

# EU energy *transition*

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## EUROPE'S CRITICAL MATERIALS VALUE CHAIN BOOSTED BY STRATEGIC PROJECTS ANNOUNCEMENT

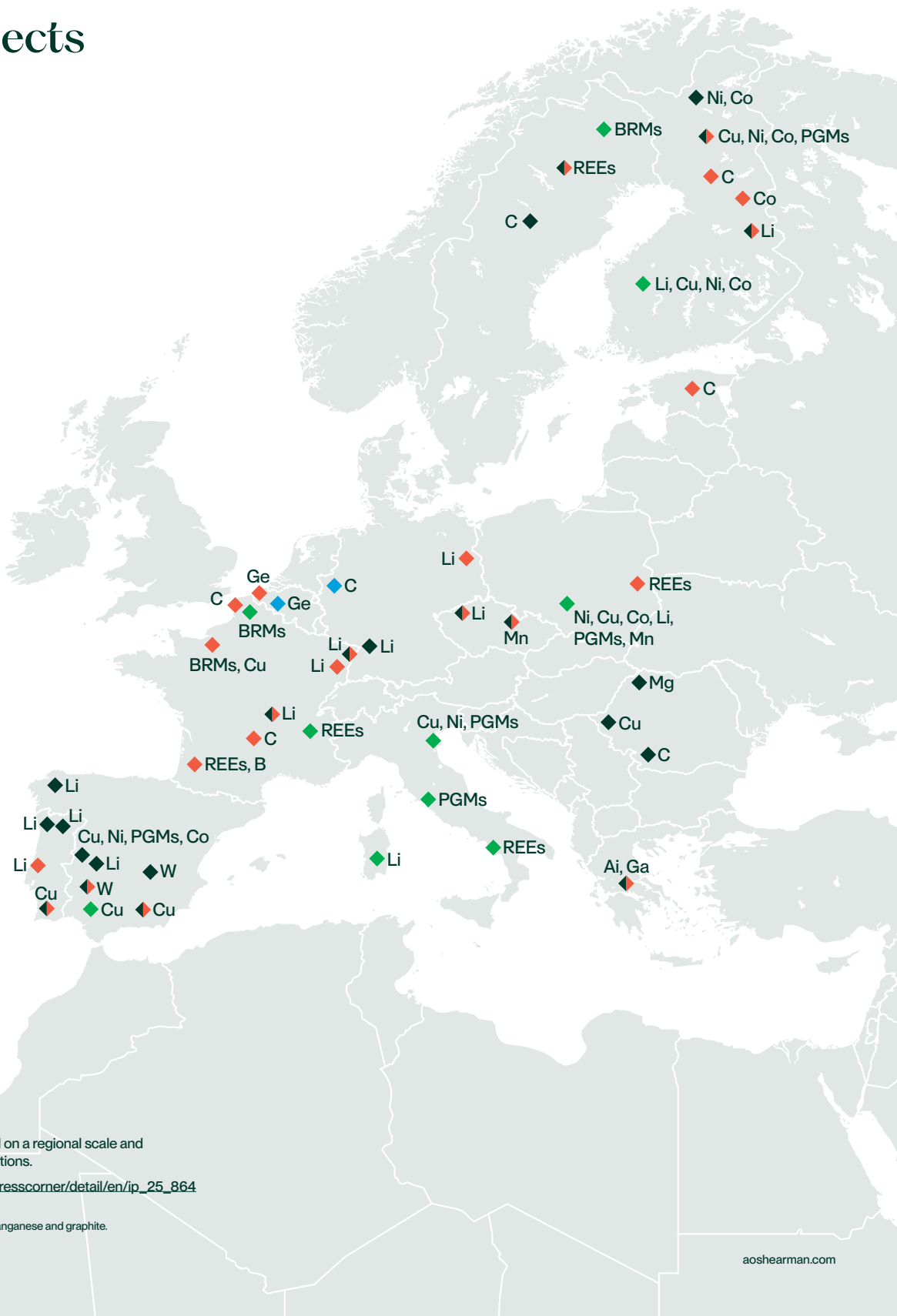
A recent announcement by the European Commission of 47 Strategic Projects is set to boost the bloc's domestic supply of raw materials, strengthening its battery and defence value chains and presenting substantial potential investment opportunities. Focused on improving the extraction, processing, recycling, and substitution of raw materials, this first batch of projects under the EU Critical Raw Materials Act (CRMA) will receive "priority status" to expedite permitting and development. How successful the EU is in competing for investment to deliver these projects remains to be seen, with other nations similarly seeking to secure domestic supply.

