

European Metals Response to Commission Call for Evidence on DiversifyEU

Introduction

European Metals, the European non-ferrous metals association, welcomes the opportunity to provide feedback to the European Commission on the upcoming Communication on diversification and economic resilience, so-called DiversifyEU.

European Metals supports the objectives of the Critical Raw Materials Act and the ResourceEU Action Plan to diversify the EU's critical raw materials (CRMs) supply chains, reduce strategic dependencies and strengthen economic security.

The European non-ferrous metals industry is already actively diversifying its supply chains, and future EU policies, such as DiversifyEU, should take into account that the non-ferrous metals face different supply chain realities and dependencies.

European Metals believes that European economic security cannot be achieved through trade restrictions alone. It requires an integrated industrial strategy combining diversification of external supply, reinforcement of domestic production and recycling capacity, and concrete financial instruments that enable European companies to remain internationally competitive. DiversifyEU should therefore focus not only on securing alternative sources of imports, but also on preserving and expanding investment in European industrial capacity across the entire raw materials value chain.

Key Recommendations

In this context, we call on the European Commission to consider the following key recommendations in the upcoming DiversifyEU Communication:

- **Avoid a one-size-fits-all approach for the metals sector**
- **Use Trade Defence Instruments more effectively & establish a new instrument to address strategic import dependencies and overcapacity**
- **Create an EU single market for waste**
- **Ensure policy coherence and industrial competitiveness**

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- **Avoid a one-size-fits-all approach for the metals sector**

Diversification means different things depending on the metal and the structure of its value chain.

The central objective of DiversifyEU should be to reduce vulnerabilities in European supply chains while preserving and expanding the industrial capabilities required to produce strategic materials in Europe. Diversification of import sources alone cannot guarantee security of supply if European production continues to decline or if market distortions and unfair trading practices undermine the competitiveness of EU producers.

In the case of **aluminium**, the European industry is battling the expansion of non-market-driven production capacity, which poses a serious threat to the competitiveness and long-term viability of the European aluminium industry. While China is the principal driver of this trend, other countries (i.e. India, Indonesia, Malaysia, and the Gulf states) also raise concerns across the primary aluminium, semi-fabricated products and recycling segments. These structural distortions are progressively displacing European production with alternative suppliers, thereby reinforcing the very external dependencies that DiversifyEU seeks to address.

Excess capacity across the aluminium value chain is largely fuelled by market-distorting practices, particularly subsidies. State-owned enterprises in non-market economies benefit from preferential financing, tax incentives and subsidised energy, enabling them to expand production beyond levels justified by market demand. Combined with price undercutting, these practices undermine the commercial viability of European producers, discouraging investment and preventing the expansion of strategically important production capacity. Addressing these structural market distortions is therefore essential to ensuring that diversification strengthens, rather than further erodes, Europe's industrial base.

A more assertive trade defence policy is needed to protect the aluminium industrial base in Europe and counter unfair market practices from China and other countries. Strengthening and maintaining European production capacity must be a central pillar of the EU's diversification strategy, as import diversification cannot compensate for the continued erosion of domestic industrial capacity.

This is particularly important in the context of trade liberalisation for aluminium products under HS Chapter 76. Preferential tariff reductions under Free Trade Agreements (FTAs) may undermine diversification objectives where they expose European producers to increased competition from third-country suppliers benefiting from structural cost advantages or market distortions. For example, the European Commission's economic

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assessment of the EU–India FTA[1] projects that EU production in the non-ferrous metals sector, including aluminium, will be €3 billion lower in 2037 than it would be without the agreement. Aluminium scrap is also essential to maintaining European recycling capacity and strengthening supply chain resilience. DiversifyEU should assess the impact of scrap exports on EU security of supply and industrial competitiveness, including the effects of market distortions. The United Arab Emirates' recent ban on aluminium, copper and steel scrap exports illustrates efforts by other jurisdictions to secure domestic supplies.[2]

Trade liberalisation should therefore be assessed not only in terms of market access and import diversification, but also in light of its cumulative impact on European production capacity, industrial competitiveness and long-term supply resilience.

Regarding **copper**, diversification should address excessive concentration across the entire supply chain, including mining, concentrates, refining, and intermediate products. The objective here should be to maintain reliable and competitive access to international supplies while developing alternative sources through partnerships with resource-rich countries.

At the same time, any new policy measures should also take into account the development of the EU's own resources and strengthen its domestic mining and smelting capacity. This is particularly important as many valuable raw materials are not mined independently, but are recovered as by-products of copper mining and smelting operations. A competitive European copper mining and smelting sector is therefore not only essential for securing copper supply but also represents a strategic source of other metals needed for Europe's future, such as silver, molybdenum, nickel, rhenium or selenium.

Substantial dependencies have been observed on **magnesium and other alloying elements, such as silicon, manganese, chromium and boron.** The high geographical concentration of these supply chains, particularly magnesium from China, represents a potential vulnerability for European production of strategic aluminium products.

