



# REPORT

**The future of the European raw materials industry - How can  
Europe remain competitive on the global stage**

**Brussels**

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On 7 November 2024, the roundtable on “The future of the European raw materials industry - How can Europe remain competitive on the global stage” was organised by Euractiv. The event focused on the state of the European raw materials industry and the legislation adopted by the European Union to foster its growth. The discussion moved to the challenges ahead and the possible solutions to implement in order to ensure that this strategic sector can prosper in the European continent.

The Journalist, **Jack Parrock**, acted as the Moderator of the Roundtable, introducing the Panellists and the topics of the discussions.



The first panellist, **Léon Delvaux**, who serves as the Acting Director for Neighboring Countries, Industry, Goods, Regulatory Cooperation, and Public Procurement within DG TRADE of the European Commission, shared valuable insights on European trade and competitiveness.

He began by highlighting the *Draghi Report*, which underscores the importance of enhancing Europe’s competitiveness in a rapidly evolving global landscape.

Delvaux pointed out that trade constitutes a substantial portion of the European Union's economy, with exports and imports representing approximately 51% of the EU's GDP. This reliance on trade, especially for critical raw materials, has profound implications for the EU's industrial strategy. The region’s dependency on imports for essential materials means it cannot aim for full self-sufficiency; instead, the EU must focus on forming robust partnerships and diversifying its sources of supply.

Delvaux emphasised the urgency of this approach, suggesting that the EU needs to accelerate its efforts to secure a steady and varied supply of resources.

A central question raised was how the EU can bolster its competitiveness on the world stage. This is anticipated to be a guiding principle for the new EU Commissioner, with policies designed to support innovation and sustainability in European industries. Delvaux suggested that a pathway to competitiveness includes creating and subsidising innovative products, specifically through initiatives like the *Net-Zero Industry Act*. Such measures aim to reduce carbon footprints while also ensuring that European industries remain cutting-edge and sustainable.

To address the EU’s reliance on critical raw materials, Delvaux discussed the *Critical Raw Materials Act* and other legislative frameworks intended to secure the supply chain for resources



vital to European industries. Part of this strategy includes forming strategic partnerships for raw materials, emphasising projects that advance Europe's resilience and reduce its dependence on limited sources.

A notable example of this collaborative approach is the EU's partnership with the United States. Together, they are forming a "mineral club" composed of like-minded nations committed to jointly accessing and investing in third-country resources. This initiative is designed to enable member countries to collectively negotiate and secure investment opportunities, ultimately strengthening resource security for all involved.

Delvaux also addressed the need for flexibility in managing the list of critical raw materials. This list, which is reassessed every three years, outlines the materials deemed essential for the EU's strategic interests. By maintaining flexibility in the criteria and selection of materials on this list, the EU can better adapt to evolving technological, environmental, and economic needs.

Finally, Delvaux touched on the role of the European Commission in reinforcing trade and partnerships globally. He outlined several potential actions the Commission could take to strengthen trade relationships, develop industrial capabilities, and promote sustainable practices. These efforts are intended to position the EU as a resilient, competitive, and innovative economy, capable of weathering global challenges while advancing its strategic objectives.

The second panellist, **MEP Hildegard Bentele**, a member of the European Parliament's Committee on Industry, Research and Energy (ITRE), addressed several pressing issues related to securing the EU's raw material supply and the broader industrial strategy.

Bentele began by emphasising that much of the necessary legislation and regulatory groundwork has already been laid, but effective implementation now requires a strategic, results-oriented approach. She underscored the importance of ensuring a steady supply of critical raw materials, as these are essential for supporting the EU's industrial base. This supply security is particularly crucial for high-stakes sectors like defence and aerospace, which rely heavily on these materials.

A key point of Bentele's discussion was the need to increase the availability of raw materials for EU industries. This is expected to be achieved primarily through international partnerships—formalised "raw material partnerships" that focus on stable, mutually beneficial arrangements with other countries. Bentele praised the efforts of the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) in advancing these partnerships, noting that such initiatives are vital for building a more resilient supply chain for European industries.

Bentele also pointed out that, unlike some of its global competitors, the EU lacks a robust mining industry. While countries like the United States and China have extensive mining operations, the EU's domestic extraction capabilities remain underdeveloped. Expanding and strengthening the EU's mining industry could play a pivotal role in reducing dependency on external sources and supporting industrial autonomy.

To address the critical question of how to secure a sufficient share of minerals for Europe, Bentele highlighted several influencing factors, with energy costs being one of the most pressing. High energy prices within the EU are a particular challenge for the mining sector, putting the EU at a disadvantage compared to countries where energy costs are lower, such as the US and China.



Reducing energy prices or introducing measures to support the mining industry could be vital steps in ensuring a steady supply of critical materials.

