

Europe Jacques Delors/Brunswick Webinar Summary

## The Critical Raw Materials Act (CRMA), Geopolitics and Supply Diversification

12 March 2024

*On 12 March 2024, Europe Jacques Delors & Brunswick Group hosted the sixth webinar in their joint event series on how businesses can navigate the European Green Deal, with a focus on critical raw materials.*

With Russia's war of aggression against Ukraine in 2022 it became clear that Europe needs to carefully consider certain dependencies on foreign actors, for instance on Russia for fossil fuels. This new geopolitical context also sparked a debate on the potential dependencies on critical raw materials, which are crucial to enable both the green and digital transitions. While EU leaders agreed that this dependency was a threat, they do not always reach consensus on how to counter it. Against this background, the European Union adopted a new EU Critical Raw Materials Act (CRMA), which introduces ambitious 2030 benchmarks for domestic extraction, processing and recycling in Europe. The CRMA also aims to lower the current raw-materials dependency on China by requiring the EU to diversify demand through strengthening global supply chains and strategic partnerships with alternative suppliers.

This webinar focused on the geopolitical challenges and next steps in implementing the EU's new rules. **Stefano Sannino**, Secretary General of the European External Action Service, and **Andrés Blanco**, CEO of Xcalibur Smart Mapping, presented the respective public- and private-sector perspectives. The discussion was hosted and moderated by **Geneviève Pons**, Director General and Vice-President of Europe Jacques Delors, and **Pascal Lamy**, Vice President of Europe Jacques Delors and Chair of Europe at Brunswick Group.

### Raw materials value chains require a holistic & strategic approach

**Tim Schultz, Public Affairs lead at Brunswick Group South Africa**, launched the discussion with some thought-provoking insights into the mining sector's challenges surrounding the critical raw materials debate. Because of the CRMA and its objectives, a lot of attention has now turned to Africa as a place to source critical raw minerals. Understanding the African perspective is therefore crucial. Furthermore, critical minerals are not just physical resources but also political and economic assets, shaped by the needs, realities and priorities of different economies. **He stressed the need for policymakers to adopt long-term planning perspectives due to the lengthy timeline involved in developing mining projects.**

Secondly, Mr Schultz noted the importance of the quality of the rule of law within the relevant jurisdictions. Besides policies and geological aspects, **businesses and policymakers should also consider infrastructure and economic development priorities of the countries where minerals are sourced.** A holistic approach, including knowledge, infrastructure, long-term

financing and responsible mining practices should be taken into consideration when formulating and implementing policies such as the CRMA, as this will foster sustainable value chains.

**Stefano Sannino, Secretary-General of the European External Action Service**, offered insights into the EU's approach to balance the EU's needs for raw materials on one side and its foreign policy on the other. He acknowledged existing complexities, especially considering recent global challenges such as the Russian aggression against Ukraine and the COVID-19 pandemic. **With the CRMA, the EU aims to foster mutually beneficial partnerships with various like-minded countries and others willing to adhere to Europe's expectations when it comes to environmental, social and governance standards.** Mr Sannino also noted the EU's shift from the traditional donor-beneficiary model to prioritising mutually beneficial partnerships with resource-rich countries. He saw this focus on partnerships as central to the EU's 'Global Gateway' strategy, an alternative to China's Belt and Road Initiative. Mr Sannino highlighted that ten such partnerships are already established, spanning regions from Central Asia to South America, while Uzbekistan and Australia are potential additions to this growing network. He also stressed the EU's attempt to form a 'club' of critical materials countries, and that **the EU and US are now collaborating on a new Minerals Security Partnership Forum**, focusing on political dialogue and on-the-ground projects. The aim is to expand this collaboration to include other G7 partners.

**Andrés Blanco, CEO of Xcalibur Smart Mapping**, shared the industry's perspective on where the EU holds a comparative long-term advantage and how it should strike the right balance between competition and cooperation with other countries. He also highlighted the **need for simultaneous cooperation and competition, rather than framing the race for critical raw materials as a confrontation.** As advantages of the EU he identified, for example, strong democratic principles and a strong industrial capacity. Regarding the raw materials value chain, **Blanco noted the importance of supporting early-stage projects in developing countries, as neglecting this could allow other players to establish relationships and exploit resources.** In its approach, Europe should assist these partner countries in identifying their resource and natural capital potential and leveraging it to attract international funding. Mr Blanco also emphasised the importance of changing perceptions about mining, noting that modern mining practices are highly advanced and environmentally conscious. Responsible mining practices can lead to reduced environmental impact, especially when high-grade resources are located and developed underground, for which sophisticated smart mapping solutions are crucial.

## Unlocking raw material projects with smart financing, innovation & data

Mr Sannino added that the EU's strength of technical innovation can also play a role in reducing the dependency on raw materials. He suggested that advancements in technology can lead to more efficient use of resources. Moreover, the panellists agreed that there is potential to increase critical raw materials sourcing domestically. Especially in Eastern European countries, large areas remain unexplored.

The conversation also steered toward the topic of investments. **Mr Sannino emphasised the importance of leveraging private-sector involvement to supplement public funding.** He suggested that EU funding should focus on filling investment gaps, assuming part of the risk and facilitating the involvement of private investors. Brunswick's **Timothy Schultz noted that investments in unstable environments require more than just financial resources;** they require the creation of a stable ecosystem and reliable partners, which is why mining companies

often engage in joint projects to spread capital risk across multiple ventures. Such an approach would help mitigate the potential negative impact of fluctuating prices or instability on a company's overall operations.

**The panel also focused on the importance of information along the mining and raw material value chains, particularly at the initial stages.** According to Mr Blanco, having accurate and comprehensive data about the location of natural resources reduces uncertainty for investors and financiers, making it easier to finance responsible mining projects. Such information also can play a key role in mitigating risks associated with speculative players, particularly in developing countries. Europe is particularly well placed to contribute significantly to promoting responsible mining through collaboration and information sharing, especially in the early stages of project development.

Finally, on how to bolster the engagement of EU private investors, **Mr Sannino proposed a strategic shift within European institutions, which should take a role akin to 'scouts' in the market,** actively identifying sectors and companies that hold potential interest while consistently engaging with the private sector to gather project opportunities.

For the organisers, **Pascal Lamy** concluded the debate by highlighting two key points: First, there is a delicate balance between competition and cooperation, and both are essential for addressing challenges and seizing opportunities. Second, there are also significant opportunities emerging from changing geopolitics, technology, public perceptions, and financial markets.