Announced on 25 March 2025, these projects span across 13 Member States, including Belgium, the Czech Republic, Estonia, France, Finland, Germany, Greece, Italy, Portugal, Poland, Romania, Spain and Sweden. The selected projects focus on materials vital for the energy transition and domestic battery value chains—such as lithium (22 projects), nickel (12 projects), cobalt (10 projects), copper (10 projects), manganese (7 projects), and graphite (11 projects)—as well as materials essential for EU defence, including magnesium (1 project) and tungsten (3 projects). These projects were chosen based on their technical feasibility and clear cross-border benefits for the EU, in line with the CRMA criteria.

## Strategic projects for the EU

- ◆ Extraction    ◆ Processing
- ◆ Recycling    ◆ Substitution

<b>Al</b>	Aluminium
<b>B</b>	Boron
<b>BRMs</b>	Battery Raw Materials <sup>1</sup>
<b>Co</b>	Cobalt
<b>Cu</b>	Copper
<b>Ga</b>	Gallium
<b>Ge</b>	Germanium
<b>C</b>	Graphite
<b>Li</b>	Lithium
<b>Mg</b>	Magnesium
<b>Mn</b>	Manganese
<b>Ni</b>	Nickel
<b>PGMs</b>	Platinum Group Metals
<b>REEs</b>	Rare Earth Elements
<b>W</b>	Tungsten

