

OPINION PAPER

The Kazakhstan–EU Partnership on Critical Raw Materials

A Call for Transparency and Accountability

Publish What You Pay – Kazakhstan, ECHO

The EU's strategic raw materials diplomacy and partnerships are on the rise, not just since the EU has adopted the Critical Raw Materials Act to secure the supply for its renewable energy, digitalisation, defence, and space industries. In this context, Germanwatch publishes two opinion papers written by authors from Kazakhstan and Colombia to delineate and strengthen their perspectives on the EU's raw materials diplomacy. The second opinion paper by León Peñuela, Fabián Andrés and Valentina Muñoz Bernal of the Business and Human Rights Resource Centre Colombia analyses the Critical Raw Materials Act of the EU and will be available on the Germanwatch website. The authors are valued partners of Germanwatch; the opinions expressed in the series do not necessarily reflect the opinions of Germanwatch.



In this paper, we reviewed and assessed the Memorandum of Understanding (MoU)¹ on critical raw materials between Kazakhstan and the EU (also known as resource partnership between Kazakhstan and the EU) for compliance with the principles of transparency, accountability, and public participation. Critical raw materials have come to be considered the new oil. The demand for critical raw materials has increased by several orders of magnitude, e.g. due to global efforts to achieve global and national climate targets and to accelerate the energy transition. It is thus crucial for countries rich in critical raw materials such as Kazakhstan to escape the ‘resource curse’, when experiencing less economic prosperity and poor governance than countries with fewer resources.

In our analysis, we noted a lack of transparency in the preparation of the MoU and the Road Map for implementation. Both were developed without properly informing and consulting with the public. We believe that the EU should use resource policies such as raw materials partnerships to drive transparency and accountability in the countries of interest. Co-operation should not only favour the Global North, but benefit its partner societies at large.

¹ European Commission, 2022, [Memorandum of Understanding between the Republic of Kazakhstan and the European Union on a Strategic Partnership on Sustainable Raw Materials, Batteries and Renewable Value Chains](#) (accessed 29 May 2024).

1 Public oversight critical to minimising the risk of the resource curse

On 7 November 2022, the EU signed an MoU with Kazakhstan to forge a strategic partnership on sustainable raw materials, batteries, and renewable hydrogen value chains. There can be no doubt about the EU's interest in a partnership with the Central Asian giant on Critical Raw Materials: Kazakhstan is rich in oil and gas resources (ninth place in the world in proven oil reserves and 16th place in gas reserves). It has more than 5,000 deposits of mineral resources, with an estimated value of tens of trillions of USD. The country ranks first worldwide on explored reserves of zinc, tungsten, and barite; second on silver, lead, and chromites; third on copper and fluorite; fourth on molybdenum; and sixth on gold. Finally, the country's uranium and coal deposits are the second and the eighth largest in the world respectively.²

Actors from the EU have been involved in Kazakhstan's raw materials sector since long before the official partnership on raw materials. Since the years after its independence in 1991, Kazakhstan has attracted USD 420 billion in foreign direct investment (FDI).³ About half of the gross FDI has flown into the extractive sector (mainly oil, gas, and metal ores). The EU was the first foreign investor in Kazakhstan and still represents 48% of total (gross) FDI flows in 2018. The EU is by far Kazakhstan's foremost trade partner, with a share of 40% on its external trade.⁴ As per UNCTAD (see graph below), the main exports to its partners include fuel (61%), ore and metals (15% combined). In 2022, the top five importers were Italy, China, Russia, the Netherlands, and Turkey.

