EU Critical Raw Material Act - AIRBUS POSITION

Airbus welcomes the Critical Raw Materials Act package proposed by the European Commission, aimed at strengthening the EU CRM's security of supply from within and with the support of like-minded partners.

Airbus and its suppliers depend almost exclusively on raw material imports and any EU attempt to build more resilience in CRM supply is more than welcome. Airbus has been adversely affected by strategic dependencies to certain exposed regions in the aftermath of the conflict in Ukraine. The situation is still not fully stabilized and some other vulnerabilities could arise in other parts of the world.

The Commission's proposal is ambitious, but it is only a partial response to the CRM needs of Airbus and the broader Aerospace & Defence industry. Airbus needs your support to ensure that the Aerospace & Defence needs and specificities are fully considered and protected throughout the Critical Raw Materials Act.

The key messages from Airbus are the following, by order of priority:

- Strategic technologies: The concept of strategic technologies only encompasses the green and digital transition, as well as the defence and space part of our sector and not its civil aeronautics leg. While defence and space must remain in scope, we call for inclusion of aerospace and defence as a whole. There is no possible EU CRM strategy for defence and space without civil aeronautics because defence and space consumption of CRM is not sufficient to develop the sector's resilience.

- Strategic raw materials: In light of the rising geopolitical tensions and resource competition:
    - some materials of importance for aerospace and defence are listed in the SRM list and must remain in the core of the text, such as titanium metal, aluminum, cobalt, silicon metal and platinum group metals;
    - some materials are only partially encompassed and must be included in full, such as nickel with aerospace grade and rare earths elements as a whole (not just for magnets).

- Competitiveness/level playing field: the viability of a European CRM value chain will depend on its competitiveness vis-a-vis other players in the US or in Asia, in today's energy context in particular. Any dedicated measures leveling the playing field vis à vis competitors in third countries is of support for strategic industries to close the gap between procuring these CRM in the EU vs the US (comparative market). Considering the EU industry CRM gaps and the EU CRM demand being mainly driven by global commercial markets (Aerospace, Automotive…), the EU needs to temporarily compensate the CRM value chain contributing to European strategic autonomy for the difference between comparatively higher production prices (due to its investments efforts required and higher costs structure such as energy) vs global competitors, to afford the EU industry time to make the investments required to reduce production costs to a level comparable with other market producers.

- Strategic stocks and joint purchasing: Airbus considers strategic stocks as one lever amongst the tools that can correct an urgent supply vulnerability, on a temporary basis. However, stocks must imperatively be managed by the industry, provided they do not impact companies' competitiveness. On the other hand, joint purchasing at EU level must remain on a voluntary basis for companies, and it should not affect similar mechanisms put in place by industry for certain strategic materials.
    - For its high volume CRMs, such as Titanium Metal, Airbus has developed consolidated purchasing strategies with its supply chain, for all parties to benefit from better purchasing conditions at scale. This consolidated procurement strategy remains on a voluntary basis for the suppliers to join as per its legal rights but it creates significant risks when SMEs have no robust CRM sourcing policies. This policy could be reconsidered for Defense products in order to authorize the OEM to request its suppliers to join its CRM consolidated purchasing on an identified list of products. Consolidated purchasing at the level of industry differs from the principle of "joint purchasing" from the fact that industry remains in lead. This is currently the preferred option for our sector.

- Funding : we deplore that there are no dedicated funding lines associated with the CRM Act, putting at risk the EU's ambition of the EU to set up complete SRM value chains from extraction up to recycling. Indeed, mining, processing, refining and recycling capacity are particularly capital-intensive projects that struggle to develop in Europe without public support.

- Stress tests: Airbus abides by potential new constraints to develop risk monitoring and mitigation solutions from the upstream industry (mining) to downstream industry (strategic technologies) in its supply chain provided that the EU supports the creation of CRM capabilities and short term resilience solutions.

- Confidentiality of information and data: Stress testing and risk monitoring will expose the most strategic industries supply chain weaknesses. During the information gathering process, it is of utmost importance to guarantee the confidentiality of information and data communicated by companies and that no administrative or financial burden arises from the implementation of this mechanism. A way to protect confidentiality could be that national trade associations consolidate the aggregation of data, anonymize them in a sort of black box and convey the final processed data to public authorities.

- Sustainability: Airbus regrets the lack of incentives to foster the recycling of 'scraps' ("raw materials waste" generated in factories during the production process) in the EU. This problem is all the more critical as European manufacturers often have no choice but to send their scraps abroad to be recycled; thus making the EU lose a non-negligible resource when production levels are already significantly low or absent. To support the development of a scraps recycling industry in the EU, the CRM Act could develop regulatory and financial support to EU companies operating in the scraps industry in order to help them become more competitive. This could include financial incentives to encourage manufacturers to recycle their scraps in Europe instead of exporting in third countries where the cost of scrap recycling is

more attractive.

