Non-paper regarding the Critical Raw Materials Centre

The findings contained in this non-paper are indicative and non-binding.

Without prejudice to the ongoing interinstitutional discussions, any future proposal establishing a Critical Raw Materials Centre — including on its mandate, governance, operational set-up and financing — must remain for the Commission to initiate in accordance with its Treaty-based right of initiative, and in line with its institutional autonomy and budgetary prerogatives.

While the Critical Raw Materials Act (CRMA) provides a regulatory framework to strengthen the resilience of the EU CRM supply chains, these increased frequency of global CRM supply chain shocks - compounded by the structural failures of the CRM market and by the insufficient preparedness and response capacity of EU economic operators across the value chain to withstand, adapt and recover from such disruptions – highlight the need for additional operational tools to address acute risks. Without such tools at EU level**,** there is a risk of uncoordinated and diverging national measures adopted by Member States. Such fragmentation could undermine the functioning of the Internal Market and weaken the effectiveness of the Union's overall response.

The EU remains highly dependent on single-country suppliers for CRMs, and this dependence has not yet significantly improved despite recent policy action, including the CRMA. At the same time, supply risks have intensified: OECD data shows that export restrictions on CRMs increased fivefold between 2009 and 2024, while since 2023 China has imposed restrictions on several key materials, including rare earths, helium, germanium, antimony and graphite. China's October 2025 rare earth export restrictions marked a further escalation, even if some measures are paused until November 2026. These disruptions shake supply chains through reduced CRM availability and major price gaps, with some material such as rare earths and gallium costing up to five times more in Europe than in China.

More broadly, global CRM supply chains are shaped by concentrated supply, structural asymmetries and strong non-EU State support, which give significant suppliers a major advantage over EU firms. State-backed investment can encourage non-market behaviour and overcapacity, distorting prices, investment and competition. At the same time, short-term disruptions, opaque markets and fragmented demand make it hard for private firms alone to manage risk and invest in risk mitigation measures such as diversification, traceability, or stockpiling. As these weaknesses create spillover effects across the economy and may affect not only industrial production but also the functioning of the Internal Market through fragmented national responses, they expose a clear policy gap: the EU still lacks adequate tools to respond to immediate disruptions while securing long-term access to CRMs.

The general objective of the CRM Centre (in any of the potential formats) would be to facilitate smoother single market functioning, meaning safeguarding the Internal Market from unilateral national measures that are liable to create fragmentation and distort competition. This also implies strengthening the capacity of EU economic operators to prevent, prepare for and respond to CRM supply shocks, while enhancing the medium to long-term security of supply of CRMs to the EU. In doing so, the CRM Centre aims to increase the resilience of EU CRM supply chains and mitigate dependencies linked to concentrated third-country supply, thereby ensuring a secure and sufficient level of supply and reducing geopolitical leverage of significant third country suppliers.

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The general objective is broken down into four specific objectives:

- **Specific Objective 1 (SO1**): Limit production disruption in the EU during short-term supply shocks.
- **Specific Objective 2 (SO2**): Address obstacles to the development of CRM projects and improve enabling conditions to support progress towards reaching capacity benchmarks under the CRM Act.
- **Specific Objective 3 (SO3**): Reduce demand fragmentation and improve access to CRMs for European industry, notably SMEs, on competitive terms and at scale.
- **Specific Objective 4 (SO4):** Strengthen the EU's capacity to anticipate CRM risks.

EU action delivers clear added value over uncoordinated national measures by enabling solutions that operate at the scale of the Single Market. Building on the CRMA, further EU-level actions can improve the consistency, comparability and overall effectiveness in ensuring the resilience of critical raw materials supply chains in the EU.

The policy options are organised along a spectrum from low to high levels of intervention in relation to the proposed measures, ranging from market-supporting coordination to a more operational and directive role. Intervention should be understood in the context of each specific objective, with each policy option becoming progressively more prescriptive, particularly in terms of the requirements imposed on companies. Each measure is linked to a specific objective (SO).

In general, critical raw material-related activities may be supported under various current and future programmes and through the full range of budget implementation instruments available under the Financial Regulation. In particular, the next generation of programme basic acts has already been proposed by the Commission to provide for the flexibility to address new and emerging objectives including on critical raw materials without need for additional legislative measures.

- **Policy Option 1 (PO1)** represents a primarily facilitative model with light-touch intervention. This approach is suited to a context in which the aim is to correct market failures, de-risk private investment, and strengthen market transparency without undermining the role of commercial actors. It focuses on financial incentives for stockpiling (SO1) and leverages EU funding, including Member States and private capital, and advisory instruments within the relevant Work Programmes that are foreseen in the next MFF (SO2). It would also aggregate demand through the Raw Materials Mechanism, while contracts would remain directly between buyers and suppliers (SO3). It would also support market monitoring (SO4) through access to restricted data and a dedicated monitoring function supported by Member States expertise.

