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European Critical Raw Materials Act (CRMA)

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Background

Background for the CRMA

- Critical raw materials are pivotal for the EU's green and digital transitions
- Demand for some of these strategic raw materials is expected to rapidly increase in the coming decades
- Europe relies heavily on imports, often from a single third country
- Raw materials such as cobalt, lithium have become a geopolitical factor on the back of the conflict in Ukraine and China's industrial policy
- Countries like China, Japan, the United States or South Korea have taken steps to secure their supplies, to process and refine CRMs in order to reduce their strategic dependencies



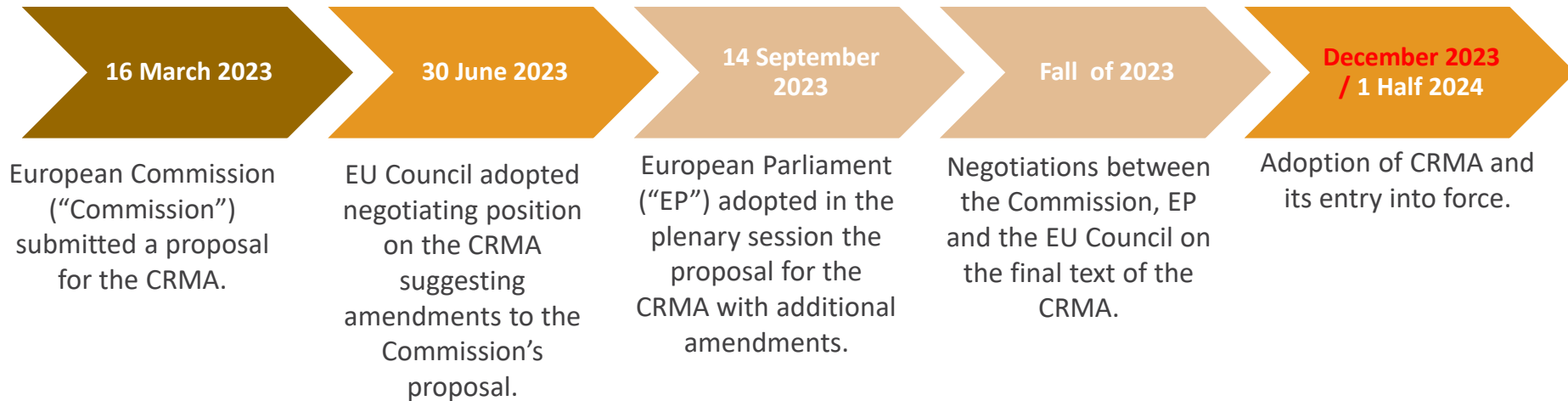
3 pillars of the CRMA

1. Developing the critical raw materials value chain in the EU

2. Boosting the diversification of supply and partnering in a mutually beneficial manner in support of global production

3. Fostering sustainable sourcing and promoting circularity

Rolling-out of the CRMA



EU's strategic and critical raw materials

- In order to ensure that support measures focus on the most relevant materials, the CRMA establishes a list of **Critical Raw Materials ("CRMs")** and of **Strategic Raw Materials ("SRMs")**:
 - A list of **17 SRMs** includes raw materials that are of high strategic importance, taking into account their use in strategic technologies.
 - A list of **34 CRMs** includes all SRMs as well as any other raw materials of high importance for the overall Union economy and for which there is a high risk of supply disruption..
- The relevant CRMA's measures under the Strategic Project status will apply only to SRMs.

The proposed 34 critical raw materials, including 17 proposed strategic raw materials



Blue hexagons: New CRMs – not on the 2020 list – are in blue.

B SRMs are in bold.

Note: b.g. stands for battery grade; (*) rare earth elements for magnets (neodymium, praseodymium, terbium, dysprosium, gadolinium, samarium and cerium) are SRMs.

New SRM added by the Parliament in September.

Developing the strategic raw materials value chain in the EU

- CRMA aims to ensure that, **by 2030**, EU capacities for each strategic raw material have significantly increased reaching the following benchmarks (not mandatory):
 - EU extraction capacity is able to extract the ores, minerals or concentrates needed to produce **at least 10%** of the EU's annual consumption of strategic raw materials.
 - EU processing capacity, including for all intermediate processing steps, is able to produce **at least 50%** of the EU's annual consumption of strategic raw materials; **up to 20%** of the EU's new processing capacity might be developed under strategic partnerships in emerging markets and developing countries.
 - EU recycling capacity, including for all intermediate recycling steps, is able to produce **at least +10%** volume of recycling capacity based on the 2020-2022 baseline for each strategic raw material to, at least collect, sort and process **45%** of each strategic raw material contained in the Union's waste.
- These benchmarks and values are to be promoted under the “**Strategic Projects**” framework.

