

## RESourceEU – From Abstract Concepts to Critical Raw Materials

### Igor Merheim-Eyre

Critical raw materials matter. They are absolutely fundamental to our manufacturing, to emerging and critical technologies and to our very [defence](#) in the face of growing geopolitical threats. It is hardly far-fetched to claim that access to critical materials will determine Europe's future, be it whether our industries remain competitive, whether the green transition will lead to less or more technological dependencies, or whether we can even produce the capabilities to defend themselves.

Therefore, as its geopolitical posture grows more assertive, it should come as no surprise that adversaries like the People's Republic of China (PRC) seek to [weaponise the supply chains](#) of critical materials (and especially rare earths). As policy-makers, journalists and experts often like to cite, a staggering 98% of the European Union's (EU) [rare earth magnet](#) demand is supplied by the PRC over which it wields a stranglehold, as witnessed by expanding export control regimes impacting entire industries or even targeting specific sectors, including defence.

It is in this context that in 2024 the EU adopted the Critical Raw Materials Act ([CRMA](#)), a key legislative document which formed a fundamental part of the European Commission's (EC) thinking about economic security, [de-risking and reducing key dependencies](#) on third countries. Given the political will, CRMA was successfully passed through the legislative process and inter-institutional negotiations in a matter of months – a rare feat in the world of EU decision-making.

The CRMA clearly set out what the EU needed to do

to reduce its dependencies, strengthen partnerships

with like-minded partners, and shore up its capacity in extraction, processing and recycling. The Commission has also set up the [CRM Board](#) to help oversee the Act's implementation and achieve the Union's target of extracting 10% of its annual consumption domestically, processing 40% within the EU, and recycling 15%.

It is, therefore, all the more puzzling that, given the recognised urgency, the Commission has chosen to draft a new [Communication](#) - the *RESourceEU* Action Plan – alongside yet another [Communication](#) on Economic Security. Indulging in more conceptual writing hardly demonstrates a sense of urgency at a time when industries are suffering from acute assembly line [shortages](#) due to PRC's export controls and desperately need a reliable and secure access to key materials.

While *RESourceEU* introduces several new elements that build on the CRMA, the EU now needs to urgently operationalise these provisions. Given the pressure on industry, from the defence to the automotive sectors, the time to act is now, not in ten years.

*First*, the Commission needs to work more closely with national, regional and local authorities to speed up permitting for projects within the EU while, at the same time, ensuring the highest levels of social and environmental protection. These are not mutually exclusive goals, and several projects [demonstrate](#) that this can happen, whether by supporting local community projects, proposing innovative designs, or using state-of-the-art technologies that [minimise](#)

### environmental impact.

More importantly, projects cannot wait [ten years](#) to seek permits, navigating complex and even competing jurisdictions among different authorities. As part of *RESourceEU*, the Commission has announced a planned review of the Water Framework Directive and a new proposal on environmental permitting acceleration, but it will still depend on the Member States and local and regional authorities to ensure implementation, many of whom have still not even established a single point of contact as outlined in the CRMA. Even in the case of the [Strategic Projects](#), faster permitting is still more aspirational, whether within or without the EU. Therefore, given the plethora of institutions, competencies and local sensitivities, the ultimate test will not lie with the Commission, but within the Member States where processes need to be streamlined and harmonised as much as possible.

*Second*, the EU needs to mobilise public-private financing, including through the European Investment Bank (EIB), European Bank for Restructuring and Development (EBRD), or national investment and development banks like the German Kreditanstalt für Wiederaufbau (KfW) to significantly scale up and de-risk investments within the EU and in third countries. This requires dedicated funds and coordination, not [repurposing](#) yet again the same old money for chasing an ever-expanding list of Commission initiatives as has been the case with previous initiatives, including the EU's Chips Act. In fact, and most disappointingly, *RESourceEU* doesn't provide any fresh funds and the announced €3bn simply brings together existing financial wallets, from the Innovation Fund to the European Defence Industry Programme (EDIP).