Overall, the European non-ferrous metals industry is already actively diversifying its supply chains, and the European Commission should avoid any mandatory diversification requirements or regulatory obligations imposed on companies.

[1] European Commission (2026) Economic Assessment of the Negotiated Outcome of the Free Trade Agreement between the EU and India
[2] Customs Notice No. (13/2026) Regarding the Temporary Ban on the Export of Certain Waste For Industrial Use

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For example, diversification obligations or regulatory interventions are not desirable for Platinum group metals (PGMs) as they are globally traded commodities with well-established international markets and significant economic value

Additionally, a targeted approach should also be adopted **for battery materials such as lithium, nickel, cobalt** and more advanced materials in the form of precursors and cathode active materials (CAM). They represent a strategic asset for Europe, and diversification here should mean attracting partnerships, investments and production in the EU.

The European battery industry remains at an early stage of its development, while global competitors benefit from more mature ecosystems and significant state support. Diversification across the battery value chain should not be about diverting away from Chinese suppliers, but about creating a minimum level of localisation in Europe. Lead markets for EU-made batteries and battery materials should be created in Europe.

The Industrial Accelerator Act already provides an opportunity to support these objectives, if properly designed. The Industrial Accelerator Act and DiversifyEU should therefore work together to stimulate European demand for domestically produced strategic materials and support investment across their value chains. In particular, rules recognising European production and value creation should be based on robust criteria, including strict rules of origin, to prevent circumvention through limited processing or the re-routing of products originating outside the EU. For aluminium, the location of smelting and casting (the country of smelting – electrolysis – and the country of last cast) provides a more meaningful indication of genuine European industrial capacity and value creation than subsequent processing alone.

Even among battery materials, there are differences. Another important example is **cobalt**. While primary production is heavily concentrated in the DRC, China dominates a large share of refining capacity and downstream battery-material production. However, Europe has the largest cobalt refining facility outside China.

Moreover, **germanium, gallium, graphite** and **antimony** (strategically important for defence dual-use applications) can be considered as examples to show that a one-size-fits-all approach does not work. China occupies a dominant position in the global value chains for germanium, gallium, graphite and antimony, particularly in refining and processing and in selected downstream applications. The Ministry of Commerce of the People's Republic of China (MOFCOM) has imposed export controls on these metals, showing how critical raw material dependencies can be weaponised. However, some critical processing, refining and recovery steps of these materials remain in Europe.

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While diversification is already at the core of the European non-ferrous metals industry sourcing strategy for these materials, the examples above show that strategic autonomy should not only be about securing access to raw materials, but also preserving refining and processing capacity in Europe and protecting its industrial base.

In this context, the European Commission should guarantee financial support for European investments in refining, recycling, mining, alloying and processing capacity, supporting investments in de-risking strategies in the European critical raw materials value chain. Targeted support is also needed to develop alternative supply chains for critical alloying elements, particularly magnesium, silicon and chromium. A targeted Critical Raw Materials Fund, financed through a targeted window under the European Competitiveness Fund, would be necessary to support these diversification goals and strengthen domestic production across resilient value chains. This should provide predictable financial support for viable projects, including investments that increase domestic production capacity. Environmental and decarbonisation requirements should reflect the characteristics of individual projects and should not unnecessarily prevent capacity increases that are essential to European resilience.

Targeted de-risking financial instruments, including Contracts for Difference for materials such as gallium that are vulnerable to price manipulation by dominant global suppliers, should also be considered where appropriate to improve investment certainty and support commercially viable European production.

Importantly, diversification should not merely substitute one dependency with another or impose additional costs on European companies before alternative supply sources become commercially available.

- **Use Trade Defence Instruments more effectively & Establish a new instrument to address strategic import dependencies and overcapacity**

Trade defence instruments can be an important tool where unfair trade practices distort the market and affect the European industrial base (i.e. aluminium). However, the current EU trade defence framework often entails lengthy investigations, considerable administrative costs and limited certainty regarding outcomes.

The EU Commission should use existing trade defence instruments more effectively and faster where justified. For instance, the Commission should make greater use of ex officio investigations and ensure effective measures against circumvention.

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More ambitious trade defence should be accompanied by additional human resources to DG TRADE's units dealing with trade defence. This is a precondition to ensure a more effective and efficient deployment of the trade defence toolbox.

The Commission should also develop a new instrument addressing excessive overcapacity and state-driven distortions, provided that its application is targeted, proportionate and supported by objective evidence.

The new EU instrument should be inspired by Section 301 of the US Trade Act of 1974, enabling the Union to assess and address imports of CRMs where overcapacity, market distortions or excessive import dependence on a single third country threaten the EU's economic security and industrial resilience.

Building on the objectives of the Critical Raw Materials Act and the RESourceEU Action Plan, any new measures should be evidence-based, consistent with EU international trade obligations, and designed to complement rather than undermine partnerships with trusted trading partners (i.e. the UK, EFTA and EEA countries, Australia, Canada, Japan).

