EU Raw Materials Coalition

A new narrative for Europe's competitiveness on critical raw materials

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1. Introduction

The Mario Draghi Report, commissioned to assess the future competitiveness of Europe, emphasizes the urgency of securing strategic autonomy by focusing on critical raw materials (CRMs) and strengthening Europe's position in the global market, particularly vis-à-vis China and the United States. However, the report frames economic security and competitiveness within a narrow lens of perpetual growth, sidelining essential aspects such as environmental sustainability, social justice, and the need for a more profound circular economy. This approach risks exacerbating the overexploitation of resources, which comes with crossing planetary boundaries and increasing inequalities in resource access globally and a linear supply chain model where midstream and downstream industrial processes are hosted outside the countries where metals and minerals are mined. Moreover, this growth-driven model, despite claims to foster win-win partnerships with the Global South, would ultimately function as a neo-colonial framework, limiting other regions' ability to pursue ecologically balanced industrial policies.

Considering that the mission letters of the future Commissioners reference the Draghi report, and with upcoming discussions on the report within European Institutions, it becomes critical to provide a solution-based response to the misguided recommendations. This presents an opportunity to advocate for radically alternative perspectives that integrate sustainability, human rights, and global justice into the EU's competitiveness framework. A new narrative is certainly needed, but it has to be one that respects planetary limits and promotes global equity.

2. Major Flaws of the Draghi Report

The CRM chapter in the Draghi Report spans approximately 40 pages, detailing Europe's heavy reliance on imports of raw materials, particularly from China. The report advocates fast-tracking mining projects, streamlining permitting processes, and expanding supply chains to maintain the EU's industrial leadership. However, several key issues emerge:

- **Focus on Growth and Extraction:** The Draghi Report is primarily driven by a "grow at all costs" narrative, without proper attention to the pressing need for demand-side measures which reduce material consumption while generating societal well-being for all. Rather than exploring how to minimise dependency on CRMs through behaviour change, constructed dependency on produced goods and services, substitution, circularity, efficiency and sufficiency; the report leans heavily on increasing supply through more mining and 'sustainable sourcing.' This is a missed opportunity to implement more innovative approaches, such as promoting citizen support for sufficiency lifestyles combined with progressive systemic policies, investment in innovation for enhancing material efficiency and promoting secondary material usage within a truly circular economy. The report briefly mentions the role of secondary materials and recycling but fails to prioritize this as a key strategy. Moreover, it downplays the potential for innovative substitution technologies, such as the development of wind turbines that do not require rare earth elements (REEs), which could significantly reduce Europe's dependence on these critical materials.

- **Mistaken Approach to Security**: Security in the report is framed predominantly as economic and geopolitical, neglecting crucial dimensions such as climate security, social welfare and democratic stability. Conflicts are often deeply material in nature, as the demand for critical resources such as minerals, oil, and land frequently drives them. By failing to address this, the report ignores how unchecked economic expansion intensifies conflicts globally, creating a vicious cycle where increased resource extraction fuels more conflicts. As nations invest in military capacity to secure these resources, they divert even more resources away from social and environmental needs, perpetuating a never-ending loop of extraction, conflict, and militarization that undermines both local communities and global stability. Moreover, military capacity and defence will also require significant amounts of minerals deemed and justified within the energy transition and renewables production.

- **Fragility of the EU's Geopolitical Position:** The Draghi Report fails to acknowledge that without establishing durable alliances grounded in mutual interests, the EU's geopolitical stance remains inherently fragile. Relying on outdated assumptions rather than forging solid, genuinely "strategic" partnerships undermines the EU's ability to effectively engage with the Global South. This approach follows a colonial model, risking that the green transition becomes green neo-colonialism. To enhance its global influence and stability, the EU must prioritize partnerships that genuinely consider the needs and interests of these regions, fostering cooperation based on shared goals and mutual benefits.

- **Lack of Emphasis on Human, Workers, and Indigenous Peoples' Rights:** A major omission in the Draghi Report is its disregard for human rights, Indigenous Peoples' rights, and social safeguards in critical raw materials (CRM) extraction, trade, and manufacturing. It fails to address the social impacts of mining, especially in the Global South, where communities face displacement and exploitation. This oversight reflects an outdated understanding of competitiveness that neglects marginalized groups affected by Europe's demand for CRMs. Additionally, CRM production lacking adequate environmental and human rights standards undermines public acceptance and political stability, weakening long-term supply security. By promoting the fast-tracking of mining projects, the report actively seeks to undermine social and environmental rights. Its focus on economic competitiveness risks bypassing essential environmental safeguards and meaningful engagement with civil society and Indigenous Peoples communities, which require legally binding frameworks to ensure meaningful representation and Free, Prior, and Informed Consent (FPIC) in decision-making processes. Moreover, failing to ensure FPIC and proper consultation risks deepening historical injustices and perpetuating the marginalisation of Indigenous Peoples. Furthermore, the lack of attention to fair taxation, such as local taxes benefiting communities, highlights a significant gap in benefit-sharing, hindering lasting interregional collaboration.

