

What the Raw Materials Agreement between the U.S. and Ukraine Means for European Investors

"Mineral Deal" Calls for a Strategic Reassessment of European Raw Material Strategies



Key Points of the Agreement

The Mineral Agreement entered into force on 30 April 2025, marking a significant step in international raw materials cooperation. The agreement establishes an investment partnership to develop Ukraine's mineral resources. Key provisions include:

- **Joint Fund Management:** The equally represented fund is managed by the U.S. Development Finance Corporation (DFC) and the Ukrainian Agency for Public-Private Partnerships. According to the agreement, Ukraine retains ownership of its resources and independently determines extraction locations and volumes.
- **U.S. Preferential Rights:** U.S. companies are granted preferential rights for investment opportunities and the purchase of raw materials at market prices. Third countries are explicitly not allowed to receive more favorable conditions under the agreement.
- **Ukrainian Sovereignty over Resources:** Subsurface resources remain the property of Ukraine, which decides where and what is extracted.
- **Financing Arrangements:** Ukraine allocates 50% of revenue from new licenses for minerals, oil, and gas. The U.S. contributes capital, partly derived from future military aid such as air defense systems, as well as direct financial grants.
- **Time Limitation:** Profits may be withdrawn from the fund no earlier than ten years after its establishment. This is intended to prioritize reinvestment in infrastructure and mining, supporting Ukraine's reconstruction.

Ukraine's Mineral Potential and Technological Significance

Ukraine possesses substantial mineral resources that could be highly relevant to European industry. According to the Ukrainian Geological Service, extensive and largely untapped deposits have been identified:

- **Lithium:** At least four known deposits in central and eastern Ukraine, with proven reserves valued at nearly USD 40 billion (approximately 33 million tons of lithium).
- **Manganese:** Ukraine ranks first in Europe and second globally in manganese ore reserves, with around 2.2 billion tons valued at over USD 10 billion.
- **Graphite:** Four major deposits contain 245 million tons of graphite valued at more than USD 35 billion, with total reserves likely even higher.
- **Copper:** Estimated 30 million tons, valued at over USD 5 billion.
- **Germanium:** Reserves of approximately 40,000 tons, valued at around USD 170 billion.
- **Titanium:** Precise figures are not disclosed, but experts estimate Ukraine holds 5–20% of global titanium reserves, representing tens of billions of USD.
- **Uranium:** Estimated 270,000 tons, with a market value exceeding USD 31 billion.

Many of these deposits are located in regions heavily affected by the Russian invasion, such as Donetsk (graphite, nickel, lithium, cobalt), Luhansk (titanium, rare earths), Sumy (lithium, graphite), and Kharkiv (lithium, graphite). The EU classifies 34 minerals as critical, 22 of which are found in extractable quantities in Ukraine. These include rare earths such as neodymium (used in wind turbines and electric motors) and yttrium (used in nuclear technology and electronics), as well as metals like beryllium, gallium, and zirconium.

Technologically, these resources are indispensable for the energy transition and defense industry. They are used in electric vehicles, solar modules, high-performance magnets, microchips, and military technology. Lithium, graphite, and cobalt are particularly valuable due to the high demand for batteries and renewable technologies.

Although exact figures for Ukraine's share in Europe's imports are unavailable, cooperation could significantly improve supply security and reduce Europe's dependence on third countries such as China, which currently dominates the market for rare earths and battery metals.

Concrete Economic Opportunities for European Investors

The agreement opens a range of economic opportunities, primarily through the newly established Reconstruction and Investment Fund, which channels revenues from new extraction licenses. Funds are intended for targeted investments in reconstruction and the development of the mineral sector. The long-term goal is to mobilize institutional investment and build up the sector. Ukrainian Deputy Prime Minister Yuliia Swyrydenko expects the agreement to attract additional investors, gradually improving the country's economic situation.

For European investors, potential benefits include:

- 1. Reconstruction and Infrastructure:** European construction and infrastructure firms could secure large contracts, given the extensive rebuilding of damaged buildings, roads, and energy and transport networks.
- 2. New Mining Projects:** EU mining companies could expand or diversify their portfolios through joint ventures or stakes in Ukrainian mines. Modern technology enables economically viable exploitation of previously untapped deposits.
- 3. Value Chains:** On-site extraction and processing offer opportunities to increase value creation. Europe could invest in processing facilities, enabling industrial companies to refine concentrates and produce intermediate products domestically.
- 4. Strategic Diversification:** Participation in Ukrainian resources reduces Europe's dependence on third countries for rare earths and battery materials, enhancing long-term supply

security.

