

MEMORANDUM OF UNDERSTANDING

BETWEEN THE EUROPEAN UNION AND THE REPUBLIC OF SERBIA

ON A

**STRATEGIC PARTNERSHIP ON SUSTAINABLE RAW MATERIALS,
BATTERY VALUE CHAINS AND ELECTRIC VEHICLES**

I. Introduction / Political context

1. Objectives

The European Union, (hereinafter the 'EU'), and the Republic of Serbia, (hereinafter 'Serbia') enjoy a deep and long-standing relationship as partners, sharing deep economic integration and cooperation through the Free Trade Area gradually established by the Stabilization and Association Agreement (SAA)¹. The Memorandum of Understanding (hereinafter 'MoU') aims to develop a mutually beneficial strategic partnership on sustainable raw materials, battery value chains and electric vehicles (hereinafter 'EVs'), in line with the New Growth Plan for the Western Balkans², while enhancing Serbia's integration within the EU's single market, and further boosting its economic, social and environmental convergence with the EU firmly based on the respect of European values and principles.

Based on the Letter of Intent signed by the representatives of the Government of the Republic of Serbia and the EU (hereinafter the 'Sides') on 22 September 2023. in New York, the Sides acknowledged a common ambition to strengthen and expand their cooperation in critical raw materials and EVs value chains, including materials, batteries, manufacturing and recycling.

¹ 2013/490/EU, Euratom: Council and Commission Decision of 22 July 2013 on the conclusion of the Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Serbia, of the other part.

² Communication COM (2023) 691 final.

Grounded on the common need to tackle climate change, pursue green transition and to secure stable supplies of sustainable energy, materials and technologies instrumental to preserving the competitiveness of their economies, while minimising environmental impacts and increasing the resilience of strategic ecosystems, the 'Sides' wish to establish the strategic partnership, (hereinafter the 'Partnership') on sustainable raw materials, battery value chains and EVs to strengthen and expand the cooperation in these sectors aligned with the needs of the Sides and the standards of the EU single market.

The Sides recognise that securing a sustainable supply of raw materials, especially critical raw materials (hereafter 'CRMs') is essential for promoting the green and digital economic transitions and represents an enabling factor for decarbonising energy production, connectivity, and mobility. Furthermore, CRMs and other raw materials are in increasing demand in most key industrial ecosystems³. Therefore, mitigating possible disruptions in raw materials supply is crucial to preserve global competitiveness, develop the resilience of our industries, strengthen the EU's single market and Serbia's economy.

Both the EU Green Deal⁴ and the Green Agenda for the Western Balkans⁵ identify batteries as a key breakthrough technology for the transition to renewable energy. Sustainably produced batteries will be key to decarbonise the transport and energy sectors, reduce CO₂ emissions and create green growth and high-quality jobs. Global demand for batteries is expected to grow up to 20 times in the coming decade due to higher electric vehicles penetration, and deployment of stationary energy storage as well as industrial and maritime applications.

The Partnership should constitute a comprehensive framework, for future-oriented and long-term cooperation between the Sides, which will further strengthen our political relations and boost long-term economic growth in Serbia and the EU, support demand both in Serbia and the EU's single market and contribute to Serbia's endeavours to join the EU.

³ Supply chain analysis and material demand forecast in strategic technologies and sectors in the EU - A foresight study (2023)

⁴ COM (2019) 640 final. Communication European Green Deal

⁵ SWD (2020) 223 final. Guidelines for the Implementation of the Green Agenda for the Western Balkans Accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions An Economic and Investment Plan for the Western Balkans.

It is agreed and acknowledged that collaboration in this regard, if successfully implemented, may provide an opportunity for the Sides to establish a secure, affordable, and sustainable supply of batteries and EVs, including relevant components, for mutual benefit, and to provide a further important platform for the Sides to collaborate to ensure full respect of human rights and apply high environmental, social and governance standards and sustainable practices along the entire value chains, including those stemming from multilateral environmental agreements, such as the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, notably concerning transparency, traceability and due diligence. As part of the environmental considerations, attention will be given to ensuring environmentally sound waste management for projects at all stages of the value chain.

