



21 September 2010

### **BUSINESSEUROPE CONTRIBUTION TO THE PUBLIC CONSULTATION ON THE PREPARATION OF A NEW COMMUNICATION ON RAW MATERIALS**

#### **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.*

We welcome the fact that the EU is assessing the supply risks of industrial raw materials and drawing greater attention to the issue. The analysis correctly uses raw materials' relative risks of supply shortages and their impact on the economy, when determining criticality. We are pleased to note though that the original focus on volume has been shifted to a more sophisticated and realistic approach.

However, there are also challenges with the current methodology:

- It does not take obstacles to raw materials extraction in Europe nor risks related to market concentration into account sufficiently into account.
- The environmental country risk factor should only be used when there is reason to believe that this would endanger the supply of raw materials to the EU.
- The focus on mineral/metals could prevent a more holistic view that also takes into account possible substitutes supplied by other sectors.

The current assessment should therefore be seen as a starting point for future work. The numbers of materials analyzed should be expanded to include other raw materials that are important for the industrial value chain, including renewables. We also believe that the EU should regularly review the criticality assessments and update them where necessary at intervals of no more than five years. For some materials, the influence of future technologies might warrant a review in shorter time-frames. Finally, it is important to ensure that the methodology can be applied in practice.

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

The current assessment should be seen as a starting point for future work. The numbers of materials analyzed should be expanded in close consultation with business.

Changing circumstances, such as the development of new and emerging technologies, industrial development in emerging economies and operating conditions of the raw materials global markets, should also be taken into account when updating the criticality assessments. The EU should also assess the anticipated demand for high-tech metals needed for thin-film photovoltaic and for energy storage devices, such as



lithium-ion batteries. In addition, the EU should assess changes in raw materials needs due to policy decisions, e.g. favouring renewable raw materials such as bio-ethanol for industrial use.

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

The recommendations of the report are generally well aligned with the expectations of European industry about EU policy lines and objectives to secure access to raw materials on a level playing-field. The recommendations identified in the report should not be confined to critical raw materials, but should be applied generally where possible.

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

Germany: Deutsche Rohstoffagentur (The German Raw Materials Agency). For further details please visit: ([http://www.geozentrum-hannover.de/cln\\_109/nn\\_1920686/DE/Gemeinsames/Oeffentlichkeitsarbeit/Pressemittellungen/BGR/bgr-100507-2.html](http://www.geozentrum-hannover.de/cln_109/nn_1920686/DE/Gemeinsames/Oeffentlichkeitsarbeit/Pressemittellungen/BGR/bgr-100507-2.html))

Germany: Elemente einer Rohstoffstrategie der Bundesregierung Stand: März 2007, see attached pdf-file ([www.bmwi.de](http://www.bmwi.de)). The federal government of Germany and the Federation of German Industry (BDI) agreed in 2005 to establish a raw material strategy. In March 2007 the federal government of Germany published the paper "elements of a raw material strategy".

France: a MEEDDM/ADEME working group has been set up in France to assess material risks, and analyze recycling potential. ESPEER is a 3-year French ANR aided project led by BRGM, starting in end 2010 (following FORWAST European project).

Besides, EU companies individually are undertaking initiatives in the context of their strategic planning process, but for commercial secrecy reasons these are not made known.

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 EU should increase and improve the level of information on the international raw materials market. Key information to be obtained should include market distortions and regulatory developments that affect trade in raw materials. EU and national embassies, local Market Access Teams, as well as industry should play a role in this exercise, for example in the context of the Market Access Strategy.



At international level, more information should be made available by organisations such as the OECD or the WTO about trade and investment restrictions affecting raw materials trade.

It should be noted that resources are not an issue of scarcity or lack of efficiency but of dependability and capacities. In most cases, the issue is not linked with the general, long term availability of resources/reserves or a wasteful use of resources.

Instead, supply of raw materials can become troublesome if there is only a limited number of players in the market, or if exports to the EU are limited for example due to export duties or reduced export quotas. Also, supply of materials can become limited if the short term capability of the raw material industry to be reactive to a sudden rise in market demand. Thus, a better market understanding on both sides (consuming industry, raw material supply industry) is required to better match supply and demand sides.

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.*

Stockpiling of critical raw materials poses significant challenges. There is the risk of increased price-volatility and additional burdens for business. Stockpiling also risks distracting attention from the underlying systemic market problems.

## **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?*

The EU sources an important part of the raw materials used by industry on global markets, which makes trade policy an indispensable part of the Raw Materials Initiative. The work carried out so far by DG Trade adequately reflects this reality and shows a real commitment to implementation of the raw materials initiative's external pillar.

The success of the trade component of the Raw Materials Initiative is dependent on the support from Member States to follow through on the trade actions proposed in the initiative, such as challenging unfair practices in the WTO or in the context of FTAs. In the past, Member States did not always back the Commission in case of unfair trade practices such as dual-pricing.

In general, we believe an improved coordination of activities to maintain a "one-voice" policy between DG Trade, DG External Relations, DG Enterprise and Industry and DG Development will support the process best.