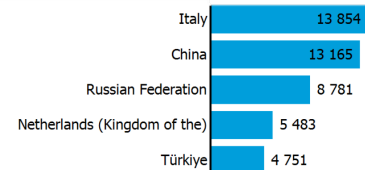
Export structure by product group in 2022

(as % of total exports)



Top 5 partners in 2022

(exports, millions of US\$)



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Today, Kazakhstan's resources benefit foreign investors more than Kazakhstan itself. Experts have noted that Kazakhstan was unfortunately unable to avoid the resource curse.⁶ Plagued by the resource curse, countries that extract greater rent from the exploitation of natural resources develop more slowly than similar economies that are less rich in resources. Transnational companies, such as Chevron, Exxon Mobil, Shell, Eni, and Total, have invested in key oil and gas deposits (Tengiz, Karachaganak, Kashagan) and signed production sharing agreements with the Kazakhstani government. Experts estimate that for example in the case of Kashagan, one of the biggest oil projects in the country, the government's share of profits

² Republic of Kazakhstan, n. d., [Official Website of the Republic of Kazakhstan](#) (accessed 27 March 2024).

³ AIFC, 2022, [Annual Report 2022: Five Years of Achievements](#) (accessed 7 May 2024).

⁴ Delegation of the European Union to the Republic of Kazakhstan, 2023, [The European Union and Kazakhstan](#) (accessed 27 March 2024).

⁵ UCTADstat, 2023, [General Profile: Kazakhstan](#) (accessed 27 March 2024).

⁶ Akhmetov, Zh., 2023, [Наложено ли на Казахстан "ресурсное проклятие"](#) [Is Kazakhstan under a 'resource curse?'] (accessed 27 March 2024), Temirkhanov, M., [Экономика Казахстана: что дальше – стабильность или реформы?](#) [Kazakhstan's Economy: What's Next – Stability or Reform?] (accessed 27 March 2024).

from production during development would be as low as 2%.⁷ In an interview with TV channel Russia 24 in June 2022, Kazakhstan’s President K. Tokayev commented on the deal with Chevron (Tengiz):

[T]he very terms of that agreement were signed according to the understanding of investment agreements of that period of time. You see, 30 years ago there was one understanding: we were happy about the arrival of major foreign companies in our economy, and there were no laws on attracting foreign investment.⁸

Thus, Kazakhstan’s resources continue to mainly benefit large foreign investors and their purely extractivist approach while local communities and the people of Kazakhstan hardly benefit at all.

The low rankings of the country in the Human Freedom and Corruption Perception indexes also reflect that Kazakhstan is haunted by the resource curse. Christensen et al. state that:

Corruption plays a central role in the resource curse because the need to secure access rights to deposits makes resource extraction inherently prone to corruption. [...] Corruption [...] can divert resources from local development projects, decrease the efficiency of resource allocation, and reinforce extractive political regimes, thereby attenuating the positive growth effects of extractive activities.⁹

In their Regional Spotlight 2020, IntegrityRisk International confirmed that, as with most former Soviet states, corruption is endemic in Kazakhstan.¹⁰ The Human Freedom Index 2023 ranks Kazakhstan 106th (out of 165 countries), placing it in the third quartile, the fourth being the least free.¹¹ In Kazakhstan, increasing restrictions on accountability measures and basic civil freedoms allow corruption to go unchecked. Accordingly, it ranks 101th of 180 countries in the 2022 edition of the Transparency International Corruption Perception Index.¹²

Kazakhstan’s contracts with Chevron, Exxon Mobil, Shell, Eni, and Total have not been publicly disclosed as of yet, despite considerable efforts by civil society activists, several appeals, advocacy campaigns, and parliamentary requests. Many mining licences and contracts also remain unpublished, despite gradual disclosure under the Extractive Industries Transparency Initiative reporting (EITI). Many older yet relevant contracts remain confidential. Consequently, the people of Kazakhstan remain in the dark about the profits reaped from their country’s tremendous subsoil resources.

Against this backdrop, the EU’s future deals on critical raw materials with Kazakhstan and other partners need to ensure transparency and justice for all. This includes fair distribution of benefits from the development of critical raw materials, which would encompass various areas, such as novel technologies, clean energy, and social benefits – for the people of Kazakhstan at large and local communities.

⁷ Lobacheva, M., et al., 2020, [Transparency, Participation and Accountability in Kazakhstan: An Action-Research Case Study of the Extractive Industry](#), p. 25 (accessed 15 April 2024).