The high raw materials potential of Serbia combined with the ambitious strategy to develop a vertically integrated EVs value chain within Serbia, matched with the EU's technological maturity and expertise along the entire raw materials value chain (exploration, extraction, processing, manufacturing, and recycling), and supported by geographical vicinity, provide a solid base for the Partnership. The Partnership will be inclusive and will bring together industrial actors, business associations and alliances, and other stakeholders to engage in the efforts related to the Partnership notably by exploring business opportunities and developing industrial projects along the identified value chains.

The Sides see opportunities for cooperation under this Memorandum in seeking:

- to promote enhanced economic integration into the EU's single market and economic growth of both Sides, driven by sustainable raw materials and battery value chains, in particular with regards to the EV industrial ecosystem by mapping resources, identifying and jointly developing sustainable projects, facilitating business opportunities and attracting private investments;
- to support Serbia in developing its domestic and vertically integrated battery and EVs value chains in line with the EU rules and standards;
- to minimise environmental impacts by striving to implement high EU rules and standards, including implementation of best available techniques, ensure benefits for local communities, while also preventing occurrence of transboundary pollution;

- to facilitate the alignment of policy and regulatory framework and ensure regulations do not create barriers to the sustainable development or supply of raw materials or EVs to the EU, while at the same time ensuring the application of internationally recognised principles, guidelines and best practices on high environmental, social and governance standards throughout raw material and battery value chains
- to facilitate closer cooperation on research and innovation along the respective value chains;
- to identify and deploy relevant financial and investment de-risking instruments;
- to cooperate on the development of the necessary skills for high-quality jobs, and facilitate capacity building and competency for the development of sustainable raw materials and battery value chains.

Hence, it is in the interests of both Sides to continue building further on the positive and long-term cooperation and integration within the Partnership agenda and the Side's respective competences and practices that may develop. The Partnership builds on the Stabilisation and Association Agreement ('SAA') entered into force on 1 September 2013 and accession negotiations framework and will contribute to Serbia's endeavours to joining the EU.

In addition to the SAA, a number of significant developments have taken place in the last few years that have been taken into account in drawing up this Partnership, inter alia:

- On 22 September 2023 European Commission and the Government of Serbia reached a political agreement (Letter of Intent) to open up the possibility of closer cooperation in the fields of CRMs and EVs⁶.
- The New Growth Plan for the Western Balkans (2023)⁷
- EU Critical Raw Materials Act (2023 – COM proposal)⁸

⁶ DocsRoom - European Commission (europa.eu)

⁷ Communication COM (2023) 691 final

⁸ COM(2023)160 final of 16.03.2023. Proposal for a regulation of the European Parliament and of the Council establishing a framework for ensuring a secure and sustainable supply of critical raw materials

- EU Net Zero Industry Act (2023- COM proposal)⁹
- EU Batteries Regulation (2023)¹⁰
- EU regulation on circularity requirements for vehicles (2023 – COM proposal)¹¹
- The Commission’s Communication: A Green Deal Industrial Plan for the Net-Zero Age (2023)¹²
- The Commission’s REPower Communication (2022)¹³
- The EU Global Gateway (2021)¹⁴
- Green Agenda for the Western Balkan (2020), and subsequently the GAWB Action Plan (2021).
- The Commission’s new circular economy action plan (2020)¹⁵
- Launch of the European Battery Alliance (2017) and European Raw Materials Alliance (2020).
- Launch of the Western Balkans Investment Framework (2009)

Serbian relevant regulatory and cooperation framework:

- Law on Environmental Impact Assessment (2004)¹⁶

⁹ COM/2023/161 final of 16.03.2023. Proposal for a regulation of the European Parliament and of the Council on establishing a framework of measures for strengthening Europe’s net-zero technology products manufacturing ecosystem (Net Zero Industry Act)

¹⁰ REGULATION (EU) 2023/1542. - New Battery and Battery Waste Regulation

¹¹ COM(2023) 451 final of 13.7.2023 Proposal for a regulation of the European Parliament and of the Council on circularity requirements for vehicle design and on management of end-of-life vehicles

¹² COM(2023) 62 final - A Green Deal Industrial Plan for the Net-Zero Age

¹³ COM/2022/108 final – REPowerEU: Joint European Action for more affordable, secure and sustainable energy.