Bentele also discussed the need for infrastructure to support Europe's energy transition, especially as the EU takes responsibility for cross-border steps in securing critical raw materials. However, she expressed concern about the competitive disadvantage posed by Europe's high energy costs, which make it challenging to compete with the US and China.

Another area of discussion was the EU Emissions Trading System (ETS). While the ETS is a core component of the EU's climate policy, Bentele noted that some flexibility has been exercised due to the economic challenges posed by the COVID-19 pandemic. She cautioned against imposing excessive burdens on companies, stressing the importance of balancing environmental goals with economic realities to ensure that industries remain viable.

In regard to the Critical Raw Materials (CRM) Act, Bentele advocated for establishing a dedicated board to monitor and manage the EU's raw material supplies. Such a board will oversee strategic stockpiles, address supply chain vulnerabilities, and ensure the EU can meet its raw material needs.

Finally, Bentele drew attention to a regulatory issue affecting investment in the mining sector: she noted that around 80% of EU banks are currently restricted from investing in mining projects. Addressing this regulatory constraint could unlock new sources of funding, enabling the mining industry to grow and better serve Europe's industrial needs.

The third panellist, **Nicoletta Zappatini**, Managing Director at Olea Capital Ltd., shared insights on the critical role of financing in supporting Europe's energy transition and raw materials sectors. Drawing on her extensive background in finance and emerging markets, Zappatini addressed the question of whether financing should be considered a top priority and discussed which specific priorities within financing are most essential.

Zappatini emphasised that expanding technologies and infrastructure, especially within the energy sector, is crucial for advancing Europe's transition toward sustainable energy sources. Although financing is often perceived as a barrier, Zappatini noted that money is not necessarily scarce, as global savings exceed 25 trillion dollars. A central question, however, is how much of these savings are being channelled into sectors essential for the green transition, such as critical raw materials.

Zappatini argued that increasing investment in raw materials is vital, as both new mining projects and expanded recycling initiatives are fundamental for boosting supply levels to meet Europe's sustainability targets.

Currently, around \$500 billion in public and private market funds are earmarked for projects focused on sustainability. Many of these funds have only recently launched, with their investments falling into categories such as infrastructure and venture capital, often supporting early-stage companies that are developing innovative solutions. However, Zappatini identified a gap in "growth capital"—the type of funding needed to help early-stage projects mature and scale. This type of capital is essential to bridge the transition from initial project development to full-scale operations.

One major issue Zappatini raised is that, despite the increasing availability of funds dedicated to sustainability, a significant portion of capital is still tied to fossil fuel projects, which offer high



returns in the short term. This tendency has prevented a greater shift of funds into tangible projects that could accelerate the energy transition. Within financial institutions, very few professionals specialise in raw materials or understand the sector's intricacies, which limits their ability to evaluate and support projects in this area. Zappatini highlighted the renewable energy sector as a growth area and encouraged financial institutions to gain a deeper understanding of its potential to attract additional investments.

Risk perception and mitigation are major obstacles for the raw materials market. Zappatini explained that investors need to view this sector as a long-term, stable investment, ideally backed by sustained support and subsidies from government bodies to incentivize participation. The EU, with its advanced research and rich technological resources, has much to offer in this regard. European universities and research institutions are leaders in developing state-of-the-art recycling and raw materials technologies, and EU companies can leverage these advancements to attract investors by demonstrating their technological sophistication.

To improve the visibility and attractiveness of critical raw materials (CRM) to investors, Zappatini suggested that companies and policymakers should emphasise the interdependence between renewable energy and CRMs. Without an abundant supply of critical materials, renewable energy technologies cannot be deployed at the necessary scale, making raw materials essential to the energy transition. She argued that showcasing this relationship can help make the CRM sector more appealing to investors.

Finally, Zappatini noted that when financial institutions assess investment opportunities, they look closely at the strength of the team behind a project and the likelihood of returns on investment. Investors need reassurance that there is demand for these investments and a solid revenue model to ensure profitability. Strong management teams within CRM-focused companies, as well as clear and stable demand for raw materials, could help secure the financial backing required to drive Europe's green transition forward.

The fourth panellist, **Juan Antonio Aranzabal**, General Manager of Graftech Iberica S.L. and President of the European Carbon and Graphite Association (ECGA), shared insights into the challenges and strategic responses faced by the graphite industry in Europe. The ECGA represents companies involved in the production, processing, and application of carbon and graphite products, playing a crucial role in sectors like steel and energy.

Aranzabal began by outlining some of the primary challenges his industry faces, especially given that his company specialises in refining and synthesising graphite. This process is crucial for applications in sectors like steel production, where graphite is used in electrodes, and recycling processes that help reduce overall emissions. Despite its essential role, graphite production is highly energy-intensive, which presents its own difficulties, especially in an era of rising energy costs and stricter emissions regulations.