⁸ Sputnik, 15 June 2022, [We Will Adjust Production Sharing Agreements with Subsoil Users – Tokayev](#) (accessed 7 May 2024).

⁹ Christensen, H. B., Maffett, M., Rauter, T., 2020, [Reversing the Resource Curse: Foreign Corruption Regulation and Economic Development](#) (accessed 7 May 2024).

¹⁰ Integrity Risk International, 2020, [Regional Spotlight: Business and Corruption Risks in Kazakhstan](#) (accessed 27 March 2024).

¹¹ World Population Review, 2024, [Freedom Index by Country 2024](#) (accessed 27 27 2024).

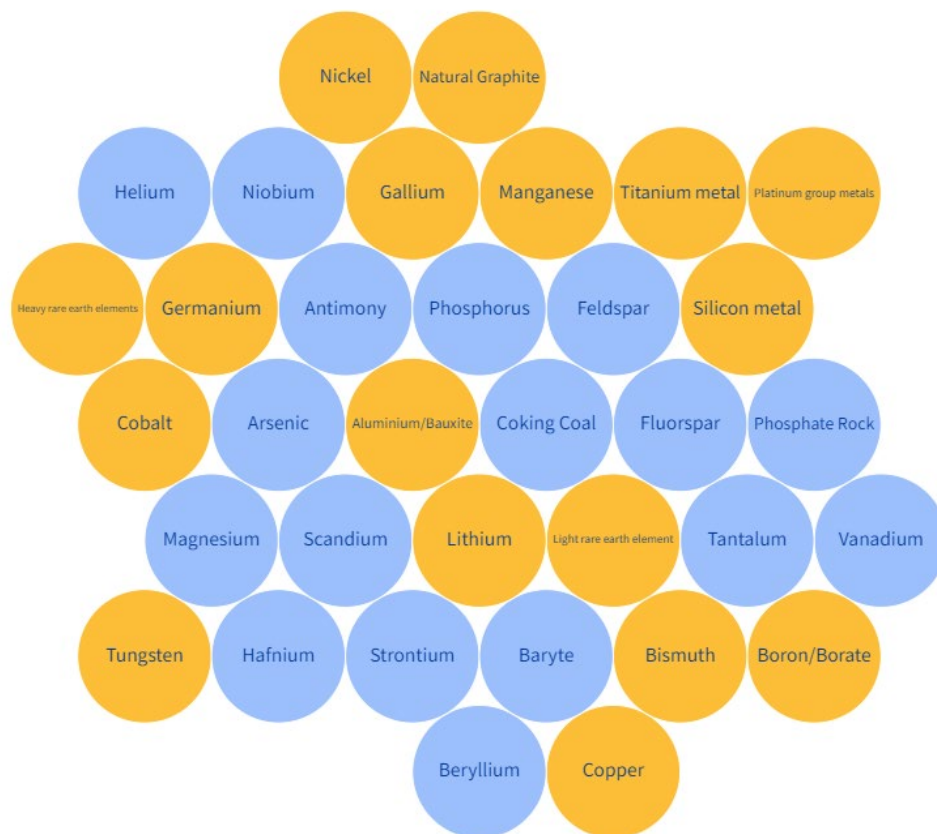
¹² Transparency International, 2024, [Corruption Perceptions Index 2022](#) (accessed 08 April 2024).

2 Transparency and public participation

Institutions and organisations such as the EU, the World Bank, or the United States Geological Survey each have their own definition of critical raw materials in accordance with their respective needs. The EU defines critical raw materials as ‘raw materials of high economic importance for the EU, with a high risk of supply disruption due to their concentration of sources and lack of good, affordable substitutes.’¹³ These materials include those that are necessary for the production of sustainable technologies such as for solar panels, wind turbines, or electric cars.

The EU has already signed MoUs with several countries rich in raw materials, such as Canada and Ukraine (2021), Namibia and Kazakhstan (2022), Argentina, Chile, the Democratic Republic of the Congo, and Zambia (2023).

