COBALT INSTITUTE

EMPOWERING EUROPE: UNLEASHING COBALT'S POTENTIAL TO ENSURE ECONOMIC SECURITY AND GREEN PROSPERITY

COBALT IS ESSENTIAL FOR THE EUROPEAN UNION AND ITS CITIZENS

It has been designated both a critical and strategic raw material, and when it is used it is typically essential. From defence to electronics, batteries (for example in electric vehicles) to semiconductors, we need cobalt to keep secure, green, and modern societies functioning.

While Europe's competitors establish high-incentive and low-barrier economies, the European Union has fewer incentives and higher barriers. Companies will, as a result, either invest in the EU at a disadvantage or place their investments outside of the EU.

If we want to meet the 2030 benchmarks in the Critical Raw Materials Act, as well as Europe's net-zero goals, the next Commission needs to strengthen its industrial policy, and it needs to move fast. We can do it; here's how:

SUPERCHARGING EUROPEAN COMPETITIVENESS THROUGH STRATEGIC SUPPORT

- **Support access to finance through de-risking mechanisms.**
  Financial institutions have a fiduciary duty to their investors. To secure financial support for critical minerals project, they have to be financially attractive – yet in reality they are often riskier and more capital intensive than alternative options. Loan guarantees, insurance schemes and other mechanisms can drive down the cost of finance and make investments more attractive to investors and investees. Flow-through shares have been used successfully in Canada.
- **Support companies dealing with commodity price volatility.**
  Market prices for critical raw materials, especially small tonnage ones, can vary wildly. This not only poses challenges for economic viability but can also make securing investment harder. Guaranteeing a strike price for certain projects can give the certainty companies need to get investment.
- **Leverage economic diplomacy to support European companies investing in the world.**
  As a priority, expand the use of free trade agreement and strategic partnerships, and leverage EU soft power to create safer, more sustainable opportunities for European businesses abroad.

UNLEASH THE POTENTIAL OF INDUSTRY BY CUTTING THE RED TAPE

- **Introduce a "minimum necessary regulation" principle in chemicals management.**
  We support regulation of industry to protect workers and the environment, but too often we create barriers based on the precautionary principle that restrict industry with no little to no benefit for society. An example is the Occupational Exposure Limit for cobalt, which has included proposals at levels that would provide no additional worker protection, but is not technically feasible to meet. This means industry would be forced to close and move jobs to jurisdictions with lower levels of protection. We need to pivot to pragmatic, evidence-based, growth-friendly regulation.
- **Provide regulatory certainty.**
  Scrap the multitude of proposed chemical rules that could result in surprise bans or unnecessary restrictions – for example, the essential use concept. Even without passing, they create risks for investors that make it harder to build in Europe.
- **Enforce a "one in, two out" regulation rule.**
  This could even be established on a legal basis with a sunset clause which would make the EU a more attractive place to do business.

1. WE NEED COBALT. IT IS NOT AN OPTION

In an uncertain world shadowed by war, unfair trade practices, and geopolitical tensions, Europe cannot take its security and prosperity for granted.

The EU has said it wants to avoid dependencies on single-source suppliers for critical goods. Recent Chinese restrictions on exports of germanium, gallium, and graphite, coupled with Russia's fossil fuel limits, have only amplified these fears.

Cobalt stands at the forefront of Europe's strategic arsenal, powering superalloys and magnets in aerospace and defence and fuelling the battery revolution in everything from electric cars to smartphones[1]. Its role in electronics, semiconductors, and beyond, is undeniable.

It is a sector that has the potential for rapid growth. By 2030, Europe's cobalt industry could add up to 64,000 new jobs, a whopping 135%[2] leap from 2022. With projections showing a 350% surge in cobalt demand by 2050[3]. Europe stands at a crossroads.

Crafting the right policy isn't just about riding these growth projections—it's about anchoring high-value, strategic jobs right here in Europe.

2. A NEW INDUSTRIAL POLICY FOR EUROPE

The new legislative mandate presents an opportunity to enable the cobalt industry to supercharge the EU's industrial goals, facilitate green and digital transitions, and enhance economic security. There is an opportunity for the EU to craft an effective policy playbook that not only supports the cobalt industry but also propels it forward.

2024 saw cobalt prices fall from highs of around USD 80,000 per tonne to USD 30,000, largely because of oversupplies and China's lower demand. Yet, by 2030, we expect a shortfall in production. Despite the need for more investment and growth in demand, many cobalt producers are struggling to make ends meet, never mind expand. At the same time, interest rates have increased and the cost of finance along with it. The US and other jurisdictions have put in place major financing schemes to support our industry; the EU has not yet matched these for size and clarity.

At the same time, regulatory burdens – principally EU chemicals management rules – are piling on extra costs and complexities, adding headwinds to an already struggling industry. Moreover, the maze of generalised bans with occasional derogations for "essential" uses further muddy the waters for investors. A more targeted approach would clear the way for more investments.

Europe's craving for more home-grown cobalt is clear, but market forces and EU policies are turning our continent into the hardest of the major jurisdictions to invest in.

Finally, Europe needs a plan to back its companies operating abroad. In the last fifteen years, most investment in new mine capacity has come from outside the EU, principally China. The reasons? This is partly economic, but also partly because of reputational and political issues around engaging with the DRC. Political and financial de-risking will be required to support companies investing in jurisdictions like this.

3. ABOUT US

The Cobalt Institute is the global trade association representing the whole Cobalt value chain from end users to miners, refiners, traders, recyclers, and everything in between. We work to support policymakers' understanding of our industry.

IF YOU WOULD LIKE MORE INFORMATION OR A MEETING TO DISCUSS THE ABOVE, PLEASE CONTACT:

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[1] SCRREEN Factsheet: cobalt, 2023
[2] Wood MacKenzie, A Socio-Economic Analysis of the Cobalt Industry: Scenario Analysis & Forecast (commissioned by the Cobalt Institute, and available on request)
[3] KU Leuven, Metals for Clean Energy I (page 28)