

Policy Area: Defining Critical Raw Materials

1. Do you have any comments on the methodological approach, including the scope, to determine criticality at EU level? If so, please specify.

The methodological approach chosen tends to cause confusion with regards to the criticality of raw materials at EU level, particularly due to its limited scope. According to the criticality report, for example, rare earths have the highest supply-risk whereas a report by the United Nations Environment Programme and the United Nations University states that rare earths only have a moderate supply risk and even then only for the mid-term (till 2020).

A better picture of criticality could have been achieved if other elementary factors would have been included such as distribution of global reserves, time to market, new developments in mining, and the distribution of raw materials processing facilities rather than only using a governance indicator as well as the level of substitutability and recycling. It is particularly puzzling that the Commission did not see it fit to include the opening of new rare earth mines into account (such as Thor Lake in Canada or Mountain Pass in the US) when it claims to look at criticality from a ten-year horizon.

The Commission report would have also benefitted from distinguishing between short, medium, and long-term supply risks as well as looking at each rare earth separately rather than treating them as a homogenous group and taking into account to what extent price developments can affect supply.

2. Do you see any additional raw material that should be considered as critical? If so, please explain.

At this point in time I do not see any additional raw material that should be considered as critical. Of course one could argue that certain renewable resources, such as rubber and food, might be critical at some point but one has to distinguish and I believe the Commission has done a good job in its list of critical raw materials.

However, this does not mean that the Commission should not also focus on issues such as food security or more conventional materials such as iron ore, the production of which is overwhelmingly in the hands of the three mining majors (BHP, Rio, Vale) and the price developments of which are increasingly affected by speculation, which can have a detrimental effect on European industry.

3. Do you have any comments regarding the recommendations of the report? If so, please specify.

The recommendations of the report should take into account a global dimension and could at times be wider in scope. For example, supply and demand data should be pooled with our transatlantic partners in order to get a better global picture of the raw materials market and engage in forecasting in order to better anticipate any future supply risks.

In addition, the Commission should consider setting up sub-groups or working groups for the policy dimensions recycling as well as substitution. Particularly concerning recycling the Commission should also consider taking a global perspective be it in terms of co-operating with our international partners on R&D or in facilitating recycling of critical raw materials in developing countries through development policy.

One somewhat questionable recommendation is recommendation 4, which calls for exploration activities by companies to be regarded as research activities. Is this supposed to imply that in future European research funding (ie. FP8) could go to mining exploration for raw materials by companies?

4. Are you aware of any initiatives in your country that aim to assess the criticality of raw materials? If so, please describe briefly.

Several initiatives and particular studies have already been undertaken in Germany to assess the criticality of raw materials, such as by the Öko-Institut. The German Federal Institute for Geosciences and Natural Resources (BGR) is also planning to develop a resource agency in order to undertake market analyses with regards to the supply of raw materials for industry.

5. The functioning of raw materials markets has not been dealt with. Do you think that further analysis of their functioning should be carried out? What actions should be proposed to increase their transparency?

The functioning of raw materials markets should definitely be analysed. Lacking transparency and speculation in this market could, for example, lead to dangerous price bubbles, detrimental to European industry. The European Commission should also consider whether it follows the lead of the United States to ask businesses to disclose the use of 'conflict minerals' in products, as was done with the Dodd-Frank financial reform act. In addition, the European Commission should ensure that critical raw materials, such as rare earth metals, come from legitimate companies and are not imported illegally. Better understanding of raw materials markets could also be achieved by annual assessments of the market and competition in the market to be published in the planned Raw Materials Yearbook. A sector inquiry could also be relevant.

6. Do you think that the EU should propose a system of stockpiling for the critical raw materials? If so, please indicate whether you consider it more appropriate to do this at Community or alternatively at Member States level.

Considering that both the United States as well as Japan have a system of stockpiling and the fact that according to media reports China is building up a stockpiling capacity, it would seem relevant for the European Union to also have strategic reserves. It would be most appropriate for the European Commission to indicate a minimum level of strategic stocks for each Member State (in accordance with their need of these resources) and then play a co-ordinating and oversight role with Member States charged with setting up their respective reserve systems.

The European Commission should also consider whether it would not be beneficial to pool information on strategic stocks with Japan and the United States as is the case for strategic oil stocks with the International Energy Agency (IEA).

Policy Area: Trade

7. Do you think that the importance of trade is adequately reflected in the work carried out so far in the Raw Materials Initiative?

I am concerned that the Commission risks overemphasising the trade dimension, possibly due to the fact that its remit in the trade portfolio is quite extensive. Raw materials policy does not only concern trade but falls within a cross-section of policy fields, particularly industrial policy as well as environmental and development policy. Attention must naturally also be paid to these fields. For example, the Commission has identified as many recommendations in the 3 fields of recycling, substitution and efficiency as there are in the trade portfolio alone. Does this possibly suggest that more work needs to be done in these fields because of lacking knowledge and that therefore a sub-group should be devoted to these fields?

In addition, the Commission has not considered including transparency aspects into this extensive trade dimension, such as calling for the disclosure of 'conflict minerals' as well as ensuring that raw materials are not imported illegally. Recycling could have also gained an interesting aspect in trade policy with, for example, encouraging trade between European recycling companies and recovery/collection companies in developing regions.

Last but not least, it is puzzling that in spite of the great focus given on trade with this issue that the European Commission has filed a WTO case against China on a variety of resources but has not included the rare earth elements, the export of which China is drastically cutting.

Reinhard Bütikofer
Brussels, 19 September 2010