The European Green Deal and the EU Sustainable Finance Action Plan: 13 Points for Miners

By Jane Joughin

There is a green revolution unfolding in the European Union (EU). The frameworks for this are the European Green Deal and the EU Sustainable Finance Action Plan. These will have implications for miners beyond EU borders, particularly miners with financial links to the EU or who export mineral products to the EU. Key points that miners need to know are listed below.

1. The EU plans to be climate neutral by 2050, to cut its carbon emissions by at least 55%, compared to 1990 levels, by 2030 and to transition to a sustainable economy. The European Green Deal is a set of initiatives underpinning these goals. Sector-specific roadmaps charting the path to climate neutrality will be proposed. Despite the absence of these roadmaps, miners in the EU and beyond clearly need to be on accelerated paths to net zero and to embed sustainability in decision making and strategy.
2. Imports from countries outside of Europe with high embodied carbon are likely to be taxed so that the price of import reflects their carbon content. The mechanism for this is referred to as a “carbon border adjustment mechanism” (CBAM). Initially, it will probably only apply to products of industry with a high carbon footprint (such as steel, aluminium, cement, fertilisers, and electricity). The mechanism is likely to motivate both countries and companies outside the EU to be more ambitious on climate.
3. Miners producing minerals for batteries need to be aware that a new EU regulation on batteries (industrial, automotive, electric vehicle and portable batteries) is proposed. It concerns the sustainability, traceability and circularity of battery production. Carbon footprint reporting and supply chain due diligence are expected to be mandatory.
4. Industries in the EU will have the advantage of being supported to keep pace with and drive the digital and green transformations of the economy as envisaged by the New Industrial Strategy for Europe. The strategy also visualises support for carbon-intensive industries to transition towards low-carbon products and help regions adversely affected by the transition, including coal mining regions.
5. Some financial support will be available for a just transition mechanism for sectors and regions that currently have a high carbon footprint carbon and need to diversify and/or switch to cleaner energy. The support will be part of a European Green Deal Investment Plan. The plan intends to deliver EUR 1 trillion through several mechanisms including direct provisions from the EU budget and EU Emissions Trading Scheme.
6. Transport initiatives under the Green Deal are likely to increase in demand for metal and will enable miners in the EU to cut Scope 3 emissions but could have cost implications. Emissions from the transported sector in the EU are to be cut by 90% under the Strategy for Sustainable and Smart Mobility. The strategy proposes that by 2030 high-speed rail capacity will double, zero-emission marine vessels will be market ready and at least 30 million zero-emission cars will be in operation on EU roads. The EU Emissions Trading Scheme maybe extended to the maritime sector and road transport and rules for the aviation sector will be reviewed.

7. Miners and downstream manufacturers in the EU will benefit from initiatives to decarbonise the energy system using renewable technologies. The EU intends to drastically increase offshore wind energy with both bottom-fixed turbines and floating power stations.
8. Considering downstream value chains, it is important for miners to be aware that the EU aims to develop markets for climate-neutral products, with recyclable content, and that are also more durable, re-usable and re-pairable under the EU Industrial Strategy and the Circular Economy Action Plan.
9. The EU is solidifying its net-zero goals in law. At the heart of the European Green Deal is the European Climate Law that will require alignment of existing EU laws with the climate neutrality goal and enactment of many new laws. Several laws are already under revision include those relating to the EU Emissions Trading Scheme, energy efficiency, energy taxes, renewable energy, and GHGs from land use.

In addition to the above, miners need to know that financial institutions registered in the EU and/or offering products in the EU are encouraged to direct capital towards sustainable development. Relevant Regulations are the EU Sustainable Finance Disclosure Regulation and the EU Taxonomy Regulation. The regulations are in effect, even though subsidiary legislation that expands on some of the requirements is still incomplete. These regulations compel financial institutions to:

10. Publicly disclose how they integrate environmental, social and governance (ESG) into their decision making and they undertake ESG due diligence when making investments;
11. Obtain and disclose specific information from investees on principal adverse impacts (relating to carbon emissions, water use, waste disposal, gender diversity on boards and gender pay gaps);
12. Ascertain and disclose the percentage of their portfolio that is invested in sustainable economic activities – specifically activities classed as sustainable under the Taxonomy Regulation (mining activities are not covered by the regulation yet, but will be in future if they meet specific criteria);
13. Favour investments in projects and operations with small environmental footprints, that comply with standards on human rights in business and the workplace, and that target their ESG disclosure to meet the needs of financial institutions.

The regulations are relatively new and there is a stepwise increase in the detail and level of disclosure required under the regulations between 2021 and 2023.

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