

[All redactions in the document have been done in line with Art.4.1(b)]



# EU-Canada bilateral dialogue on raw materials

*Policy update  
21 June 2021*



*European Commission. Directorate-General for Internal Market,  
Industry, Entrepreneurship and SME's (DG GROW).*

*«Energy intensive industries and Raw Materials»*



- 1 – Updated Industrial Strategy
- 2 – Batteries regulation proposal
- 3 – The sustainable product initiative
- 4 – Fit for 55
- 5 – Upcoming legislative proposal on sustainable corporate governance



## Updated Industry Strategy: 3 pillars of action

Strengthening Single Market resilience

Dealing with dependencies: open strategic autonomy

Accelerating the twin transitions

Underpinned by 3 staff working documents:

- 1) Annual Single Market Report 2021
- 2) Strategic dependencies and capacities
- 3) Towards competitive and clean European steel

## Energy – Renewables

- Strong impact of raw materials dependencies
- Other dependencies include electric motors, permanent magnets, electric accumulators, ...

## Energy-Intensive Industries

- #1 most identified dependencies
- Examples: raw/processed materials (beryllium, cobalt, lithium, nickel, manganese, ferro-alloys, ...)

## Digital & electronics

- Strong impact of raw materials dependencies
- Other dependencies include mobile phones, laptops, monitors, radio broadcast receivers, ...

## Health

- #2 most identified dependencies
- Examples: PPE (masks, gloves, etc.) but also many pharmaceutical ingredients for the production of medicines (antibiotics, vitamins, alkaloids etc.)

## Relevant policy measures to address strategic dependencies

### Toolbox to reduce and prevent strategic dependencies

- Mix of actions, targeted and proportionate to ecosystems' needs
- In support of industry's efforts to address dependencies and develop strategic capacity

### 1) Getting a better grasp of strategic dependencies

- Need for continued analysis
- Monitoring system and a periodic review process

### 2) Strengthening and diversifying external trade

- Diversify international supply chains and pursue partnerships
- “Common” and “reverse” dependencies with our partners – opportunities for collaboration

### 3) Strengthen EU strategic capacity

- Role of industrial alliances
- Important projects of common European interest
- Horizontal facilitating measures (e.g. leadership in standards)

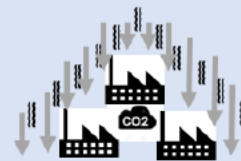
## Inputs

- **Technology and digitalisation**  
Industrial Technology Roadmaps;  
Digital for Green Alliance
- **Raw materials**  
European Raw Materials Alliance
- **Clean & affordable energy**  
(electricity and hydrogen)
- **Skills**  
Pact for skills,  
European Climate Pact



### Input challenges:

- Technologies not yet ready;
- Cost & availability of clean energy (net zero steel requires 3-5x more electricity);
- Lack of skills



**-80-95% CO<sub>2</sub> emissions by 2050**  
(Eurofer roadmap)

### The European steel sector:

- €170 bn gross value added to the EU economy
- 1.3% of EU GDP
- 500 production sites in 23 MS
- 330.000 direct jobs
- 2.6 million indirect jobs
- 200 mill t/CO<sub>2</sub> emissions (ca. 5% of EU emissions)

**Investment challenge:** High investment needs and long payback periods

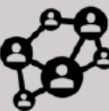
**Competitiveness challenge:** Potential loss of safeguards & threat of dumping due to overcapacities

## Key measures on demand side

- **Carbon contracts for difference**
- **Sustainable Product Initiative**  
(carbon accounting through the life-cycle) → e.g. clean car
- **Green public procurement**  
→ to mainstream green steel purchasing by public buyers
- **Standardisation**  
(e.g. clean steel)

## Collaborative policy-making

- **Governance** through ecosystems
- **High-Level Group** energy-intensive industries
- **Industrial Alliances**
- **IPCEIs** (hydrogen, low-carbon industry)

