

## PETER HANDLEY

Head of the Energy-Intensive Industries and Raw Materials Unit in the European Commission's Directorate-General for Growth

**Holger Bingmann, President of the German Section of the International Chamber of Commerce, Honorary Chairman of the German Emirati Joint Council for Industry and Commerce**

Due to the lack of time, I would like to ask my question as I hand over to you, Peter. Why should Europe promote domestic mining when it could originally or can rely on well-established cheaper global supply chains? Is that the future?

### **Peter Handley**

I think the future is complex. If you look throughout history, you will see that certain raw materials have been critical, which by definition means that they have been geopolitical. Looking back, you have had salt, copper, gold, silver. More recently, hydrocarbons, uranium, silicon and now it is the raw materials needed for the green and digital transition. Who knows what will be critical for quantum computing? That is an unanswered question. Let us not forget that Europe started its project around sharing governance for dealing for two important raw materials, coal and steel, which were the basis for the project we established together shortly after the Second World War.

If you go forward to the first oil crisis in 1973, it was a wakeup call for Europe at that time and one of the things we did was come out with our first raw material strategy and first internal governance, the Raw Material Supply Group. Not long after, when the then Chinese President said, "The Middle East has oil, but China has rare earths" that was the starting signal for China to build a strong position in the metals and minerals value chain. That is a process that has taken it from a virtual non-player to an extremely dominant player, practically across the whole periodic table.

We got a first idea of what that meant in geopolitical terms in 2010 when there were tensions between Japan and China after China shut off the supply of rare earths. That is when Japan, the European Union and the United States set up the Trilateral Conference on Critical Raw Materials, which continues to this day, to discuss issues about security of supply and diversification of sourcing. We very recently invited Canada and Australia to join us in this forum.

More recently, in 2018 we saw that China was racing ahead in the game to develop battery vehicles. We were worried because our automotive sector is based on the combustion engine, and we could be kissing goodbye to its future. We actually developed very fast a new way of doing industrial policy, creating the European Batteries Alliance, bringing together all the

partners. We identified the key investments throughout the value chain, starting from battery raw materials and their refining and recycling. We also put the investments in place with two big public/private partnerships amounting to an over EUR 20 billion investment, of which approximately EUR 6 billion comes from national state aid and the rest is from the market. This has been an inspiration for us in the new Commission. The first decision taken by the von der Leyen Commission in December 2019 was the overarching framework of action, the European Green Deal, how Europe can achieve its 2030 and 2050 climate and energy goals, while transforming the economy and making sure that this is a fair and just transition for the population. In that Green Deal there is a statement that says, "There is no Green Deal without access to a sustainable supply of critical raw materials. Raw materials have become a security issue for the European Union". That is taken forward in the industrial strategy of March 2020, where there is a chapter that says, "Europe can no longer afford to be excessively dependent on others for things that are vital to its own future. We need to develop resilience and strategic autonomy in the framework of open global markets".

That is the context in which in 2020 we revisited our assessment of criticality, but this time also included a forward look. We forecast what we think we will need for 2030, 2050, for all the key technologies and we came up with an action plan. I am not going to go through it, but one action was to set up an industrial alliance for raw materials. It has now been running for a year and it has members from Europe, our neighbors, Canada, Australia and America and it is open to any company from around the world that shares the goals of developing open, diversified and sustainable value chains. In its first year, this alliance has delivered an investment pipeline of EUR 10.7 billion from mining through to recycling and everything in-between, in most countries of the European Union. Just two days ago, it delivered an action plan on rare earths and permanent magnets, which are the headline area of concern for Japan, the European Union and the United States of America because China has almost 100% control over the rare earth value chain and the permanent magnets that go into all electric motors, whether in the digital sector, automotive, spaceships, aircraft, defense equipment, etc. There could not be anything more strategic for the future or more likely to become a geopolitical issue.

That is one action and we also decided that investment is an issue, so we have just set up what we call the Clean Technology Materials Taskforce with the European Investment Bank, the Bank of Reconstruction and Development and both the Batteries and Raw Materials Alliance, to identify the tools and conditions under which those banks would de-risk strategic projects. We are also looking at the domestic side, especially circular economy, and getting projects off the ground.

I want to focus now on the international dimension because we really need to diversify. Here, we developed a first strategic partnership on raw materials with Canada in June, and in July we signed off on one with Ukraine around batteries as well as raw materials. With strong political support, we are offering a partnership in the Western Balkans, and we are starting talks with Serbia. To our friends from Africa here, we are very interested in developing a new kind of partnership that will allow African countries to use their resource riches, or curse if you like, in a way that is going to give you better economic and social development and help us to partner with you. As the President of Rwanda was saying yesterday, we will not come with



readymade investment proposals, we want to listen to your needs and help you to deliver them.

To close, I am just going to say that I see four challenges. The first is that there is a race for resources and the challenge will be if we can manage this in a civilized way in a world that is becoming increasingly uncivilized. There are new frontiers where the rules do not exist: the deep seabed, a de-iced Arctic region, the moon and beyond in space. The second challenge is a deficit of investment. It takes too long to get investments and we can see that there are forecasts of future demand going up, but the supply will not be there in certain areas. Also, commercial banks are nervous about investing in this sector and that is where the public banks can help to de-risk. We may need strategic investments because the markets are not normal markets because of the market domination, and you need patient strategic investment. Third, you need a new social contract. There is a lot of opposition to mining and expectations that it cleans up its act, and that there are more transparent supply chains. You heard Commissioner Reynders talk about due diligence. He is preparing a corporate responsibility proposal on that later this year. The final challenge, as this is a governance conference, is a deficit in global governance on how we manage the world's metals and minerals. Is there going to be something multilateral in the United Nations system? I heard Ifri propose the other day that there should be a new agency sitting alongside the OECD and the International Energy Agency, called an International Minerals Agency. However, is there an appetite on behalf of the great powers to come together and deal with the challenges within a multilateral framework or are we in the sphere of power politics? I will just close on that note.