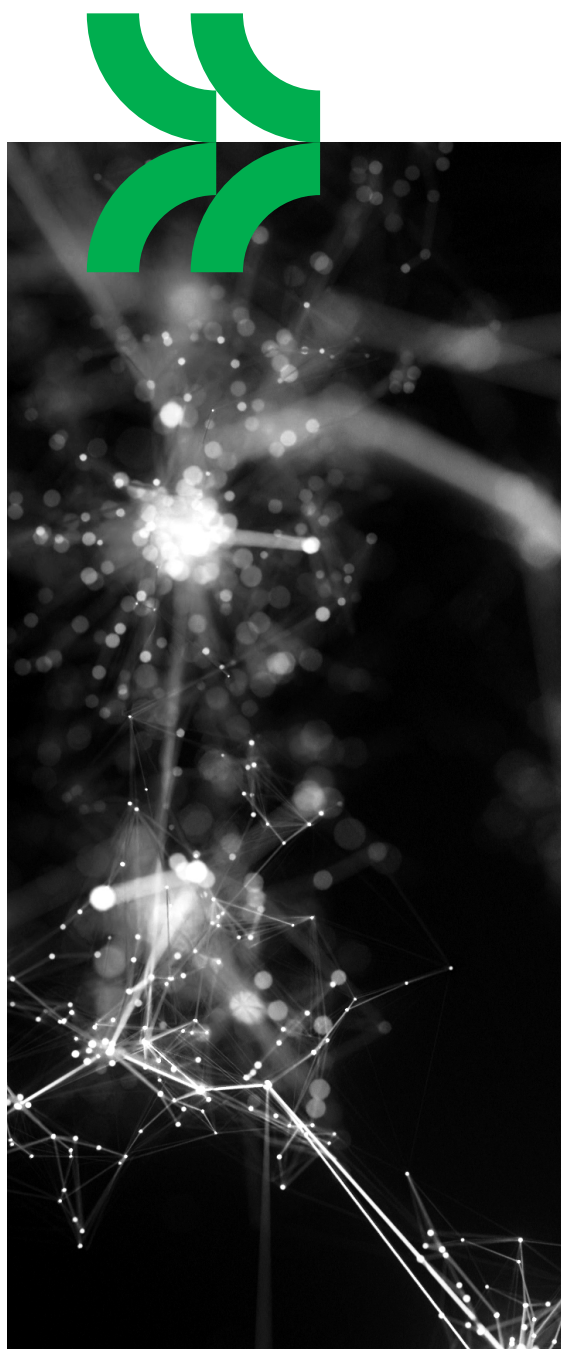


Disclaimer: The location of projects is based on a regional scale and doesn't reflect their exact geographical locations.

Source: [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_25\\_864](https://ec.europa.eu/commission/presscorner/detail/en/ip_25_864)

<sup>1</sup> Battery Raw Materials refer to lithium, cobalt, nickel, manganese and graphite.

# Significance of *Strategic Projects*



The global race for critical materials, especially “battery metals” like lithium and nickel, and rare earth elements, is reshaping geopolitics and intensifying international tensions. For the EU, securing a stable supply of these materials is crucial for its green and digital transitions and for supporting a strategically important European defence industry. The CRMA, enacted in April 2024, aims to ensure a secure, resilient, and sustainable supply of critical materials by fostering efficiency and circularity throughout their value chain.

The CRMA distinguishes between “Strategic Materials” and “Critical Materials” for the purposes of EU law. Strategic Materials are categorised as essential for the EU’s strategic interests, including the green and digital transitions and defence. Critical Materials, on the other hand, are classified as economically important and with a high supply risk.

The CRMA aims to ensure the EU’s access to each, with specific measures tailored to their respective importance and supply challenges.

Ambitious targets are set to meet 10%, 40%, and 25% of the EU’s demand for, respectively, extraction, processing and recycling of Strategic Materials by 2030. The priority status of these projects grants them special planning advantages,<sup>2</sup> such as expedited national permitting processes and allowances for certain environmental impacts, provided other EU Directives’ conditions are met. The CRMA also sets specific deadlines for Member States to complete permitting for Strategic Projects, generally not exceeding 27 months for extraction projects and 15 months for others, with urgent dispute resolution.

<sup>2</sup> Article 10 paras 2, 3, 4.



# Other CRMA provisions and clean industrial deal measures

## CRMA: The act introduced several *additional changes:*

### NATIONAL COORDINATION AUTHORITY (NCA):

Projects related to Critical Materials will benefit from streamlined permitting through a “Single Point Of Contact” (an NCA) within each Member State.<sup>3</sup> NCAs will facilitate and coordinate permitting for these projects (whether or not they are also Strategic Projects).<sup>4</sup> Each Member State will also decide whether its NCA will be the authority responsible for making such permitting decisions and whether to establish or designate its NCA at a local, regional or national level.

### REPORTING:

Developers and “Project Promoters” of Strategic Projects must report to the Commission every two years on the implementation and financing of these projects.<sup>5</sup>

### RISK ASSESSMENTS:

Starting 25 February 2025, “Large Companies”<sup>6</sup> using raw Strategic Materials and operating in specified sectors must conduct a risk assessment of their Strategic Materials supply chain every three years. The sectors affected include manufacturers of equipment for renewable energy generation, hydrogen production, data transmission and storage, various defence applications and batteries for energy storage or electric vehicles. The risk exercise must include:

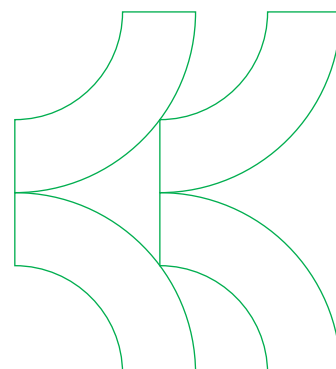
- Mapping the locations where the Strategic Materials used by the company are extracted, processed or recycled.
- Analysis of the factors that might affect the company’s supply of Strategic Materials.
- An assessment of the company’s vulnerabilities to supply disruptions in respect of Strategic Materials.<sup>7</sup>

Under the CRMA, the company is obliged to take steps to mitigate significant vulnerabilities, including by assessing the possibility of diversifying its supply chains or substituting the Strategic Materials.

### CLEAN INDUSTRIAL DEAL:

Launched in February 2025, this initiative further supports the competitiveness and resilience of EU industry by encouraging circularity and access to critical materials. Measures include the Commission:

- (a) developing an online platform for demand aggregation and matchmaking that will allow European companies to come together and trade raw materials; and
- (b) establishing a dedicated EU Critical Raw Material Centre, which will, among other things, facilitate the joint procurement of raw materials on behalf of EU companies.



<sup>3</sup> Under the CRMA, each Member State was obliged to take this step by 24 February 2025, although some are still in the process of changing necessary national laws.

<sup>4</sup> Article 9 para 1.

<sup>5</sup> Article 8.

<sup>6</sup> Article 24 para. 2: A “Large Company” is a company with more than 500 employees on average and a net worldwide turnover of more than EUR150 million.

<sup>7</sup> Article 24 para 1.

# Wider implications *for Europe*

Globally, governments are formalising critical material strategies and setting trade, industrial and investment policies. Resource-rich developing nations are focusing on expanding extraction and domestic processing, while developed nations adopt nuanced approaches based on their comparative advantages such as resources, trading partnerships and geography.

According to a 2024 analysis<sup>8</sup> by the French Institute of International Relations (IFRI), while the EU and the U.S. are developing similar toolboxes to diversify their value chains, there are substantial differences between their strategies. The EU's strategy, within the framework of its Green Deal<sup>9</sup>, emphasises sustainability and strategic autonomy. In contrast, the U.S. strategy<sup>10</sup> emphasises national security, with investments in new supplies through funding mechanisms like the Development Finance Corporation.

Meeting the 10% extraction target for raw Strategic Materials by 2030 requires the EU to significantly boost its metal extraction capability (and incidentally associated refining). This poses challenges, including lengthy permitting processes (currently five to ten years for new mines), the risk of challenge to permits once issued (often an obstacle to financing) and other investment risks such as increasing public resistance to mining and geopolitical instability around tariffs. While the CRMA aims to reduce permitting timeframes and disputes, it remains to be seen if the EU can navigate these hurdles in practice and create an environment attractive enough to secure the necessary private sector investment.

Indeed, the EU's approach to critical materials, while attracting praise by IFRI for defining its needs and ambitions, has been criticised for insufficient support for financing<sup>11</sup>, potentially leaving it behind other global players. To address the potential gap, several Member States (including France, Italy, Germany and the Netherlands<sup>12</sup>) have established, or are in the process of establishing, raw materials funds to support domestic resilience via funding critical materials projects at home or abroad (depending on the fund).

The Italian fund, "Fondo Nazionale del Made in Italy"<sup>13</sup> (or FNMI) was established in 2023 to support the "Made In Italy" brand and to finance projects related to critical raw materials. With an initial allocation of EUR900m, the fund aims to attract additional resources from private and international investors and is expected to become operational shortly, under the management of the Ministry of Economy and Finance. FNMI also ties into the Italian Raw Material Decree of 2024<sup>14</sup> which aligns with the CRMA objectives and aims to simplify project permitting and provides for concessionaires of certain critical raw materials projects to contribute a percentage of the value of extracted materials, in turn boosting the FNMI.