¹⁴ JOIN (2021) 30 final. Communication Global Gateway

¹⁵ COM/2020/98 final - A new Circular Economy Action Plan For a cleaner and more competitive Europe

¹⁶ Official Gazette of the RS, nos. 135/2004 and 36/2009, new Law is being prepared for adoption

- Law on Strategic Environmental Impact Assessment (2004)¹⁷
- Law on Waste Management (2009)¹⁸
- Law on Climate Change (2021)¹⁹
- Law on Nature Protection (2009)²⁰
- Law on Air protection (2009)²¹
- Law on Environmental Protection (2004)²²
- Law on Environmental Noise Protection (2021)²³
- Law on Soil Protection (2015)²⁴
- Waste management program of the Republic of Serbia for the period 2022-2031 (2022)²⁵
- Low Carbon Development Strategy 2023-2030 (2023)²⁶
- Circular Economy Development Programme in the Republic of Serbia 2022-2024 (2022)²⁷

¹⁷ Official Gazette of the RS, nos. 135/2004 and 88/2010, new Law is being prepared for adoption

¹⁸ Official Gazette of the RS, nos. 36/2009, 88/2010, 14/2016, 95/2018 - other Law and 35/2023

¹⁹ Official Gazette of the RS, no. 26/2021

²⁰ Official Gazette of the RS, nos. 36/2009, 88/2010, 91/2010 - corr, 14/2016, 95/2018 - other Law and 71/2021

²¹ Official Gazette of the RS, nos. 36/2009, 10/2013 and 26/2021 - other Law, in process of drafting new Law

²² Official Gazette of the RS, nos. 135/2004, 36/2009, 36/2009 - other Law, 72/2009 - other Law, 43/2011 - Decision of the CC, 14/2016, 76/2018, 95/2018 - other Law and 95/2018 - other Law

²³ Official Gazette of the RS, no. 96/2021

²⁴ Official Gazette of the RS, no. 112/2015

²⁵ Official Gazette of the RS, no. 12/2022

²⁶ Official Gazette of the RS, no. 46/2023

²⁷ Official Gazette of the RS, no. 137/2022

- Air Protection Programme in the Republic of Serbia for the period 2022-2030 (2022)²⁸
- Rulebook on types of waste for which a request can be submitted, permitted procedures and treatment technologies for types of waste and other special elements for determining the end of waste status (2024)²⁹
- Rulebook on the criteria for determining by-products and the report form on by-products, the method and deadlines for its submission (2019)³⁰
- Law on mining and geological research ³¹
- Law on charges for the use of public goods³²
- Regulation on the conditions and procedure for issuing a waste management license, as well as the criteria, characterization, classification and reporting of mining waste³³
- Law on energy efficiency and rational use of energy³⁴
- Law on the Use of Renewable Energy Sources³⁵
- Law on Energy³⁶
- Law on public-private partnership and concessions³⁷

²⁸ Official Gazette of the RS, no. 140/2022

²⁹ Official Gazette of the RS, no. 19/2024

³⁰ Official Gazette of the RS, no. 76/2019 and 95/2022, new amended version

³¹ Official Gazette of the RS, no. 101/2015, 95/2018 - other laws and 40/2021

³² Official Gazette of the RS, no. 95/2018, 49/2019, 86/2019 - harmonized domestic foreign exchange, 156/2020 - harmonized foreign foreign exchange, 15/2021 - supplement to harmonized foreign foreign exchange, 15/2023 - harmonized domestic foreign law, 92/2023 and 120/2023 - harmonized domestic foreign law

³³ Official Gazette of the RS, no. 53/2017

³⁴ Official Gazette of the RS, no. 40/2021

³⁵ Official Gazette of the RS, no. 40/2021 and 35/2023

³⁶ Official Gazette of the RS, no. 145/2014 and 95/2018 - second law, 40/2021, 35/2023 - second law and 62/2023

³⁷ Official Gazette of RS", no. 88/2011, 15/2016 and 104/2016

In the framework of the accession process of Serbia to the European Union, with particular focus on (cluster 4) the Green agenda and sustainable connectivity as well as (cluster 2) the Internal Market rules, Serbia should step up its alignment with the relevant EU acquis (in line with SAA Article. 72) and throughout the implementation of this MoU.

