

# Critical Raw Materials Act and its implementation: Let The Hunt Begin

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The EU is heavily dependent on imports of critical raw materials from third countries, and with the growing transition to a digital economy and the increase of environmental concerns, this dependence makes supply chains vulnerable and therefore susceptible to better and more efficient regulation.

In an attempt to address this issue and providing specific dates since its first draft (see our latest Briefing [here](#)), the Critical Raw Materials Act (**CRMA**) has entered into force on May 23rd, 2024, establishing a framework for ensuring a secure and sustainable supply of critical raw material for the EU's industry.

## Clear Priorities for Action

The CRMA defines priorities and sets clear objectives to strengthen the EU raw materials value chain. To this end, the CRMA identifies the raw materials that are of high importance to the EU, or even on which the EU depends, and classifies 34 as critical raw materials (see Art. 4 and Annex 2 of the CRMA, e.g. cobalt, magnesium and phosphorus) and 17 of which that are strategic (see Art. 3 and Annex 1 of the CRMA, e.g. aluminium, copper and lithium). It will be up to the Commission to re-examine and update this list by May 24th, 2027, and every 3 years thereafter.

As far as strategies are concerned, the CMRA sets benchmarks for the EU, foresees the creation of a strategic projects regime, and improves monitoring and risk mitigation, always ensuring that sustainability is a priority.

The CRMA also establishes the creation of a European Critical Raw Materials Board (the **Board**), composed of EU member states and the Commission to advise on and coordinate the implementation of the measures set out in the CRMA and discuss the EU's strategic partnerships with third countries.

## Benchmarks

The CRMA, with the aim of strengthening the different stages of the value chain for strategic raw materials, sets several ambitious benchmarks for the EU to achieve by 2030, maintaining what was previously defined in the draft. To this end, by improving the extraction, transformation, and recycling capacities of strategic raw materials in the EU, CRMA aims to achieve the following:

- EU extraction capacity of at least 10% of the EU's annual consumption of strategic raw materials;
- EU processing capacity of at least 40% of the EU's annual consumption of strategic raw materials;
- EU recycling capacity of at least 25% of the EU's annual consumption of strategic raw materials;
- Not more than 65% of the Union's annual consumption of each strategic raw material relies on a single third country for any relevant stage of the value chain.

## Strategic Projects

To strengthen the EU's domestic capacities, the Commission will work with the Board to identify strategic projects along the value chain. These will benefit from streamlined, faster and more efficient authorisation procedures and easier access to financing. Strategic projects also include those that enable the production of materials that replace strategic raw materials. Furthermore, the law ensures that efforts to build secure and sustainable value chains for critical raw materials through strategic projects in the EU or in third countries are carried out in compliance with high environmental, social and governance standards.

The Commission can also support projects both in third countries and in overseas countries and territories by granting benefits, such as better access to funding, for example through access to investment risk reduction mechanisms.

Any project promoter of a strategic project should be able to apply to the Commission for the recognition of their project as a Strategic Project. However, all projects must comply with the entitled 'EU principles for sustainable raw materials', such as ensuring environmental protection, the use of socially responsible practices, including the respect for human rights, and transparent business practices.

Applications must be submitted **until August 22nd, 2024, at 12:00 (noon) Central European Time** through the form available on the European Commission website [here](#).

## Risk Monitoring and Mitigation

From 2026 onwards Member States will submit annual reports on their stocks of strategic raw materials. The Commission will then monitor supply risks and carry out stress tests, and based on those reports, coordinate the maintenance of a secure level of the strategic stocks.

It is also worth mentioning the Commission's intention to create a system of joint purchasing, with the main aim of aggregating demand from interested companies within

the EU that consume strategic raw materials to match that aggregated demand, and therefore preventing shortages. This measure is especially important for strategic technologies such as space and the defense industry.

Also, in a clear concern for sustainability, the CRMA defines that each EU Member State should implement national programs containing measures aimed at 'moderating' the increase in consumption of this type of raw material. Accordingly, companies should be encouraged to improve their technology and foster the circulation of raw materials (or products that use them), through reuse, repair and/or transformation.

## **In a Nutshell, What Are Companies Facing?**

Combining the benchmarks, the Strategic Projects regime, and the risk monitoring and mitigation, how CMRA will affect companies?

By May 24th, 2025, and within 12 months of each update of the list of strategic raw materials, EU Member States must identify their 'large companies' that use those materials for:

*Manufacture of batteries for energy storage and e-mobility, equipment related to the production and use of hydrogen, equipment related to the production of energy from renewable sources, aircraft, traction motors, heat pumps, equipment related to data transmission and storage, mobile electronic devices, equipment related to additive manufacturing, equipment related to robotics, drones, rocket launchers, satellites and advanced chips.*

These companies must carry out a risk assessment of their supply chain for strategic raw materials by conducting a mapping of where the strategic raw materials they use are extracted, processed, or recycled, but also by analyzing the factors that could affect their supply and assessing the vulnerabilities of that supply.

This last aspect is particularly relevant because, if a company detects significant supply vulnerabilities, it must make efforts to mitigate them, namely by assessing the possibility of diversifying its supply chains or substituting raw materials.

However, despite companies having to report their risk analysis to their Member States, this information is to be carried out for strictly internal Member State purposes, not being of public overall access.

Therefore, especially companies that purchase or process raw materials, covered by the CRMA, must be prepared for its new regime. Moreover, companies must be aware of the interplay between CMRA and other existing legislation, especially in Germany (e.g., *LkSG*), since they complement each other, and companies must fulfill both - if they fall within the scope of each Act.

## Key Takeaways

The CRMA provides a comprehensive framework to better equip EU Member States and companies dealing with raw materials to adapt to the new realities of potential shortages and increasing global competition.

Companies must carry out a risk assessment of their own supply chain for strategic raw materials, defining where they are extracted, transformed and recycled. Also, and therefore helping the EU achieve the established benchmarks, companies must be prepared to reuse, repair and/or transform the acquired strategic raw materials.

It remains to be seen how each EU Member State, and Germany in particular, will implement the CRMA, but by November 24<sup>th</sup>, 2026, Member States shall already have laid down rules on effective, proportionate and dissuasive penalties to be applicable to infringements of the CRMA.

BLOMSTEIN will follow further developments regarding the adoption of the CRMA and, particularly, its implementation in Germany. Roland Stein, Florian Wolf and Leonard von Rummel will be pleased to answer any questions you may have about the potential impact on your company or industry.

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