



# CLIENT GUIDE TO THE UK CRITICAL IMPORTS AND SUPPLY CHAINS STRATEGY

The UK Government has published its **Critical Imports and Supply Chains Strategy (the UK CISCS)**<sup>1</sup>. Its stated aim is to “**build resilient supply chains and safeguard critical imports**”.

In this guide, we take a closer look at why a strategy is needed; the UK CISCS in the context of recent changes; and developments in global critical supply chains. We conclude with the opportunities that the UK CISCS presents for businesses.

## Why is a supply chain strategy needed?

In recent years, the global economy has been challenged by significant supply chain disruption, starting with the COVID-19 pandemic. The UK has been affected by shortages in some essential supplies, including pharmaceuticals, semiconductors and critical minerals. The UK CISCS is an attempt to respond to this, in a partnership between businesses, academics and the government, so as to be better prepared for and more resilient to supply chain shocks in future.

The UK is far from the only government to take action on this, and the UK CISCS follows a number of recent developments internationally, which are discussed in more detail below.

## What are the challenges?

Current supply chain challenges include:

- **Geopolitical Tensions and Trade Protectionism:** Conflicts in Ukraine and the Middle East and geopolitical tensions and uncertainties continue to cause disruptions to and insecurity about global critical supply chains.
- **Suez/Panama Canals:** The Suez and Panama Canals presently handle 65% of the world’s weekly freight traffic<sup>2</sup>. Both canals are facing restrictions to access and volume of traffic due to geopolitical tensions and drought respectively.
- **Security of supply:** In relation to a number of critical minerals which are in high demand globally, supply is either limited and/or it is in the control of one or a very few countries. This creates an obvious supply risk.
- **Climate Change:** 2023 was the first year where global average temperatures remained above the 1.5C threshold set by the Paris Agreement throughout the entire year. As the amount of ESG related regulation increases in response to this, companies will have to balance the need to secure their supply chains of critical imports with their obligation to do so in a sustainable manner.

<sup>1</sup> UK critical imports and supply chains strategy - GOV.UK ([www.gov.uk](http://www.gov.uk))

<sup>2</sup> <https://www.freightwaves.com/news/battle-of-the-canals-panama-vs-suez#:~:text=Presently%2C%2065%20percent%20of%20weekly%20container%20traffic%20between,pass%20through%20its%20gates%20on%20a%20weekly%20basis.>

## Introducing the UK CISCS

### What are “Critical Imports”?

The UK CISCS will apply to any goods that the UK Government considers to be a “Critical Import”. These are “*goods imported into the UK which are critical to the UK security and prosperity*” and primarily refers to goods essential for the operation of the UK’s designated Critical National Infrastructure (CNI) sectors and/or to the success of the government’s five growth sectors.

The CNI sectors include (among other things) chemicals, energy, food, health and transport. The five growth sectors are creative industries, digital technology, green industries, life sciences and advanced manufacturing, including automotive and aerospace.

Critical minerals are at the core of operations for many of the CNI and growth sectors, in particular in relation to battery metals, the automotive industry and energy. Please refer to our previous [client guide](#)<sup>3</sup> on the UK Critical Mineral’s Minerals Strategy for an overview of critical minerals and the UK’s 2022 strategy, which was “refreshed” last year.

### The UK CISCS – 5 Priority Areas

The UK Critical Imports and Supply Chains Strategy identifies 5 Priority Areas aimed at building resilience into the UK’s critical supply chains:

1. Making the UK Government a centre of excellence for supply chain analysis and risk assessment.
2. Removing critical import barriers to facilitate trade in critical minerals.
3. Building the UK’s response to global supply chain shocks.
4. Building a supply chain resilience framework to forecast long term trends in critical minerals markets.
5. Implementing supply chain resilience through a holistic network informed by government, business, and academia.

### How has the UK CISCS been developed?

The UK Government’s stated objective in the UK CISCS is to “*entrench the UK’s position as a world leader in [critical] supply chain analysis*”. It intends to achieve this objective by:

- Developing a better understanding of current and future flows of critical imports into the UK.
- Enhancing its understanding of future domestic and international demand for these goods.
- Anticipating supply chain shocks.
- Sharing more government analysis of critical supply chains with business.

- Working with the Government Office for Science to map future supply chain scenarios and inform its policy on the outcomes of these scenarios.

More than 100 businesses and representative bodies contributed to the UK CISCS and it has been welcomed by the UK Chamber of Shipping, the Critical Minerals Association (UK), Green Lithium and the Institute of Directors, among others.

