

Comments to Public Consultation on the Raw Material Initiative

POLICY AREA: DEFINING CRITICAL RAW MATERIALS

1., 2.: Definition of critical raw materials is rather vague and should be more to the point. Clearly criticality must be seen on three time scales i.e. short, medium and long term medium. In addition long-term assessment must include technology development. This is particularly important in areas of industrial minerals and communication and energy development.

3. Criticality of raw materials is part of the Austrian Mineral Resource Plan.

Working Group 4 (supply security) under the auspices of the economic ministry dealt with the main effects of possible supply disruptions. Issues such as self-financing, amount of raw material imports, sensitivity, multiplier effects, countries of origin, raw material price and possible substitutes had to be answered. Deposits of critical minerals received a higher priority for security measurements. On account of the investigations the following minerals are classified as potentially critical: iron ore, ores of chrome, manganese, molybdenum, nickel, tantalum, cobalt, copper, magnesium, aluminium, tungsten and lead as well as talc, hard coal, coal coke and the raw materials ferrotitanium, titanoxide, ferroniobium, ferrotantal, ferrovanadium, carbon including soot.

Regarding functioning of (international) raw materials markets:

It is crucial to carry out analyses of the functioning of (international) raw materials markets. For instance consider the case "rare earths", required from the EU-industry in terms of hybrid cars etc. The main supply source presently exists in China. This week China has limited the export of rare earths from 28 000 t to 8 000 t (72%). For sure, prices will increase, questions of supply security arise. At the same time China is acquiring mining rights (rare earths) in Africa, so the probability increases that China will control/dominate the market in a long-term perspective. The impact of the EU-economy could be very high. What shall be done?

For instance, forecasting regarding the demand and supply of such critical minerals is needed at EU-level. Question of substitution, research (for instance in the case of rare earths) have to be discussed.

Also an aggregation of data coming from different sources for useful EU raw materials statistics is highly relevant, but might be rather problematic due to different nomenclature and definitions in the base statistics. Moreover, data are often gathered collectively, making a breakdown of single products impossible. This often applies to sensitive materials which, although in small quantities, are necessary for the processing industry.

The necessity of improving the instruments for raw and base materials statistics, as well as market analyses and raw materials balances on EU-level in order to become an efficient base of decision shall be underlined. Such efforts were made in the 1970s and early 80s: Eurostat developed a raw materials balancing system for nonferrous metals for the indication of the supply situation, which accounted for the primary degree of self-sufficiency, the degree of self-sufficiency including domestic recycling, the technical raw materials import dependence, the economic raw materials dependence and the degree of recycling

POLICY AREA: TRADE

5. The first step in the right direction. Need of further detailed actions.

6. Prioritised actions:

The emphasis of the EU on establishing level playing fields in international minerals trade, whilst being justified is seen as a passive strategy and only serves to highlight the weak position the EU finds itself. No country can be forced to sell minerals, because the EU Member States are in need of such minerals, if it has the technological capacity to produce higher value products from such minerals. Instead the EU is well advised to pursue more active strategies such as outlined under policy area: development.

However, in some cases there might also be an urgent need for action, particularly from the WTO. Trade-distorting measures in the raw materials sector might have vast effects on the competitiveness of a country and therefore should rank high on WTO-level as well as in bilateral relations. The validity of trade-restricting measures depends on the kind of measure and law applied, which again depends on the parties involved.

7. Not aware of such initiatives.

POLICY AREA: DEVELOPMENT

8. The contribution of the mining industry sector to a stable economic development in developing countries depends amongst others on political stability (good governance) as well as infrastructural improvement. European Investment Bank (EIB) allots an annual support of about 140 million euros for mining projects in developing countries, especially in those developing countries where the projects are determined on the base of agreed government action plans. This should create transparency for the mining industry, promote skills.