The EU’s Critical Raw Materials Act aims to increase and diversify its critical raw materials supply. The graph below shows the 34 raw materials considered critical by the EU. Those that the EU not only categorised as ‘critical’ but even ‘strategic’ due to the very high probability that supply shortages will occur, are marked with dark yellow.



Copyright: European Union, 2023¹⁴

¹³ European Council, Council of the European Union, 2024, [An EU Critical Raw Materials Act for the Future of EU Supply Chains](#) (accessed 27 March 2024).

¹⁴ European Council, 2023, [An EU Critical Raw Materials Act for the Future of EU Supply Chains](#) (accessed 25 November 2023).

According to the USGS Mineral Commodity Summaries 2021,¹⁵ Kazakhstan is among the countries with the most reserves of several types of critical materials, comparing Kazakhstan’s reserves of critical materials as defined by the EU with the rest of the world. Kazakhstan ranks:

- 3rd in proven reserves of manganese ores;
- 6th in refinery production of bismuth;
- 9th in proven cobalt reserves and confirmed reserves of titanium dioxide;
- 13th in terms of proven nickel reserves;
- 14th in proven manganese (concentrate) reserves;
- besides this, Kazakhstan has 50,000 tons of proven reserves of lithium.

There are four main areas of work under the MoU:

1. Integration of the sustainable critical raw materials and battery value chains.
2. Development of renewable hydrogen and its integration.
3. Increasing the resilience of raw material, battery, and renewable hydrogen supply chains.
4. Research and innovation, skills and capacity building.

In the MoU, the EU and Kazakhstan declare to address crucial issues such as local value chain creation (‘greening and sustainability of mining processes’ or ‘decarbonization of the CRM value chain including by using renewable energy’) or environmental impact and good governance of natural resources (using financial and investment instruments following best practices regarding ‘environmental protection, sustainability, transparency and governance’). We believe that if these provisions were implemented, they would create the conditions for achieving a certain level of justice for all.

The MoU had only been published in English on the website of the European Commission when we started to prepare this paper in November 2023. The 2023–2024 Road Map on its implementation had not been disclosed by either of both parties. In November 2023, we sent an official request to the Prime Minister’s Office to publicise both the MoU and the Road Map in Kazakh and Russian, the two most relevant languages in the country. The Ministry of Industry and Construction, whose portfolio includes mining in the country, published the MoU and the Road Map on 4 December, however only in Russian.

The MoU also includes declarations on transparency and stakeholder participation: For instance, it states that the partnership should:

- be open and inclusive,
- enhance the transparency and dissemination of information on measures related to investment, operations, and export,
- support investment platforms, with tools to select ‘project proposals by community experts’, and
- increase transparency and involvement of stakeholders.

The MoU explicitly calls on the signing parties to co-operate with civil society: ‘The Sides should encourage appropriate cooperation between market participants, professional associations and civil society in the extractive, processing, refining and recycling industries.’ We believe that if these declarations were realised, citizens could publicly discuss and evaluate the implementation of the memorandum. Contrary to the declarations in the Road Map and falling behind progress in its implementations, so far no practical steps have

¹⁵ U.S. Geological Service, 2021, [Mineral Commodity Summaries 2021: U.S. Geological Survey](#) (accessed 27 March 2024).

implemented meaningful civic participation. This is startling, also because meaningful civic participation could have contributed to the mitigation of social and environmental impacts.

3 Challenges and recommendations

There are several risks associated with Critical Raw Materials development that the government of Kazakhstan and the EU should consider when implementing their partnership. Citizens of Kazakhstan should be fully aware of environmental risks mitigation, including the mitigation of water scarcity in the course of the MoU implementation. The prospective mining operations are likely to further harm heavily polluted regions, e.g. Aktobe (chromium and ferroalloy pollution)¹⁶ and Kostanay (copper pollution of the Tobol river).¹⁷ The MoU with Kazakhstan requires no environmental impact assessment and public participation in the development and implementation of specific mining projects, as opposed to other EU MoUs, for example with Chile.

