



Council of the  
European Union

Brussels, 2 May 2023  
(OR. en)

8863/23

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**Interinstitutional File:  
2023/0079(COD)**

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**COMPET 380  
IND 202  
MI 348  
POLCOM 72  
WTO 58  
RELEX 519  
RECH 154  
CODEC 739**

**NOTE**

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| From:    | Presidency                                                                                                                                                                                                                                                                     |
| To:      | Permanent Representatives Committee/Council                                                                                                                                                                                                                                    |
| Subject: | Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a framework for ensuring a secure and sustainable supply of critical raw materials and amending Regulations (EU) 168/2013, (EU) 2018/858, 2018/1724 and (EU) 2019/1020<br>- Policy debate |

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Delegations will find attached a Presidency note on the "Proposal for a Regulation of the European Parliament and of the Council establishing a framework for ensuring a secure and sustainable supply of critical raw materials and amending Regulations (EU) 168/2013, (EU) 2018/858, 2018/1724 and (EU) 2019/1020", with a view to the policy debate at the Competitiveness Council on 22 May 2023.

**Presidency note for the policy discussion on the Critical Raw Materials Act  
at the COMPET Council on 22 May**

The EU has embarked on a journey to become climate neutral by 2050 the latest. To achieve this goal, the EU needs to develop and produce a wide range of net-zero technologies that require critical and strategic raw materials (CRMs and SRMs). CRMs and SRMs are at the beginning of many industrial supply chains. They are not only needed for the green and digital transitions but also to enhance the EU's long-term competitiveness and to maintain our resilience and security. These raw materials are also indispensable to strategic sectors, such as health, space, and defence. Supply chain disruptions may have significant adverse consequences for EU industry and security and for achieving the EU's political objectives.

The demand for CRMs has never been higher. Due to massive global investment in clean technologies, the digital transformation and increased defence needs in light of Russia's invasion of Ukraine, the demand is expected to skyrocket in the coming years. The total global mineral demand will increase between two- and fourfold in the next 20 years, and the demand for battery-related raw materials such as lithium is set to rise up to 42 times current levels. Moreover, the demand for rare earth metals, such as neodymium, dysprosium and praseodymium, needed to manufacture permanent magnets – which, in turn, are used, for example, in wind turbines and electric vehicles – is estimated to increase by approximately 250% during the period 2020–2030.

Today, the EU is heavily import dependent on CRMs. The global production of CRMs is highly concentrated in a few countries in the world. For instance, the EU is heavily dependent (over 90%) on China for light rare earth elements and heavy rare earth elements, gallium, and magnesium. Moreover, of the EU's demand for permanent magnets, 98% is met by Chinese imports. The EU is also heavily dependent on a few countries for the processing and refining of raw materials, for instance China controls 56% of the global capacity for refined lithium and 58% for refined manganese, 63% of the world's cobalt used in batteries is extracted in the Democratic Republic of the Congo while 60% is refined in China. South Africa provides 71% of the EU's needs for platinum group metals, and Turkey provides 98% of the EU's supply of borate. Some of these countries do not share European values or live up to European environmental, social and governance standards. This underscores the need for looking for different forms of cooperation and for enhancing EU trade relations with reliable partners, for example through free trade agreements or strategic partnerships.

CRMs have become a pawn in a geopolitical game in which the EU needs to be a major player. It is evident that there is a need to diversify the sources of CRMs and ensure security of supply in order to benefit EU industry and guarantee that the EU will be able to meet its climate and digital objectives as well as its defence needs. To this end, the EU needs to focus on diversifying its imports, but also on strengthening its own capacity when it comes to extracting, processing, and recycling critical raw materials.

Despite having large deposits and operating mines, the EU is a minor player in the extraction, processing, and recycling of CRMs and SRMs. The recycling rate for many raw materials is less than 1%. The EU has geological potential, but, in general, Europe is underexplored for many reasons, an extensive regulatory burden being one of them. For instance, only about 2% of global investment in exploration goes to EU Member States. This is an area of untapped potential. Since 2018 the European Commission, together with Member State representatives (members of the EU Raw Materials Supply Group), has collected information on CRM projects. Currently the database contains reserves and resources data from 22 countries on 26 CRMs and seven additional raw materials. The main bottleneck for initiating EU extraction projects is the lengthy, fragmented, unpredictable permitting processes. Furthermore, investment is hampered by the insufficient exploration of European mineral resources, inconsistencies between environmental and investment-promoting policies and low public acceptance of mining.

To address these issues and to ensure the EU's secure, diversified, and sustainable supply of CRMs, the European Commission presented on 16 March a Communication and Regulation on critical raw materials. The external policy dimension is largely addressed by the Communication, while the Regulation addresses internal market and industrial dimensions.

The Critical Raw Materials Regulation (CRMA) is based on four pillars. First, it proposes to include the critical raw materials list and a new strategic raw materials list under the framework of the Regulation and therefore codifying them in law. At the same time, the Regulation proposes benchmarks to improve capacities for the extraction, processing, and recycling of CRMs in the EU and to guide diversification efforts. Second, the Regulation proposes new measures to strengthen European critical raw materials capacities along the entire value chain, such as a new framework to select and implement strategic projects, which can benefit from streamlined permitting, and sets out national requirements to develop exploration programmes in Europe. In addition, Member States are required to provide all critical raw materials projects with a one-stop shop for all relevant permits. The Regulation also proposes a set of measures to increase the recycling and recovery of CRMs to secure European capacities. Third, the Regulation sets out actions to improve EU preparedness and mitigate supply risks. Lastly, a common governing structure will be set up in the form of a board that will advise and coordinate the implementation of the measures laid out in the Regulation and discuss the EU's strategic partnerships with third countries.

A challenge for the mining industry is that the location of bedrock deposits is the result of geological processes, and therefore mineral deposits cannot be relocated unlike other industrial activities. There are always competing interests when proposing a new mine or conducting exploration. For the CRMA to reach its goals, it needs to strike the right balance between different, sometimes conflicting, interests, thus allowing increased EU production while upholding high environmental standards. The mitigation of any adverse impacts – environmental or social – is equally important for projects in third countries.

Ministers are invited to exchange views on the following questions:

- Are the measures proposed in the CRMA sufficient to achieve the ambition of strengthening EU extraction, processing and recycling capacity as set by the Commission?
  - Does the Commission proposal provide the right balance between competing interests, for instance between environmental standards and the need for increased EU extraction, processing, and recycling of CRMs and SRMs?
  - How can we increase social acceptance of mining in the EU Member States?
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