

Public Consultation on the preparation of a new Communication on Raw Materials

Objective

The Commission intends to adopt a Communication on the subject above by end of this year. It will highlight the recent economic developments on the global raw material markets, show the progress made in the implementation of the Raw Materials Initiative (adopted in 2008), but also highlight remaining challenges and draw conclusions in terms of the way forward.

The goal of this consultation is to gain an understanding of stakeholders' views on both the implementation of the Raw Materials Initiative (RMI) as well as gather opinions and suggestions on the potential avenues the Commission should explore in order to further progress and strengthen the Initiative, including actions at the level of EU, Member State and/or other stakeholders to address the key issues in relation to non-energy raw materials. For the purpose of this consultation "raw materials" cover all industrial raw materials including materials such as minerals, ores, aggregates, and also wood, hide and skins and other industrial raw materials with the exception of energy and food related raw materials.

State of play

In November 2008 the Commission adopted the Communication (2008) 699 "The raw materials initiative - meeting our critical needs for growth and jobs in Europe" which proposed an EU integrated strategy as a response to the different challenges related to access to non-energy raw materials. As such it tied together various EU policies, both external (e.g. external relations, trade, development) and internal (e.g. environment, competitiveness, innovation), and promoted further cooperation between the Member States where appropriate. The proposed strategy is based on 3 pillars:

1. ensure a level playing field in access to resources in third countries
2. foster sustainable supply of raw materials from European sources, and
3. reduce consumption of primary raw materials by increasing resource efficiency and promoting recycling.

In May 2009, the Competitiveness Council endorsed the major objectives set out by the RMI and invited the Commission, Member States and stakeholders to act swiftly in the implementation of various lines of action outlined by the RMI. It also welcomed the Commission's intention to report back on the implementation of the RMI by the end of 2010.

The launch of the RMI coincided with the full onset of the financial and economic crisis. The evolution of the international raw material markets has confirmed the structural nature of the issues at stake and thus reinforced the need to further pursue the objectives of the RMI.

Meanwhile the RMI has gathered extra momentum with adoption of the Europe 2020 Strategy that includes as one flagship "An industrial policy for the globalisation era" and that foresees the setting up of a framework for a modern industrial policy that will

"address all elements of the increasingly international value chain from access to raw materials to after-sales service". Other related flagships are "Innovation Partnership" and "Resource Efficiency".

Work is ongoing to implement the different lines of action outlined by the RMI. On top of a series of actions undertaken in the framework of the RMI, three major deliverables have recently been released:

- Report on defining "critical raw materials at EU level"¹;
- Report on "exchange of best practices in area of land use planning and permitting"²;
- Trade activity report 2009 on raw materials³.

Another one is the Guideline document on "Non-Energy Extractive Industry and Natura 2000" aimed to provide clarification. The Guideline document is foreseen to be published by end of July and will be also available via the web site of Environment Directorate General. Finally, regarding the external angle of the strategy, a first milestone was achieved with the publication of DG Trade's 2009 activity report on raw materials.

¹ http://ec.europa.eu/enterprise/policies/raw-materials/critical/index_en.htm

² http://ec.europa.eu/enterprise/policies/raw-materials/sustainable-supply/index_en.htm

³ http://trade.ec.europa.eu/doclib/docs/2010/june/tradoc_146207.pdf

QUESTIONS

POLICY AREA: DEFINING CRITICAL RAW MATERIALS

Major issues:

An expert group, chaired by Enterprise and Industry DG, recently released a report⁴ that presented a methodology to measure the criticality of raw materials at EU level. A raw material is labelled “critical” when the risk of supply shortage and their impacts on the economy are higher compared with most of the other raw materials. The report provides an analysis of 41 different minerals and metals, and concluded on a list of 14 critical raw materials. It also contained two sets of recommendations: recommendations for follow-up and further support, and policy-oriented recommendations to secure access to and material efficiency of raw materials.

Questions:

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

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

Generally critical for CLEPA members are the high-tech raw materials, used for modern automotive technologies and processes which require “rare earths”, from which aluminium, nickel, copper and alloys are used in many automotive parts, including electrical motors. Rare earths are an essential element for all types of environmental technology.

Others include: gallium, tungsten, antimony, beryllium, cobalt, fluorspar, germanium, graphite, indium, magnesium, niobium, PGMs (Platinum Group Metals), titanium; platinum, tantalum and lithium.