- **Policy Option 2 (PO2)** brings together measures that give the Centre a more operational role. Under this option, the Centre would not merely facilitate market activity but would intervene where scale and bargaining power are necessary to secure supply and accelerate the implementation of Strategic Projects. PO2 builds on PO1 by adding Strategic Reserves (SO1). Under SO2, PO2 also builds on PO1 by combining other instruments, e.g. equity deployment with greater control but involving higher liability risks. This includes the deployment of indirect equity via direct management (i.e. establishing 'investment vehicle' or 'SPV'). Under SO3, the Centre would negotiate and conclude contracts, as an agent, on

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behalf or in the name of Member States and companies, based on a mandate, and in its own name. Market monitoring (SO4) would remain unchanged, relying on access to restricted data and a dedicated monitoring function supported by Member State expertise.

- **Policy Option 3 (PO3)** combines the most interventionist set of measures, granting the EU direct market-shaping powers and pairing market intervention with stronger regulatory obligations to achieve the highest degree of strategic control. In addition to the measures under PO2, it introduces mandatory stockpiling and reporting obligations for companies (SO1). Under SO2, PO3 builds on PO1, by leveraging on EU funding and advisory instruments within the relevant Work Programmes of the MFF, such as the ECF for CRMs and combining equity participation involving less control and lower liability risks. This involves the deployment of indirect equity under indirect management, via implementing partners. In line with Article 23 of the proposed ECF Regulation, financial instruments for internal policies under the next MFF are to be established and implemented exclusively under the ECF InvestEU Instrument. Thus, any SPV would have to fit in the MFF architecture and the proposed ECF InvestEU Instrument. Financial instruments are usually implemented in indirect management – implementing a financial instrument in direct management would have consequences for the Commission in terms of resources, risk and accountability. Under SO3, it would negotiate and sign contracts both as an agent acting on behalf or in the name of Member States or companies and in its own name. PO3 would also strengthen monitoring through access to restricted data, a dedicated monitoring function, and mandatory reporting obligations for companies.

To ensure effective coordination, accountability and alignment with the Centre's strategic objectives, the following governance arrangements, from lowest to highest institutional set-up, have been analysed

- Under **Governance arrangement 1** (GA1), the Commission will be entrusted with the tasks and set up the Centre internally. It would not have a separate legal personality and would operate as part of the Commission's internal structure. Staff would be recruited and managed under the usual Commission rules, - following the stable staffing and budgetary envelope principles and having in mind the budgetary constraints - and activities would be carried out under the Commission's direct authority and supervision. This governance model would give the Commission full control over priorities, work planning, staffing and coordination with other EU policies and instruments. At the same time, it would mean that the Commission itself would need to provide the operational capacity expertise and administrative support required for the CRM Centre to function effectively, while securing specialised expertise, operational flexibility and long-term business continuity could be particularly challenging. Under GA1, it will also be ensured the involvement of Member States and the European Parliament through the CRM Broad where they are represented.[1]

- Under **Governance arrangement 2** (GA2), the Centre would partially be set within the Commission, with parts of its functions embedded in the Commission and other parts entrusted to partners or service contract spin-offs. The core strategic steering and priority-setting would remain within the Commission (for instance in the form of an EU Office such as OLAF, with a clear involvement of Member States and Parliament in the governance). At the same time, selected, technical, operational and project-based activities may be contracted or entrusted to other entities, where specialised expertise for implementation is

[1] Regulation (EU) 2024/1252

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needed. Member States and the European Parliament would be represented through the CRM Broad, where they are represented.[2]

- Under **Governance arrangement 3** (GA3), the Centre would be established fully outside the Commission, notably as an EU body decentralised agency with its own legal personality, governance structure, budget and staff. Despite its own legal structure, the Staff Regulations of Officials of the European Union and the Conditions of Employment of Other Servants of the European Union (CEOS), as well as the EU Financial Regulation (EU, Euratom) 2024/2509 and the EU Framework Financial Regulation (EU) 2019/715 would apply to all operations of such an agency. The agency would operate under CRMA defining its mandate, tasks and oversight arrangements, by still being accountable within the EU framework. This model would provide a dedicated independent governance structure designed for specialised and operational tasks. On the other hand, the Commission and the European Parliament control would be very limited (the Commission typically holds only one or two votes and the EP only an observatory role in the Management Board). Therefore, increased efforts will be needed to keep alignment of the Centre with EU policy developments, and policy steering will be difficult. GA3 would be comparatively substantially more costly and time-consuming. It would require a dedicated governance structure, administrative capacity, executive management, premises, support functions, and legal establishment, and a broader set of compliance and oversight arrangements. It would therefore entail fixed start-up costs and a longer path to operational readiness. A decentralised agency would not be able to be entrusted with the implementation of a financial instrument and could not itself entrust other entities with tasks under indirect management since this is not allowed by the Financial Regulation and specialised financial actors e.g. external fund manager are better suited for this.