International studies emphasize that the agreement lays the groundwork for private capital participation. The Center for Strategic and International Studies (CSIS) notes that the agreement explicitly aims to "encourage private investment in Ukrainian raw materials and provide the necessary capital for reconstruction."

Political Risks and Strategic Pitfalls

The economic potential is counterbalanced by significant political uncertainties. The ongoing conflict poses a persistent security risk, making investment and extraction nearly impossible in contested or Russian-controlled areas. Key risks include:

- **Security Risk:** Immediate Russian attacks on Odesa following the signing of the agreement highlight the ongoing threat to mining infrastructure. Investors require war-risk insurance, currently priced at 8–12% of investment volumes.
- **Operational Challenges:** Developing mining projects typically takes 18 years and costs between USD 500 million and 1 billion (CSIS). For example, the planned graphite mine requires around USD 450 million in investment.
- **Corruption Risks:** Governance structures in Ukraine's mineral sector demand additional due diligence, with scrutiny 15–20% above industry standards.
- **Geopolitical Friction:** U.S. preferential rights present challenges for European companies. German automakers, for instance, fear disadvantages in lithium contracts.

European Interests and Strategic Responses

In light of the U.S. agreement, pressure is mounting on the EU to establish its own raw material partnerships with Ukraine. The EU emphasizes promoting fair partnerships that benefit both sides and securing critical metals for European industry.

Twenty-two of the 34 critical minerals could partially come from Ukrainian deposits. Many, however, remain largely untapped or unavailable. Some EU member states, such as France, are negotiating separate agreements to secure direct access to Ukrainian resources, for instance, to safeguard their defense industries in the long term. Reports indicate that France seeks its own bilateral agreement. This demonstrates that European states recognize strategic opportunities while aiming to secure early access, avoiding being disadvantaged in the global competition with the U.S.

Meanwhile, the EU remains heavily involved in reconstruction financing. European funds and private sector companies are the main actors in rebuilding efforts. Programs such as the EU Reconstruction Fund and projects of the European Investment Bank (EIB) already provide investors with market access.

Ukraine's potential EU accession by 2030 could further enhance investment security for European capital providers, though the market remains risky due to the ongoing conflict.

Strategic Recommendations for Europe

In close cooperation with Ukraine, Europe's response to the Mineral Agreement should follow a phased strategy: from rapid mapping of Ukraine's raw materials to building secure supply chains and achieving technological independence. Key priorities include:

1. Three-Stage Investment Approach:

- By 2027: Participation in geological surveys for resource exploration
- 2028–2030: Public-private partnerships to establish mining energy infrastructure
- From 2031: Direct investments in mines, secured through EU investment protection agreements

2. Activation of EU Governance Instruments:

- Establish a "Critical Raw Materials Club" to consolidate procurement and increase purchasing power
- Create a Ukraine-specific EIB fund to support reconstruction and investment

3. Diversification Pathways:

- Utilize Estonia's digital infrastructure to efficiently manage Ukrainian supply chains
- Launch an EU-wide recycling initiative to recover rare earths from electronic waste and reduce dependence on primary raw materials

Between Potential and Uncertainty: Europe's Investment Outlook

The U.S.-Ukraine Mineral Agreement requires Europe to strategically recalibrate. Despite U.S. preferential rights, opportunities exist for EU investors. Ukraine is increasingly positioning itself as a strategic partner for Western countries and is committed to adopting European standards.

Through joint funding with the U.S. fund and technological transfer from Europe, Ukraine could become a sustainable raw material hub. Successful development will depend on reforms, anti-corruption measures, and local value creation while past failures must not be repeated. Equally crucial is protection against future Russian interference in critical infrastructure and extraction projects.

The agreement represents a turning point for Europe's raw material security. Amid Chinese export restrictions, a trilateral cooperation model between Ukraine, the U.S., and the EU could emerge as an alternative. Brussels could pursue binding supply quotas and demand sustainability standards in Ukrainian mining.

If successful, this model could serve as a blueprint for future raw material partnerships with emerging markets. The current crisis presents a historic opportunity to reform Europe's raw material policy from reactive, short-term approaches toward a resilient, values-driven supply chain strategy.

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