



**POLITICAL
INTELLIGENCE**

The Critical Raw Materials Act

How the EU plans to secure
supplies for manufacturers

By Matej Banovec

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Introduction

European Union legislators are pushing to introduce the Critical Raw Materials Act (CRMA) by the end of 2023, a key piece of legislation which aims to help Europe reduce its dependence on countries like China for the supply of materials that are crucial for a range of industrial sectors from renewable energy, to defence and health. With that goal in mind, representatives of the bloc's institutions started trilogue negotiations in September on a final text for the legislation which also promises to strengthen Europe's clean tech value chain and improve recycling of these critical materials.

This Dods EU Political Intelligence report provides an overview of the key elements of the proposed legislation and its objectives, the latest developments in the legislative process, and a selection of stakeholder views. The report is based on bespoke research produced by the author following a request from a Dods subscriber.

Responding to concerns about the supply of CRMs

European Union policymakers have had growing concerns about ensuring the unfettered supply of so-called critical raw materials (CRMs), materials that are vital for a range of European manufacturers, for some time. In 2008, the European Commission published a [Raw Materials Initiative](#) to address this issue, including plans to identify materials that were deemed to be crucial for the European economy and the risks associated with their supply. However, the problem has become more pressing in recent years as the EU's transition to a greener and more digital economy led to greater demand for and reliance on imports of certain raw materials, many of them coming from China, whilst the invasion of Ukraine highlighted Europe's unhealthy dependence on Russia for oil and gas.

In 2020, the Commission adopted a new [action plan](#) on critical raw materials as part of its [industrial strategy update](#). This highlighted the EU's increasing dependence on imports for many critical raw materials, as well as the risks this poses to strategic sectors like electronics, batteries, pharmaceuticals, aerospace, and defense. The plan proposed several measures to make supply chains more resilient and sustainable, including investing in resource exploration and extraction within the EU, fostering resource efficiency and recycling, and diversifying international suppliers.

Since then, the EU's three legislative institutions have continued to develop plans to tackle the issue. In November 2021, the European Parliament adopted a [resolution](#) on a European strategy for CRMs, pointing out that an integrated approach throughout the value chain was key to increased supply. In March 2022, the European Council published the [Versailles Declaration](#) saying the supply of CRMs should be secured to reduce the EU's strategic dependencies. A couple of months later in May 2022, the Commission put forward a legislative proposal on the supply of CRMs in the [REPowerEU Plan](#), which aimed to reduce Europe's dependence on Russian fossil fuels and accelerate the shift to renewable energy. Then in her [2022 State of the Union Address](#), Commission President Ursula von der Leyen announced plans for a European [Critical Raw Materials Act](#).

A few days later, on 30 September 2022, the Commission launched a [call for evidence](#) on the future act. The Commission said it aimed to put forward a package of regulatory and non-regulatory actions which would address: the poor diversification of EU supplies; the untapped potential of EU-based suppliers; weak monitoring and risk management capacity to



anticipate and prevent supply disruptions of CRMs; adverse social and environmental impacts of production of CRMs; insufficient support for circularity in the existing regulatory framework; and insufficient research and innovation in the EU.

In its [work programme for 2023](#), the Commission confirmed it would propose an EU Critical Raw Materials Act 'to ensure an adequate and diversified supply for Europe's digital economy as well as for the green transition – and prioritise re-use and recycling'. The legislation is also part of Pillar 1 of the Commission's [Green Deal Industrial Plan](#) for the Net-Zero Age.

Objectives and key measures

The CRMA aims to secure the supply of CRMs for European manufacturers to protect them from disruptions, price fluctuations, and geopolitical tensions, and decrease Europe's reliance on small numbers of external producers, including authoritarian regimes that might use their market dominance to exert influence in other areas. To illustrate how market concentration can expose the EU to supply risks, it gave various examples including that the EU sourced 97 percent of its magnesium and all heavy rare earth elements used magnets from China, and that 63 percent of the world's cobalt used in batteries is extracted in the Democratic Republic of Congo. The proposed legislation also supports Europe's circular economy ambitions by encouraging recycling and reuse of CRMs to minimize waste and maximize resource efficiency. By supporting the EU's transition to a climate-neutral and more digital economy, the proposal emphasizes the importance of a sustainable supply of raw materials for the development and deployment of clean technologies, renewable energy, and digital infrastructure.

The Act includes the following measures:

Listing critical raw materials

The proposal calls for the creation of a list of CRMs, which will be regularly updated to reflect changing market conditions and technological advancements. This list should serve as a basis for policy development and prioritization of actions to secure the supply of these materials. It would be developed using a comprehensive and transparent methodology that takes into account factors such as economic importance, supply risk, and environmental impact.

Developing a monitoring system

The proposal envisions the establishment of a monitoring system to track the supply and demand of CRMs, as well as identifying potential risks and opportunities. This monitoring system will collect and analyze data on the production, consumption, and trade of CRMs providing a comprehensive overview of the market dynamics and trends. The system will also serve as an early warning mechanism, alerting policymakers to potential supply risks and enabling them to take timely and appropriate action.

Encouraging investment in domestic production and processing of critical raw materials

The proposal seeks to stimulate investment in the domestic production and processing of CRMs by providing financial incentives and regulatory support. It suggests the use of financial instruments, such as grants, loans, and guarantees, to support investment in the exploration, extraction, and processing of CRMs. It also calls for the simplification and streamlining of



regulatory processes, as well as the provision of technical assistance and capacity-building support, to facilitate investment in domestic production and processing.