Research and statistic institutes in Central Asia and beyond estimate that water availability in Kazakhstan will rapidly decrease due to the melting of glaciers and reduction of river flows as a result of climate change.¹⁸ It is therefore vital for the people of Kazakhstan to know how much water their government plans to use for green hydrogen production (the EU's main interest) and how it plans to address water scarcity. The International Fund for Saving the Aral Sea warns that declining water availability in Central Asian countries will spark resource conflicts sooner or later if they won't be stopped.¹⁹ The lack of public participation might contribute to social unrest and conflicts indeed.

Full transparency and early community involvement are essential throughout the MoU's practical implementation to mitigate risks of corruption and to avoid new forms of resource colonialism. Kazakhstan's partners (such as the EU, but also governmental agencies, companies, development institutions, etc.) should deliver on their commitments on critical raw materials, following best European practices in this regard. Unfortunately, at the time of writing, the MoU draft has not been discussed with civil society stakeholders and the Road Map has only been published on our direct request to the Prime Minister's Office. This stands in stark contrast to the intentions declared in the MoU, which explicitly raises the issue of confidentiality:

In the process of implementing the Roadmap, the Sides [...] strive to build their relationships based on equality, honest cooperation and mutual protection of each other's interests including of information that is confidential for the public authorities and companies concerned.²⁰

Thus, as described above, on one hand the MoU demands of partnerships to 'be open and inclusive', on the other mentions confidentiality, which in fact presents conflicting provisions.

¹⁶ United Nations Economic Commission for Europe, 2019, [Environmental Performance Reviews Kazakhstan. Third Review](#) (accessed 27 March 2024).

¹⁷ Burlibaev, M. Z., et al., 2017, [Проблемы загрязнения основных трансграничных рек Казахстана](#) [Problems of Pollution of Main Transboundary Rivers of Kazakhstan], Volume 2, Kaganat Publisher, Almaty, pp. 340–341.

¹⁸ CABAR.asia, 2021, [Water Deficiency in Central Asia. Countries Need to Rethink Policies of Water Use](#) (accessed 08 April 2024).

¹⁹ *Ibid.*

²⁰ European Commission, 2022, [Memorandum of Understanding between the Republic of Kazakhstan and the European Union on a Strategic Partnership on Sustainable Raw Materials, Batteries and Renewable Value Chains](#) (accessed 29 May 2024).

As Kazakhstan has already included confidentiality provisions in past investment agreements on fossil fuels, the EU has good grounds to insist on Kazakhstan's compliance with the MoU's declarations for transparency and inclusiveness.

The Kazakhstan–EU agreements should serve as a driver of transparency and accountability in light of the eroding of civic space in Kazakhstan. The EU should assert in all of its agreements that its partners fulfil commitments leading to increased transparency and accountability. This is the only way to achieve cooperation that benefits Kazakhstan's society at large and not only the interests of its partners in the Global North. In particular, the EU should:

- ensure relevant documents will be published in English, Russian, and Kazakh;
- require that future agreements and contracts in the framework of the partnership are discussed with civil society stakeholders and local communities, especially to assess potential threats to the environment;
- limit the MoU's confidentiality clause to technological aspects as an exception, instead of extending it to the entire agreement;
- ensure that the implementation of projects be transparent and subjected to public monitoring at all stages (implementation reports should be published and updated regularly);
- use available transparency tools, in particular the EITI for better critical raw materials governance.

Public oversight of the MoU's implementation is crucial to minimise the risks of a renewed resource colonialism and to address challenges associated with critical materials development in Kazakhstan, including environmental and social impacts. Interestingly, we found striking differences between the EU's MoU with Kazakhstan and those with other countries. The EU's MoUs with Ukraine and Chile, for example, do not contain confidentiality provisions, unlike the MoU with Kazakhstan; and its MoU with Chile does provide for participatory environmental assessments. The EU clearly can, and therefore should, consistently promote fair provisions for transparency, accountability, and public participation in all its partnerships.

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