow industry to anticipate risks of disruptions, price hikes or shortages and take appropriate diversification, stockpiling and investment decisions.

3. A more resilient supply chain

Strengthen, too.

We have to build a more **resilient supply chain**, supporting projects and attracting more private investment from mining to refining, processing and recycling. And while ensuring the highest social and environmental standards - the European way.

To facilitate the roll-out of targeted raw materials projects in the EU, the Commission should be empowered to list Strategic Projects – which would be labelled as of European interest – based on proposals from Member States. These projects could benefit from streamlined procedures and better access to finance.

So that the time from the start of exploration work to a mine or a refining facility possibly opening is no longer a question of decades.

Our industrial alliances in the fields of batteries, chips and hydrogen have successfully helped build partnerships, identify project pipelines, mobilise private and public funding, and address regulatory challenges. As President von der Leyen said, “We now need to replicate this success.” To mobilise the investment needed to up our game when it comes to critical raw materials, we will increase our financial participation to Important Projects of Common European Interest and create a new European Sovereignty Fund.

To frame the ambition, objectives could be introduced in the legislation. For example, a target could be set that at least 30% of the EU's demand for refined lithium should originate from the EU by 2030, or to recover at least 20% of the rare earth elements present in relevant waste streams by 2030.

4. A strong and sustainable level playing field

Finally, preserve.

We must ensure a **strong and sustainable level playing field**, drawing on our Single Market tools, such as standards. For instance, numerous certification schemes on **environmental and social performance** of mining activities exist today. Europe could take the lead for rationalising and consolidating such certification schemes. So that raw materials activities in the EU can be internationally competitive. And attract private investment.

While addressing some green policy paradoxes. Think of solar panels. The EU Solar Strategy rightly aims at massively deploying solar PV energy in Europe. And yet to achieve these objectives, we massively rely on imports from China. Which rely on polysilicon extracted with a much higher carbon footprint than its equivalent in Europe.

Preserving a level playing field is equally important within our single market frontiers, notably in the treatment of **strategic storage** capacities or for promoting **secondary raw materials**.

Strategic storage can be an instrument to prevent supply chain disruptions or imbalances and serve as an insurance against future market turbulences. But if left unchecked, discrepancies across Member States could materialise, with some better prepared than others and with possible disruptions along supply chains.

For recycling and reuse, Member States currently interpret provisions related to waste streams differently, leading to a fragmented implementation of EU legislation and creating barriers to free circulation.

Targeted amendments and harmonisation to existing legislation, notably on waste, would promote quality recycling of strategic raw materials and an efficient market for secondary raw materials, in line with our circular economy objectives.

In the current perma-crisis context, the European Union needs to find the means to **harness globalisation differently**. We need to be more assertive and less naïve in defending our economic interests and our values. Including when it comes to strategic raw materials.

As President von der Leyen put it: *"Let's make sure the future of industry is made in Europe."*

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