Canada and Germany's Critical Mineral Partnership – and a Road Less Travelled.

written by Tracy Hughes | August 26, 2025

Earlier today, inside Berlin's Federal Chancellery, Canada's Prime Minister Mark Carney and German Chancellor Friedrich Merz shook hands and signed a Joint Declaration of Intent to deepen cooperation on critical minerals. It was more than a ceremonial photo-op; it marked a strategic shift in Ottawa's foreign policy. Canada's new government came into office with a mandate to *"strengthen and diversify our international relationships,"* and this agreement with Germany shows that mandate in action. For a country long tethered economically and geopolitically to its giant southern neighbor, forging a critical minerals alliance with Germany is a bold step down a less familiar path. The hope is that this road – a transatlantic partnership in resources and energy – will lead to shared prosperity and security. Yet as Canada travels this new road with Germany, one can't help but wonder about the well-worn highway closer to home: the United States.

Is the Canada–U.S. relationship becoming the road less travelled, and what are the stakes of Canada's new course?

Diversifying Alliances in a Shifting World

Carney's trip to Berlin underscored a deliberate pivot in Canadian strategy. In the face of a *"shifting global trade landscape,"* Canada is seeking to reduce over-reliance on any single ally or market. Recent years have seen supply chain

disruptions and geopolitical upheavals that exposed the risks of putting too many eggs in one basket. The war in Ukraine and an increasingly assertive China have accelerated a trend toward "friendshoring" – trading more with trusted allies – and Canada is no exception. Ottawa is actively diversifying its partnerships to guard against global uncertainty, even as it maintains traditional bonds.

Historically, Canada's economy and security have been deeply intertwined with the United States. But under Prime Minister Carney's leadership, Canada appears determined to broaden its outlook beyond the familiar orbit of Washington. *"Canada's new government has a mandate to strengthen and diversify our international relationships,"* Carney's office proclaimed. That ethos drove his visit to Germany, where he sought *"to strengthen our trade and commercial ties"* and build new partnerships in emerging strategic sectors. In a world fragmented by great-power rivalries, Canada is hedging its bets – embracing new alliances to complement, and perhaps gently rebalance, its old ones.

A Critical Minerals Alliance for the 21st Century

At the heart of the Berlin agreement is a recognition that critical minerals are the currency of the future – essential inputs for everything from electric vehicle batteries to wind turbines to advanced defense systems. The *Joint Declaration of Intent* signed by Canada's Minister of Energy and Natural Resources Tim Hodgson and Germany's Economy Minister Katharina Reiche lays out an ambitious plan: to secure and develop supply chains for critical minerals such as lithium, rare earth elements, copper, tungsten, gallium, germanium, and nickel. These raw materials are vital for both countries' clean energy industries and military needs, yet today much of the world's

supply is controlled by a single source – China – an overreliance both Ottawa and Berlin find increasingly untenable.

Indeed, China's recent moves to tighten export controls on some of these minerals have jolted Western nations into action. Beijing's decision in April to halt exports of certain rare earths and magnet materials sent shockwaves through automakers, aerospace firms, and defense contractors worldwide. Germany, with its mighty manufacturing sector, felt the threat acutely.

Canada, meanwhile, possesses vast energy and natural resources and many of the critical minerals in question – but has historically exported them in raw form or left them underdeveloped. As Carney bluntly stated, *"for too long, key Canadian minerals such as nickel and cobalt have gone underdeveloped while China and Russia dominate the global critical minerals market"*. The new partnership is designed to change that equation.

Key elements of the Canada–Germany critical minerals partnership include:

- **Joint investment in supply chains:** Both governments will encourage *"joint public financing"* of mining and processing projects in Canada. This could mean co-funding extraction and refinery ventures, leveraging tools like Germany's state-owned KfW investment fund and Canada's own financing instruments. The goal is to de-risk projects that are critical for both sides but often struggle to attract private capital.
- **Focus on processing and refining:** Beyond just digging ore out of the ground, the agreement emphasizes midstream technologies – *"smelting, processing, refining, and recycling capacity"* for critical minerals. Rather than

shipping unprocessed minerals to third countries (often to China for refining), Canada aims to do more value-added processing at home or in partnership with German firms. This would ensure both countries have secure access to the refined materials needed for batteries, chips, and other high-tech goods.

