



Supporting the transformation of
the mobility sector by a European
raw materials strategy

Mercedes-Benz



The access to raw materials is decisive for the future success of the automotive industry. Current and ongoing transformation processes to electromobility and digitalisation as well as the speeding-up of the energy transition require numerous resources. Until now, many of these resources have been used seldom in the automotive industry. In addition, many of the required raw materials can only be extracted in a few countries around the world, and the current geopolitical landscape raises the question of whether these resources will be accessible in the future. This circumstance reinforces resilience efforts by politicians and the economy. Against this background, Mercedes-Benz is in favor of a European Raw Materials Strategy and the European Critical Raw Materials Act.

The challenges faced over the last years underscore the need to rethink our supply chains. Access to key resources is strategically decisive when it comes to the transformation and competitiveness of our economy, and Mercedes-Benz is no exception.

As the world shifts towards electromobility, the automotive industry's demand for certain raw materials is changing and increasing significantly. For instance, lithium, cobalt and nickel, manganese and graphite are the primary materials needed for the production of battery cells. Furthermore, aluminum and copper are increasingly used in alternatively powered vehicles.

The common thread among all these resources is that the extraction and/or further processing of the required raw materials takes place almost exclusively outside the European Union (EU) – and only in very few selected countries. Developments in recent years have clearly shown that this circumstance can lead to dependencies that result in considerable macroeconomic distortions and may impair security of supply.

Other challenges include disruptions in global supply chains – e. g. in the wake of geopolitical risks or certain industrial policies. To avoid these risks and reduce dependencies, it is necessary to safeguard the procurement of these resources with multiple means and instruments. Countries such as Australia, the US, Japan and China have understood the need for a comprehensive raw materials strategy much earlier and are well ahead of the European Union in making this a reality.

Mercedes-Benz welcomes the development of a coherent raw materials strategy and reiterates the need for timely implementation to catch up the backlog.

Europe must retain its economic sovereignty while enhancing the competitive advantages of the European economy more than ever as mobility becomes more electric and more digital. With this in mind, we need an active and resilient raw materials strategy in Europe - based on an alliance between politics and industry.

The key points in the process are as follows:

- **Develop and launch an active raw materials strategy**

Access to raw materials is of strategic importance for the competitiveness of the European economy and its successful transformation. The EU needs a pro-active raw materials policy to ensure resilience, diversification and fewer dependencies. For this purpose, politics and industry must work hand in hand in a coordinated approach - with joint projects, purely political measures to design and create the framework, and with measures and projects of the companies. In view of the fact that other countries such as Australia, the US, Japan and China are acting in a more strategic manner in the area of raw materials, the EU has no time to waste in doing the same.

- **Securing supply through increased cooperation with third countries**

Currently, the required resources / raw materials are imported to the EU from China, a few African and Latin American countries and, to a lesser extent, from Australia, Canada and the US. Should no action be taken, dependencies and volatile prices could be the result, which would in turn jeopardize the reliability of supply. Against this backdrop, Mercedes-Benz calls for a comprehensive package of measures under the European Critical Raw Materials Act. In cooperation with third countries both trade agreements and strategic partnerships with the countries where raw materials are mined and processed are necessary in order to reduce market access barriers and ensure a reliable supply of resources - for example through strategic partnerships and dialog with non-EU countries as defined by EU commodity diplomacy. To ensure implementation, it is desirable to further specify these partnerships and bring them to life.

- **Promote European expertise and value added**

To secure a reliable supply of raw materials in Europe while minimizing dependencies - particularly when it comes to refining and processing the materials - the EU should also promote technological expertise and production capacities in the EU. This should be done by investing in the value chain from start to finish - i.e. from research to raw materials mining, refining, production of intermediate products and recycling. As the consistent development of a circular economy and further enhancement of resource efficiency can also help to ensure reliable supplies, they should be included in the main areas of focus. Establishing strategic national reserves for selected critical raw materials can also be beneficial.

- **Provide public funding**

The "Important Projects of European Common Interest" (IPCEIs) are a relevant tool for helping European companies to do their part in enhancing the European economy's resilience and reducing dependencies. In this spirit, we propose a reduction in bureaucratic rules in order to facilitate and expedite the approval process for IPCEI based projects.

- **Protect human rights**

Vehicle manufacturing requires some raw materials that pose a risk to human rights and the environment during mining and/or refining. Mercedes-Benz has created a due diligence approach under its [Human Rights Respect System](#) to identify and dispose these risks and possible negative effects of our business on human rights at a very early stage. Our goal is to further investigate 24 raw materials with an increased risk of human rights violations – including the battery materials lithium, cobalt, manganese and graphite – and to define and adopt protective measures to prevent these risks.

- **Mercedes-Benz projects to strengthen the reliability of supply**

Companies are also adopting their own programs for improving the supply situation, approaching matters from a number of angles. In fact, Mercedes-Benz has already rolled out several projects - examples are the [pilot project for a net carbon-neutral* battery recycling production facility](#) in Kuppenheim/Baden-Württemberg and a supply agreement for lithium hydroxide with Rock Tech Lithium Inc. (with a converter plant in Guben/Brandenburg). These projects are important corner stones and put us well on the way to securing our future raw materials supplies.

**Net carbon-neutral means that carbon emissions that are not avoided or reduced at Mercedes-Benz are compensated for by certified offsetting projects.*