Diversification of supply

- **CRMA aims at diversifying EU's imports of strategic raw materials** with a view to ensure that, by 2030, the Union's annual consumption of each strategic raw material at any relevant stage of processing can rely on imports from several third countries.
- No single country provide **more than 65%** of the Union's annual consumption, while priority should be given to decrease dependency on **non-reliable partners** that do not share Union values, respect for human rights, democracy and rule of law.
- Draft CRMA specifically singles out **China** stating that dependencies on supplies from China *"increase the EU's vulnerability and security risks"*.

Sustainability



- CRMA requires that new raw materials projects should be implemented **sustainably**, in terms of ensuring environmental protection including marine and coastal environment, socially responsible practices, including respect for human rights such as the rights of women and children, as well as transparent business practices.
- Compliance with relevant EU legislation, international standards, guidelines and principles or **participation in an environmental certification scheme** recognized under this Regulation should be considered sufficient.
- Strategic projects should avoid the use of fossil fuels through the integration of **renewable energy sources**, reducing waste, and utilizing sustainable water usage practices.

Sustainability

- Sustainability requirements:

*the project would be implemented sustainably, in particular as regards the monitoring, prevention and minimisation of **socio-environmental and climate impacts** including but not limited to water, air and soil, the use of **socially responsible practices** including respect of human, indigenous peoples' and labour rights, quality jobs potential and meaningful engagement with local communities and relevant social partners, and the **use of transparent business practices** with adequate compliance policies to prevent and minimise risks of adverse impacts on the proper functioning of public administration, including corruption and bribery as set out in Annex III*

Strategic Projects under the CRMA

- Strategic Projects is the key tool used in the CRMA to accomplish its objectives.
- A Strategic Project would make a meaningful contribution to the security of the Union's SRM supply by increasing supply of SRMs or of strategic technologies through the substitution of any of the SRMs.
- Strategic Projects should be flagship projects in terms of technological innovation and sustainability.
- To ensure the development of Strategic Projects across the Union, such projects should benefit from **streamlined and predictable permitting procedures** and **support in gaining access to finance**.



Strategic Projects in Third Countries

- In order to diversify the Union's supply of strategic raw materials, the Commission will, with the support of the European CRMs Board, and in cooperation with like-minded partners, identify **Strategic Projects in third countries** and in the overseas countries and territories that intend to become active in the extraction, processing or recycling of strategic raw materials.
- To ensure that such Strategic Projects are effectively implemented, they should benefit from **improved access to finance** and **de-risking mechanisms for investment**.

Recognition of Strategic Projects under the CRMA

- **Strategic Projects will be selected based on the following criteria:**
 1. Contribution to the **security of the EU's supply of SRMs**.
 2. **Technical feasibility** of the project within a reasonable timeframe and the expected production volume of the project can be estimated with a sufficient level of confidence.
 3. Project is implemented **sustainably**.
 4. For projects in the EU: project has **cross-border benefits beyond the Member State concerned**, including for downstream sectors.
 5. For projects in third countries that are emerging markets or developing countries: project includes **only projects with like-minded partners**, is operated under a **sustainability certification scheme on raw materials** recognized by the Commission, is mutually beneficial for the EU and the third country concerned and contributes to the development of the country economy and downstream industries.

Application for recognition as a Strategic Project

- Applications for recognition of a raw material project as a Strategic Project will have to be submitted to the Commission.
 - for projects in third countries, application should provide evidence that at least 40% of its ownership is based in the EU or in the partner country.
- The Commission will assess the fulfilment of the recognition criteria and can prioritize the processing of applications for projects active on specific stages of the value chain.
- The European CRMs Board will issue an opinion on the application. If a Member State whose territory was concerned by the proposed project maintained an objection during this process, the project would not be considered for the status of Strategic Project. The Commission would have to adopt its decision within 60 days.

Streamlined and predictable permitting procedures for Strategic Projects

- Project promoters will interact with a single national competent authority designated by Member States (“**one stop shop**”) which is responsible for facilitating, coordinating and streamlining the entire permit granting process.
- Strategic Projects in the Union shall be granted the status of the highest national significance possible, where such a status exists in national law, and be treated accordingly in the permit granting processes. For Strategic Projects, national authority shall issue a comprehensive decision within the applicable time limit:
 - For Strategic Projects involving only processing or recycling, the length of the permit granting process should not exceed **1 year**.
 - For Strategic Projects that involve extraction the length of the permit granting process should not exceed **2 years**.
- Required **environmental assessments and authorizations** required under EU law will be streamlined.
- Project promoters shall be allowed to submit all documents relevant to the permit granting process in **electronic form**.

