

INTERNATIONAL VIEW

Europe take steps to become less dependent on China's raw materials

Europe has invested too little in the extraction of raw materials in recent decades. The EU is trying to remedy this shortcoming with the Critical Raw Materials Act. A key hurdle remains public attitudes about the sector.

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March 27, 2024 ⌚ 5 min



The EU is relying on Chile to provide the continent with a reliable supply of lithium.

Rodrigo Abd / AP

When the EU concluded a new trade agreement with Chile in mid-March, it sounded the alarm. The demand for lithium is set to explode, it argued, and the fierce competition for the light metal is jeopardizing European battery production for electric cars.

Supplying Europe with Chilean lithium was therefore part of the agreement. The South American country is supposed to help reduce the EU's dependence on China.

Europe is extremely worried about running out of raw materials. One measure to prevent this is the EU's Critical Raw Materials Act (CRMA), which will come into force in the coming days. The EU's laws are often excessive. This also applies to the CRMA.

More mining and recycling in Europe

- The EU has defined 34 raw materials with a high supply risk or whose long-term availability is vital for industry. The list is updated regularly.
- The EU has defined ambitious thresholds for supplying the continent. At least 10% of strategic raw material requirements are to be mined in the EU and 40% processed in the EU. At least 15% is to come from the domestic circular economy, for example from recycling.
- No more than 65% of a strategic raw material may come from a single third country.
- The EU wants the approval procedures for mining projects in its member states to be accelerated.
- The EU wants to strengthen resilience in the supply of raw materials by entering into partnerships with other countries, expanding the network of trade agreements and working toward strengthening the World Trade Organization (WTO).

Today, the supply of raw materials is a geopolitical issue. First the pandemic, then the war in Ukraine and now the Yemeni Houthi attacks on shipping in the Red Sea. These events have raised doubts among managers and politicians as to whether the world can still rely on the successful model of the global division of labor.

China expands in Africa

Two centuries ago, the industrial revolution based on domestic coal and iron took place in Europe. But today, the extraction of raw materials is of little importance on the old continent. Most raw materials are imported, and mining expertise has been almost completely lost.

The extraction of raw materials is considered harmful to the environment, which is why the population often fiercely opposes these projects. Emissions are also produced during further processing – which is why this is also met with a great deal of skepticism. Europe has therefore relied heavily on supplies from Latin America, Africa and Asia. Over 60% of the cobalt sold worldwide, which is needed for batteries for e-mobility, is sourced in Congo, for instance. However, it must be further processed for this purpose. China's global market share in this field is 60%.

Europe is not only heavily dependent on China, however; the Asian superpower is also a competitor on the global commodities market. Its government is pursuing a neocolonial policy: State-owned companies mine raw materials in many emerging and developing countries.

The EU does not have its own raw materials companies, nor can it negotiate purchase agreements with guarantees. According to Western understanding, this is a task for private companies. The EU must find other ways to secure raw materials for the continent – by bringing its soft power to bear, for instance.

Raw materials from friendly countries

- For Europe in particular, open markets are still the best guarantee that companies will be reliably supplied with raw materials. The agreement with Chile, for example, stipulates that the country may not restrict the export of lithium to Europe. Chile has also pledged not to assign exports exclusively to one company, i.e., not to monopolize exports.
- The EU is involved in friend-shoring initiatives, such as the Minerals Security Partnership. It was launched in June 2023 and now has over a dozen members, mainly from Western countries. They want to advocate for reliable supply chains in the raw materials sector.

Countries rich in natural resources are often politically unstable, governed autocratically or located in regions where political tensions prevail. Europe has recently experienced some nasty surprises in this regard.

Unwelcome surprises

- For decades, Russia was considered a reliable supplier of natural gas and oil. The war in Ukraine has proven that this was an illusion. Europe had to procure natural gas from elsewhere as an emergency measure.
- Algeria has thus gained importance as a natural gas supplier. But the country held military maneuvers with Russia in the autumn of 2022 and its relations are strained with Morocco, a European ally and major supplier of phosphate. This harbors potential for tensions.
- Azerbaijan has also been considered an alternative gas supplier since the Russian invasion of Ukraine. The autocratically governed country pursues an expansive foreign policy, however. It conquered the Nagorno-Karabakh region in September 2023; the local Armenian population had to flee.

Norway is a beacon of hope for the EU

Europe will not be able to avoid extracting more raw materials on its own continent. Scandinavia has become the focus of many investors in this regard. It has access to regions rich in raw materials and mining expertise. In addition, the local population is less hostile to development projects than elsewhere.

Norway, which has become rich due to oil and gas, is particularly active. Last year, 83% of new cars sold there were electric vehicles. «The government is pushing the mining of metals for e-mobility,» says Swiss Michael Wurmser, founder and strategy consultant at mining company Norge Mining. «The government wants to prove and ensure that mining can be carried out in an environmentally friendly way.»

Norge Mining holds 61 licenses in Norway. The company plans to start mining vanadium, titanium and phosphate in 2028.

Last week, the EU Commission concluded a declaration of intent with Norway, the aim of which is to create a reliable supply chain for raw materials in the field of e-mobility.

The local population has the final say

The EU's CRMA is not a miracle cure, but a somewhat rigid plan. It sets benchmarks, but the commodity markets are very dynamic. New technologies and geopolitical events quickly lead to new situations and negative surprises. Ultimately, it is always the local population which decides whether a mining project or a processing plant is realized. However, there is no sign that the negative attitude toward mining has changed in Europe.