In PO1, for stockpiling incentives (SO1), a private stockpile equal to 2 months of imports of all 17 strategic raw material is estimated to generate operating costs of EUR 677 million, largely driven by aluminium and copper, and excluding these two materials, the costs are estimated at EUR 316 million. Acquisition costs are treated as broadly cost-neutral because the stocks remain an asset that can be liquidated, while the main recurring costs are refining, warehousing and limited shelf-life losses. Administrative costs for firms participating in a voluntary scheme would be modest, at round EUR 4.6 million. On the benefits side, avoided disruption losses could be very large: for example, the IEA estimates suggest rare earths supply disruptions could put EUR 1 trillion of downstream production at risk in the EU, compared with stockpiling costs of about EUR 45 million, although this reflects a worse-case scenario. For financing (S02), the main added value would come from better coordination under the MMF and from a technical and financial advisory hub to improve the bankability of strategic projects. For demand aggregation (SO3), the main economic gains would be not from stronger bargaining power, since contracts remain bilateral, but from a better demand-supply matching, lower transaction costs and some economies of scale. Based on high volumes of CRMs, PO1 would deliver yearly savings of up to EUR 351 million. For market monitoring (SO4), this would strengthen intelligence, transparency and risk identification, project bankability and supply diversification. Implementation at the EU level would require 30 FTEs, costing EUR 5.82 million.

In PO2, EU Strategic Reserves, combined with private stockpiling incentives, would strengthen the EU's capacity to mitigate supply shortages and provide an extra buffer of security and predictability, notably for downstream industry (SO1). A government-managed stockpile equivalent to 2 months of all 17 strategic raw materials is estimated to costs EUR 575 million per year (and EUR 270 million per year excluding copper and aluminium). This is cheaper than

[2] Ibid.

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relying on only private stockpiling because the public sector benefits from lower refining costs. In addition, one-off acquisition costs for the Reserve are estimated at EUR 2.7 billion, with EUR 180 million per year in operational costs. Public stockpiles can recover part of these costs when minerals are released in disruptions, but this depends on having clear and credible release rules. The public model is especially cost effective in high-value materials, such as gallium and germanium, or for low-volume materials where the EU already has domestic processing capacity. While this would reduce the EU's vulnerability to supply disruptions, there would be a risk of retaliatory trade measures which could disrupt existing supply chains and unwillingness to sell CRMs for the purpose of setting-up stockpiles. International trade could see some short-term demand spikes as stocks are built up, but the longer-term effect would be greater resilience. For SO2, a fully funded equity fund by the Centre would require an estimated budget of around 2 billion based on the current needs of the selected EU Strategic Projects and without prejudging potential needs to implement the CRM policy objectives. This would greatly benefit SMEs. For SO3, demand aggregation / joint purchasing could generate savings of EUR 73.4 million to EUR 91.7 million for selected CRMs. It would also strengthen the EU's bargaining power and improve access for SMEs, as around 55% of Strategic Project represent junior or start-up companies which often face weaker market positions and poorer access to supply contracts. Competition risks would have to be managed through safeguards. For market monitoring, the impact would be the same as for PO1 with improved market intelligence. PO2 would require 80 FTEs overall, at an estimated staff cost of EUR 15.52 million per year. Member States would need to closely coordinate with the Centre, notably with the Strategic Reserves release rules, while the Centre would need specialised expertise to deliver on its new operational functions.

In PO3, the main economic effect is that the total of EU stockpiled volumes would likely raise above the level under PO2, assuming company-held stocks are additional to the EU Strategic Reserve. However, PO3 would significantly increase compliance, reporting and enforcement obligations. Estimated enforcement costs for companies could reach up to EUR 300.8 million per year. SMEs could also be affected indirectly through higher input prices if upstream suppliers pass on the cost of mandatory stockpiling. Competitiveness could also be weakened by the added administrative burden, although this may be partly mitigated by integrating reporting into existing systems. On financing, PO3 would rely on equity deployment through the ECF InvestEU implementation model, via an implementing partner such as the EIF, which currently deploys indirect equity. Compared to PO2, this would reduce exposure to liability risks, but it would also mean less direct control over investment decisions. On joint purchasing, this could generate some savings estimated at EUR 5.7- 6.4 million but only for a very small number of CRMs. The implementation of the CRM Centre would require 106 FTEs on a permanent basis, representing an estimated costs of EUR 20.56 million, to manage monitoring and compliance.

An Open Public Consultation and several targeted consultations were carried out to gather input from all relevant stakeholders. Overall, industry and national authorities expressed support for the CRM Centre and for the main pillars of the Centre's activities. On stockpiling, stakeholders broadly agreed that any such action should be coordinated at EU, Member State and industry level, and should cover only a limited number of CRMs. Regarding demand aggregation / joint purchasing, businesses and industry associations generally supported a matchmaking role for the Centre, which is already in place through the Raw Materials Mechanism, as well as a more proactive role in facilitating the conclusion of long-term offtake agreements. A majority of stakeholders also supported the development of new financing instruments and considered that the EU should act as an interface in support of CRM projects. Stakeholders consistently

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highlighted the need for a common EU monitoring and intelligence function on CRMs, while stressing that robust security protocols must be put in place to protect sensitive information. They also underlined the importance of avoiding additional administrative burden.

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