

FAQ: Corporate due diligence in the new EU Batteries Regulation

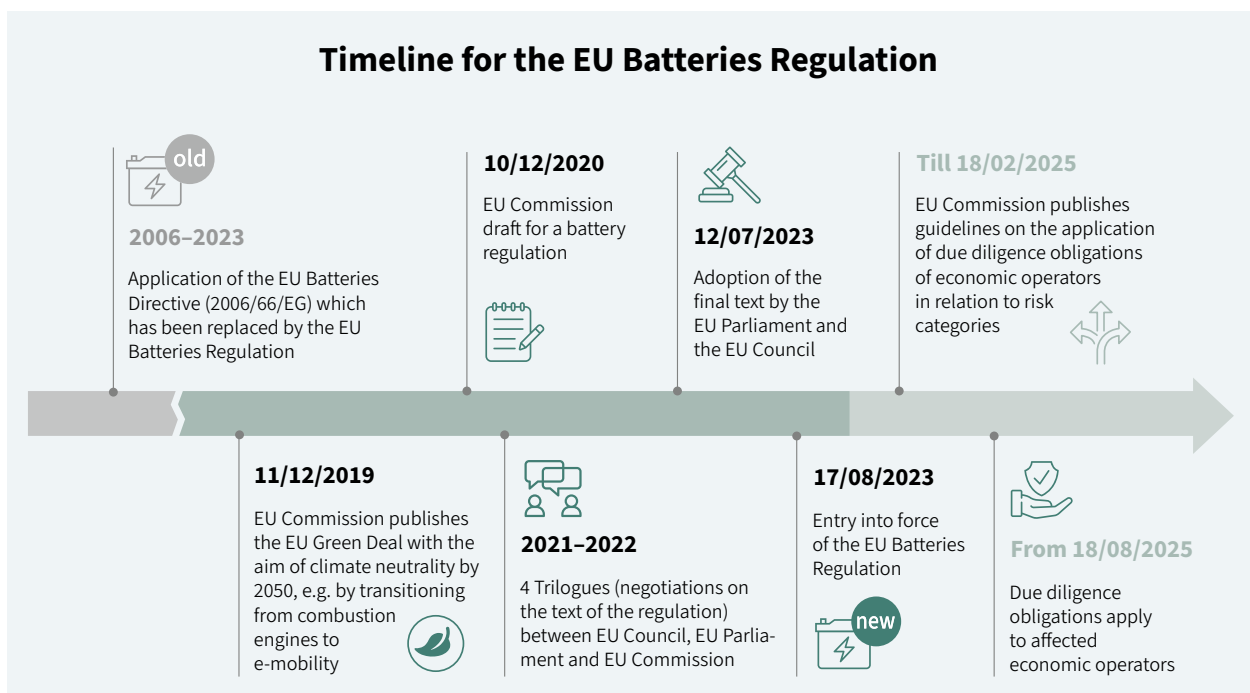
1. Why was a new EU act necessary and what are the objectives of the EU Batteries Regulation?

The new **Regulation (EU) 2023/1542 concerning batteries and waste batteries, amending Directive 2008/98/EC and Regulation (EU) 2019/1020 and repealing Directive 2006/66/EC** (EU Batteries Regulation) is the first supply chain regulation that considers the entire supply chain and the complete life cycle of a battery – from mine to recycling the EU Batteries Regulation aims to strengthen the **EU's internal market**, promote a **circular economy** and reduce negative **environmental and social impacts** at all stages of the battery life cycle. It repeals the previously valid **EU Batteries Directive from 2006**, which focuses primarily on the disposal and recycling of batteries. There was no legislation at EU level on other aspects related to the production and use of batteries, such as responsible sourcing

of raw materials. In addition, the technological developments of the last ten years (e. g. in the field of lithium-ion batteries) required a modern and comprehensive concept.

2. Who is affected by the EU Batteries Regulation?

The EU Batteries Regulation applies to large economic operators who place batteries on the market or put them into operation within the European internal market. Large economic operators are those who, in the penultimate financial year, have a net turnover of at least EUR 40 million. Small and medium-sized enterprises (SMEs) should not be disproportionately burdened and are therefore exempt from the EU Batteries Regulation.



3. Which raw material supply chains does the EU Batteries Regulation cover?

Economic operators must comply with the due diligence requirements for their supply chains concerning all types of batteries with regard to the four raw materials **nickel, cobalt, natural graphite, lithium**, and the chemical compounds derived from these raw materials.

