

On March 16th the EU unveiled its Critical Raw Materials Act in a bid to secure the resources needed for technologies such as renewable energy and battery power. The act aims to make the EU more self-reliant in mining, processing and recycling a list of 34 critical metals and minerals, to shield the region from the impact of increasing international competition for these resources. It would require the EU to increase domestic production as well as limit the sourcing of critical minerals from third countries by 2030. However, the EU will find it difficult to meet the targets set out by the Act, whose passage will not substantially improve supply-chain resilience for the region.

According to the Act, at least 10% of the EU's annual consumption of mined strategic minerals must be sourced domestically; moreover, 40% of processed strategic materials and 15% of its recycled strategic materials must also be domestically produced. In addition, the EU aims to diversify its global supply of minerals so that no more than 65% of its annual consumption of each strategic raw material - at any stage of processing - should come from a single third country.

Under the legislation, EU member states are expected to develop national programmes for exploring their geological resources. Projects deemed as "strategic" will benefit from access to financing opportunities as well as a shorter wait for permits -two years for mining projects and one year for processing and recycling. The EU also aims to increase its bargaining power by forming partnerships or "Critical Raw Materials Clubs" with countries with which it is on good terms, such as Canada and Australia. Canada has processing know-how, especially for rare earths, while Australia has reserves of lithium and rare earths. Lynas, an Australian company, is the only Western company that mines rare earths.

Processing may take off in the EU, but mining will remain a challenge

Despite the provision of the Act, the EU will face several challenges in achieving its target of mining at least 10% of strategic minerals within the bloc. Sweden, Finland and Portugal are the most likely locations for new mines, but all three are likely to face their own legislative barriers. Long lead times for mining investment and approval will make it hard to ramp up output quickly enough to meet demand.

In Sweden, where a large rare-earth deposit was recently discovered, the government-owned **Luossavaara-Kiirunavaara Aktiebolag** (LKAB) plans to apply for an exploitation concession in late 2023. However, the amount of oxides in the reserve is reportedly quite low (only 0.18%), which could make it more difficult to secure a permit. With demand for batteries soaring, Sweden will also come under pressure to increase output from Europe's only graphite mine. Owned by Australia's Talga, the mine took ten years to secure a production licence.

Finland, on the other hand, has amended its mining laws, giving local residents greater control over the permissioning of new mining areas. This could limit access to the country's rich supplies of nickel and cobalt. In Portugal, which has vast amounts of lithium reserves, the government has given permits to six different sites but there is still substantial local opposition to new mining activities.. Protests have stalled the auctions of mining permits even as environmental impact studies are carried out. Portugal is Europe's top lithium producer and accounts for about 11% of the global market, but its lithium is currently used entirely to make ceramics and glassware.

While mining faces legal challenges, processing capacity across Europe is also limited. LKAB plans to develop its own processing facilities if it secures a permit for its rare earths mine in Sweden. At the moment, however, Estonia has the only rare-earth processing facility in Europe. It is run by Neo Performance Materials (NPM), a Canadian company, which also plans to construct a magnet factory and R&D centre. While the company will invest €81.25m in the venture, the Estonian government plans to invest €18.75m via the EU's Just Transition Fund. The European Raw Materials Fund will need to direct more investment into Estonia to help its development into a processing hub for [rare earths](#). More partnerships with Australia and Canada would also be helpful.

Diversifying the supply chain is another significant barrier

Sourcing minerals from outside the EU will come with its own problems, given tightening regulation across the bloc over supply chain monitoring and the requirement for environmental, social and governance (ESG) criteria. There is currently no standardised way to know whether minerals sourced from outside the EU have been responsibly mined. Moreover, competition for international resources is intense, and not just from major powers such as [China](#) and the US. Many mineral-rich, developing nations also want to use their own mineral resources in order to develop their own renewables, electric-vehicle and electronics sectors. One example is [Indonesia](#), which has banned nickel exports and plans to ban bauxite exports as well. This may impede the EU from diversifying its sources of critical minerals, particularly if legislation prevents it from relying on a single source.

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Source: Economic Intelligence