

Sustainable Natural Rubber & European Commission Deforestation Agenda

21 February 2019



EXECUTIVE SUMMARY

The European Tyre & Rubber Manufacturers Association (ETRMA)¹ and its members are fully committed to ensure sustainable production and supply of natural rubber. This means looking after the people, communities and natural resources touched by natural rubber production and supply.

Therefore, ETRMA supports the Commission's Deforestation initiative.

ETRMA and its members call upon the European Commission to engage with the Tyre and Rubber industry in order to develop constructive and viable solutions in the fight against deforestation, delivering on environmental and industrial objectives.

One of these is to support the further development of ways to reduce unnecessary pressure², onto the existing geographical areas, to increase production through e.g. means of yields improvement and transparency of the supply chain, alternative sourcing of natural rubber and circular economy actions.

The fact that Natural Rubber primarily (99%) originates from rubber trees limited for climatic reasons to grow outside the EU, intra-EU policy actions do not suffice to ensure a sustainable natural rubber supply chain mitigating the risks of deforestation and forest degradation.

Therefore, ETRMA and its members call upon the European Institutions, to focus efforts at international level supporting initiatives and enforce policies that will have the biggest possible effect at local level closest to the producer of natural rubber.

¹ European Tyre and Rubber Manufacturers' Association members (www.etrma.org). ETRMA represent 86 tyre manufacturing plants spread across Europe and some 200.000 direct jobs.

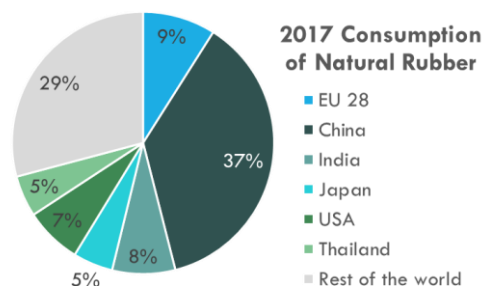
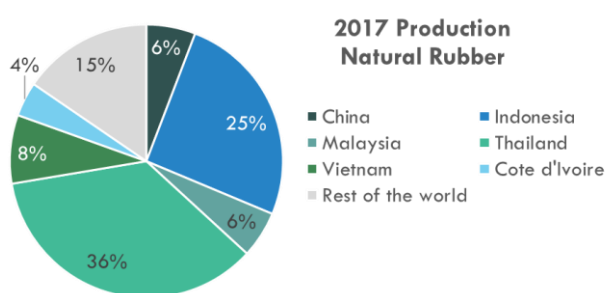
² Predictions show that there will be a rising pressure onto the supply chain beyond the capacity of existing plantations and their productivity.

FACTS & FIGURES

Natural rubber is a key component of tyres typically varying from 12 to 35% content depending on the type of tyre and tyre application. Natural rubber is indispensable for the performance of the final tyre product and is not interchangeable with synthetic rubber without significant loss of functionality. **Therefore, natural rubber is of strategic importance for the tyre industry in particular.**

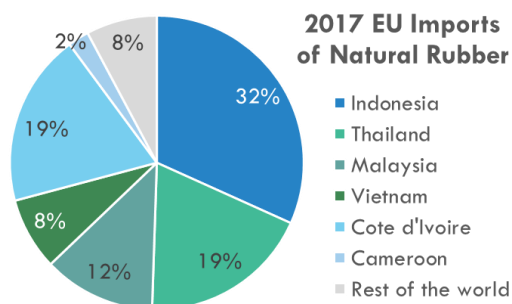
The European Tyre Manufacturers are the single biggest consumer of natural rubber in the EU absorbing 100% of the total EU imports (9% of world consumption) and ETRMA and its members have been committed to work on fair and sustainable access to natural rubber since many years now.

Natural Rubber is primarily produced in South East Asia (>90%), originating mainly in Thailand and Indonesia. Also, the consumption of natural rubber is concentrated in South East Asia and China (>75%) with China being by far the largest consumer.



Source: Eurostat & IRSG/000 tonnes

Imports of natural rubber into the European Union today mainly originate from traditional manufacturing countries, i.e. Indonesia and Thailand, but we also see growing imports from Cote d'Ivoire.