- **Deep-Sea Mining:** The report suggests that deep-sea mining could help meet the EU's demand for CRMs. However, Europe's leading scientists have warned that it could cause irreversible damage to biodiversity, disrupt marine ecosystems, and jeopardize the ocean's role in regulating the climate. For these reasons - and rightfully so - the EU Commission has recently reiterated its previous position to *"Prohibit deep-sea mining until scientific gaps are properly filled, no harmful effects arise from mining and the marine environment is effectively protected."*

- **Covering private profits with public money:** To implement the development of the CRM value chain, the Draghi proposals rely heavily on investment by private capital with support from public financial institutions, Public-Private Partnerships or tax incentives to de-risk, i.e. keep high profitability for, the private sector. No social and environmental conditions and limits to profitability and pay-outs to shareholders are mentioned. Additionally, EU public and blended funds which de-risk CRM-related projects (spanning extraction, processing, transformation, infrastructure, or energy), should be subject to strict accountability mechanisms. Concrete financial support and public investments in critical mineral reuse, reduction in use, recycling, and a circular economy, are not prioritized.

- **No good solution to excessive volatility in raw material prices**: Given that the current market-based pricing mechanism is based on demand and supply, and financial derivatives commodity derivatives markets (metal exchanges)- result in high price volatility and uncertainty, the Draghi proposals fall short of duly pricing minerals that are important for the future and incorporate environmental and social factors.

- **European exceptionalism in extractive activities:** The report promotes a narrative of exceptional mining standards in Europe without acknowledging systemic issues that pervade the continent. It fails to address the significant disparities in mining regulations across European countries, creating a misleading picture of uniformly high standards. Examples include Portugal and Spain having lower mining waste standards than Brazil or Peru, or that Norway is one of two countries in the world that still allow for marine mining waste disposal.

- **Democratic decay through corporate capture:** By highlighting weak governance in resource-rich countries, the report only presents half the picture and writes off corporate power. The track record of mining companies in resource-rich countries shows their complicity and, sometimes, an active role in governance decay. The worst cases are the "corporate conflict entrepreneurs" who seek out countries in a conflict spiral, set up shop, and contribute to the decay to maintain their profit-making operations.

3. A New Narrative for Industrial Policy: Beyond Competitiveness

Europe's long-term industrial competitiveness must be rooted in policies that prioritise sustainability, equity, and resilience. Rather than exclusively securing material supplies through extraction, the EU must adopt a forward-looking industrial strategy encompassing demand reduction, circular economy principles, and human rights protections. We propose the following:

- **Demand Reduction and Resource Sufficiency:** The most sustainable, and least critical resource is the one that is not used. Current demand models primarily account for technological advancements but overlook the potential for significant behavioural shifts. Europe must set ambitious CRM consumption reduction targets for 2030, focusing on phasing out single-use products containing critical materials and implementing robust sufficiency and efficiency programs. Strategic technologies should serve societal needs, prioritising sectors such as climate-neutral housing, clean energy, and accessible public transportation over luxury goods or military applications. Energy sufficiency policies can in turn reduce the demand for critical materials used in the power generation sector. Other examples include targeted regulations and financing which can incentivize car manufacturers to produce smaller, resource-efficient vehicles to meet essential needs while reducing the environmental impact.

- **Circular Economy and Recycling:** A robust circular economy strategy should be the cornerstone of Europe's CRM policy and its financing mechanisms. This includes setting mandatory recycled content targets for all CRM-containing products, improving recycling and repairing infrastructure, and ensuring coherence with the waste hierarchy. The revalorization of waste from mining and used electronic devices could also play a crucial role in reducing the need for new extraction while cleaning up abandoned mining sites across Europe.

- **Substitution and Innovation:** Europe must invest in research and development to identify substitutes for critical raw materials, particularly in strategic sectors such as renewable energy. Governments should support startups working on CRM substitution and innovation in recycling technologies, ensuring that they receive the funding and regulatory support needed to scale up.

- **Trade and Global Justice**: Europe's CRM strategy cannot be divorced from global justice concerns. The EU is seeking to secure access to CRMs through new trade agreements. However there is a strong risk that these agreements will not be aligned with international human rights and environmental standards, nor will they uphold the EU's own policy coherence for development or support the energy development pathways of mineral-rich countries. Double pricing and export restrictions on CRMs as well as local content requirements, while sometimes seen as barriers, are essential for protecting local environments and communities, and provide income from higher-value processing and transformation. Europe should support domestic industrialization in partner countries and promote transparent, equitable supply chains and manufacturing sectors, and respect the need for meaningful consultation for affected communities and Free, Prior and Informed Consent for Indigenous Peoples. Current trade agreements under negotiation, such as the EU-Mercosur agreement, the EU-Mexico and the EU-Indonesia agreement, to just name a few, do not fulfil these requirements as they currently stand and need to be rejected.

- **Responsible Stockpiles:** If CRM stockpiles are implemented, they must aim at achieving desirable steering effects regarding environmental and social safeguards. Sourcing and joint-purchasing should prioritize recycled materials to promote the secondary materials market, while primary raw materials must uphold the highest environmental and human rights standards throughout the supply chain. Access to these raw materials should be restricted to sustainable energy technologies, such as wind and solar power, public transportation, and essential technologies, but exclude sectors like car manufacturing, military industry, or luxury goods.

4. Conclusion: Toward a Just and Equitable Future

The Draghi Report highlights Europe's need to secure access to critical raw materials, but its vision of competitiveness is outdated and unsustainable. Today, it is even more crucial that we challenge its excessive growth-oriented framework and push for a more equitable and more sustainable approach. Europe must shift from a growth-at-all-costs approach to one that respects planetary boundaries and promotes global justice. By focusing on demand reduction, circular economy strategies, human rights, and sustainability, the EU can position itself as a leader in a fair and equitable green transition and adherence to the Paris Agreement's goals while fostering its citizens' wellbeing and reducing multiplying factors for global conflict. This strategic shift is not only essential for Europe's economic competitiveness but also for its credibility as a global actor committed to addressing the climate and biodiversity crises and protecting human rights.