Given the sense of urgency, the EU should consider following the steps of the US Administration to [prioritise investments](#) into the most [advanced projects](#) and seek to de-risk and scale-up, and even invest directly where possible. Even where there are existing examples of de-risking by the EU, these investments are not at scale and nor has the Commission yet fully grasped the importance of working with private equity partners to combine funding with investments. In fact, *RESourceEU* does not even mention the idea of a privately managed fund on the model of the Commission's new [Scale Up Fund](#), as recently advocated for by [EIT Raw Materials](#). Such efforts would contribute to relieving

pressure on Europe's industry and help towards reaching the CRMA's targets in the medium-term, rather than in decade's time. It would also avoid projects moving operations to the US or other lucrative geographies, as recently happened in the case of Pensana's planned £250 million processing plant [investment](#) in the United Kingdom. Nevertheless, despite attempts to coordinate funding through the 'CRM financing hub', EU-level support will likely remain scattered and assigned to numerous priority areas for at least the remainder of the current multiannual budget (MFF) which runs until the end of 2027, thus further complicating financing of projects, and making the case for greater integration of public-private finances all the more essential.

*Third*, As *RESourceEU* itself highlights, the EU needs to step up partnerships with third countries. To its credit, the Commission has signed 15 such raw materials [partnerships](#) since 2021, although only six of them since 2024. A new partnership with Brazil is currently being negotiated while the EU is playing an increasingly active role in the Canada-driven G7 Critical Minerals Action Plan. By contrast, however, President Trump signed [five agreements](#) with Malaysia, Vietnam, Thailand, Cambodia and Indonesia, as well as an expanded cooperation agreement with Japan in one trip alone. Critical minerals have also played a role in recent conflict deal discussions, including with Ukraine as well as with Rwanda and the DRC, indicating a much broader US economic statecraft by contrast to the EU's regulatory approach.

Beside this, the EU is still pondering how get more strategic on Global Gateway projects (whose ultimate goal is, after all, to provide an alternative to Chinese investments) following reports of Chinese companies' [involvement](#), prompting Czechia to circulate in the European Council a non-paper exploring options to tighten [public procurement](#) for Global Gateway project implementation. Unfortunately, neither *RESourceEU*, nor the economic security communication it accompanies, provide any concrete answer to address this issue.

*Fourth*, the announcement to create a Critical Raw Materials Centre (inspired by Japan's [JOGMEC](#)) to 'monitor, jointly purchase and stockpile' may well be a positive step. However, its competencies will need to be either merged with the existing CRM Board, or the Centre will need to have a separate but clear

mandate to avoid any duplication and potential conflict. More importantly, the idea of joint purchases and stockpiling will only truly work if there's a secure and reliable supply to begin with. Without it, the EU will continue to remain vulnerable to external coercion.

*Fifth*, the EU's efforts to diversify supply chains and reduce key vulnerabilities will only be successful if supply will be matched by demand from European companies, which is not always forthcoming. For example, the CEO of Solvay recently [admitted](#) that European contracts are slow coming, citing its ability to significantly scale up the processing of oxides for magnets (including samarium for defence application and nuclear reactor components) which are currently being supplied exclusively to the US.

Although not going as far as the US in establishing [price floors](#) for certain rare earths, *RESourceEU* envisages to use the announced [Raw Materials Mechanism](#) to matchmake buyers and suppliers, financial services as well as stockpiling service providers, with the first matchmaking round expected in March 2026. Given the knock-on effects of Chinese export restrictions, it is not surprising that the first round will target raw materials for electric batteries and defence, including tungsten and gallium, and will be open to suppliers from the EU, EEA, Overseas Countries and Territories as well as partnership countries.

In this regard, it is also worth noting the Commission's announcement to impose further [export restrictions on scrap metal](#) such as aluminium (and potentially copper) rather than shipping it to third countries, which is not only detrimental to European industry, but also entails significant carbon emissions. Arguably, the move can have the most immediate effect in ensuring a cost-effective supply of raw materials (recycled aluminium can be up to 50% cheaper) that can significantly reduce its dependence on the PRC and other third countries and reduce its €11.1 billion aluminium [trade deficit](#).

To conclude, if EU institutions wish to embrace an 'urgency mindset', writing yet another strategy will not achieve it. The Critical Raw Materials Act and now *RESourceEU* set the goals and the path forward. What is needed now are concrete deliverables in the short, medium and long-term, achieved in

cooperation with industry, financial institutions, national and local authorities, as well as third countries. The EU cannot afford to engage in an endless conceptual process. Our economic security and even our very capacity to defend ourselves lies in securing access to critical raw materials.

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