- **Supply chain integration:** Linking Canada's rich mineral deposits with Germany's industrial might is a priority. The two partners plan to *"link upstream producers with midstream processors and downstream manufacturers in both countries,"* fostering direct commercial ties between Canadian mines and German factories. For example, Canadian lithium or nickel could feed German electric vehicle production, creating a win-win supply chain that bypasses unreliable actors.
- **Research and innovation:** The alliance encourages joint R&D on new extraction methods, processing techniques, and recycling, with an eye on environmental sustainability. Both countries share high standards on labor and environmental practices. They intend to collaborate on setting **ESG (environmental, social, governance)** standards and aligning regulations – including traceability of minerals and respect for Indigenous rights in mining regions. This could make their supply chains more transparent and ethically sourced, a selling point in a climate-conscious world.

Notably, this agreement is not a formal treaty and carries *"no legally binding"* obligations or automatic funding commitments. Rather, it is a statement of intent – a framework to guide cooperation and signal political will. In practice, its success will hinge on follow-through: actual deals between companies, approvals of mining projects, and the flow of investment dollars. To facilitate this, both governments appointed special

envoys to keep up the momentum: Canada named Isabella Chan, a senior Natural Resources Canada official, as its envoy, while Germany appointed Matthias Koehler, a top raw materials official in Berlin. Their mission is to turn words on paper into shovels in the ground.

Prime Minister Carney is optimistic about the opportunity. These issues, he noted, *"are only going to become more important"* as global demand for critical minerals is poised to *"increase fourfold… over the next decade"*. In other words, the race to secure supply chains is on, and Canada doesn't intend to lag behind. *"Canada can play a role in accelerating that diversification for Germany, and for Europe,"* Carney told reporters in Berlin, positioning Canada as a linchpin in Europe's effort to reduce dependence on China and Russia. If Canada can establish itself as *"a strong, stable provider"* of these resources to allies, the benefits at home could be substantial – from new mines and processing facilities to better jobs in mining communities and greater value captured in-country. As Canada's Minister of Energy and Natural Resources, The Hon. Tim Hodgson put it, *"we are seizing this moment to build, secure, and compete together… so that countries like Canada and Germany punch above their weight."*

Broadening Energy and Security Ties

This burgeoning Canada–Germany partnership isn't confined to minerals. Energy security is another pillar. In their Berlin meeting, Carney and Merz discussed plans for closer cooperation on liquefied natural gas (LNG) and hydrogen – fuels critical to keeping Europe's lights on through its green transition. Germany's scramble to replace Russian natural gas in the wake of the Ukraine war has been a catalyst for transatlantic energy deals. Last year, Germany inked a hydrogen alliance with Canada

to eventually import green hydrogen produced from Canadian renewable power. Now Canada is signaling it may also step up on LNG: Carney agreed to *"begin discussions regarding the supply of LNG to German buyers,"* a notable development for a country that currently lacks an East Coast LNG export terminal. Any future LNG shipments from Canada would bolster Germany's energy diversification, even if only as a short- to medium-term bridge while cleaner hydrogen infrastructure scales up. Together, these efforts to create a transatlantic hydrogen trade corridor and explore LNG exports underline how energy cooperation goes hand-in-hand with the critical minerals pact. Both are about keeping allies' economies fueled by reliable, non-hostile sources.

Security cooperation is also quietly expanding. In a news conference with Merz, Carney affirmed Canada's *"unwavering support for Ukraine"* and even reported on his stop in Kyiv to meet President Zelenskyy. Germany and Canada are aligned in supporting Ukraine's defense, and such solidarity further cements their relationship. But perhaps more telling is Canada's pursuit of new submarines for its navy – a contract that could deepen defense-industrial ties with Germany. Ottawa recently narrowed its shortlist of submarine suppliers to two: Germany's ThyssenKrupp Marine Systems (TKMS) and South Korea's Hanwha Ocean Co. The Royal Canadian Navy aims to replace its aging fleet of four diesel subs with up to 12 modern submarines, and TKMS (which builds the advanced Type 212 and 214 subs) is a leading contender. Prime Minister Carney announced the finalists alongside Chancellor Merz, effectively putting a German vendor in pole position for a major defense deal. In fact, during his Europe tour Carney planned to visit TKMS's submarine shipyard in Kiel – a strong signal of goodwill – with a trip to Hanwha's facilities slated for October.

Choosing a German submarine would mark a significant shift in defense partnerships. Traditionally, Canada's defense

procurement leaned toward either domestic builds or equipment from the United States and the United Kingdom. (For instance, Canada flies U.S.-built F-35 fighters and previously bought British-designed submarines.) Opting for a German sub, and potentially co-producing or maintaining it in Canada, would tighten military-industrial links between Ottawa and Berlin. A Canadian official indicated Ottawa expects an "economic return" from whichever sub supplier is chosen – such as local maintenance contracts or technology transfer. In essence, Canada is leveraging its buying power to spur foreign defense firms to invest in Canada's economy.