Improved access to finance

- The Commission, Member States and promotional banks aim at **better coordinate and create synergies** between the existing funding programs at Union and national level as well as ensure better coordination and collaboration with industry and key private sector stakeholders.
- When discussing and making recommendations for the financing of Strategic Projects in third countries including emerging markets and developing countries, the Commission, in cooperation with the potential partner countries should make **Strategic Projects a priority under the Global Gateway strategy** (the EU's global investment contribution program), and coordinate with national and international development finance institutions.
- The Commission insists on ample possibilities to support investments along the CRMs value chain through **State aid**.
- The Commission will consider the possibility of setting up **a dedicated fund at Union level**, for example in the form of a European Fund for Strategic Raw Materials, and will consider revolving instruments, or earmarking of financial support through reprioritization of funds under the Multiannual Financial Framework.
- The European Investment Bank should, in agreement with the European CRMs Board, the Commission and the Member States, explore setting up an **EU Export Credit Facility** that enables Union undertakings to invest in projects that contribute to achieving the targets set in the CRMA.

Coordination of access to finance

- The Commission and the Member States as well as the local and regional authorities concerned will undertake activities to accelerate and facilitate private investments in Strategic Projects.
- The sub-group of the European CRMs Board will, at the request of a project promoter of a Strategic Project, **discuss and advise on how the financing of its project can be completed** and issue recommendations on future resources and funding instruments, taking into account the funding already secured and considering at least the following elements:
 - a. additional private sources of financing as well as support through resources from the European Investment Bank Group or other international financial institutions, including the European Bank for Reconstruction and Development, with a particular focus on the Global Gateway Initiative for Strategic Projects outside of the Union;
 - b. existing Member State instruments and programs, including from export credit agencies, national promotional banks and institutions;
 - c. relevant Union funding and financing programs.

Strategic Stocks

- Strategic stocks are an important tool to mitigate supply disruptions.
- CRMA envisages an information gathering concerning existing strategic stocks.
- As a second step, based on the information acquired, the CRM Board should indicate a safe level of EU stocks.
- Based on the CRM Board views, Commission, may issue non-binding opinions to Member States encouraging them in building up their strategies stocks, while avoiding distortion of the market including at the expense of emerging markets and developing countries
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Joint purchasing mechanism

- Many markets for strategic raw materials are not fully transparent and are concentrated on the supply side, which increases the negotiating power of sellers and increases prices for buyers.
- To help lower prices for EU companies, CRMA mandates the Commission to set up a system that is able to aggregate the demand of interested buyers.
- In developing such a system, the Commission should take into account experience gained in similar endeavours, in particular regarding the joint purchasing of gas.
- Member State authorities should also be able to participate in this system in order to build up their strategic stocks.



Environmental Footprint

- The production of critical raw materials at different stages of the value chain causes climate and environmental impacts, notably on water and biodiversity.
- In order to limit such damage and incentivise the production of more sustainable critical raw materials, CRMA empowers the Commission to develop by 2026 a system for the calculation of the environmental footprint of critical raw materials, including a verification process, to ensure that critical raw materials placed on the Union market publicly display information on such footprint.
- Any natural or legal person that places on the market critical raw materials for which the Commission has adopted calculation and verification rules will have to make available an environmental footprint declaration.

EU engagement with resource-rich countries

- **EU Global Gateway strategy:** plays a central role in supporting the EU's actions under the partnerships with third countries on critical and strategic raw materials value chains.
- **EU's Critical Raw Materials Club:** by end of this year the Commission is set to convene the first meeting of the club for like-minded countries willing to strengthen global supply chains.
- **Mineral Security Partnership (MSP):** dozen of projects were unveiled pursuing to secure metals for electric vehicle batteries with the aim of easing dependence on China.
- **EU Member States bilateral agreements:** e.g., only between September and October 2023 France entered into raw materials cooperation with Australia, Canada and Mongolia.
- **EU-US Critical Minerals Agreement (CMA):** the EU continues to pursue negotiations with the US on their Critical Materials Agreement.

Focus on EU-US CMA

CMA is expected to contain the following provisions:

- Ensure that the EU is granted the **equivalent status of an FTA partner** under the provisions of the IRA so that critical raw materials extracted or processed in the EU can be used in vehicles eligible for the US' Clean Vehicle Credit subsidies;
- Make the critical raw material sector more sustainable by encouraging high **environmental protection, international technical standards and circular economy** approaches;
- Promote **labor rights** in the critical raw materials sector;
- Strengthen **sustainable and equitable supply chains** through common standards, working together with allies and partners.



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