Germany's raw materials fund,<sup>15</sup> established in 2024 and administered by the state-owned KfW, provides typically for up to EUR150m financing contribution (in particular via equity instruments) to domestic and foreign projects meeting the funding criteria. It is due to receive additional funding as per the coalition agreement between the parties forming Germany's next government.

Foreign investment in EU critical materials value chains may be subject to EU foreign direct investment (FDI) requirements. The EU FDI Regulation creates a framework for cooperation and each Member State must notify the Commission of any FDI being screened in their territory. Several Member States make provision for screening of FDI in their critical materials sectors<sup>16</sup>, although their terminology differs as regards the classification of critical materials for these purposes. Proposals to revise the EU FDI Regulation (currently making their way through the EU legislative process) will require all Member States to screen FDI in certain sectors—this may include critical raw materials.<sup>17</sup>

The combination of FDI regulations and EU-wide measures like the CRMA and the Clean Industrial Deal requires a careful balancing act by Member States to ensure they can attract sufficient foreign investment to deliver domestic and EU objectives.

In the UK, while critical minerals transactions are already subject to mandatory notification under the National Security Investment Act 2021 as part of the "Advanced Materials" sector, the UK Government has been considering creating a standalone category for critical minerals.<sup>18</sup> It is also updating the UK's critical materials strategy, with a comprehensive update expected by Spring 2025.



<sup>8</sup> <https://www.ifri.org/en/papers/troubled-reorganization-critical-raw-materials-value-chains-assessment-european-de-risking>.

<sup>9</sup> Including the CRMA, EU Battery Regulation, Corporate Sustainable Reporting Directive and Corporate Sustainable Due Diligence Directive.

<sup>10</sup> <https://www.energy.gov/cmm/critical-minerals-materials-program>.

<sup>11</sup> Noting the Clean Industrial Deal aims to mobilise over EUR100 billion to support EU-made clean manufacturing.

<sup>12</sup> <https://investinternational.nl/news-items/invest-international-launches-new-fund-to-secure-critical-raw-materials-for-the-netherlands/>.

<sup>13</sup> National Fund for Made In Italy; Law n. 206, 27 December 2023, art. 4.

<sup>14</sup> Law Decree No. 84, 25 June 2024, converted into Law No. 115, 8 August 2024.

<sup>15</sup> <https://www.kfw.de/Rohstofffonds/index-2.html>.

<sup>16</sup> Such as France, Germany, Italy and Spain.

<sup>17</sup> <https://www.europarl.europa.eu/news/en/press-room/20250407IPR27703/new-screening-rules-for-foreign-investment-in-the-eu>.

<sup>18</sup> [https://assets.publishing.service.gov.uk/media/676403314e2d5e9c0bde9bad/Report\\_on\\_the\\_National\\_Security\\_and\\_Investment\\_Act\\_2021\\_Notifiable\\_Acquisition\\_Specification\\_of\\_Qualifying\\_Entities\\_Regulations\\_2021.pdf](https://assets.publishing.service.gov.uk/media/676403314e2d5e9c0bde9bad/Report_on_the_National_Security_and_Investment_Act_2021_Notifiable_Acquisition_Specification_of_Qualifying_Entities_Regulations_2021.pdf) (pages 7, 9 and 21).

# Next steps

The selection of Strategic Projects is an ongoing process under the CRMA, and the Commission has confirmed it will announce a new call for applications by summer 2025.<sup>19</sup> Further selections may increase the number of projects covering defence needs (a secondary objective of the CRMA undoubtedly increasing in prominence for the Commission). The first wave of Strategic Projects will also test the CRMA's provisions on permitting, as well as the EU's overall investment environment for such projects.

We will continue to monitor these developments across the globe. In the meantime, please contact your usual A&O Shearman contact for further discussion, or the named contacts on this bulletin.



<sup>19</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_25\\_864](https://ec.europa.eu/commission/presscorner/detail/en/ip_25_864).