

Diversification and Supply Resilience in Cobalt Value Chains

Cobalt Institute response to the European Commission call for evidence on the DiversifyEU Instrument

Recommendations

- **Reflect the structure and complexity of cobalt supply chains** – Diversification should expand qualified supply options while maintaining durable partnerships with established producer countries such as the DRC. Dependency assessments must distinguish extraction, refining and ownership, and account for geological concentration and the availability of technically suitable products.
- **Assess trade measures against their effectiveness and wider consequences** – Assess tariffs and sourcing obligations for their proportionality and potential impacts on cobalt supply availability, prices, downstream competitiveness and relationships with producing countries. Measures should demonstrably improve resilience, including through additional qualified capacity or access to alternative supply, rather than simply redirect existing trade flows.
- **Enable investment in commercially viable alternative supply, including recycling** – Remove unnecessary investment barriers and support new mining, processing, refining and recycling capacity through infrastructure, finance, access to feedstock and dependable demand. Viable alternatives need to emerge before companies are required to change established sourcing arrangements.
- **Ensure regulatory coherence and proportionate implementation** – Any new measures should complement the Critical Raw Materials Act and existing EU legislation, protect commercial confidentiality and allow realistic implementation periods. Provide flexibility where qualified alternatives are unavailable, with regular reviews of effects on supply resilience and competitiveness.

1. Detailed responses

1.1. Cobalt dependencies arise at different points in the value chain

Cobalt dependence cannot be reduced to a single country-of-supply figure. In 2025, the Democratic Republic of the Congo (DRC) accounted for 73% of global mined cobalt production, Indonesia for 14%, and China for 79% of global refined cobalt output¹. These concentrations occur at different stages of a supply chain in which cobalt is commonly mined as a by-product, processed internationally and sold in technically distinct forms. The DRC also holds approximately half of global cobalt reserves, a geological concentration that sourcing rules cannot change². Mining origin does not, by itself, determine refining location or the EU's exposure to a processing bottleneck.

Cobalt moves through several product forms. DRC-origin cobalt may be exported as hydroxide or another intermediate before being processed into refined metal or battery-grade chemicals elsewhere. Battery-grade cobalt sulphate, refined metal for superalloys and specialised cobalt compounds serve different end uses and are subject to different technical specifications and customer qualification processes. Access to an alternative mine or trader does not, by itself, establish access to an alternative supply of the required refined product.

Our recommendation: *Assess cobalt dependency by product and processing stage, including qualified volumes and usable refining capacity, taking account of qualified supply and technically suitable refining capacity. Use this assessment to target diversification and investment support, with any sourcing requirements reflecting the availability of commercially viable alternatives and the time needed to qualify new supply.*

¹ Cobalt Institute, [Cobalt Market Report 2025](#). Mining, refining, Indonesian share, secondary supply, 2025 price effects and responsible sourcing figures.

² USGS, Cobalt, [Mineral Commodity Summaries 2026](#).

1.2. Country of origin, processing, ownership and circumvention require distinct tests

The call for evidence identifies rerouting through third countries, non-EU subsidiaries, ownership restructuring and tariff reclassification as possible circumvention. In cobalt supply chains, however, cross-border transformation and corporate structures are also normal features of legitimate production and trade. Rules should distinguish legitimate operations from deliberate evasion.

Cobalt can be mined in one country, converted into an intermediate in another and refined into a qualified product in a third. Country of extraction, customs origin, processing location, ownership and effective operational control therefore require distinct tests for the risk being addressed.

Overly broad definitions could misidentify dependencies or affect material originating in countries not targeted by the proposed measure. Information requests should specify the evidence needed to establish extraction, processing, ownership or effective operational control, with reporting proportionate to the risk being assessed and appropriate safeguards for commercially confidential information.

Our recommendation: *Define each relevant dimension of dependency and establish clear criteria for distinguishing ordinary cross-border processing and trading arrangements from deliberate circumvention. Require the information necessary to assess the relevant risk, with clear evidentiary requirements and protection for commercial confidentiality.*

1.3. Assess the effects of trade measures throughout the cobalt value chain

The Commission identifies a possible trade instrument, including tariffs, alongside Single Market measures. Import and export restrictions, quotas and sourcing obligations may alter commercial incentives, but their effects depend on existing supply conditions and the ability of producers and customers to respond. Open, predictable and rules-based trade matters throughout the international cobalt supply chains. The same assessment principles should apply regardless of the jurisdiction introducing a measure.

For EU manufacturers, restrictions that raise refined cobalt costs or constrain feedstock for EU refiners may create different prices across markets, disrupt existing contracts or undermine downstream competitiveness. Measures aimed at refinery locations or ownership structure may also affect material mined in producer countries and their investment prospects.