In particular, any trade measures restricting imported metals or raw materials should not undermine the competitiveness of European fabricators that depend on those materials.

The proposed Critical Raw Materials Centre should play a complementary role by identifying strategic vulnerabilities and helping translate diversification objectives into investment. Its work should avoid duplication with existing institutions and ensure that identified supply risks lead to concrete action.

In view of this, the Commission should establish a dedicated monitoring and coordination capability within DG TRADE, working closely with DG GROW and other relevant institutions. This would support monitoring strategic dependencies throughout the non-ferrous metals value chains, trade flows and potential circumvention through third countries and identifying excessive supplier concentration and potential supply disruptions. The mechanism should align with Article 43q of the European Parliament's CRM Centre proposal, building on the assessment of strategic dependencies, supply-chain risks, industrial demand, available EU and partner country capacity and market developments to identify appropriate measures to strengthen the Union's resilience.

In this context, stockpiling may help manage short-term disruptions but should complement, not replace, European production and recycling. In particular, stockpiling can be useful for a limited number of specialty metals produced in low volumes and for specific sectors, such as aerospace and defence. Domestic production of critical raw materials is the most robust long-term foundation for Europe's security of supply.

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Stockpiling should remain voluntary, targeted and developed in close cooperation with industry, recognising the specific characteristics of individual raw materials and avoiding distortions to well-functioning markets. Its design must account for the potential impact of stockpile purchases and releases on market prices and investment incentives.

Stockpiling activities should be based on close coordination between the EU, Member States and industry. Any system should build on market-based principles to deliver flexible and cost-effective solutions, mitigate supply disruption risks and support European production as well as the diversification of supply sources.

Similarly, joint purchasing should not become a substitute for addressing structural supply concentration. The principal challenge in many raw material markets is insufficiently diversified supply rather than a lack of purchasing power. Policy efforts should therefore prioritise diversification, viable European investment and expanded production capacity, without imposing purchasing or selling obligations on companies.

This would help ensure that the EU's diversification objectives translate into tangible reductions in strategic dependencies and a more resilient and competitive critical raw materials value chain.

- **Create an EU single market for waste**

A key diversification tool is recycling. This is about avoiding leakage of metal-containing waste from the EU, particularly through illegal exports and non-compliant waste shipments or falsely declared End-of-Waste, losing valuable materials for our EU Circular Economy, but also for our resilience and economic security, in line with the objectives of the DiversifyEU initiative as well. The objective should be to ensure that strategically valuable secondary raw materials remain available to European industry.

This is also about facilitating waste shipments across the EU Member States, making it quicker for EU high-quality recyclers to receive and process these materials, with a positive effect on job creation and competitive, resilient value chains, and reducing our dependence on imported raw materials.

This can be achieved only if Europe has a genuine single market for waste and secondary raw materials, one of the objectives of the upcoming EU Circular Economy Act. This requires effective implementation of the Waste Shipment Regulation, fast-track procedures for waste directed to pre-consented facilities, harmonised definitions for by-products and end-of-waste criteria, and improved customs monitoring. The Circular Economy Act should tackle these aspects, providing greater legal certainty and

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facilitating the movement and use of recovered materials throughout the Single Market. Creating the conditions to accelerate recycling within the EU can represent an additional effective and straightforward way to increase the resilience of Europe's metals supply chains.

- **Ensure policy coherence and industrial competitiveness**

No policy works in isolation. DiversifyEU should not create another independent framework with additional reporting, conflicting definitions or duplicative administrative requirements. Consistency should be ensured between customs classifications, waste rules, circular economy objectives, industrial policy and trade measures.

The viability of CRM investments in Europe is affected by EU legislation across various subject areas, including energy, environment, chemicals, trade, circular economy and climate policies, which should all work together towards the same objectives.

Achieving the EU's objective of maintaining and expanding the extraction, processing and recycling of critical raw materials requires a regulatory environment that is stable, coherent and conducive to long-term investment.

The European non-ferrous metals industry needs policies supporting European demand for domestically produced and recycled strategic materials, while respecting fair competition and international obligations,

Energy competitiveness must form part of the resilience equation. For energy-intensive industries, access to competitive and reliable electricity is essential to maintaining European production capacity and reducing strategic dependencies. High electricity prices and carbon costs undermine the viability of European production. DiversifyEU should therefore be coordinated with EU energy and climate policies to ensure that domestic producers can access competitive, reliable and low-carbon electricity.

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European Metals

European Metals is an umbrella association representing the interests of the combined non-ferrous metals industry towards EU policymakers. We bring together the companies and associations shaping Europe's non-ferrous metals ecosystem: from upstream mining and refining to downstream use and high-quality recycling. By connecting technical expertise with policy action, we ensure that the importance of the metals sector is recognised, valued, and that our sector's future is secured. For more information, visit our website: https://european-metals.eu/

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