

## The Critical Raw Materials Act: a patchwork of measures for supply security

The EU's Critical Raw Materials Act (CRMA) aims at a secure supply of key raw materials which are important economically and carry a high supply risk. A selection of 34 raw materials is identified as critical, for example lithium, aluminium and rare earths. The Act comprises a mix of measures from different policy areas: the prioritisation of projects identified as "strategic", the support of extraction in the EU, strategic partnerships with third countries, and additional measures for more recycling – including strict requirements for permanent magnets. For mechanical engineering, the CRMA has three main points of direct relevance. First, the increased acceptance of extraction as an opportunity for technology providers in the mining value chain. Second, companies using permanent magnets will have to comply with a scheme for transparency and recycled content. And third, a few bigger companies active in critical sectors are obliged to conduct a risk assessment of their supply of critical raw materials.

### Part of EU's green industrial policy

The CRMA is part of the Green Deal Industrial Plan (GDIP) presented in February 2023, triggered by the Inflation Reduction Act in the USA. This plan responds to growing concerns about the economic competitiveness of the EU's Green Deal and aims at improving the EU's industrial capacity for manufacturing the clean technologies that are needed for the green transition. The role of the CRMA in the GDIP is to ensure the supply of materials for the manufacturing of products such as wind turbines, batteries, photovoltaics and electric vehicles – which are currently often heavily dependent on concentrated sources in a limited number of regions.

### Setting targets

The CRMA sets benchmarks for the EU's value chain resilience. By 2030, the EU should be able to supply 10% of its critical raw material needs and refine 40% of these materials; 25% of the raw material needs should be met by recycling. It also sets the benchmark that supply from any single third country - while considering free trade agreements and partnership status - should be limited to 65% of the Union's annual consumption. To achieve this, the CRMA refrains from direct allocation of subsidies, for example for direct support for domestic mining. It also avoids direct diversification obligations or stockpiling requirements for companies but obliges bigger companies in sectors such as battery production, robotics, hydrogen, renewable energy, traction motors, additive manufacturing or microchips to carry out a supply-risk assessment.

### Supporting „strategic projects“

At the core of the CRMA's industrial policy approach is the concept of prioritising "strategic projects", which should benefit from accelerated permitting procedures – for example, permit processing for extraction projects must not last more than 27 months – and privileged support for access to financing. To be recognised as a "strategic project", the promoter of the raw material project should submit the request to the EU Commission, which assesses the project and submits it to the affected member state, which can object to the project.

## Recycling: homework for users of permanent magnets

To reach the recycling target of 25%, the CRMA proposes several elements: First, a list of measures for member states, ranging from promoting waste prevention to increasing the use of secondary materials. Secondly, reporting obligations for operators and member states in the field of extractive waste. Third, and most important for mechanical engineering, it provides for a specific recycling regime for manufacturers of products which might contain permanent magnets – for example wind energy generators, industrial robots, motor vehicles, electric motors or heat pumps. As a first step, a label must indicate whether the product contains permanent magnets and if so, what type of permanent magnets are used. Furthermore, a data carrier should facilitate access to information on the weight, location, chemical composition, and on how to access and remove the magnet. In a second step, information on the recycled content of substances (such as neodymium, dysprosium, praseodymium, terbium, boron, samarium, nickel and cobalt) must be made available. Finally, at the latest by 2031, minimum shares of recycled content will become mandatory for some products. Details and product groups will be laid down in implementing and delegated acts by the EU Commission.

## International cooperation through strategic partnerships

The CRMA also envisages the promotion of strategic resource partnerships with third countries. This topic, among others, will be discussed in a newly established European Critical Raw Materials Board, composed of member states and the EU Commission. It will examine if existing partnerships achieve their aims, identify candidates for new partnerships and their possible contents, and if there are consistency and potential synergies between member states' bilateral cooperation with relevant third countries. Moreover, "strategic projects" can also be located outside the EU. In this way, a link to the 2020 Action Plan on Critical Raw Materials and the Global Gateway Initiative is established.

## A patchwork of measures

With the CRMA, the EU recognises the strategic importance of raw materials. The triad of promoting raw material extraction, processing and recycling is the right one and it is good to raise the ambition here. The CRMA, however, risks being an incoherent raw material strategy for the EU. It contains a patchwork of measures – setting targets, monitoring, accelerating permits, recycling measures – which differ in level of detail and are not integrated.

## Higher priority for free trade

The VDMA is convinced that securing the supply of raw materials is a basic and important corporate responsibility. Companies must decide for themselves which strategies and measures they use to secure their supply of raw materials. It is, however, evident that the supply of raw materials has a geopolitical component which cannot be addressed by individual business strategies alone. Public authorities need to shape the framework for access to raw materials. Against this background, the CRMA heads in the right direction, but we call for giving more weight to the diversification of supply chains by means of free trade agreements and international partnerships such as a Critical Raw Materials Club or the Global Gateway Strategy.

## Simplify and harmonise regulation

We highly welcome a streamlining of procedures for planning and approvals of raw material projects. This should, however, not be limited to only a few selected "strategic projects". Otherwise, projects not classified as "strategic" may suffer from a further delay because administrative resources focus primarily on "strategic projects". Simplifying and harmonising regulation as well as cutting red tape must be realised across the board. Moreover, new corporate reporting requirements regarding recycling and mandatory risk assessments of raw material supply chains may create new regulatory burdens. When laying down further provisions, the EU Commission must avoid as much as possible new administrative costs, barriers, and certification requirements.

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