The Commission should examine whether a proposed measure genuinely improves supply-chain resilience by diversifying access to qualified cobalt products, suppliers and processing capacity, or merely displaces existing trade flows without addressing underlying dependencies. The assessment should also consider the risk of creating price gaps with competing manufacturing regions. It should encompass cobalt used in batteries, aerospace and defence superalloys, catalysts and other industrial applications, rather than treating the battery value chain as representative of all uses.

Our recommendation: *Before introducing tariffs or sourcing restrictions for cobalt products, assess likely effects on all affected stages (including implications for producer countries) including cost and supply scenarios for European users, producers and refiners, and demonstrate how the measure would add resilience compared with less trade-restrictive alternatives.*

1.4. Strengthen strategic partnerships with producer countries and support responsible sourcing

Producer-country partnerships are central to long-term cobalt supply security. The geological concentration of cobalt means that diversification cannot remove the need for durable relationships with major producing countries, particularly the DRC. EU measures should support these relationships and take account of partners' ambitions for industrial development and local value addition.

Requirements directed at processing locations or corporate ownership could affect cobalt originating in the DRC or other producer countries, even where those countries are not the intended target. Changes in access to buyers, finance or refining partners may influence export earnings, employment, investment decisions and opportunities for local processing. Measures that undermine these opportunities could also weaken strategic partnerships and the EU's credibility as a long-term partner.

Partnerships should translate into commercially viable partnerships through investment in processing capacity, infrastructure and skills, alongside dependable market access. Diversification measures should be designed in consultation with producer countries and support the objectives of relevant EU strategic partnerships.

Sourcing changes must environmental and human rights due diligence aligned with international frameworks, supported by traceability and credible third-party assurance. Country of origin or corporate ownership alone is not a proxy for responsible performance. Diversification should build on credible responsible sourcing systems and preserve the cooperation needed to identify and address risks.

Our recommendation: *Design diversification measures to strengthen strategic partnerships with producer countries. Assess their implications for bilateral relationships, investment and local value addition, and maintain robust due diligence and responsible sourcing requirements as supply arrangements evolve.*

1.5. Examine the feasibility of any minimum supplier requirement

Any minimum supplier requirement should reflect cobalt market structure and distinguish between separate commercial counterparties and genuinely diversified sources of supply. Due to shared upstream dependencies, three separate suppliers may rely on the same mining operations, intermediate feedstock or refining facilities. A higher number of contracts therefore does not reduce exposure to a common disruption.

For certain cobalt products, separate suppliers with sufficiently distinct supply chains may not be available to meet the required purity, form, volume and customer qualification requirements. Requiring additional counterparties could interfere with long-term offtake and financing arrangements and increase procurement and qualification costs without delivering a corresponding improvement in resilience.

Assessments should also distinguish production capacity from supply available to EU purchasers. For example, the current DRC export quotas and Indonesia's downstream processing policies can affect cobalt reaching international buyers. Supplier availability should therefore be assessed against accessible, technically suitable volumes, rather than production figures alone.

Our recommendation: *Assess whether technically qualified suppliers with sufficiently distinct sources of supply are commercially available before considering any minimum supplier requirement. Assess commercial impacts and allow risk-based flexibility where additional suppliers are unavailable or would not materially reduce the relevant dependency.*

1.6. Establish commercially viable alternatives before expecting sourcing patterns to change

Diversification requires access to commercially viable suppliers capable of delivering the required cobalt products, quality and volumes. Policy should remove investment barriers and help develop viable options before sourcing changes are required. The current EU policy framework, however, does not yet strike the right balance between encouraging diversification and creating the conditions for investment in alternative supply chains.

New mining, processing, refining and recycling projects need infrastructure, alongside access to finance, timely permitting, technical expertise, and sufficiently predictable demand. Processing and recycling facilities also need suitable feedstock. As cobalt is mainly recovered as a by-product of copper or nickel, supply response also depends on the economics of those markets.

The investment case for a new refinery is not resolved by identifying a different country in which it might operate. The facility must secure appropriate feedstock, operate competitively and have its products qualified by customers. Project development, commissioning and customer qualification can take longer than a fixed regulatory timetable. Existing supply chains reflect quality, reliability and commercial efficiency. Requiring businesses to change suppliers before suitable alternatives are available could leave them unable to obtain essential material, disrupt production and weaken the resilience the measure seeks to improve.

Investment support should address these practical conditions. Guarantees, structured offtake arrangements, better demand visibility and predictable regulation could help viable cobalt projects attract investment. Demand aggregation may also help where insufficient purchasing commitments prevent investment, provided it supports workable commercial arrangements.