No new funding is being made available under the strategy. To achieve its objectives, the UK CISCS places intelligence gathering and analysis at the centre of critical supply chain management. Partnership between businesses, academics and the government will be encouraged and a Critical Imports Council is being set up. Businesses will be asked to report barriers to supply quickly via an online portal. There will also be a focus on removing barriers to facilitate trade in critical imports.

It is an interesting strategic approach. The focus seems to be on developing the ability to analyse, predict and respond to future supply chain trends and shocks so as to build resilience in that way. There seems to be less direct attention on financial investment than in comparable strategies from other countries.

### Global approaches to critical import supply chain management

The UK CISCS comes in the context of a range of responses by governments around the world to the risks posed by threats to the global supply chain, particularly in relation to critical minerals.

#### The US approach

In August 2022, President Biden signed the US Inflation Reduction Act (**US IRA**) into law. This has provided nearly US\$ 4 billion in funding for the clean energy, transport and electric vehicle industries by means of tax incentives, grants and guarantees. It has had a significant impact on the development of energy transition related businesses in the US and has also increased demand for some critical minerals.

The US Department of Energy’s 2023 Critical Materials Assessment identified “5 Pillars” as part of its strategic framework to secure critical supply chains for materials that are critical to the US Green Energy Transition<sup>4</sup>:

- Diversification and expansion of supplies from primary resources.
- Development of alternative materials and systems.
- Improvement of manufacturing efficiency.
- Promotion and development of a circular economy through recycling and reuse of critical minerals.
- Advancement of scientific discoveries in the field.

#### The EU approach

The success of the US IRA has had a knock-on effect. It caused particular concern in the EU because the increased appeal of locating energy transition

<sup>3</sup> <https://www.hfw.com/Client-guide-to-the-UK-Critical-Minerals-Strategy-1022>

<sup>4</sup> <https://www.energy.gov/eere/articles/us-department-energy-releases-2023-critical-materials-assessment-evaluate-supply>



materials and businesses in the USA had a significant potential impact on the EU's ability to secure supply of those materials and attract those businesses to Europe under the EU's Green Deal. This led to talks between the two in March 2023, followed by a joint commitment<sup>5</sup> to help secure and diversify supply chains for critical mineral and batteries.

In November 2023, the EU Council and Parliament agreed the text of a new regulation, better known as the Critical Raw Materials Act (the **EU CRM Act**) which aims to strengthen the EU's supply chains and critical raw materials capacities along all stages of the value chain. The EU CRM Act sets clear priorities for action for the EU including<sup>6</sup>:

- Ensuring that no more than 65% of the EU's annual needs of a critical raw material comes from a single third country.
- Funding the development of national exploration programmes to strengthen the value chain.
- Improving resilience by adopting strategic stockpiling and recycling schemes for critical minerals.
- Establishing a Raw Materials Academy to promote research into critical raw materials and their supply chains.

### Other countries

Other countries have also been investing heavily. For instance, Canada recently announced a C\$1.5 billion Critical Minerals Infrastructure Fund.<sup>7</sup> Australia has a A\$4 billion Critical Minerals Facility and is proactively adding minerals (most recently, nickel<sup>8</sup>) to its list in order to protect businesses.

### International partnerships

China's dominance in the global production and supply of critical minerals is a particular source of concern to many countries grappling with the supply chain problem. By way of illustration, China is the biggest producer (either as a raw material or refined product) of 12 out of the 18 minerals on the UK's critical list.

One response to this concern has been the formation of alliances between other countries aimed at securing supply of critical minerals. A good example is the Minerals Security Partnership, set up in 2022, which includes Australia, Canada, Finland, France, Germany, India, Italy, Japan, Norway, the Republic of Korea, Sweden, the United Kingdom, the United States, and the European Union as partners. The UK hosted the first meeting of principals in October 2023.

### Focus on critical minerals: the UK's approach

In relation to critical minerals in particular, the UK is not blessed with enormous deposits of these. Nor does there appear to be budget to pour vast sums into financial support or incentives for critical minerals businesses, as other countries such as the US, Australia and China have been doing. The UK CISCs builds on the UK's Critical Minerals Strategy, published in 2022.

### The UK Critical Minerals Strategy (2022)

The UK Critical Minerals Strategy<sup>9</sup> is based on three pillars, "A-C-E":

- Accelerating the UK's domestic capabilities.
- Collaborating with international partners.
- Enhancing international markets.

The objectives of the strategy are straightforward. The UK is seeking to develop its domestic capabilities by maximising domestic production and encouraging funding for critical minerals businesses. It will also build upon the UK's international partnerships and ties to strengthen resilience across its supply chain network. It seeks to make the UK a centre of responsible mining and metals finance. However, investment on the scale seen in other countries is not being made available.

For more information, see our [client guide](#) to the UK Critical Minerals Strategy.

