

The CRM Act – A strategical yet critical opportunity for the raw materials industry

Position Paper

Europe will require huge amounts of strategic raw materials by 2050 to meet the requirements of the twin transition¹. To accelerate the transition, the European Union should develop an ambitious overachieving strategy to secure a maximum level of raw materials strategic autonomy and prevent Europe from falling into the trap of energy dependency.

EUROALLIAGES sees in the new CRM act an important milestone for achieving 2050 climate neutrality, and an opportunity to build a long-term industrial strategy for the upstream raw materials industries along the following industry recommendations.

- **Ensure the highest possible level of strategic autonomy by maintaining and strengthening domestic production and capacities.**

Under the strictest environmental requirements, European industries are committed to a strong low-carbon European economy and are home for millions of jobs across the value chain. The best way for Europe to ensure its highest level of strategic autonomy is to support, reinforce and expand domestic raw materials capacities. Such development will also require highly qualified personnel, most advanced processes while leading in sustainability. This includes the identification and acceleration of priority projects in Europe first and then externally, covering the whole raw materials value chain: mining, smelting, refining, and recycling.

The case of silicon, which has been recognized as critical raw material, is remarkable. In 2021, 60% of Europe²'s silicon demand was supplied by European producers. This is the case for many raw materials including ferro-alloys which are locally processed and produced with the lowest environmental footprint across the globe. Both the massive overcapacities and the unfair trade practices are seriously threatening the future of EU's silicon and ferro-alloys production. If key framework conditions were met, European producers would be willing to supply a bigger share of the market by expanding capacities and increasing production. The silicon case: According to information provided by an independent expert, the PR China has massive silicon overcapacities. In 2020, Chinese capacities were up to 7Mt, against a worldwide consumption of about 3Mt. These figures show that the PR China can eventually supply more than twice the world consumption. But this does not end here: the growth of Chinese silicon output and capacity since 2020 has been enormous. According to the latest information provided by the same independent source, up to 6 Mt of extra capacity are scheduled in the PR China before 2025.

In addition to the above and for the last 30 years, European silicon has been subject to unfair competition by Chinese silicon producers. For this very reason, anti-dumping duties against Chinese silicon imports are still in place. These measures will be required and justified as long as the market conditions remain deeply distorted by the recurrent unfair Chinese pricing policy.

¹ Twin transition is the green and digital transition

² Including EU27, Iceland and Norway.

- **Provide adequate legal framework conditions for industry with easier and faster access to finance, reliable energy source, and ensure policy coherence**

Metals processing are highly energy-intensive industries: in particular, silicon production is one of the highest electro-intensive processes. The soaring energy prices and the absence of adequate legal framework conditions have resulted in the recent closure of 50% of the Aluminium and Zinc production and 30% of silicon and ferro-alloys production across Europe.

New projects and investments need long-term certainty for the following competitive operating conditions:

- 1- Affordable energy prices and easier access to low-carbon electricity.
 - 2- A level playing field where all actors compete under the same rules. If fair trade conditions are not met, provide access to adequate procedures to get a fast and appropriate trade remedy to preserve the competitiveness of European industry and restore the needed level playing field.
 - 3- Easier access to financing schemes prioritizing strategic projects. Consider - CRM/strategic materials productions investments taxonomy-aligned as by nature they contribute to the European market and the Green Deal.
 - 4- Faster permitting procedure.
 - 5- Policy coherence across EU regulations, especially energy, trade, environmental and chemicals legislations as to avoid additional delays and uncertainties for business to operate or invest in the EU.
- **Effective use of the CRM list and the inclusion of strategic raw materials serving the twin transition.**

During the last decade, the CRM list has served to identify raw materials based on their economic importance and supply risk but was limited to the current state of play of materials.

EUROALLIAGES supports the Commission's intention to include strategic raw materials (e.g., ferro-alloys) that are prioritized based on internal demand forecasts in addition to the critical list. This codification should follow a well-defined methodology and criteria (supply and demand trends, technological advancement, future risks, social-economic impact, and environmental contribution...). The list should be dynamic and periodically reviewed by experts and stakeholders in the market.

- **Diversifying imports for raw materials that are mined and processed outside Europe while preserving a level playing field.**

For those raw materials that have currently no potential supply in Europe and, for those raw materials anticipated for the twin transition, diversified partnerships with trusted partners are very much needed. The above requires a well-designed trade policy as well as strong trade defence instruments that both ensures an effective level playing field. The behaviour of several competing countries whose economy is deeply distorted has been an increasing worrying concern over the last years, e.g., the PR China dominance over the solar panel supply chain³ or the quasi-monopolistic position held by the PR China for several raw materials, both critical and strategic to the twin transition.

³ Pls refer to: <https://www.visualcapitalist.com/visualizing-chinas-dominance-in-the-solar-panel-supply-chain/>

- **Define realistic and measurable goals for strategic autonomy and diversification of supply**

The CRM act should define binding 2030 targets aiming at securing the highest possible level of strategic autonomy and sustainable diversification for strategic raw materials supply. Specific targets should be set firstly for maintaining existing domestic capacities, second for reinforcing and expanding these capacities achieving a highest level of strategic autonomy and finally targets for diversification of imports from 3rd countries resources. This will catalyse concrete actions from stakeholders including industries, investors and assist member states when defining their projects and strategies. These targets should be set after an impact assessment and in close coordination with the relevant industrial stakeholders.

- **Ecolabelling for raw materials**

Acknowledging that European raw materials producers are subject to the strictest environmental and climate standards across the globe and will be soon subject to compliance with obligatory sustainability requirements, EUROALLIAGES highlights the need for a coordinated and complementary approach between the ongoing regulations under the sustainable finance package namely, the corporate sustainability reporting directive CSRD, the taxonomy regulation and the due diligence directive CSDDD. Compliance with these regulations should guarantee an automatic alignment with the taxonomy regulation noting that both the taxonomy and CSRD require verification and auditing from independent third party. An ecolabelling scheme for raw materials can be then considered, based on sustainability standards. . The latest can trigger investments and supply chains towards sustainable resources and reinforce the “Buy European” or “Produce European” mindset.

- **Boost Research and Development**

Research and Development is an important pillar to achieve leadership in sustainability and ensure strategic autonomy. EUROALLIAGES also emphasized on the importance of R&D to boost innovative technologies to increase both the sustainability and strategic autonomy of critical raw materials' industries and products. This also includes the importance of facilitating access to finance for research and innovation projects in the EU.

About Us:

EUROALLIAGES is the European association of Ferroalloys and Silicon producers, representing more than 95% of the sector in Europe. These companies produce Ferromanganese, Ferro-silicomanganese, Ferrochromium, Ferromolybdenum, Ferrosilicon, Silicon metal, and Calcium-silicon alloys and Ferronickel.

The European ferro-alloys and silicon sector has a long European history in delivering essential inputs for the European economy, forming an integrated part of strategic value chains. Our industry is the iron, steel, aluminium, and chemicals industries' first supplier. European Silicon producers also provide the electronic and solar industries with elements essential to their manufacturing process, offering the highest qualities of products with the lowest carbon footprint worldwide.

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