- Below are some proposals for amendments, in line with the above position:

Article	Amendment
Recital 1 Access to raw materials is essential for the Union economy and the functioning of the internal market. There is a set of non-energy, non-agricultural raw materials that, due to their high economic importance and their exposure to high supply risk, often caused by a high concentration of supply from a few third countries, are considered critical. Given the key role of many such critical raw materials in realising the green and digital transitions, and in light of their use for defence and space applications, demand will increase exponentially in the coming decades. At the same time, the risk of supply disruptions is increasing against the background of rising geopolitical tensions and resource competition. Furthermore, if not managed properly, increased demand for critical raw materials could lead to negative environmental and social impacts. Considering these trends, it is necessary to take measures to ensure access to a secure and sustainable supply of critical raw materials to safeguard the Union's economic resilience and open strategic autonomy.	Recital 1 Access to raw materials is essential for the Union economy and the functioning of the internal market. There is a set of non-energy, non-agricultural raw materials that, due to their high economic importance and their exposure to high supply risk, often caused by a high concentration of supply from a few third countries, are considered critical. Given the key role of many such critical raw materials in realising the green and digital transitions, and in light of their use for defence and **aero**space applications, demand will increase exponentially in the coming decades. At the same time, the risk of supply disruptions is increasing against the background of rising geopolitical tensions and resource competition. Furthermore, if not managed properly, increased demand for critical raw materials could lead to negative environmental and social impacts. Considering these trends, it is necessary to take measures to ensure access to a secure and sustainable supply of critical raw materials to safeguard the Union's economic resilience and open strategic autonomy.
Recital 4 In order to ensure that the measures set out in the Regulation focus on the most relevant materials, a list of strategic raw materials and a list of critical raw materials should be established. Those lists should also serve to guide and coordinate Member States' efforts to contribute to the realisation of the aims of this Regulation. The list of strategic raw materials should contain raw materials that are of high strategic importance, taking into account their use in strategic technologies underpinning the green and digital transitions or for defence or space applications, that are characterised by a potentially significant gap between global supply and projected demand, and for which an increase in production is relatively difficult, for instance due to long lead-times for new projects increasing supply capacity. [...]	Recital 4 In order to ensure that the measures set out in the Regulation focus on the most relevant materials, a list of strategic raw materials and a list of critical raw materials should be established. Those lists should also serve to guide and coordinate Member States' efforts to contribute to the realisation of the aims of this Regulation. The list of strategic raw materials should contain raw materials that are of high strategic importance, taking into account their use in strategic technologies underpinning the green and digital transitions or for defence or **aero**space applications, that are characterised by a potentially significant gap between global supply and projected demand, and for which an increase in production is relatively difficult, for instance due to long lead-times for new projects increasing supply capacity. [...]
Recital 16 In light of their importance for ensuring the security of supply of strategic raw materials,	Recital 16 In light of their importance for ensuring the security of supply of strategic raw materials,

Strategic Projects should be considered to be in the public interest. Ensuring the security of supply of strategic raw materials is of crucial importance for the success of the green and digital transitions as well as the resilience of the defence and space sectors. To contribute towards security of supply of strategic raw materials in the Union, Member States may provide for support in national permit granting procedures to speed up the realisation of Strategic Projects in accordance with Union law	Strategic Projects should be considered to be in the public interest. Ensuring the security of supply of strategic raw materials is of crucial importance for the success of the green and digital transitions as well as the resilience of the defence and **aero**space sectors. To contribute towards security of supply of strategic raw materials in the Union, Member States may provide for support in national permit granting procedures to speed up the realisation of Strategic Projects in accordance with Union law
Article 2 (31) ‘strategic technologies’ means the technologies needed for the green and digital transitions as well as for defence and space applications;	Article 2 (31) ‘strategic technologies’ means the technologies needed for the green and digital transitions as well as for defence and **aero**space applications;
Article 19.3 (e) The Commission, in collaboration with the national authorities participating in the standing sub-group referred to in Article 35(6), point (c), shall ensure that a stress test is performed for each strategic raw material’s supply chain at least every three years. To that end, the standing sub-group referred to in Article 35(6), point (c) shall coordinate and divide the implementation of stress tests for the different strategic raw materials by the different participating authorities. The stress tests referred to in the first subparagraph shall consist of an assessment of the vulnerability of the Union’s supply chain of the relevant strategic raw material to supply disruptions by estimating the impact of different scenarios that may cause such disruptions and their potential effects, taking into account at least the following elements: (a) where the raw material concerned is extracted, processed or recycled; (b) the capacities of economic operators along the value chain as well as the market structure; (c) factors that might affect supply, including but not limited to the geopolitical situation, logistics, energy supply, workforce or natural disasters; (d) the availability of alternative supply sources and of substitute materials; (e) the users of the relevant raw material along the value chain and their share of demand, with special attention to the manufacturing of technologies relevant for the green and digital transitions as well as defence and space applications	Article 19.3 (e) The Commission, in collaboration with the national authorities participating in the standing sub-group referred to in Article 35(6), point (c), shall ensure that a stress test is performed for each strategic raw material’s supply chain at least every three years. To that end, the standing sub-group referred to in Article 35(6), point (c) shall coordinate and divide the implementation of stress tests for the different strategic raw materials by the different participating authorities. The stress tests referred to in the first subparagraph shall consist of an assessment of the vulnerability of the Union’s supply chain of the relevant strategic raw material to supply disruptions by estimating the impact of different scenarios that may cause such disruptions and their potential effects, taking into account at least the following elements: (a) where the raw material concerned is extracted, processed or recycled; (b) the capacities of economic operators along the value chain as well as the market structure; (c) factors that might affect supply, including but not limited to the geopolitical situation, logistics, energy supply, workforce or natural disasters; (d) the availability of alternative supply sources and of substitute materials; (e) the users of the relevant raw material along the value chain and their share of demand, with special attention to the manufacturing of technologies relevant for the green and digital transitions as well as defence and **aero**space applications
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