

Intelligence MEMOS



From: Ben Brunnen

To: Jonathan Wilkinson, Minister of Natural Resources, Chrystia Freeland, Deputy Prime Minister and Minister of Finance, and Steven Guilbeault, Minister of Environment and Climate Change

Date: August 4, 2023

Re: **A CRITICAL RAW MATERIALS STRATEGY FOR CANADA**

Canada has undertaken significant efforts to take advantage of strategic manufacturing and supply chain opportunities in the face of the evolving global energy mix.

In addition to specific [budget provisions and commitments](#) toward encouraging clean tech manufacturing, emissions reduction, and critical minerals development, the government developed a [Canadian Critical Minerals Strategy](#) in 2022, with the objective to “increase the supply of responsibly sourced critical minerals and support the development of domestic and global value chains for the green and digital economy.” Provinces have also developed complementary strategies that align with the federal framework.

More is needed. The plan needs firmer criteria to underpin the strategy, a broader list, regular review opportunities, and stronger connections with allies like the European Union.

As it happens, the EU is moving faster. Last March, the European Commission introduced the [Critical Raw Materials Act](#), which recognizes that:

“While demand for critical raw materials is projected to increase drastically, Europe heavily relies on imports, often from quasi-monopolistic third country suppliers . . . needs to mitigate the risks for supply chains related to such strategic dependencies to enhance its economic resilience, as highlighted by shortages in the aftermath of the COVID-19 and the energy crisis following Russia’s invasion of Ukraine. This can put at risk the EU’s efforts to meet its climate and digital objectives.”

The act identifies 50 critical and strategic raw materials – not only minerals – that are subject to potential supply risks and proposes benchmarks for EU’s domestic production capacities and supply diversification.

To achieve its benchmarks, the EU proposes to prioritize and simplify permitting procedures, provide access to finance, and shorten permitting timeframes for these projects (24 months for extraction permits and 12 months for processing and recycling permits).

Moreover, the Commission proposes to diversify EU imports of critical raw materials, and establish a “critical raw materials club for all like-minded countries willing to strengthen global supply chains.” Canada should strongly consider joining this “club” and broaden its own list to include all critical raw materials.

According to our own critical minerals strategy, Canada has significant critical mineral potential to meet global supply needs. We can leverage our lithium, graphite, nickel, cobalt, copper, and rare earth element deposits to build our own domestic supply chain. Internationally, we can develop our vanadium, gallium, titanium, scandium, magnesium, tellurium, zinc, niobium, and germanium deposits to support our allies and trading partners.

However, Canada needs to take a more expansive view. Unlike the EU’s priority list, the Canadian list omits coking coal, a fundamental necessity to make steel, demand for which is projected to [increase](#) by up to 55 percent by 2050 and in turn increase demand for steel-making coal. The EU has recognized this reality, and prioritized it as a critical raw material for the continental economy. Canada is the [third largest](#) coking coal exporter (behind Australia and the US) and, along with its other critical raw materials, can be a meaningful source of diversified supply for our allies. Other [raw materials](#) Canada produces that are critical in other jurisdictions include potash (world’s largest producer), platinum metals (4th largest producer) and iron ore (9th largest producer). We have a resource advantage in these materials and should be developing them strategically in partnership with our allies.

Moreover, while the [Canada-EU Strategic Partnership on Raw Materials](#) has been established to “advance the value, security, and sustainability of trade and investment into the critical minerals and metals needed for the transition to a green and digital economy,” we have yet to fully embrace the opportunity to extract our resources to meet the energy supply needs of our trade partners and allies.

Canada should strongly consider a thoughtful and more formal approach, including broadening the list of materials and working more closely with our allies.

Recommendations

1. Develop a critical raw materials strategy for Canada that expands upon our current critical minerals strategy to include the critical and strategic raw materials identified by the EU and other trading partners that Canada can supply. Example additions include coking coal, iron ore and platinum metals.
2. Participate as a full partner in the EU’s critical raw materials strategy, including as a member of the proposed [Critical Raw Materials Club](#) and in diversification of EU critical raw material supply chain discussions.
3. Adopt a similar approach as the EU to support the development of Canada’s critical raw materials for domestic and export use, that includes [prioritizing and simplifying permitting procedures](#), providing access to financing, and shortening permitting timeframes for critical material projects.

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