

Sustainable Finance and Raw Material Value Chains - Friends or Enemies
Workshop, IRTC 2024
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Organizers and panelists

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Workshop overview

The goal of the workshop “Sustainable Finance and Raw Material Value Chains - Friends or Enemies” was to shed light on the issue of access to finance in the critical raw material (CRM) value chain. To fulfill the goals of green and digital transition, demand for CRMs will rapidly grow to provide materials necessary for the development of clean technologies, digital interface etc. The CRM value chain from mine to recycling is however currently insufficient. Substantial investments are therefore necessary to build up these capacities. Despite expected benefits, the investment in this space, both from the public and the private sector, is lacking. What needs to be done for a successful build-up of the CRM value chain, in Europe and globally?

Key recommendations

The workshop included keynote presentations from speakers representing different actors of the CRM value chain, namely mineral sector (Norge Mining), investor community (Fast Forward Zero), data advisory (Diacsus), research (IISD), and intergovernmental organizations (UNECE). The workshop was regarded very positively, with active participation of the audience. The key outcomes of the workshop are:

- Compared to previous years, the **understanding of the issue** is growing. CRM value chain actors are well aware of the challenges related to the access to finance and proactively searching for solutions.
- Projects in the CRM value chain suffer from limited interest due to the **perceived risk**. This is most apparent in the **development stage of their operations** (pre-feasibility and feasibility development stage – i.e. post foundation and prior to operation), which is further protracted by a long permitting process. The **extensive timelines** of CRM projects is another factor that increases their risks and thus decreases investment appetite.
- **Access to data** is one of the key aspects for better alignment between CRM value chain and finance. The key aspect of this is: (1) Correctness (and who is responsible for data collection and correct control), (2) Completeness, and (3) Format (technology)

- **Drilling down on data completeness and quality.** This is important to get right. For example, in the ESG space with classification verifications, any changes in entity status that could trigger a greenwashing issue or a potential risk event may result in financial consequences due to non-conformity with an investment vehicle's policy and guidelines.
- **Data standardization** is a key question, with many different standards concurrently in use. Coordination of these is necessary to simplify and create a level-playing field for all actors. Who is responsible for this coordination and standardization and what actors will have authority to do it remains a question.
- Transparency and data provision cannot go contrary to **business competitiveness**. Therefore, data collection and requirements on data quality should be **simple enough** not to create too many hurdles for companies to run their business.
- Standards should aim to increase transparency and lead to the **race to the top**, delivering **benefits for high standard operations and practices** (such as those in Europe).
- There is a need to better understand how mining companies can access **green financing** frameworks for critical minerals investment. Mining remains a sector with oftentimes negative social and environmental impacts. Green financing would require and help miners **improve their environmental and social performance**, such as through the adoption of IRMA standards.
- **Social awareness, acceptance and trust** need to be raised by project promoters to reduce the investment risks. This can be done with increased **transparency** and **stakeholders' engagement**.
- Experiences from **malpractices** from the past in raw material value chains should be taken **as lessons learnt** for the future.

Asks on policymakers

- **De-risk projects in the CRM** value chain by early entry, for example by providing **guarantees** and **direct project funding** to attract further investments in the early stages of project development (pre-feasibility and feasibility study stages). **Speeding up permitting processes** (while keeping the highest standards) by **fast-track processes** is another way to de-risk projects by shortening their timelines and thus decreasing their risk profile.
- Coordinate and create a **generally acceptable standard** of (not necessary minimum) ESG data quality to be followed and collected that would become a standard in the field to which all actors would comply and would adhere to. Consider establishing a public-private collaboration forum to achieve this.
- **Engage with all stakeholders** in the raw materials value chain **in a balanced way** taking into account economic and societal needs, human rights and nature / environmental protection.