2. Scope of the partnership and main areas of work

The Sides envisage that the Partnership will include activities along the entire value chain of primary and secondary raw materials as well as batteries and EVs notably to support the development of a sustainable EV industrial ecosystem. In addition, the Partnership will also include suppliers of components, production technology and associated services.

The Sides acknowledge that as a priority the Partnership should include EV supply chain starting from the CRMs as defined in the European Critical Raw Materials Act. The scope of materials will automatically be updated to reflect any revisions of the list. The scope may also be amended by mutual agreement of the Sides during the Partnership annual meetings.

3. Principles

The Partnership will be conducted fully in concordance with the SAA and is without prejudice to any policy-shaping rights and cooperation framework as already provided or created under the SAA.

The Partnership should be open, transparent and inclusive and provide for a strong public-private multi-level partnership engaging the representatives of EU institutions and bodies, industrial actors, business associations, social partners, representatives of civil society from both Sides, relevant ministries of interested Member States and Serbia (e.g. economy, trade and finance, mining and geology, environment, foreign affairs), public organisations, financial institutions, and investors.

The Sides reaffirm respecting the principles of transparency, predictability and non-discrimination. The Sides confirm that ensuring that rules are not trade-distortive is the best way to create an environment favourable to foreign direct investment in the production and trade of EV's, including raw materials and batteries. The Sides confirm that bilateral trade and investment in these sectors should be open and absent of distortions.

The Sides intend to promote active participation among their respective stakeholders, including in the European industrial alliances that act as platforms for collaboration and development of investment projects, in addition to the existing Western Balkans Investment Framework.

II. Key work streams under the Partnership

In view of the above, and in accordance with the SAA, the Sides intend to cooperate closely in the following five work streams.

1. Industrial value chain development

With the view to enhance the development of value chains for raw materials, batteries and EVs, the Sides intend to focus on:

- Facilitating close cooperation between EU and Serbian industrial actors and stakeholders and encouraging the development of a mutually beneficial pipeline of projects including via networking, initial selection of project proposals, joint project development, and promotion and facilitation of trade and investment linkages along the whole value chain from exploration to end product, with special focus on the EV industrial ecosystem. Such projects should contribute to the EU's and Serbia's respective economic security.
- Modernisation of extractive and refining processes and technologies.
- Cooperation on exploration of new primary and secondary raw material deposits in Serbia utilising Earth Observation/Copernicus³⁸ data, services and technologies.
- Promoting the circular economy in raw materials, batteries and EV sectors through integrated and efficient use, recycling and processing and sustainable design.
- Advancing best practices for resource classification using international standards (UNFC, JORC) and geodata management, including mapping mineral potential from waste sources.

³⁸ Copernicus is the Earth observation component of the European Union's Space programme.

- Ensuring the well-functioning and resilience of supply chains, including by enhancing the transparency and dissemination of information on measures, including those applied to and by third countries, related to investment, operations and export and import, and discussing at an early stage any concerns of circumvention or disruption of supply chains and possible mitigation measures to be taken by the Sides.

2. Research and innovation

With a view to promote closer cooperation on research and innovation in the raw materials, battery and EVs fields the Sides will focus on:

- Mapping the existing cooperation areas under EU Horizon Europe R&I framework programme³⁹ and other schemes.
- Strengthening the participation of Serbian research, science, technology parks and innovation organisations (private/public) in the EU R&I programmes.
- Facilitating industrial uptake of the most promising green and digital innovations developed by EU – Serbian consortia in EU Horizon Europe and other R&I development schemes.
- Sharing of knowledge and technologies related to sustainable exploration, extraction, processing and recycling of secondary raw materials, electronic scrap, waste disposal, battery manufacturing and recycling and EVs supply chain related aspects in line with the EU legislation, where relevant.

3. Application of high environmental, social and governance standards and practices

Both Sides will apply high sustainability standards in raw materials, battery, and EVs sectors. The Partnership aims to facilitate exchange and alignment of best practices in this area. Moreover, both sides see an opportunity to further strengthen the sustainability agenda, including through the application of increased due diligence and traceability for the battery value chain where ambitions for sustainable mining and challenges related to environmental, economic and social justice are comprehensively addressed across the battery value chain.

³⁹ C(2022) 8600 final. Commission implementing decision Horizon Europe.