Promoting research and innovation in recycling and finding alternatives to critical raw materials

The proposal emphasizes the importance of research and innovation in developing new technologies and approaches for the recycling, reuse, and substitution of critical raw materials. It encourages the development of advanced recycling technologies that can improve the efficiency and cost-effectiveness of recycling processes, thereby increasing the availability of recycled materials. The proposal also supports research into the substitution of CRMs with more sustainable alternatives, which can help to reduce demand for scarce resources and mitigate supply risks.

Enhancing international cooperation and partnerships

The CRMA proposal recognizes the importance of international cooperation and partnerships in securing a stable supply of critical raw materials and promoting responsible sourcing practices. The Commission calls for the establishment of bilateral and multilateral partnerships with key producing countries, as well as the participation in international initiatives and forums, to facilitate dialogue and cooperation on critical raw materials issues, such as the [EU-US Critical Minerals Agreement](#). The proposal also emphasizes the need to promote responsible sourcing practices that respect human rights and environmental standards within the EU and in partner countries.

Legislative Process

At the time of writing, the CRMA proposal was under review by the European Parliament and the Council. The following key discussion points have emerged:

- The need for a comprehensive and transparent methodology for identifying CRMs, taking into account factors such as economic importance, supply risk, and environmental impact.
- The importance of striking a balance between securing the supply of CRMs and promoting responsible sourcing practices that respect human rights and environmental standards.
- The potential role of the European Investment Bank and other financial institutions in supporting investment in the domestic production and processing of CRMs

The Council adopted its negotiating position on 30 June 2023. It increased the proposed targets for the processing (to 50 percent from 40 percent) and recycling capacity (to 20 percent from 15 percent). The Council also added aluminium to the list of CRMs.

In Parliament, the file was allocated to the Committee on Industry, Research and Energy (ITRE). The Committee on the Environment, Public Health and Food Safety (ENVI) is associated under Rule 57 with exclusive and shared competences. The Committees on International Trade (INTA) and Development (DEVE) are also associated with shared competences. The Committee on Economic and Monetary Affairs (ECON) will give a "Rule 56+" opinion.

Nicola Beer (Renew, Germany) was appointed rapporteur in ITRE on 11 April 2023. Her draft report, released on 15 May, aimed to promote substitution and innovation in the CRM value



chains, streamline permitting procedures, and improve monitoring and governance at EU and national level. It also called for a reduction of the administrative burden for companies, incentives to attract the industries of the future to the EU, and fostering strategic partnerships. A total of 1172 amendments were tabled in ITRE (including the rapporteur's amendments). The vote in ITRE took place on 7 September 2023, and the Parliament adopted its position on 14 September.

The first trilogue talks between representatives of the Commission, Parliament, and Council took place on 20 September, with participants keen to find an agreement by the end of the year.

Stakeholder reactions and feedback

A range of stakeholders have commented on the CRMA since it was put forward in March 2023. In a statement following its announcement, the [EPP Group](#) stated: "Since the beginning of this mandate, the focus has mostly been on the 'Green' aspects but not so much on the 'Deal' aspects of the Green Deal. Today's proposals are welcome and move us towards a more strategic approach. We need faster and more flexible planning and permit procedures but also more policy coherence and coordination on the wider climate and environmental agenda ... the Raw Materials Act will help to make us less dependent on third countries".

The [Greens/EFA](#) called for development of key strategic industries as a competitive advantage for the EU: "We absolutely need critical raw materials in the European Union for the ecological transition, while avoiding our dependence on dictators and authoritarian regimes. But we also need to avoid harm to workers and the planet as a result of the extraction of raw materials... That is why a primary focus on the circular economy, a reduction in the demand for raw materials, an update of the mining legislation and the preservation of protected areas should be key components of the new raw materials act."

BusinessEurope initially called for improvements to the CRMA. However, in a [statement](#) on 14 September 2023, the group's director general, Markus J. Beyrer, welcomed the support for timely permitting processes, the reduction of red tape for companies and the focus on enhancing partnerships with trading partners. "We now call on the co-legislators to work at full speed in the coming months and ensure that the CRM Act makes the EU a stronger commodity player by boosting the supply of critical raw materials," he said.

Please find a compilation of early stakeholder reactions [here](#). A compilation of stakeholder reactions to the votes on the CRMA in Parliament in September 2023 is available [here](#).

Dods Consultant Comment

"The CRMA reflects the EU's effort to secure the supply of crucial materials for European industry and strengthen the circular economy within the bloc. It aims to address the EU's existing vulnerability to supply disruptions and price volatility of materials that are essential for the green and digital transition. If implemented effectively, the measures in the proposed legislation could help reduce Europe's reliance on small numbers of foreign suppliers, thereby also lowering the risk these countries could use their market dominance to exert influence elsewhere. However, there are still open questions around the methodology for identifying CRMs without making the list overly long, balancing supply security with responsible sourcing practices, and the role of financing mechanisms, including a possible Critical Raw Materials Fund. The co-legislators will



need to address these issues to develop an optimal policy that can ensure a stable and sustainable supply of CRMs for the EU's strategic needs.”

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