8. *Do you have any comment regarding the main findings of DG Trade activity report? What activities should be prioritised? Are there, in your opinion, additional activities not mentioned in the report which should be pursued in this strategy?*

The DG Trade database of export restrictions has identified over 1200 export restriction measures affecting several sectors of EU industry. This is both a symptom and a result of the weak regulatory framework on raw materials' trade. Activities to be pursued and stepped up include:

- Pressing for coherent raw materials provisions in the negotiation of multilateral, regional and bilateral trade and investment agreements;
  - Taking assertive trade action when the supply of raw materials is distorted, for example by including more (critical) raw materials in WTO dispute settlement initiatives. This will also align trade policy with other policy initiatives such as the definition of critical raw materials.
  - Ensuring that access to raw materials figures prominently in bilateral dialogues with partners such as Japan and the US and also with key resource-holders such as China, South-America and Russia. The EU's dialogue with Africa should also include a raw materials dimension.
  - Raising further the awareness on the economic impact of export restrictions in the WTO and the OECD;
  - Implementing a consistent trade-policy by not allowing countries that apply discriminatory raw materials policies to be granted benefits under the Generalized System of Preferences;
  - Giving industry the means to exert its rights of defence through a strengthened Trade Barriers Regulation
  - Removal of import barriers in the area of renewable raw materials, i.e. bio-ethanol, sugar/carbohydrates, vegetable oils and animal fats or other distortions created by the Common Agricultural Policy.
9. *Please identify trade distortive measures (i.e. export restrictions) concerning raw materials that in your view should be tackled.*

EU companies are confronted with

- competitors which derive a significant purchasing edge on raw materials due to the fact that their domestic market is protected by various trade and industrial policy measures.
- policies of resources-rich countries to restricting the supply of raw materials to move up the value chain.

Typical measures which distort the global market include:

- Export taxes and restrictions such as: export duties, export quotas, non-automatic export licences;
- Discriminatory taxation systems to prevent the export of raw materials or to favour domestic sales;
- Dual pricing or price-fixing of energy and raw materials;
- Strategic raw materials sourcing through state owned enterprises;



- State aid or unfairly subsidised export credits;
- Restriction of investments, including through unfair use of the definitions such as strategic sectors and national security;
- State interference on local commodities exchange to lower prices for domestic industry.

Over the years, the mechanisms which are distorting competition in access to raw materials have become not only increasingly complex but also increasingly pervasive in terms of materials concerned and countries taking advantage of them. In the meantime however, international trade rules remain too weak to address unfair purchasing practices. The World Trade Organization should introduce disciplines needed to ensure free and fair trade in raw materials.

## **POLICY AREA: DEVELOPMENT**

*11. What specific actions would you consider most relevant needed in the following areas:*

- *Good governance;*
- *Infrastructure / investments;*
- *Geological knowledge / skills.*

The EU's external policies should be better aligned to foster cooperation with developing countries on raw materials issues.

The Governance Action Plans of resource-holding developing countries should include specific provisions on management of natural resources. In addition, authorities and institutions responsible for raw materials management should be strengthened through technical cooperation. The EU should also integrate raw materials in the monitoring of Governance Action Plans.

Development agencies, governments in resource-holding countries and business can, with adequate participation from local stakeholders, work together to promote an effective and sustainable raw materials policy, investment framework and taxation regime.

EU trade and investment agreements with resource-holding developing countries should include strong market access and protection provisions to facilitate investment in natural resources. Investments in infrastructure remain crucial to connect markets in developing countries and should be further facilitated by the EU.

International organisations, like the WTO or UNCTAD could contribute to this work through targeted trade and investment capacity building courses that address the specific trade policy needs of resource-holders.

The EU should also work together with the Africa Union (AU) and other organizations to enhance the capacities of geological surveys in Africa.



12. *Regarding transparency, what measures do you believe the EU should take to foster revenue transparency in the mining industry in raw material resource-rich countries? What are your views regarding existing initiatives currently being taken in this area, namely by the Extractive Industries Transparency Initiative (EITI6)?*

The EU should continue to support transparency initiatives because these provide a means to limit corruption and support good governance. All major players should be encouraged to apply these rules.

13. *Concerning the recent agreement between the European Commission and the African Union Commission, in your view, what concrete objectives, targets and deliverables should be included in such a partnership?*

(See also question 11)

The European Union and African Union should identify linkages between the 2008 Raw Materials Initiative and the African Mining Vision 2050 (adopted in February 2009). The EU should contribute to the AU's vision for sustainable and well-governed mining sector in Africa through concrete capacity building projects, facilitating investments in infrastructure and promoting good governance and transparency.

In addition, the EU should engage in an exchange of view with the AU and key countries on the use of export restrictions and alternative policy options. The EU should also aim to harness support from developing countries for multilateral rules on raw materials.

The EU-AU partnership should also include a project to ensure sound collection and recycling operations of materials/products reaching the end of life in Africa.

The EU's policy should be complimented by bilateral dialogues with key resource-holding developing countries.