Our recommendation: *Complement sourcing measures with a bottom-up approach that develops qualified alternatives first, supported by predictable regulation, finance, access to feedstock and credible purchasing commitments.*

1.7. Include recycling within the assessment of cobalt supply resilience

Recycling can diversify cobalt supply, but recovery of cobalt-bearing waste is not automatically a qualified refined product. Battery manufacturing scrap, end-of-life products and black mass require collection, movement, treatment and, where

necessary, further refining before the cobalt can meet customer specifications. Processing of secondary material may itself depend on capacity outside the EU.

According to the Cobalt Institute's 2025 Market Report, recycling and other secondary sources provided around 10% of global cobalt supply in 2025. Looking further ahead, KU Leuven's 2022 Metals for Clean Energy study modelled European cobalt requirements reaching 96.7 kt in 2050, with recycling potentially providing around 60% of supply under its clean-energy transition scenario. This is a long-term model, covering a wider European region than the EU alone, and not an estimate of today's available EU recycling capacity. Realising that potential depends on sufficient feedstock, collection and treatment infrastructure, technical performance and commercially viable refining³.

The commercial viability of EU recycling also depends on reliable local offtake. For battery applications, recycling and refining need to form part of an integrated value chain linking precursor cathode active material (pCAM) and cathode active material (CAM) production, cell and pack manufacturing, and vehicle production. Without sufficient downstream demand, recovered cobalt may struggle to compete with lower-cost imports. Waste shipment rules, permitting, chemicals and occupational requirements also affect EU recycling investment. Their cumulative effect should be assessed so that regulatory costs do not undermine potentially important domestic supply.

Our recommendation: *Treat recycling and refining as part of an integrated cobalt value chain, ensuring access to secondary feedstock, reliable European offtake and commercially viable downstream demand. Assess the cumulative effect of existing regulation on investment conditions needed to turn recycling potential into marketable material.*

1.8. Provide coherent rules, reliable evidence and proportionate implementation

The Critical Raw Materials Act already establishes an EU-level 2030 diversification benchmark under which no more than 65% of annual EU consumption of a strategic raw material at any relevant processing stage should come from a single third country. That benchmark is distinct from a potential sourcing obligation imposed on individual companies. The DiversifyEU call explicitly states that the initiative should avoid duplication or overlap with existing sectoral instruments⁴.

The Commission also indicates that a full impact assessment cannot be conducted within the proposed timetable and may instead prepare an analytical staff working document, subject to a derogation. For cobalt, this should assess product-specific risks, qualified alternative capacity and effects on prices, contracts, investment and competitiveness.

Any data collection should build on existing mechanisms where possible and protect commercially sensitive data. Implementation periods must reflect permitting, construction, contracting and supplier qualification. Where suitable alternative material is demonstrably unavailable, clearly defined flexibility may be necessary. Regular review should test whether independent supply capacity has grown, rather than whether purchasing patterns have changed.

Our recommendation: *Set transparent, product-specific definitions and evidence requirements, coordinate with existing EU rules, provide realistic transition arrangements and review measures against measurable supply, investment and competitiveness outcomes.*

2. About cobalt

Cobalt, classified by the European Union as both a Critical Raw Material and a Strategic Raw Material under the Critical Raw Materials Act, is essential for a wide range of strategic applications, including batteries, aerospace and defence, catalysts and clean energy technologies. Owing to its high recyclability, cobalt also plays a key role in advancing Europe's circular economy objectives.

European demand for cobalt is projected to rise by up to 350% by 2050⁵, primarily driven by the electrification of transport, the energy transition and growing defence needs. Since 2021, cobalt has become the focus of intense geopolitical competition as countries seek to safeguard their position in defence, technology, and clean energy supply⁶. The geographical concentration of cobalt mining and refining, combined with its importance for strategic industrial applications, makes the availability of reliable, technically suitable and commercially viable supply a key consideration in the design of diversification measures.

³ Cobalt Institute, [Cobalt Market Report 2025](#); KU Leuven, [Metals for Clean Energy Study](#), 2022, pp. 8, 11.

⁴ Regulation (EU) 2024/1252, Article 5(1)(b); European Commission, DiversifyEU Call for Evidence, 29 September 2026, section B.

⁵ KU Leuven - [Metals for Clean Energy Study](#).

⁶ [Cobalt Market Report 2025](#).

3. About us

The Cobalt Institute is the global trade association representing the entire cobalt value chain from end users to miners, refiners, traders, recyclers, and everything in between. Our mission is to promote safe, sustainable and responsible cobalt production and consumption of cobalt in all its forms and uses. We work to support policymakers' understanding of our industry.

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