One of the industry's environmental commitments is to advance decarbonization through recycling. Although the steel sector relies on scrap iron, representing about 90% of its recycled material, Aranzabal noted that this is only a fraction of the resources used to produce steel, with iron ore still



playing a significant role. As a result, there is a need for ongoing efforts to recycle efficiently to achieve meaningful reductions in CO<sub>2</sub> emissions.

Aranzabal also discussed the European Emissions Trading System (ETS), which mandates that companies meet specific CO<sub>2</sub> emissions targets. However, he pointed out that these targets only partially cover the sector's emissions, leaving gaps in accountability and the infrastructure needed to capture, transport, and store CO<sub>2</sub>. Developing the necessary carbon capture and storage (CCS) technology would require massive investments in infrastructure—costs that are currently prohibitive for most companies.

Moreover, the lack of a unified EU policy for the carbon and graphite industry means that costs, subsidies, and regulatory frameworks vary significantly across member states. Aranzabal called for greater cooperation among EU countries to address these challenges, stressing that collaboration, rather than competition, is needed to achieve climate goals and support the industry.

Turning to the topic of international competition, Aranzabal highlighted China as the industry's most significant competitor. Currently, China controls about 65% of the global graphite market—a share that was only a fraction of this 20 years ago. China's rapid growth in this area has been driven by substantial government subsidies, which support the entire supply chain for critical raw materials. This advantage has allowed China to become the world's lowest-cost supplier of graphite. With an excess supply and a slowing economy, China continues to export graphite at highly competitive prices, creating a challenging environment for European producers to compete.

In terms of policy demands, Aranzabal urged European institutions to accelerate the transition to low-carbon technologies and provide more consistent support for industries like his, which are crucial for sustainable development. He argued that policies to promote carbon-neutral production and advanced recycling infrastructure could help level the playing field against fully subsidised competitors. Additionally, he suggested that European institutions prioritise long-term solutions that reduce dependency on imported materials and secure a sustainable supply of graphite within Europe.

The roundtable concluded with a **Q&A session** that sparked a dynamic debate on various topics related to the growth and sustainability of Europe's critical raw materials (CRM) and mining sectors.

**Growth of the Mining Sector:** One of the first questions raised concerned the growth potential of Europe's mining sector, specifically asking whether the primary obstacles are financial, regulatory, or related to public acceptance. While there was a general sense of optimism, especially with the CRM Board established and actively working since May, several challenges remain. Panellists noted that, from a financial perspective, one of the key factors that banks assess before investing is the "country risk"—the stability and regulatory climate of the location where mining activities are to be undertaken. This risk factor necessitates the involvement of experienced and capable teams with a strong track record of managing complex projects in diverse regions. In contrast, the financing of oil and gas projects is often more straightforward, as it is highly dependent on global market prices rather than the broader set of risks associated with mining.

An example of this was highlighted with BlackRock's partnership with Thelma on energy transition projects. This collaboration reportedly took over a year just to identify a manager with the



necessary expertise, underscoring the broader challenge of finding financial professionals trained to understand the unique risks of mining and raw materials markets. As a result, the financial sector often looks to energy experts for insights, given their deep understanding of resource markets and risk management.

**Developing a European Recycling Market:** Another topic of debate was the need to retain scrap materials within Europe and foster a more robust recycling market for raw materials. Currently, some valuable raw materials are exported rather than recycled and reused within Europe. There was discussion on whether the European Commission's Directorate-General for Trade (DG TRADE) had begun reflecting on implementing export restrictions to retain more resources within Europe. While DG TRADE typically advocates against export restrictions globally, this idea of limiting exports for critical materials to support a circular economy within the EU is gaining attention. This reflects an increasing awareness of the global impact of EU trade policies, a dimension that some argue was not fully addressed in the Draghi Report. Participants noted that any policies implemented within the EU could have global repercussions and would likely provoke responses from other nations.

**New Protective Instruments for EU Companies:** There was also a question about whether the EU is likely to develop new tools over the next five years to protect European companies from external risks, particularly those originating outside the OECD. The slow progress in ratifying new trade agreements, often due to parliamentary and public scrutiny, was cited as a significant obstacle. However, the EU has been considering a list of strategic partners and projects under the CRM strategy, which could provide a more focused approach to international partnerships. Consensus among EU member states on this list will be essential for moving forward with a select number of high-impact projects.

**Strategic Stock of Raw Materials:** A final question addressed the idea of creating a strategic stockpile of critical raw materials, a concept that has seen varying levels of support. While stockpiling can provide a buffer against supply shocks, it raises complex questions, such as which materials would be stored, who would bear the financial burden, and how such a reserve would be managed. Japan, which has a longstanding national stockpile, was cited as an example, and panellists discussed the possibility of pursuing a similar approach in collaboration with the United States. However, this would require a substantial financial investment, which could be challenging for European countries to shoulder alone. Additionally, issues of business confidentiality and the cost implications of stockpiling make this a contentious topic, though it remains an option under consideration.

