

Critical Raw Materials Act

For a framework that limits dependencies and protects EU competitiveness

CLEPA supports the Critical Raw Materials Act's (CRMA) goal to anticipate supply risks and secure diversified access to critical raw materials. The automotive industry depends on raw materials that are difficult to substitute. Technologies related to the green and digital transition (e.g. e-mobility) will increase demand for (battery) raw materials and rare earths.

EU processing capacities are limited for many critical raw materials (e.g. Germanium, silicon, lithium, nickelsulphate, cobalt, manganese, rare earths) and often subject to singular geographic sourcing dependencies. For example, ~90% of sourced rare earths, critical for the manufacturing of electric motors, and magnesium, critical for lightweight components, comes from the same country. Sourcing may depend on regions with high ESG risks (e.g. forced labour, environmental degradation). CRMA should better position companies to comply with due diligence regulations, environmental standards and increasing customer expectations.

CLEPA recommends the establishment of an EU agency for critical raw materials and an industry advisory board to anchor close cooperation between government and industry to deliver on the three pillars of the EU's raw materials strategy:

- 1) diversified sourcing through active engagement with third countries
- 2) optimised conditions for a higher recovery rate of critical materials
- 3) improved investment conditions in EU raw material supply chains

Government can help build critical raw material reserves through joint procurement or by coordinating voluntary stockpiling targets for and agreed with industry. Governments cannot manage supply chains and should not become an active actor in the procurement of non-commoditised goods, processed and tailored to specific end-use. Local content requirements or WTO incompatible measures (e.g. sourcing quotas) should be avoided.

Trade

- Reactivation of the EU trade strategy through ratification of existing trade agreements (Mexico, Chile, Mercosur, New Zealand), conclusion of additional trade agreements (Australia, India and Indonesia), neighbourhood partnerships (Serbia, Ukraine), negotiation of dedicated raw material partnerships.

Material recovery

- Higher recycled content requirements will not be realistic without increase of available recovered material.
- Incentives to promote recovered material use among European industry, while not undermining business cases for second life of batteries or reuse/refurbishment of end-of-life components. It will be crucial to increase recycling input by countering the illegal disposal of end-of-life vehicles, strengthening certification of recycling companies. Consultation with industry should define an approach to ensure that the used vehicle export does not undermine the recovery of parts and material at the end of life of the vehicle.
- Framework to coordinate national policies that incentivize close cooperation between manufacturers, OEMs, recyclers and other involved operators to optimise the volume of used recovered materials in battery and component production.
- Sustainable design guidelines to facilitate material recovery from end-of-life products.
- Incentives for investment in sustainable design to enable remanufacturing/recycling, e.g. miniaturization of components to reduce material intensity, substitution of highly critical raw materials, product design enabling separation of components and materials in the end of use phase.

Domestic investment

- Improvement of private investment conditions through EU coordinated reform efforts (e.g. investment rules and permitting procedures) across Member States.
- Revision of lending policies of European Bank of Reconstruction and Development, European Investment Bank and the EU Innovation Fund to allow for more support of projects related to the extraction and processing of critical raw materials and rare earths, taking into account that opportunities may be in countries with less budgetary space.

Would like to know more?

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- Automotive suppliers register over 9,000 new patents each year.
- Automotive suppliers in Europe generate 1.7 million direct jobs.

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