POSITION PAPER

May 2025

Cefic priorities for the EU-South Africa Clean Trade and Investment Partnership (CTIP)

The Clean Industrial Deal announced that Clean Trade and Investment Partnerships (CTIPs) will complement Free Trade Agreements (FTAs) **"***through a faster, more flexible, and more targeted approach, tailored to the concrete business interests of the EU and its partners*".

CTIPs do have a real potential to successfully add to the EU's trade policy toolbox, being faster to negotiate and implement than FTAs while going beyond previous Memoranda of Understanding, limited by design. The negotiations with South Africa will set the standards for future CTIPs; it is therefore important to 'get them right', and deliver a meaningful agreement that provides concrete added value for businesses on both sides, supporting the strategic and industrial objectives of the EU and of our partners. This is why we are convinced that binding commitments (and/or conditional finance) aligned with clearly defined business goals on both sides should guide the agreement design.

South Africa is not only a key supplier of several crucial raw materials, but the South African government has also identified chemicals as one of the key drivers for economic growth and is currently developing a sectoral masterplan[1]. The country's chemical industry is the largest in Africa and represents more than 20% of South Africa's manufacturing GDP. Moreover, the chemical industry is an indispensable part of the clean tech value chains. Hence, the negotiations with South Africa offer a considerable opportunity to strengthen our partnership with this country and deliver concrete industrial benefits - in line with our asks on raw material access and our Trade Policy Principles.

Key recommendations

CTIPs should aim for a wide scope, also encompassing chemical regulatory cooperation, and using a comprehensive definition of raw materials. To provide added value for business, CTIPs should secure offtake agreements for EU companies and generate financial support for EU private sector investments in South Africa. We recommend clear commitments and business-oriented cooperation projects in the areas of Critical Raw Materials (in particular phosphorus/phosphate rock, platinum group metals, fluorspar and rare earth elements), waste management and energy security. Moreover, we suggest annual assessments and delivery reports on the CTIP to assess if the agreement achieves the intended benefits. In parallel, we propose to start negotiating complementary investment promotion and protection treaties and to modernise the EU-South African Development Community FTA.

[1] See e.g. FACT-SHEET_CHEMICALS_2020.pdf, Chemicals - InvestSA; dtic-industrial-policy-review.pdf

European Chemical Industry Council - Cefic aisbl
Rue Belliard 40 b.15 B-1040 Brussels Belgium
Tel. +32.2.436.93.00 mail@cefic.be www.cefic.org
EU Transparency Register n° 64879142323-90

Chemistry can

Critical Raw Materials (CRMs)

In the area of CRMs, as defined by the Commission, South Africa is a key supplier of several materials that are highly important for EU chemical companies:

- **Phosphorus**, and phosphate rock as primary material: Number 1 on Cefic's CRM list. It serves as raw material for a diverse range of important chemical applications, including in key strategic sectors. South Africa is one of the very few suppliers of high-purity igneous phosphate which is essential for fertilisers as well as food- and technical grade phosphoric acid (e.g. for Lithium-Iron-Phosphate batteries in Electric Vehicles). Therefore, free trade in this material between the EU and South Africa is crucial.

- **Platinum Group Metals**: Number 3 on Cefic's CRM list, these materials are critical for catalysts – without which many EU chemical operation facilities cannot operate – and are also used in various types of equipment (e.g. electrolysers, heat exchangers, cathodes…). EU dependency is concentrated on a few individual countries, with South Africa being the most important one.

- **Fluorspar** (Fluorite): Number 10 on Cefic's CRM priority list, this material is used – via hydrofluoric acid – in different fluorinated products. These are critical to downstream applications such as the electric vehicle battery value chain, the automotive sector, defense, pharmaceuticals and agriculture. South Africa is a relevant supplier for EU industries.

- **Rare Earth Elements:** Number 4 on Cefic's CRM priority list. Primarily, different light rare earth elements (e.g. lanthanum, cerium, neodymium) have applications in the chemical sectors, especially as chemical catalysts, but also for the production of emission control catalysts, luminescent phosphors, fuel additives and for medical purposes. Certain heavy rare earth elements, such as Gadolinium have important uses in pharmaceutical value chains. Supply concentration in China and recent export restrictions are urgent reasons for increased diversification. South Africa holds significant reserves and has advanced projects, with one mine already expected to become operational in 2025. Therefore, the country can play a relevant future role as an alternative supplier[2].

- South Africa is furthermore a supplier of **Manganese, Vanadium** and has **Antimony** reserves.

The CTIP negotiations are an important opportunity to secure offtake agreements, increase regulatory predictability, prevent export restrictions, as well as other harmful measures (as listed in our paper on raw material access), and support investments. Additional win-win opportunities can be created by promoting exports of EU products that enable a sustainable raw materials industry, including advanced mining chemicals.