14. *Do you consider that wood should be addressed in the framework of development policy? If yes, please specify what are the main issues to be analysed.*

For sector-specific questions BUSINESSEUROPE refers to the sector association concerned (e.g. Confederation of European Paper Industries).

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

16. *Do you agree that these topics correspond to the major challenges in this policy area? If not, please specify.*

The topics covered present a first step in addressing the challenges to extraction of raw materials in Europe. However, the ambition in this area has been too limited.



*17. Do you think of any other avenues which should be followed by the Commission? If yes, please specify.*

Better integration of business interest could result in generation of significant scientific data and revenues for the better management of nature.

Better consideration to the question of competition for the use of land and water for different purposes (e.g. more flexible/adaptable approach to managing site boundaries over time, so that both business and conservation purposes can be served).

*18. Do you agree with the recommendations made in the report on "Exchanging Best Practice on Land Use Planning, Permitting and Geological Knowledge Sharing" or do you have any specific ones to be added. Please explain.*

BUSINESSEUROPE can generally support the recommendations made in the above-mentioned report.

*19. Do you consider it useful to establish an EU geological service based on a network of Member State geological services?*

BUSINESSEUROPE supports this idea to better map out and examine the current stock of natural resources in Europe, while fully respecting the subsidiarity principle. The EU should also foster better cooperation and exchange of information between Member State geological surveys, and cooperation with US geological surveys should be encouraged.

*20. Do you consider that EU regulatory framework conditions for wood and/or recovered paper need to be further analysed? If yes, please specify.*

For sector-specific questions BUSINESSEUROPE refers to the sector association concerned (e.g. Confederation of European Paper Industries).

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

*21. What type of actions would you propose to provide better cooperation between companies, universities and public authorities in order to promote skills and in the extractive or other raw materials sectors? Please specify.*

The current shortage in STEM (science, technology, engineering, mathematics) skills in Europe is expected to widen over the next decade. To counter this trend, reforms of general education and training systems must be accelerated to provide the future European labour market with engineers needed also in the extractive and other raw



materials sectors. Furthermore, the budgetary, hiring and wage-setting autonomy of universities must be increased. An improved interaction and cooperation between industry and education is recommended. It would encourage change and concretises the required changes in the content and practice of education offered by schools and universities. As these measures will tackle structural deficits in the long-term only, meanwhile measures such as cooperation activities between EU entities (public, private and academic) with leading non-EU institutions in e.g. Australia.

*23. Where do you see the major gap / the urgent need for the raw materials sector related research, development and innovation at EU level. Please provide details.*

The important role of substitution and the role of other sectors in the value chain to address scarcity of raw materials should be considered. The EU needs an approach that brings together and stimulates innovation simultaneously within different sectors to foster innovative solutions.

*24. What is your idea of a major research and innovation action that would have the highest positive impact on the security of raw materials supply for the EU industries? Please specify.*

In general terms, the upcoming new EU Innovation Strategy should explicitly recognize the supply of raw materials as one of the societal challenges for Europe.

## **POLICY AREA: RESOURCE EFFICIENCY & RECYCLING**

*27. In your view, and beyond measures already being taken (e.g. the recast of the WEEE Directive), what practical measures can be taken by the EU and by Member States to prevent the illegal shipment of obsolete end-of-life vehicles and electronic equipment?*

Together with primary raw materials, recovery and markets for secondary materials have a key role to play in improving the EU's resource efficiency and productivity. The promotion of recovery and recycling needs to be realized through fair framework conditions for all economic operators, including the manufacturers and other actors that intervene on the waste management of products that contain valuable resources and raw materials.

Illegal shipments of recovered and secondary raw materials constitute a material and energy leakage, which is detrimental to the competitiveness and sustainability of recycling activities in Europe. BUSINESSEUROPE calls for a better implementation and enforcement of the Waste Shipment Regulation across Member States. Priority should be given to awareness raising, training and capacity-building activities of Member States' enforcement authorities (customs, environmental inspectorates, etc.). National, regional and/or European training programmes could be put in place to enhance the exchange of information and of best practices. EU enforcers have to learn from the experiences gained in other EU countries. The EU Network for the



Implementation and Enforcement of Environmental Law (IMPEL) should play a strengthening role in this regard.

Enforcement of the regulation should not be restricted to end-of-life vehicles and electronic equipment but to waste shipments with high economic significance in respect of recyclable material content as well as those with high environmental concerns.

*28. In what ways should statistics on trade in, and recycling of, products containing secondary raw materials be improved?*

A better understanding of "recycling" trade flows would provide policy-makers with an improved knowledge basis and enable relevant industrial sectors to optimise its processes and to adjust its capacities to quantities expected in the future. Data collection on production, uses and flows on secondary raw materials should be improved. The Commission should also encourage Member States to collect data on materials in stock in the economy and on waste disposal.

*29. Have you identified major problems with recovered paper? What are the main issues that need to be further analysed?*

For sector-specific questions BUSINESSEUROPE refers to the sector association concerned (e.g. Confederation of European Paper Industries).