

Europe's raw materials investment push: Making EU chemicals policy an enabler not a barrier

Europe's Critical Raw Materials Act aims to catalyse a "massive investment push" into the supply chain for critical and strategic materials. With a provisional aim to "cover 25% of European demand with domestic supply, 7 billion euros will have to be put on the table by 2030; over 13 billion by 2040" (for battery materials alone).

The European Commission has an opportunity to reflect this goal in its REACH revision and associated policies, introducing specific provisions that ensure business certainty for Europe's strategic and critical raw materials. This will prevent barriers to investment in strategic areas, while maintaining Europe's safe chemicals leadership.

Today, investors choosing Europe over competing markets face a major deterrent from uncertainty and risk of unwarranted metal bans or disproportionate compliance costs. This is already slowing down new investment in battery lithium, cobalt refining and more (see Annex), without extra benefits for human health or environment.

Europe's raw materials and chemicals policies are both too important to continue in silos. Important steps can be taken to ensure both business certainty and thorough risk management for Europe's strategic/critical raw materials. We urge dedicated action in the upcoming REACH Revision.

The problem to be solved – Business uncertainty for strategic raw materials

- A majority of the strategic and critical metals being defined under the EU Critical Raw Materials Act have a classified hazard (plus other essential metals in related alloys / production routes). Batteries, solar PV, wind turbines, hydrogen electrolyzers, power cables, & digital technologies all contain metals with a defined hazard.
- Companies asked to make long-term investments into new refining and recycling activities require regulatory certainty. The EU's chemicals policy acts in the opposite direction, with unpredictable 5-10 year processes to set the conditions for producing and proving risk management of a targeted substance. For lithium, cobalt, nickel, and others, we do not have foresight on the regulatory conditions that will be in place later this decade.
- Europe's chemicals regulatory framework is unilateral and competing regions do not share the same uncertainty. The US and China are taking whatever measures they can to bring new metals supply chain investment to their shores. Europe will remain behind in this global race if its chemical regulatory barriers remain so comparatively high, while detached from what's needed for sound metals risk management.
- Strategic/critical raw materials deserve a dedicated focus in the EU's REACH revision. Metals and minerals are different from the organic chemicals that the Commission gives priority focus to. They have a very low potential for substitution and are produced and recycled in integrated processes linked to several other metals. Safe risk management is possible through measures that prevent environment and health exposure across circular loops, reducing the need for extraction. The EU should set this specific framework.

Our solutions for achieving business certainty and thorough risk management together

1. **Critical Raw Materials Act Communication:** Make clear reference to the need for business predictability and thorough risk management from EU chemicals policy, committing to ensure both in the REACH Revision
2. **REACH Revision:** Incorporate the Critical Raw Materials Act's list of strategic/critical raw materials e.g.:
 - Include 'strategic/critical importance' as a criterion in the substance prioritization process, allowing the EU to pre-identify adapted risk management for key materials (e.g., targeted restrictions, occupational limits)
 - Consider a substance's defined strategic/critical importance as an overall criterion for simplifying any essential use assessment (*plus exemptions for substances in safe uses with minimal exposure*)
 - Add a specific new clause to REACH on the EU's defined strategic/critical raw materials (allowing for a tailored EU-level approach given their proven importance to the twin transitions/other areas)¹

¹ There is precedent in REACH Regulation Article 2(3), which allows Member States to provide defence sector exemptions. The Commission should evaluate options for a targeted raw materials clause (taking an EU-level approach prioritizing fast predictability & safe management – not exemptions)

Annex 1: Examples of strategic raw materials investments delayed by today's EU Chemicals policy

- **Cobalt refining:** Europe risks not maintaining its strong position in cobalt refining, built on major refineries in Finland and Norway. Further expansion is [targeted](#) in the next five years, but new investment has stalled years alongside the ongoing uncertainty about chemicals regulation of cobalt, which has been ongoing for over five years. Facilities are opening in North America ([Electra](#) in Canada) & Asia.

The five cobalt salts were under consideration for Authorisation under REACH and then for a REACH restriction procedure, before the European Commission eventually stopped it in favour of setting binding occupational exposure limits (OELs). This final approach is supported by the industry, but the draft limit recently proposed by ECHA's RAC Committee is 20 times less than the typical EU cobalt OEL – and 100 times lower than limits in the United States and the UK and would further jeopardise investment plans.
- **Lithium refining:** Europe has a growing pipeline of investments into lithium refining capacity, which would meet over 50% of its projected 2030 needs if all coming online. Europe requires new lithium refining capacity as part of its battery supply chain, to process both primary and secondary raw material.

But the EU's debate on whether to classify lithium compounds used in electric vehicle batteries as a Category 1A hazard is contributing to major uncertainty for all new investments, with companies raising [public concerns](#) about the scientific basis and other countries (Australia, US, Chile) openly questioning the approach taken. If a lithium classification does ever go forward, then investing companies will be in limbo for several years while the REACH process is carried out to define control measures (see cobalt example above).
- **Nickel refining:** Europe's pipeline for nickel refining expansion projects so far exceeds other battery materials, with 25% new capacity to be brought online in the next five years. This has been helped by a more proportionate and predictable approach to regulating nickel compounds under REACH (where an Occupational Exposure Limit was agreed in 2020, after thorough assessments led by France).

But the Commission last year proposed to revise again and halve a recent EU environmental quality standard (EQS) for nickel under the Water Framework Directive, demonstrating the wider issue of business uncertainty. This would be the third EQS revision in 15 years, despite nickel not presenting a continental scale risk to EU surface waters. The proposed limit is extremely low and close to natural background levels. It will impact on licence to operate for nickel producers in Europe, with EQS values impacting industrial permits at local level.
- **Aluminium recycling:** European aluminium recycling companies are severely concerned due to ongoing discussions on a potential strict classification/authorization of lead metal in its solid form. Aluminium alloys contain lead coming from scrap recycling at low impurity levels. These alloys risk being targeted by the new rules, despite their being no evidence of harm ([link to paper](#)).

Europe has several strategic investment plans to grow its aluminium recycling capacity as scrap volumes increase, which is essential for Europe's climate and raw materials ambitions. Recycling of aluminium that contains alloying elements such as lead certainly contributes to these objectives as it can divert valuable resources from ending up in landfills, thus minimizing any potential leakages to the environment.
- **Other examples:**

 - Recycling processes to recover critical raw materials from electronics waste also rely on lead, which brings out low volume strategic/critical metals like silver, platinum, indium, germanium. New recycling investments require certainty on the future market for lead, which is considered for REACH authorisation.
 - Silver, a strategic raw material for Europe's solar photovoltaic manufacturing plans, is currently undergoing a harmonized classification process that could create further barriers for its production and value chains in Europe.