

Vattenfall's views on the Critical Raw Materials Act

Policy Paper

June 2023

Background:

On 16 March 2023, the European Commission adopted a proposal for a Regulation establishing a framework for ensuring a secure and sustainable supply of critical raw materials. The Critical Raw Materials Act aims to make the EU more self-reliant in mining, processing and recycling of 34 identified critical metals and minerals, to protect the region from increasing international competition for resources.

GENERAL REMARKS

The year 2022 has shown that accelerating the energy transition is more important than ever. Decarbonising our energy system is important, both for mitigating climate change and ensuring a security of supply in Europe.

Vattenfall fully supports the European Commission's focus on Critical Raw Materials (CRM). We believe that the energy transition goes hand in hand with the sustainable sourcing of raw materials. We rely on a number of critical raw materials for delivering on our fossil free road map, and welcome actions to reduce risks, strengthen and diversify the supply chain, with the prerequisite that it does not lead to a weakening of social and environmental safeguards. We are committed to enable fossil-free living within one generation and to do so responsibly. This is why we are committed to respecting the environment and human rights throughout our value chain, from our suppliers to our customers and the communities we work in.

KEY MESSAGES

1. We welcome the access to information (environmental footprint and human rights related) that will increase the traceability of CRM.

Vattenfall welcomes increased requirements on disclosing information on the environmental footprint of products containing CRM. This will improve our access to data, enabling better choices, and make it easier to quantify, disclose and manage impacts in our full value chain.

When developing the rules for the calculation and verification of the environmental footprint of different CRM, we believe that it is crucial to establish a harmonised and standardised approach across the different EU legislation (i.e. Batteries Regulation, Ecodesign Regulation). This will ensure high transparency and comparability of information.

Additionally, this will increase traceability, to improve understanding of human rights risks related to geographies. Lack of information is often one of the main obstacles to ensuring sustainable supply chains. All in all, the traceability of materials is key for all efforts to increase business resilience and limit local environmental footprint and human rights impact.

2. We support ambitious targets that enhance recycling capacity in the EU

Increasing domestic recycling capacity is expected to strengthen access to recycled critical raw materials and facilitate increased recycled content in materials and products. This will support the increase in ambition on CO2 emissions reduction in the supply chains, circularity, biodiversity impact decrease and resource scarcity decrease across EU Member States.

Accordingly, Vattenfall supports ambitious targets that help increase recycling capacities in the EU. We do, however, believe that in order to successfully meet such targets, the proposed Regulation should have a strengthened focus on concrete measures to enhance recycling of raw materials and push for the removal of barriers that exist at present-day. Hence, the Regulation should explicitly identify the barriers, enabling Member States to address them effectively. One area where we especially see the need to increase recycling and enable improved practices is rare earth elements (e.g. neodymium and thorium) used in permanent magnets that are especially used in offshore wind turbines. Furthermore, we believe that when setting recycled content requirements on permanent magnets, it must be paired with efforts to ensure the availability of options on the market to ensure that recycled materials are there for our suppliers to use.

3. Research and Innovation in CRM is paramount to secure the supply of materials for the energy transition.

We welcome the European Commission's intention to boost research and innovation in the CRM value chains. In light of the security of supply of these critical raw materials and the need for a speedy energy transition, we believe it is essential that more detailed focus is placed on research and development that enables the recycling of and substitution of complex materials. Furthermore, it is important to include requirements in the Regulation on increasing material efficiency of CRMs in materials and products since the higher efficiency of CRM, the less the demand for them.

4. Human rights should be at the heart of the Regulation

We welcome that the Regulation refers to the Corporate Sustainability Due Diligence Directive. However, we would support the inclusion of requirements on social aspects (fundamental human rights, social and labor rights) related to the supply chain of CRM in the Regulation. CRM are essential for the energy transition, but we need to ensure we work towards a just energy transition; not just in the EU geography, but also throughout the full value chain. Not doing so will result – on top of human rights infringements – in continuity and resilience risks and endanger the transition to a fossil-free society.

Vattenfall is a European energy company with approximately 19,000 employees. For more than 100 years we have electrified industries, supplied energy to people's homes and modernised our way of living through innovation and cooperation. Our goal is to make fossil-free living possible within one generation. Everything we do and the decisions we take shall lead to this goal. This is the basis of Vattenfall's strategy, and we advocate for a regulatory environment that makes this transition possible – in the energy sector and beyond in transport, industry etc