4. What are the most important due diligence obligations that must be implemented?

From 18th of August 2025, economic operators are obliged to:

a) Establish a management system:
<ul style="list-style-type: none">• Information such as the country of origin of the raw material, the name and address of the supplier and on all market transactions from the extraction of the raw material to the immediate supplier• Public company battery due diligence policy• Top Management level oversees the the company battery due diligence policy• Controls and transparency regarding the supply chain• Grievance mechanism incl. an early-warning risk-awareness system
b) Establish Risk management plans in relation to the risk categories listed in Annex X of the Batteries Regulation:
<ul style="list-style-type: none">• Identification and assessment of risks• Strategy to respond to the identified risks to prevent, mitigate and otherwise address adverse impacts• For risk mitigation efforts: Consultation with suppliers and stakeholders concerned (including local authorities, local communities and civil society organisations)
c) Carry out an annual review of the arrangements and publish an annual report

5. Which risk categories do the mandatory due diligence policies address?

The due diligence obligations associated with the raw materials extraction are listed in **Annex X No. 2** of the EU Batteries Regulation and cover **social** and **environmental** risk categories.

The **environmental** categories include direct, indirect and cumulative risks for the environment, climate and human health, in particular:

- ▶ **Air pollution**, including greenhouse gas emissions
- ▶ **Water pollution**, including marine environment and access to water
- ▶ **Soil contamination**
- ▶ **Damage to biodiversity**.

The **social** categories include risks to human rights and labour rights, in particular:

- ▶ **Occupational health and safety in the workplace**
- ▶ **Child labour**
- ▶ **Forced labour**
- ▶ **Discrimination**
- ▶ **Trade union freedoms**
- ▶ **Community life**, including that of Indigenous Peoples.

6. What are the consequences of non-compliance with the EU Batteries Regulation?

The supervisory authorities of the EU member states will independently verify the compliance of economic operators with due diligence obligations. The regulation does not provide for the civil liability of economic operators for violation of the due diligence obligations. However, member states are authorized to implement all necessary measures to restrict or prohibit the batteries in the market or, in cases of significant violations, to withdraw the products from the market.

7. What role do private sector due diligence schemes play in fulfilling due diligence obligations?

The EU Batteries Regulation allows recognition of due diligence schemes that have been developed, for example, by governments or industry associations. The EU Commission may recognise such schemes if they enable economic operator to **meet** the requirements laid down in **Articles 48, 49, 50 and 52**. However, the systems may **only be used to support** economic operators in fulfilling their battery due diligence obligations. The **responsibility** for the fulfillment of these obligations **remains exclusively by companies**.

8. How does the EU Batteries Regulation relate to other due diligence frameworks for battery supply chains?

Being an EU regulation, the Battery Regulation applies directly in the EU member states and does not need to be incorporated into the national law. In relation to national laws, such as the German Supply Chain Act, EU law generally has priority of application. At EU level, the regulation is linked to a number of non-binding policies (EU Green Deal, EU Action Plan for a New Circular Economy; EU Indus-