From waste to raw materials

Waste management can be expected to become an important source for raw materials of the future. South Africa faces significant challenges in waste management due to the inefficiency of municipal systems. Many municipalities lack the infrastructure and resources to manage waste effectively, leading to the accumulation of waste in urban and rural areas. Chemical waste management poses particular challenges

[2] See also https://saiia.org.za/wp-content/uploads/2023/09/SAIIA_Futures_SR_CMsEcosystemCountryBarriers.pdf.

due to the hazardous nature of the waste. Proper disposal and treatment require advanced technology and stringent regulation, which are not always available or enforced in South Africa. Increased cooperation between the EU and South Africa in this field would be mutually beneficial.

Energy Security

Currently, insecure and volatile electricity supply can be a key obstacle for companies investing in South Africa, threatening operations. EU companies investing in energy projects, including to enable their own industrial operations, should receive sufficient support, in particular via Global Gateway, just as raw material projects. It would further be beneficial to grant similar support to investments related to water supply.

Delivery reports for concrete achievements

To make sure that the type of agreement works, we call for annual assessments and delivery reports on the concrete effects that a CTIP had: How many investments were mobilised? Did the EU facilitate offtake agreements? By how much did the share of EU imports of key raw materials from the country increase? Which progress in regulatory cooperation has been achieved? Were (export) restrictions removed? Such progress reports would help make sure that the EU is effective in achieving its strategic objective and supporting industry with meaningful agreements while allowing institutions to learn from what is and is not working.

Investment protection

Cefic further encourages the Commission to use the current negotiations as an opportunity to initiate (separate) negotiations on robust investment promotion and protection treaties, based on model Bilateral Investment Treaties from EU member states. Such treaties are a proven tool to reduce the barriers to investments abroad and can therefore support strategic engagement of EU companies in the country.

Broad sectoral approach: Win-win as key objective

We see CTIPs as an important opportunity to enhance regulatory cooperation, particularly in the chemicals sector. To effectively support the development of clean technology value chains, the CTIP must adopt a comprehensive value chain approach. As “industry of industries”, the chemical sector plays an important role for almost all final products. Clean tech innovation is often enabled by chemical innovation. Indispensable components of net zero technologies, such as solar panels, wind turbines, hydrogen electrolysers & fuel cells, batteries, etc., are produced by the chemical sector[3]. This includes products for which the raw materials produced in South Africa are required, e.g. phosphorus as common doping agents in solar panels, catalysts for hydrogen fuel cell operations and sustainable fuel synthesis or hydrofluoric acid for silicon-based semi-conductor devices in solar technology. Promoting trade and regulatory cooperation in the chemical sector within the CTIP is therefore also a win for clean tech value chains. Not only the EU, but also South Africa acknowledge the strategic role of chemical manufacturing. The government’s commitment to expanding the chemicals sector – alongside other priorities such as mining, automotive, and manufacturing – recognises its potential to drive economic development. This creates a valuable opportunity to foster deeper, mutually beneficial cooperation.

[3] We can provide more detailed information if needed.

Furthermore, with such an enhanced regulatory and sustainable trade cooperation, the EU and South Africa would also be contributing to the successful implementation of the Global Framework on Chemicals.

Next steps: EU-SADC FTA modernisation and a regional approach.

Besides securing a meaningful CTIP in the short term, Cefic is convinced that the EU-South African Development Community (SADC) FTA should be modernised to ensure that it meets the EU's objectives of promoting bilateral trade and investment relations while securing critical raw materials and promoting clean-tech cooperation. In particular, we recommend the inclusion of an Energy and Raw Materials Chapter and a modernisation of the Rules of Origin.

Furthermore, while South Africa is a crucial supplier of essential raw materials, as indicated by the EU, it is additionally important to broaden the focus to include other SADC countries that possess significant mineral resources. Countries within the SADC region, such as Zimbabwe, Zambia, and Mozambique, also hold essential raw materials that are vital for the EU's green transition and could therefore be relevant partners for upcoming agreements, in addition to key countries in other regions.

For more information please contact:
Yannick Scharf
Manager Trade & Customs Policy
ysc@cefic.be

About Cefic

Cefic, the European Chemical Industry Council, is the forum of large, medium and small chemical companies across Europe, accounting for 1.2 million jobs and 13% of world chemicals production.
On behalf of its members, Cefic's experts share industry insights and trends, and offer views and input to the EU agenda. Cefic also provides members with services, like guidance and trainings on regulatory and technical matters, while also contributing to the advancement of scientific knowledge.