10. Implement sustainability rules for non-recoverable resources – for instance: Hartwick's Rule.

Developing countries are an important source of raw materials needed by the countries of the European Community. Until the 1980's European development policy included minerals as part of its policy concerning developing countries. With the demise of the USSR and important political changes in China and other centrally governed States security of minerals supply was no longer considered a critical issue for Member States and taken of the agenda of European development policy.

Recent developments have highlighted the vulnerability of Europe as far as secure and reliable supply of minerals is concerned. Attention is therefore been given to underdeveloped and developing countries as an important source of minerals supply. It is recommended that EU development policy should be linked to increasing security of minerals supply. The guiding policy principle should be based on theory of weak sustainability which has been developed to deal with sustainability issues of non-renewable raw materials. In essence these entail that the depletion of a non-renewable resource should be compensated by the creation of other resources which will be available to and benefit future generations. To this effect the term resource rent has been framed. That means that part of the income received from the use of a non-renewable resource should be invested in the development of other resources (capital) for use by future generations, Hotelling- rule and Hartwick-rule.

Adopting and implementing basic concepts of weak sustainability the EU can make meaningful and valuable contributions to developing and underdeveloped countries and at the same time secure long term supply of minerals for its Member States. This approach avoids the justified criticism that the highly developed countries exploit the lesser developed countries by taking advantage of their need to market minerals at all cost in order to earn foreign exchange.

[In resource economics, Hartwick's Rule defines the amount of investment in produced capital (buildings, roads, knowledge stocks, etc.) that is needed to exactly offset declining stocks of non-renewable resources. This investment is undertaken so that the standard of living does not fall as society moves into the indefinite future. Moreover it has to be mentioned that, given a degree of substitutability between produced capital and natural resources, one way to design a sustainable consumption program for an economy is to accumulate produced capital sufficiently rapidly so that the pinch from the shrinking exhaustible resource stock is precisely countered by the services from the enlarged produced capital stock. Hartwick's rule – often abbreviated as "invest resource rents" - requires that a nation invest all rent earned from exhaustible resources currently extracted, where "rent" is defined along paths that maximize returns to owners of the resource stock. The rule extends to the case of many types of capital goods, including a vector of stocks of natural capital.]

12. Not aware of such initiatives.

POLICY AREA: IMPROVEMENT OF THE REGULATORY FRAMEWORK CONDITIONS INSIDE THE EU

13. Yes.

14. Development of a framework for a raw materials sector policy on EU level is needed.

A framework for a raw materials sector policy on EU level has to be established. A raw material sector policy needs *defined and consolidated* structures and interrelations to a variety of other policies. The question which EU institution would be responsible for the coordination and implementation of a raw materials sector policy and resolution of conflicting interests has to be resolved as a matter of urgency.

15. We agree recommendations.

**POLICY AREA: PROMOTING SKILLS AND RESEARCH,
DEVELOPMENT AND INNOVATION**

18. Not aware of such (particularly government related) programmes.

19. Need of a (specific) coordinated mineral resources research, development and innovation program at EU-level, covering all non-energy minerals, i.e. metallic minerals, industrial minerals and aggregates. Objectives and actions of such a program clearly must be related to the different mineral categories as each one has different characteristics, requirements etc.

20. Such research and innovative action is needed which is covering/researching the whole supply chain, i.e. raw material – product including (waste management and) economical development and market issues for instance of selected critical minerals. The different interrelations must be discussed, indicated and defined. It is necessary to understand the different interdependencies, for instance in terms of supply disruptions and its impacts. Also this may contribute to minerals awareness of society.

21. Development of innovative exploration and extraction technologies is needed for small complex deposits as such exists in many parts of Europe including considerable minerals potential, particularly in regions like Austria, Czech Republic, Slovakia etc.

POLICY AREA: RESOURCE EFFICIENCY & RECYCLING

23. Implement appropriate norms and standards which define recycling suitability of secondary raw accepted by different stakeholders. Existing standards are often counterproductive to the use of recycled materials and negate EU policy.

24. An aggregation of data coming from different sources for useful EU raw materials statistics is highly relevant, but might be rather problematic due to different nomenclature and definitions in the base statistics.