This comes as Canada is *ramping up its defense spending* overall, aiming to finally meet NATO's guideline of 2% of GDP on defense. Berlin will surely welcome that development, as Germany has pressed allies for greater burden-sharing. The submarine project shows how Canada's strategic pivot isn't only about minerals and energy; it extends to hard security. From critical mines to submarine designs, Canada and Germany are finding their interests intersect in ways few might have predicted a decade ago.

Germany as Partner: A "Perfect Match" for Canada?

Why Germany, and why now? In many ways, Germany is a natural partner for Canada's diversification agenda. It is the largest economy in Europe, a manufacturing powerhouse hungry for resources, and a fellow democracy with similar values. The European Union as a whole is on a mission to reduce its strategic vulnerabilities in supply chains. Ursula von der Leyen, the European Commission president, explicitly called Canada a *"perfect match"* for Europe – a resource-rich, reliable country that shares the EU's environmental and geopolitical

outlook. With Europe's Critical Raw Materials Act rolling out to boost domestic mining and *"strengthen the EU's international partnerships with resource-rich countries,"* it's no coincidence that the EU and Canada established a *"Strategic Partnership on Raw Materials"* back in 2021. There is an institutional framework already in place, and political appetite on both sides, to make Canada a key supplier for Europe's green and digital transition.

Germany, specifically, has been jolted into action by recent events. Moscow's weaponization of gas exports in 2022 forced Berlin to rethink energy security overnight. And Beijing's hinted trade restrictions (from rare earths to solar panels) have underscored the danger of dependence on autocratic regimes. In response, Germany has been *"a leader in Europe"* in diversifying away from Russian and Chinese supplies. It sees Canada – stable, friendly, with vast untapped mineral potential – as an ideal ally in this endeavor. The feeling is mutual. *"Canada has what the world needs to meet the demands of the future,"* Carney said, pitching his country as a solution for Germany's resource needs. By selling critical inputs to German industry, Canada can *"boost domestic investment and create higher-paying jobs, while accelerating the clean energy transition and strengthening transatlantic security."* In short, it's a win-win: Germany secures supply of critical inputs from a trusted friend, and Canada gains a wealthy customer and co-investor to help develop its resource sector.

There's also a subtler reason Canada may find Germany (and the EU) an appealing partner: political alignment. Under the Trudeau government and now Carney, Canada's climate and social standards have much in common with Europe's. Both sides champion multilateralism, the Paris Agreement, and human rights, making cooperation smoother on thorny issues like mining practices or emissions. Some analysts even suggest Canada has been more open to cooperation with the EU on critical supply chains than it has

with the United States. European negotiators don't insist on "America First" provisions or unpredictable tariff threats; working with Germany can feel like a meeting of equals. Berlin, for its part, has shown willingness to put skin in the game financially – for example, through state-backed loans or offtake agreements – to secure resources. This kind of state-supported industrial strategy resonates with Canadian policymakers looking to jump-start their mining projects, whereas dealing with the U.S. often means navigating a more laissez-faire landscape with fierce private competition.

Of course, Europe alone cannot replace the scale of the American market for Canada. The U.S. still accounts for the overwhelming majority of Canadian exports and investment. But Germany offers something different: a foothold in the EU market and a partnership in building new industries (like battery production and hydrogen) from the ground up. It helps that Germany's needs align neatly with what Canada can offer. As Carney observed, *"Germany's domestic demand for critical minerals grows"* and it *"diversifies its supply chains,"* Canadian workers and industries can be the *"strong, stable provider of these indispensable resources"*. In effect, Canada sees an opportunity to be to Germany what Australia has been to China – a reliable supplier of commodities – but on terms that fit a democratic alliance.

The Overlooked Road: Rebuilding the U.S.–Canada Relationship

As exciting as the Canada–Germany partnership is, it shines a light indirectly on another relationship that arguably hasn't been getting the attention it deserves: Canada's with the United States. Reading the headlines from Berlin, one might think Canada was almost pivoting away from its neighbor next door in favor of new friends across the ocean. Carney's activist foreign

policy is courting Europe and Asia (he also visited Poland on that same trip, and plans to stop in South Korea) in a bid to broaden Canada's economic base. This raises an uncomfortable question: is Ottawa neglecting Washington in the process? The Canada–U.S. relationship continues to be the "road less travelled" in the current discourse, and I believe Canada needs to refocus on rebuilding this foundational partnership even as it explores new avenues.