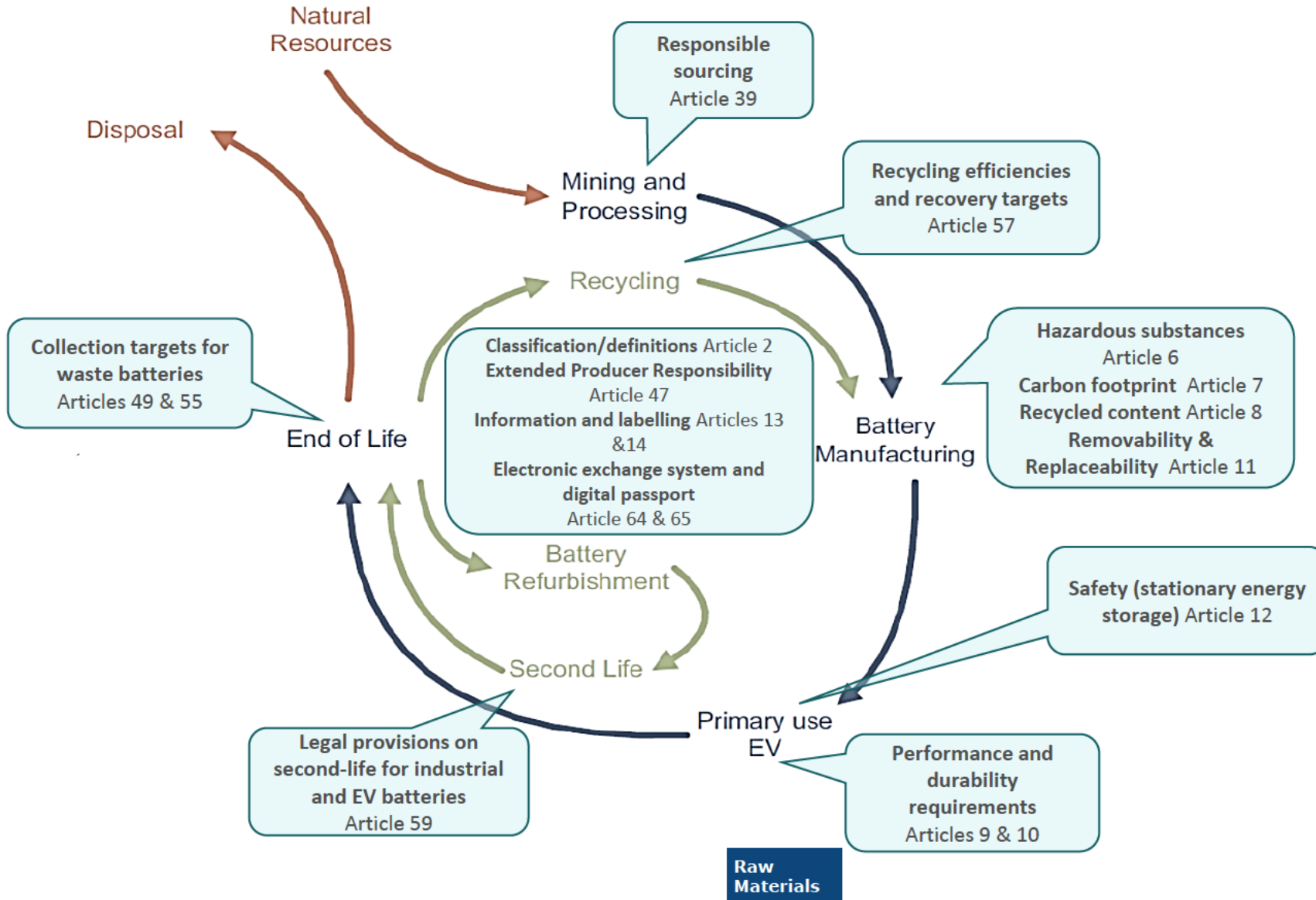


## Covering investment needs

- **RRF**
- **MFF** (ETS innovation fund, Horizon Europe/Clean Steel Partnership, InvestEU)
- **Private markets** (Sustainable Finance Taxonomy)
- **EIB**
- **National budgets**

## Actions at international level

- **Trade defence**  
(prolongation of steel safeguards, anti-subsidy cases)
- **International cooperation** on decarbonisation of industry
- **Carbon Border Adjustment Mechanism**



## Policy context:

-Evaluation of the Batteries Directive 2006/66/EC (2017 – 2019)

-Strategic Action Plan on Batteries (2018): “To design an innovative and future-proof regulation, covering the entire value chain”

-Ecodesign study on (large) batteries

-European Green Deal (2019)

-Circular Economy Action Plan (2020)

*Upcoming Sustainable Product Initiative*



- Obligation on operators that place (large) batteries on EU market
- Cobalt, natural graphite, lithium & nickel (incl. substances based on them), selected based on:
  - level of social and environmental risks
  - significant share of the global production (to be) used in (large) batteries
- Adopt company policy
- Operate a system of controls and transparency over the supply chain
- Implement a strategy to respond to the identified risks
- ‘Notified bodies’ undertake verification of supply chain due diligence policies.
- Modeled on:
  - ‘Conflict Minerals’ Regulation (EU) 2017/821, Articles 3-6 and 8
  - OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas





### **Mandatory requirements on end-of-life management:**

- Enhanced collection rates of waste batteries
- Extended producer responsibility
- Increased targets for efficient recycling processes + material recovery targets
- Minimum level of recycled content in batteries placed on EU market (cobalt, natural graphite, lithium & nickel). Stepwise approach to allow for large volumes to reach end of life by 2030-2035.



## Revision of Ecodesign Directive

- Wider product coverage
- Full life cycle
- All environmental impacts
- Social impacts
- Strengthened enforcement



## Methodological approach(es) for assessment of environmental performance of products



## Digital Product Passport

- Strategic tool to digitalise supply chains
- Key tool also for other policies (e.g. CBAM, green claims)



## Performance class Incentives

- Public procurement measures
- VAT rates
- Reputational effects
- Extended producer responsibility fees



Internal Market



- The **Climate law** (adopted in April by the Council and the Parliament) and its “**Fit for 55**” package (to be adopted by the Commission in July) are at the heart of the European Green Deal, which is the new growth strategy for Europe. They will require a **strong commitment of all citizens, public authorities and businesses**. They will steer new **long-term investments in several industrial ecosystems** (renewables, **energy intensive industries**, mobility, built environment, food and digital).
- All these new initiatives will create **new opportunities for the European businesses**, notably in renewable energy, building renovation, integrated infrastructures, transport systems, **batteries, hydrogen**, digital and space applications. We want a modern and competitive European industry, which will remain a **key enabler for a sustainable and inclusive economic growth**.
- The objective is to **support the business case for the different industrial ecosystem** to allow them to invest to modernize their business models and to accelerate the reduction of their emissions between now, 2030 and 2050
- One challenge is to find the right articulation between key proposals, such as:
  - ETS and CBAM
  - CO2 standards and AFID
  - RED II and LULUCF
  - EE
  - Effort sharing



## Objective: improve the EU regulatory framework on company law and corporate governance, fight short-termism, promote sustainable supply chains

- Part of European Green Deal;
- Legislative proposal foreseen autumn 2021
- Will include directors' duties, directors' remuneration and most likely mandatory horizontal due diligence
- Next step submission of the Impact Assessment to Regulatory Scrutiny Board