EU-US CRITICAL MINERALS AGREEMENT

CONTENT

In August 2022, the US enacted the Inflation Reduction Act (IRA), introducing the Clean Vehicle Credit. This is a subsidy for the purchase of qualifying battery or fuel cell operated vehicles in the form of a tax credit. To qualify for the full subsidy, a vehicle must, among others, be equipped with a battery that has at least some of its critical mineral content either recycled in North America or extracted and processed in the US or a country with which the US has a Free Trade Agreement or a Critical Minerals Agreement (CMA).

Without an EU-US CMA, EU firms are at risk of being excluded from US automotive supply chains, reducing EU export possibilities. The EU and the US announced their intention to negotiate a Critical Minerals Agreement in the Joint Statement on 10 March 2023 between President von der Leyen and President Biden as well as in the EU-US Trade and Technology Council Joint Statement of 31 May.

On 16 June 2023 the European Commission has adopted its negotiating directives for a CMA with the United States. The objective is to foster EU-US supply chains in critical raw materials needed in the production of electric vehicle batteries. In 2022 alone, the EU exported €8.3 billion worth of critical raw materials relevant to this industry.

Concluding an CMA aims to ensure that as an ally, the EU is granted a status equivalent to US free trade agreement partners pursuant to the US Inflation Reduction Act. EU firms will then be able to compete on a level playing field with US and third country competitors on the US market, such as Chile, the Republic of Korea, and Japan.

An EU-US CMA also seeks to boost EU production capacities in industrial sectors of strategic importance. Strong environmental and labour provisions will help ensure greater supply of sustainably sourced critical raw materials.

In addition, the deal will help reinforce the Commission's proposed Net Zero Industry Act and Critical Raw Materials Act, which aim to scale up EU manufacturing of key carbon neutral technologies.

The authorisation and the accompanying negotiation directives, once adopted by the Council, will empower the Commission to negotiate an agreement containing provisions on:

• trade facilitation, so that critical raw materials extracted or processed in the EU can be used in vehicles eligible for the US’ Clean Vehicle Credit subsidies;
- cooperation to make the critical raw material sector more sustainable by encouraging high environmental protection, international technical standards and circular economy approaches;
- promotion of labour rights in the critical raw materials sector;
- strengthening sustainable and equitable supply chains through common standards, working together with allies and partners.

On 20 July 2023 the Council adopted a decision authorising the Commission to open the negotiations on a CMA based on the the related negotiating directives.

- European Commission, Recommendation for a Council Decision authorising the opening of negotiations of an agreement with the United States of America on strengthening international supply chains of critical minerals, COM(2023)327
- European Parliament, EPRS, EU international procurement instrument, EPRS briefing, November 2023

Author: Marcin Szczepański, Members' Research Service, legislative-train@europarl.europa.eu
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