The above-mentioned are subject to high export dependency in EU and currently lack substitutes.

The competitiveness of the EU automotive supply industry depends on non-discriminatory access to raw materials and rare earths and their availability at competitive prices. Maintaining a level playing field globally is key.

Raw materials are integral in the production of sophisticated automotive technologies and are crucial in the development of technological solutions for CO2 saving technologies and for components for the electric car. Uncertainties in the supply of raw materials pose a significant threat to the competitiveness of our sector.

CLEPA supports the EU definition of a raw materials strategy and its incorporation into all aspects of EU external relations (e.g. FTA negotiations, partnership agreements, foreign policy) and in its industrial policy.

Generally:

Maintaining open markets for industrial raw materials should be central in the dialogue with strategic partners. This would include security of supply.

Rules for open international raw materials markets and improved EU internal regulations that may affect raw material imports.

To reduce supply uncertainties of raw materials and safeguard European Competitiveness the EU should:

- Secure a reliable and undistorted access to raw materials in global markets through cooperation in different international fora and enhanced dialogue/bilateral relations with 3rd countries, notably with US and Japan.
- Improve conditions and remove existing obstacles for sustainable raw material extraction in Europe.
- Promote new rules and agreements on access to raw materials in bilateral and international agreements.
- Remove existing distortions to raw materials trade through trade policy instruments and dispute settlement.
- Use EU development policy to strengthen the management of natural resources in resource-holding countries.
- Lower import restrictions for raw materials in line with the demand from industry

- Promote resource efficiency and the use of secondary raw materials.

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

N/A

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

N/A

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?

Yes.

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.

If stockpiling is agreed, it would be more efficient at EU level (due to its potential scale).

⁴ http://ec.europa.eu/enterprise/policies/raw-materials/critical/index_en.htm

POLICY AREA: TRADE

Major issues:

One pillar of the Raw Materials Initiative consists in developing a European external strategy in order to guarantee the sustainable supply of raw materials from global markets at undistorted conditions. In this, trade policy plays an important role.

DG Trade has recently completed its 2009 activity reports on raw materials, which summarizes the progresses accomplished along the three axes of the trade raw materials strategy:

- Include, as appropriate, the relevant trade disciplines on sustainable supply of raw materials in bilateral and multilateral trade agreements.
- Identify illegitimate trade distortive measures taken by third countries and tackle them using all available instruments, including through bilateral consultations, the Market Access Partnership process or, if necessary, the WTO dispute settlement; while delimitating more clearly permissible exceptions for e.g. development purposes.
- Reach out to third countries to show that the question of sustainable raw materials supply is an issue relevant to all countries, developing or developed, resource-rich and resource-poor alike as the uncontrolled, unregulated multiplication of trade restrictions can lead to a generalized beggar-thy-neighbour policy detrimental to most countries; while recognising the importance of respecting internationally agreed rules on the subject.

Questions:

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

Yes, but consideration must be given to raising the political debate to the highest international levels, especially with the US and Japan.

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?

9. Please identify trade distortive measures (i.e. export restrictions) concerning raw materials that in your view should be tackled.

CLEPA has strong concerns over the distortive effect of some BRIC countries' export restrictions on raw materials and rare earths, which include the use of taxes, quotas, rebates, utility pricing, manipulation of import and export tariffs and dual-pricing.

For example, these restrictive practices include, for some countries, collecting 15% export tax and 17% of non-refundable export VAT on some types of metals.

It is well-known that there is interference with the price setting of aluminium, which is purchased at state-distorted controlled prices, not at the London Metal Exchange (LME).

Certain BRIC countries would appear to have a long-term trade strategy, through their preferential access to raw materials, which is aimed at assisting their companies to move up the automotive value chain.

CLEPA is concerned over the continued reduction in Chinese export licenses for rare earths, which was in the region of 50,000 tonnes in 2009, and in 2010, it was reduced to 30,000 tonnes, this has the effect of increasing prices dramatically. EU would need to push for a limit on this reduction.

The problem is exacerbated as China is responsible for 97% of trade in rare earths globally, although it does not have the same percentage in world deposits. Mines outside of China (in Australia and US) have closed due to the Chinese competition which has wiped them out of the market.

It would appear that China has a very ambitious strategy to be the world leaders in the production of electric cars by 2020, supported by huge investments, with projections of around 5 million electric cars on the market in a few years time. Clearly, China understands that rare earths are an essential requirement for business expansion, which it considers it must guard protectively.