<sup>5</sup> Joint Statement by President Biden and President von der Leyen | The White House

<sup>6</sup> European Critical Raw Materials Act - European Commission (europa.eu)

<sup>7</sup> Government of Canada to Enhance Critical Minerals Sector With Launch of \$1.5 Billion Infrastructure Fund - Canada.ca

<sup>8</sup> <https://www.reuters.com/markets/commodities/australia-lists-nickel-critical-mineral-unlock-billions-support-2024-02-16/>

<sup>9</sup> [https://assets.publishing.service.gov.uk/media/62f36baf90e07714288b188/resilience\\_for\\_the\\_future\\_the\\_uks\\_critical\\_minerals\\_strategy.pdf](https://assets.publishing.service.gov.uk/media/62f36baf90e07714288b188/resilience_for_the_future_the_uks_critical_minerals_strategy.pdf)



## The UK's Critical Minerals Refresh and Task & Finish Group on Critical Minerals Resilience Report (2023/24)

In 2023, the UK Government published an update to the UK Critical Minerals Strategy In 2023<sup>10</sup>, which incorporates a framework to deliver supply chain resilience (as well as highlighting the Government's actions to date in furtherance of the strategy). The Refresh set out how the UK is adapting its delivery against its Critical Minerals Strategy in light of the challenges to global supply chains described above. It also announced an independent Task & Finish Group on Critical Minerals Resilience for UK Industry. The objective of this group was to investigate the critical mineral dependencies and vulnerabilities across UK industry sectors and highlight opportunities for industry to promote resilience in its supply chains. Their report was published in December 2023<sup>11</sup> and recommended the following objectives for industry stakeholders:

- Develop a long-term vision on industry resilience that includes critical minerals for the UK.
- Enhance critical mineral supply chain transparency through improved data availability to support decision making.
- Build on the UK's competitive advantages and develop its midstream economy.
- Take a shared approach between government and industry to build a robust circular economy for critical minerals.
- Implement strategic international partnerships, trade deals, friend shoring.
- Adopt a holistic approach to assess the environmental and social impacts of critical mineral supply chains
- Support UK skills and innovation development.

In the Government's response published in March 2024, the Minister for Industry and Economic Security at the Department for Business and Trade warmly welcomed the findings which would "help shape future government policy."<sup>12</sup>

### What opportunities does the UK CISCS offer businesses?

Whilst the UK CISCS does not offer financial support, there are a number of opportunities for businesses to get involved and benefit in other ways. These include:

- **Supply Chain Analytics:** The UK Government has an extensive network of trade data which allows it to identify supply chain risks and highlight UK import vulnerabilities, domestic production vulnerabilities, and global exports vulnerabilities. This data will be shared

with UK businesses to further strengthen their supply chain networks.

- **Removing Trade Barriers:** The UK is developing a Critical Import Barrier reporting mechanism through which businesses will be able to alert the Government of any barriers they are experiencing with respect to Critical Imports so as to allow a swift resolution.

The Government will also give UK businesses access to its 189 consulates abroad to help them network with international Critical Import suppliers.

- **Access to knowledge:** The UK Government is putting communication between government, business and academia at the forefront of its strategy. Businesses incorporated or active in the UK market will benefit from government insights derived from the UK's leading businesses and academic institutions.
- **Critical Imports Council:** As part of this focus on communication and access to knowledge, the UK is launching a Critical Imports Council, aimed at bringing together government and businesses in critical and growth sectors to develop collective understanding of priority issues. This has been welcomed by the UK business sector, including the British Chamber of Commerce<sup>13</sup>.

### Conclusion

The UK CISCS has received a broadly positive response from the UK business sector. The key takeaway here is the need to engage. It presents potentially significant informational and other opportunities for businesses based in or supplying the UK market but in order to access them, businesses will need to engage with the UK government. It may well be that the more you put in, the more you will get out.

**If you have any questions, please contact the authors of this guide.**



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<sup>10</sup> UK Critical Minerals Strategy - GOV.UK ([www.gov.uk](http://www.gov.uk))

<sup>11</sup> [https://assets.publishing.service.gov.uk/media/65c9f85ccc433b0011a90bd0/the-task\\_-\\_finish-group-report-on-industry-resilience-for-critical-minerals-feb-2024.pdf](https://assets.publishing.service.gov.uk/media/65c9f85ccc433b0011a90bd0/the-task_-_finish-group-report-on-industry-resilience-for-critical-minerals-feb-2024.pdf)

<sup>12</sup> UK government response to the Task and Finish Group's recommendations on industry resilience for critical minerals - GOV.UK ([www.gov.uk](http://www.gov.uk))

<sup>13</sup> BCC Welcomes UK Supply Chain Strategy - British Chambers of Commerce