Specifically, the Sides intend to work on:

- The application of guidelines and best practices on environmental, social and governance standards, including the EU principles on sustainable raw materials⁴⁰
- Cooperation to improve the legal, regulatory and administrative framework stimulating the development of sustainable and responsible raw materials, battery value chains and EVs in line with the EU and Serbian policies and identifying areas of regulatory support that may be required.
- Early consultation on new legislative and non-regulatory initiatives proposed within the scope of the Partnership.
- Regular exchange of information regarding application of existing international standards on due diligence and related certification schemes for sustainable production/sourcing of raw materials along the entire value chain, including recycling.

4. Financial and investment instruments

Acknowledging the importance of the goals of the above-mentioned Partnership, the Sides intend to cooperate in mobilising financial and investment instruments of major relevant financing and investment organisations following the EU sustainable financing rules⁴¹ notably for projects under the Partnership.

The Sides also see the opportunities to support the development of Investment Platforms, such as Invest EU, the Western Balkans Investment Framework and a Single Project Pipeline in Serbia as well as under the European Raw Materials Alliance and European Battery Alliance, especially as a tool for:

- Matchmaking sustainable and innovative projects across the raw materials, batteries value chains and EVs in Serbia with European and Serbian private investors, and preparing a pipeline of viable projects.

⁴⁰ <https://op.europa.eu/en/publication-detail/-/publication/6d541f66-0f81-11ec-9151-01aa75ed71a1/language-en>

⁴¹ Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

- Preliminary screening of project proposals by community experts.
- Increasing transparency and stakeholder involvement.
- Facilitating financing for projects under this Partnership, including debt and equity investments and public funding for their de-risking, as well as offtake agreements.
- Organising financing for the valuable research activities along the raw materials, battery value chains and EVs especially carried out outside the EU Horizon Europe R&I programme.

The use of the above mentioned financial and investment instruments should follow the Paris Agreement and meet strict (international, EU) standards, good practices relating to not only financial risks and bankability, but also environment protection, sustainability, transparency and governance.

5. Development of the necessary skills for high-quality jobs in raw materials, battery and EV sectors

The Sides intend to promote professional development and advanced training by mobilising private and public financing for re- and up-skilling initiatives in the area of the raw materials, battery value chains and EVs, including for green and digital skills.

Specifically, the Sides intend to work on:

- Participation of Serbian organisations in European Battery and upcoming Raw Materials Academies including possible Serbian contribution with dedicated programmes and internships.

III. Implementation, monitoring

Within six months from the signature of this Memorandum, the Sides intend to develop a Strategic Partnership Roadmap (hereafter 'Roadmap'). The Roadmap will identify concrete actions for cooperation between the Sides, along the five areas identified in Section II above. It should foresee to associate stakeholders from both Sides and identify leading organisations to implement each action as well as address other working arrangements.

The Sides intend to organise a regular annual high - level meeting (at ministerial level) to take stock of the Partnership's progress, discuss possible new strategic collaboration directions and endorse the Partnership Roadmap.

The Sides intend to monitor the implementation of the Roadmap through a dedicated Working Group consisting of senior officials. The Sides intend to organise annual meeting to take stock of the Partnership progress, discuss possible new strategic collaboration directions and endorse the Roadmap for the upcoming period. The Working Group should report on the Partnership and progress during the annual meeting.

The Sides also envisage making use of other existing formats, such as the EU Raw Materials Supply Group, the EU Raw Materials Alliance, the European Battery Alliance and Western Balkans Investment Framework, for regular and more frequent exchange of information of relevance to the Partnership.

IV. Format

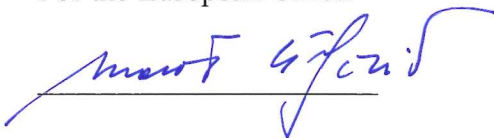
This instrument does not create any rights or obligations under international or domestic law. In particular, nothing in this Memorandum shall represent a commitment of financing on the part of either Side.

Furthermore, this Memorandum does not intend to represent any commitment from either Side to give preferential treatment to the other Side in any matter contemplated herein or otherwise.

The activities described in this Memorandum of Understanding are to commence on the day after it has been signed by both Sides.

Signed in Belgrade on the 19 July 2024 in two original copies, in Serbian and English. Both versions shall be equally valid.

For the European Union



For the Republic of Serbia