10. Are you aware of any initiatives in your country that have one of the above goals in mind such as, for example, developing a raw materials diplomacy, or supporting companies to invest in third countries in the raw materials sector? If so, please describe briefly.

N/A

POLICY AREA: DEVELOPMENT

Major issues:

The 2008 RMI Communication highlighted that development policies play a relevant role in at three 'levels':

- 'Strengthening States'
- Promote a sound investment climate that helps increase sustainable supplies of raw materials
- Promote sustainable management of raw materials

In 2010, within the context of the EU-African Union partnership, the European Commission and the African Union Commission recently agreed to develop a bilateral co-operation in the field of raw materials and to work together, taking fully into account the Africa Mining Vision of February 2009 and the EU Raw Materials Initiative of December 2008, in particular on issues such as governance, infrastructure and investment and geological knowledge and skills.

Questions:

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

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

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 (EITI)?

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?

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.

15. Are you aware of any initiatives in your country that contribute to promoting exploration and exploitation of mines in developing countries? Should such initiatives be better coordinated or promoted at the EU level?

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

Major issues:

- The Commission has proposed in the Raw Materials Initiative adopted in 2008 to provide clarity on how to reconcile non-energy extraction activities in or near Natura 2000 areas with environmental protection. In consultation with stakeholders a guidance document has been finalised and will be available on the web site of DG Environment before summer break.
- As regards ways to improve the regulatory framework within the EU by promoting the exchange of best practices in the area of land use planning and administrative conditions for exploration and extraction, a report has been delivered by the relevant ad hoc Working Groups.
- This report covers the following topics:

- Minerals Policy
- Land use planning policy for minerals
- Authorisation and permitting procedures
- Achieving Technical, Environmental and Social Excellence
- Improving the EU's geological knowledge base
- Better networking between the national Geological Surveys
- Need to integrate terrestrial sub-surface information into the GMES Land Service

Questions:

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

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

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.

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

⁷ <http://ec.europa.eu/environment/nature/natura2000/>

⁸ http://ec.europa.eu/enterprise/policies/raw-materials/sustainable-supply/index_en.htm

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

POLICY AREA: PROMOTING SKILLS AND RESEARCH, DEVELOPMENT AND INNOVATION

Major issues:

- Promote **skills** not only in the mining sector but also in other raw materials sectors is a matter of concern. The Commission is currently supporting this challenge via programmes such as ERASMUS MUNDUS with the specific Minerals and Environment Programme (EMMEP).
- Focussed **research** on innovative exploration and extraction technologies, recycling, materials substitution and resource efficiency. The Commission has recognised the European Technology Platform on Sustainable Mining (ETP-SMR) to catalyse excellent research and development collaborative projects between the industry and research organisations. In addition, via the 7th framework programme for research, development and innovation the next call for proposals in the area are expected to be public in July⁹.

Questions:

Skills:

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.

Research, Development and Innovation:

22. Are you aware of any research, development and innovation programme(s) at national, regional or local level? Please specify.

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.

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.

25. Are you aware of innovative exploration and extraction technologies, where project partners on a European level are needed to develop and implement the new technologies and which are the innovative technologies which need to be developed further. Please provide details.

26. Are there any other aspects related to skills, R&D and innovation for other raw materials, such as wood, that need to be further promoted? Please, specify.

POLICY AREA: RESOURCE EFFICIENCY & RECYCLING

Major issues:

The 2008 RMI Communication identified that the increased use of secondary raw materials contributes to security of supply and energy efficiency. However, today many end-of-life products do not enter into sound recycling channels, resulting in an irremediable loss of valuable secondary raw materials. This mainly concerns exports of end-of-life vehicles and electronic equipment, which leave Europe as reusable products but end up being dismantled abroad. To counter these trends, the need to reinforce the Waste Shipment Regulation and related legislation was identified. Furthermore, prices of some recovered materials have reached record levels due to the high demand from third countries.

The Waste Shipment Regulation also contains requirements on exporters of waste to third countries to ensure that this waste will be treated in an environmentally-sound manner. However, compliance with this principle is not always respected.

Finally, stakeholders have identified the need for an improvement in statistics on secondary raw materials. This includes actions to be taken to measure the extent of illegal trade in products containing these secondary materials.

Questions:

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?

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

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