The truth is, no matter how much Canada diversifies, the United States remains its indispensable partner. The two countries share the world's longest undefended border, deeply interwoven defense agreements, and tightly linked economies. Yet in recent years that relationship has been tested. Under President Donald Trump, Canada faced bruising trade fights – from punitive tariffs on steel and aluminum to a renegotiation of NAFTA under the threat of U.S. withdrawal. Perhaps most jarring were Trump's offhand musings about "annexing" Canada, a fanciful notion but one that underscored a troubling disrespect. Those years left a mark: Canadian leaders and the public were reminded that even close allies can become unreliable. Trust, once dented, takes effort from both sides to restore.

While President Biden's tenure has been far more cordial, challenges remain. "Buy American" procurement rules still occasionally shut out Canadian firms, and disputes linger in areas like softwood lumber and dairy. The two countries have *talked* about critical minerals cooperation – indeed, they signed a Joint Action Plan on Critical Minerals back in 2019 – but progress has been slow and quiet. Canada's recent leaps in the minerals sector have gone largely under Washington's radar. As a 2025 analysis by the Center for Strategic and International Studies noted, U.S. discourse often overlooks the efforts of its *"closest neighbor and now-estranged ally–Canada"* in building up critical mineral capacity.

From Canada's perspective, diversifying beyond the U.S. is partially an insurance policy – a recognition that the political winds in America can shift dramatically. But Canada cannot afford to let the U.S. relationship wither. The United States is not only Canada's top trading partner by far; it's also a fellow linchpin of continental defense and a crucial player in any North American strategy to counterbalance China. There is enormous potential for *North American* critical mineral supply chains: for example, American automakers could source Canadian lithium for EV batteries, and U.S. defense contractors are already seeking Canadian rare earth elements for fighter jets and missiles. Rather than have Canada ship those same minerals to Germany, why shouldn't Detroit or Silicon Valley take advantage of Canadian resources, and in turn help finance their development? The logic for U.S.-Canada collaboration is compelling. It simply needs political priority at the highest levels – a clear signal that "friends first" applies as much to Ottawa as to Berlin or Tokyo.

Rebuilding the Canada–U.S. bond will require attention and good will from both sides. A positive step was the recent easing of tariffs and counter-tariffs between the two countries, indicating a willingness to resolve trade irritants. Canada, for its part, should ensure that its outreach to new partners doesn't come at the expense of open lines to Washington. A savvy Canadian strategy would be to leverage its growing clout in critical minerals (and other areas) to engage the U.S. as a collaborator, not just a competitor. For instance, any processing capacity or new mining projects spurred by the Germany deal could also supply U.S. needs – if the infrastructure and agreements are put in place proactively. There is room for a *trilateral* approach: envisioning a future where Canada, the U.S., and allies like Germany are all connected in a resilient supply chain network, reducing

collective dependence on authoritarian regimes for essential commodities.

Conclusion: Balancing New Paths with Old Partnerships

Canada's foray down this "road less travelled" – partnering with Germany and other new allies – is a forward-looking move befitting a mid-21st-century nation. It acknowledges the reality that in a world of fragmented supply lines and great-power competition, midsize countries like Canada must be agile and imaginative in securing their interests. The critical minerals pact with Germany, the exploration of energy exports, and even defense procurement deals abroad all signal that Canada is eager to punch above its weight alongside like-minded partners. These efforts will help build Canada's economic resilience and geopolitical relevance in an era defined by climate imperatives and strategic resource races.

However, diversification need not mean divergence from our closest ally. Canada can and should walk and chew gum at the same time: deepen ties with new partners and reinvigorate the vital relationship with the United States. In fact, success on one front can reinforce the other. A Canada that has developed its resource sector with German investment, for example, will be all the more capable of supplying the U.S. market with critical materials – making North America as a whole stronger and more secure. Conversely, a robust Canada–U.S. partnership, based on mutual trust and shared strategic goals, will give Canada more confidence as it extends its global reach.

In the final analysis, the road to Berlin offers exciting prospects for Canada, but the road to Washington must not be forgotten. The United States and Canada share not just a border

but a bond of history, values, and people-to-people ties that is unique in the world. That bond has frayed at times in recent years; it needs repair and renewal. Rebuilding this relationship is essential – not as a nostalgic throwback, but as a foundation for North America's future in a tumultuous world. The Canadian government's challenge is to balance its welcome new ventures with the care and feeding of its cornerstone alliance. If it can do so successfully, Canada will truly have "the best of both worlds": new partnerships that open doors, and an old friendship that continues to anchor its journey. Among the many avenues ahead, Canada must ensure it sustains the road that has anchored its success.

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