

BMW Group

European Commission
Directorate General Enterprise and Industry
Unit G3

Your reference
Your message dated
Department/From AK-4-EU / EU-Affairs / Andreas Sauer
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Date 20.09.2010
Subject **Public Consultation on the preparation of a new Communication on Raw Materials**

To whom it may concern,

Company
Bayerische
Motoren Werke
Aktiengesellschaft

We would like to answer your questions concerning your consultation "Public Consultation on the preparation of a new Communication on Raw Materials" as follows:

Postal address
BMW AG
80788 München

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

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Petuelring 130

Office address
Forschungs- und
Innovationszentrum (FIZ)
Knorrstraße 147

We propose to add the analysis of **enterprise ownership structure** for the raw material extraction sector into the supply risk analysis. A high concentration of equity ownership on one private owner (e.g. oligarch) or state bodies (state-owned mining enterprise) poses a higher risk in terms of politically driven supply disruptions than a broad diversification of equity ownership in e.g. a stockmarket-listed company.

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

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All of the materials which we internally define as "Highly critical" are included. However, with regard to the extraordinary input cost importance for the automotive industry and the lack of effective international competition control, we propose to add the **iron ore & steel value chain**.

IBAN DE02 7022 0300
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3) Do you have any comments regarding the recommendations of the report? If so, please specify.

Chairman of
Supervisory Board
Joachim Milberg

Board of Management
Norbert Reithofer
Chairman of the Board
Frank-Peter Arndt
Herbert Diess
Klaus Draeger
Friedrich Eichner
Harald Krüger
Ian Robertson

No comments.

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

BDI Raw Material Congress, „Rohstoffsicherheit für Deutschland und Europa“ am 26. Oktober 2010- 9:30 bis 17:15 Uhr - im Haus der Deutschen Wirtschaft, Franz-von-Mendelssohn-Saal, Breite Straße 29, 10178 Berlin.

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?

We see the need to improve transparency in the **stainless steel sector** (cost structure iron/coal in crude steel vs. alloys supplements like chromite, nickel etc.). More transparency is also needed on the role & market power of **integrated raw material trading houses** (e.g. Glencore).

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.

Desirable, should be restricted to only very high critical raw materials with small overall consumption amounts, a high risk of supply chain interruptions or low short-term technical substitution possibilities. Capital financing and profit/loss coverage will be crux. EU-level preferable from a diversification of demand base perspective, however preferences which raw materials to buy or not will depend on national industrial structures. From automotive perspective, **Rare Earth Elements** (e.g. Dysprosium & Neodymium) are top priority. An alternative to be discussed would be a joint initiative of key industrial consumers (possibly with EU or national gov. stake) to set up a joint commodity trading house which will take over logistics, stock-piling and other raw-material related services.

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.

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?

Link demand for elimination of export restrictions to the provision of EU financing and skills transfer for raw material extraction or infrastructure construction



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

Top priority: quantitative export quotas (e.g. REE in China), second priority: export tariffs.

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.

Initiative of the German Federal Government to improve synergies between foreign countries, development assistance & industrial policy.

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

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

Good governance: strengthening of property rights and investment security.

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)?

No comments.

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?

No comments.

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.

No comments.



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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?

No comments.

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

No comments.

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

No comments.

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.

No comments.

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

It is desirable to have a counterpart to USGS which we use as a key data provider for internal risk assessment. We also use German BGR data & studies but would welcome an EU-wide pooling of data and knowledge compiled by geological research institutions within EU.

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

No comments.

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.

Promote R&D project to improve substitution and material efficiency of use for highly critical raw materials (e.g. Cobalt in Lithium-Ion-Batteries, REE in Permanent Magnets, High-risk alloys like Niobium in stainless steel production, PGMs in catalysts).



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

No comments.

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.

No comments.

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.

No comments.

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.

No comments.

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.

No comments.

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?

It will be difficult to implement prohibitions to export used vehicles or electronics against market forces. Enhancing economic incentives to hand-in end of life vehicles & electronics is likely to be the more effective way. Promoting low cost product innovations for consumers in low-income countries is an additional way to reduce export demand for used electronics & vehicles in the EU.



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

Improve price data for scrap & secondary materials, Provide more detailed data on sources & usage patterns of secondary materials.

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

No comments.

If you have any additional questions, do not hesitate to contact us.

Best regards

Gez.
Markus Hess
Corporate and Governmental Affairs

Gez.
Andreas Sauer
Corporate and Governmental Affairs