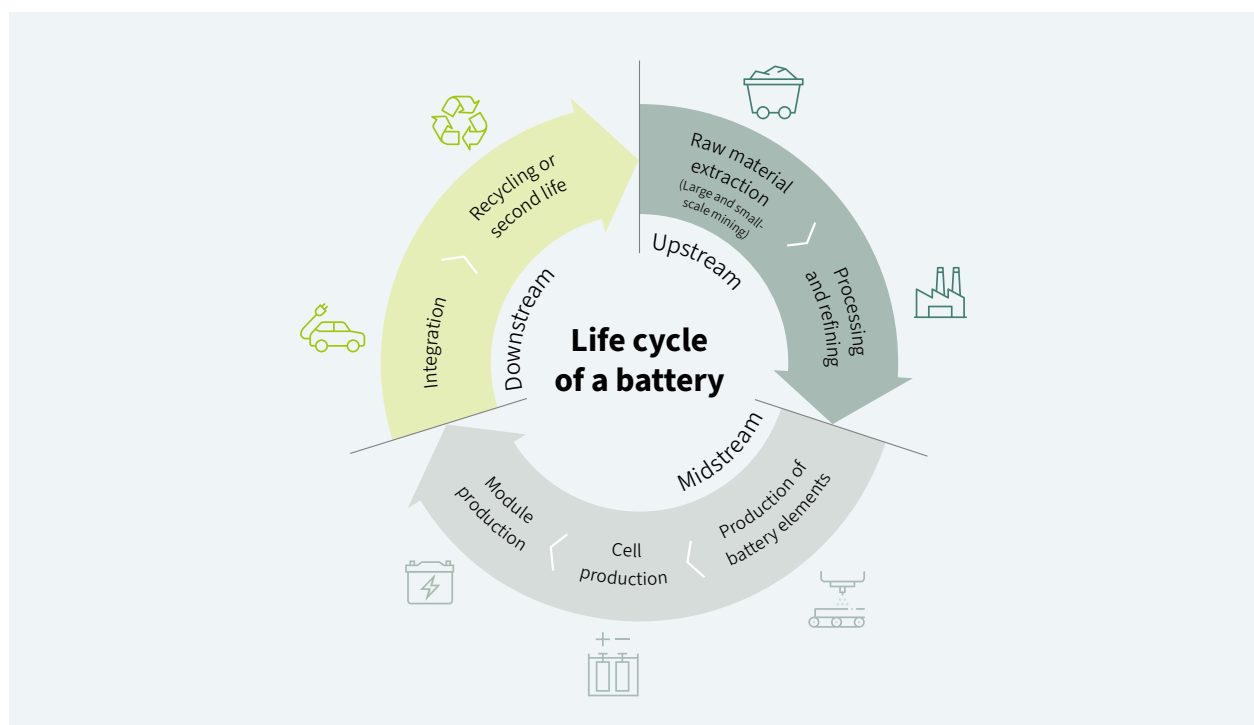
trial Strategy for Europe) but also to the already existing binding so-called Conflict Minerals Regulation (EU) 2017/821 or to the draft of the EU Supply Chain Directive (*EU Corporate Sustainability Due Diligence Directive*).

The different legal acts of the EU complement each other and operate in parallel, with more specific law taking the precedence.

9. Which other sustainability requirements does the EU Batteries Regulation contain?

The EU Batteries Regulation not only establishes due diligence obligations but also serves as the first circular supply chain legislation, introducing additional binding sustainability requirements. In particular:

- ▶ Requirements to minimize the **CO₂ footprint** of certain batteries.
- ▶ Obligations for the **declaration of the recycled material** starting from 18 August 2028. **Mandatory minimum values for recycled content** are provided from 18 August 2031 (16 % cobalt, 85 % lead, 6 % lithium and 6 % nickel) resp. 18 August 2036 (26 % cobalt, 85 % lead, 12 % lithium and 15 % nickel).



- ▶ Graduated **labelling and information requirements** on the most important properties of the batteries (e. g. hazardous substances contained, safety risks and service life) from 18 February 2027.
- ▶ The obligation to establish **battery passports** (electronic copy of the battery, which can be accessed via a QR code and should contain information on, e. g., the material composition of the battery, the proportion from renewable sources or its carbon footprint) for certain batteries from 18 February 2027.

How can German development cooperation contribute to the effective implementation of due diligence in mineral supply chains?

The sector programme “Extractives and Development” is jointly implemented by the Federal Institute for Geosciences and Natural Resources (BGR) and the Gesellschaft für Internationale Zusammenarbeit (GIZ) on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ). German development cooperation is committed to minimising risks in the extraction and processing of raw materials and to strengthening local economic structures in mining and related sectors. To this end, it supports projects in the raw materials sector in over 30 partner countries of the BMZ. Nickel, cobalt, lithium and natural graphite are also mined and processed in BMZ partner countries. Specifically, German development cooperation promotes **local value creation and sustainable mineral supply chains by creating capacities** in the partner countries. Partner

governments are supported in the development of mining laws, for example by providing trainings for mining authorities or by introducing sustainability standards – for instance in the Democratic Republic of the Congo and in the Andean region. In 2023, the BMZ has published a study on possible approaches for development policy support for responsible nickel mining in Indonesia.

In addition to bilateral and regional cooperation, German development cooperation is also engaged in multi-stakeholder initiatives fostering responsible mineral supply chains. For example, the BMZ is a member of the European Partnership for Responsible Minerals (EPRM), an EU-wide multi-stakeholder partnership that is committed to the responsible extraction of minerals in conflict and high-risk areas. Since 2023, the EPRM also covers the battery raw materials nickel, cobalt, lithium and natural graphite. Moreover, GIZ is a member of the multi-stakeholder partnership Global Battery Alliance, which is committed to a sustainable and circular battery supply chain.

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