



NEW ZEALAND  
FOREIGN AFFAIRS & TRADE  
Manatū Aorere

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# EU – Securing the Supply of Critical Raw Materials

MARKET INTELLIGENCE REPORT

# Summary

- Ensuring the secure and sustainable supply of [critical raw materials](#) (CRMs) is a central part of the European Union's long-term green and digital transition goals, and for achieving increased capability in the defence and aerospace sectors.
- The EU's new [Critical Raw Materials Act](#) (CRMA), alongside the related Net Zero Industry Act, are the EU's flagship regulations to deliver on these aims with demand for CRMs expected to increase tenfold in the next decade.
- Global CRM production is concentrated in a few supplier countries. To mitigate supply chain risk, the EU plans to boost its own production and investment into CRMs while at the same time diversifying its supply through CRM-focussed agreements with new supplier countries.
- CRM deals are already in place with Canada, Norway, Argentina, the Democratic Republic of Congo, Namibia, Kazakhstan, and most recently, Australia.
- Outside the EU, the United Kingdom, United States, South Korea, and a number of other countries are at various stages of implementing their own CRM strategies.

# Report

## Diversifying the supply of critical raw materials in the EU

To achieve the Paris Agreement's climate goals, the International Energy Agency estimates that **global demand for critical raw materials (CRMs) will quadruple by 2040**. At the same time, global supply remains unevenly distributed. For instance, in 2022 Australia dominated global lithium production, accounting for around 52%, followed by Chile and China which made up around 25% and 13% respectively. For critical rare earth elements, China extracts over 60% and refines nearly 90% of the world's total.

In April 2024, the **EU, United States and other Minerals Security Partnership (MSP) partners [launched](#) a Minerals Security Partnership Forum** to facilitate cooperation with **critical mineral-rich countries**. The Forum includes existing members of the MSP (Australia, Canada, Estonia, Finland, France, Germany, India, Italy, Japan, Norway, South Korea, Sweden, the UK, and the US), as well as a host of resource-rich countries, including Kazakhstan, Namibia, Ukraine, and Uzbekistan. The EU also has an array of bilateral CRM-related agreements including with Canada, Norway, Argentina, the Democratic Republic of Congo, Namibia, and Kazakhstan - among others.

Its most recent CRM partnership is a non-binding [Memorandum of understanding \(MoU\) with Australia](#) to build "secure, stable, ethical, and sustainable critical and strategic minerals supply chains." Australia and the EU want to stimulate European investment and develop CRM extraction and processing capacity through a range of cooperation activities including:

- integrating value chains through joint ventures;
  - aligning international pricing for minerals produced with high environment, social, and governance standards;
  - research cooperation, particularly for advanced exploration, extraction, refining, circularity, and recycling technologies; and,
  - reducing the environmental impact of critical minerals in third countries where Australia and the EU have mutual interests.
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# Critical Raw Materials Act: boosting EU production and recycling capacity

Outgoing Executive Vice-President for the Green Deal, Maroš Šefčovič, noted that the EU plans to aggregate demand and better use the collective political and economic weight of the Union to procure CRMs. **While joint purchasing of CRMs** will provide part of the solution, the Critical Raw Materials Act is focused on building up the EU's own CRM industry.

Entered into force on 23 May 2024, **the CRMA specifies two lists of materials (34 “critical” and 17 “strategic”)** which are considered crucial for the EU's **green and digital transitions**, and for the **defence and space** industries. The regulation establishes three domestically focused CRM targets:

- lifting **domestic extraction to 10%**;
- lifting the level of **CRMs processed in the EU to 40%**; and
- **recycling at least 25%** of CRMs.

The regulation determines that by 2030, the **EU should not be dependent on any single non-EU country for more than 65 percent of its supply** of any strategic raw material – either unprocessed, or at any stage of processing. Special consideration will, however, be given to countries with which the EU has established a strategic partnership, a free trade agreement, or other forms of cooperation covering raw materials.

EU Member States will now develop national exploration plans and “strategic projects”. These will include requirements to limit consenting periods for CRM extraction projects (maximum 27 months) and for recycling and processing projects (maximum 15 months).

Several safeguards are built into the CRMA's permitting procedures. For example, the deep-sea mining projects will not be classified as strategic projects until potential effects on the marine environment, biodiversity, and human activity are sufficiently researched, and technologies or operational practices demonstrate that the environment will not be seriously harmed.

Projects with the potential to affect indigenous peoples should also include a plan for meaningful consultation, prevention and/or minimisation of adverse impacts and, where appropriate, “fair compensation.” For projects in non-EU countries, the project should also include a plan to improve the environmental state of the affected sites after the end of extraction activity.

To limit environmental damage, the European Commission will develop a system for calculating the environmental footprint of CRMs. Within the EU this will need to be publicly displayed, allowing consumers to compare the relative environmental footprints of CRMs.



Large companies which manufacture strategic technologies (e.g. batteries, hydrogen, or renewable generators) will be required to carry out a risk assessment of their supply chains to identify vulnerabilities.

A first call for proposals on strategic projects has been issued and the Commission intends to select successful applicants by November 2024.

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## Wider global examples of CRM strategies

**China, Japan, the United States and South Korea** have also taken steps to secure their supply of CRMs, and to process and refine CRMs to reduce their strategic dependencies.

The **UK** has been proactive on CRMs, with its work largely guided by the **UK Critical Minerals Strategy** – last [refreshed](#) in March 2023. The Strategy has three pillars:

- accelerating the UK’s domestic capabilities to produce CRMs;
- collaborating with international partners to diversify the supply of CRMs; and
- enhancing international markets to improve environmental, social and governance (ESG) outcomes.

Like the EU, the UK has also signed agreements, memoranda of understanding, and “statements of intent” for increased cooperation on CRMs with partners including Australia, Japan, Canada, Zambia, and Kazakhstan. In July 2022, the UK government established the [UK Critical Minerals Intelligence Centre](#) which works with academia and industry to provide data and analysis on CRM market dynamics and external factors to support of policy makers and ministers.

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## Opportunities for New Zealand

As New Zealand businesses and exporters navigate access to critical materials and technology to deliver on their own green transitions, it is worth monitoring how the EU is approaching this global issue.

In particular, businesses providing environmental goods and services for decarbonisation, or those working in the defence and space industries, are encouraged to follow the implementation of the CRMA closely given potential opportunities to partner with EU Member States as they form and carry out their national exploration plans and strategic projects.

The [Energy and Raw Materials Chapter](#) of the **EU–New Zealand Free Trade Agreement** provides an additional channel for New Zealand to foster collaboration with the EU, and monitor the progress and results of the EU’s other CRM-specific agreements, such as its recent MoU with Australia.

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