10 YEARS OF DEDICATED SUSTAINABILITY WORK

In 2008, ETRMA members committed to work together on three themes related to natural rubber under the framework of the **European Innovation Partnership on Raw Materials**:

- To ensure sustainable access to natural rubber,
- To diversify natural rubber supply in geographical terms – to reduce dependency from South East Asia,
- To diversify natural rubber supply in sourcing terms – expanding research into alternative sources, such as the Kazakh dandelion and guayule.

10 Years Later....

- Natural Rubber is recognised as a Critical Raw Material by the EU, acquiring a priority status in EU policies – from trade to research;
- More than 20% of natural rubber used in the EU is now sourced from Africa;
- Research projects on dandelion and guayule in Europe are working to scale production to be able to grow industrial volumes;

- Initiatives on natural rubber sustainability have been launched in which ETRMA and its members are participating stakeholders:
 - **Sustainable Natural Rubber Initiative** (SNR-i) in the context of the IRSG³, and
 - The **Global Platform for Sustainable Natural Rubber** (GPSNR)⁴, initiated by the World Business Council on Sustainable Development (WBCSD)⁵ - Tire Industry Project (TIP)⁶.
- Despite this demonstrable progress, the situation regarding the sustainable sourcing of Natural Rubber remains challenging notably due to supply chain complexity. ETRMA, together with EU and international institutions, will exert to continue on this path of diversification. Matching this natural rubber agenda with the environmental agenda of the EU will continue to be a priority.

SUPPORTING THE EVOLUTION OF THE SUPPLY CHAIN

The complexity of natural rubber supply chain, with more than 6 million family-size farmers and thousands of traders and intermediate steps in the product supply, is the main challenge to be addressed.

European policies can contribute to the subject by supporting global initiatives that can help the development process demonstrated, recognizing that it shall start at source rather than at use phase.

A strong European voice can facilitate global alignment on a wide-reaching set of priorities for the natural rubber supply chain, to harmonize standards to improve respect for human rights, prevent land-grabbing and deforestation, protect biodiversity and water resources, improve yields, and increase supply chain transparency and traceability.

BUILDING A SUSTAINABLE CIRCULAR ECONOMY FOR NATURAL RUBBER

Building a sustainable circular economy for natural rubber production, supply chain, usage and recycling is a significant challenge requiring substantial efforts from natural rubber producers, users.

PRODUCTION

The main production (99%) of natural rubber originates from the rubber trees grown mainly by smallholders (85%) in South East Asia. Therefore, the development ensuring sustainable production must take place on the ground in the producing countries.

Notably the fact that production is dominated by smallholders, makes the work particularly complex requiring a very substantial effort from local authorities to ensure that producers are well aware of best agricultural and environmental practice supporting the farmers yield and economic and environmental sustainability.

USAGE

European and other international users have a significant role to play supporting the producers and supply chain through dedicated international cooperation with producing countries and local producers directly and through structured industry projects like the Global Platform for Sustainable Natural Rubber.

Users, well aware of the increased demand for natural rubber, must at international level work to ensure that over-demand will not lead to unsustainable rubber production.

One of the means to ensure unnecessary pressure on the existing sources of natural rubber is the development of alternative sources.

³ International Rubber Study Group (www.rubberstudy.com)

⁴ Global Platform for Sustainable Natural Rubber www.gpsnr.org

⁵ <https://www.wbcSD.org/Sector-Projects/Tire-Industry-Project/News/Launching-the-Global-Platform-for-Sustainable-Natural-Rubber>

⁶ Tier Industry Project <https://www.wbcSD.org/Sector-Projects/Tire-Industry-Project>

RECYCLING - REUSE

Natural Rubber is practically never used alone, but mixed with Synthetic Rubber to obtain the desired product performances. Therefore, the recycling of the rubber does not permit a recycling or reuse of natural rubber *per se*, but of a mix of natural and synthetic rubbers.

Today, with the available technology, there is only limited scope for recycling from product-to-new-product (e.g. tyre-to-new-tyre) whereas the scope for reuse from product-to-other-product is higher. Examples of the latter are retreading of truck tyres and tyres-to-granulate used for other applications such as sport fields or walking surface tiles.

ALTERNATIVE SOURCING

It is a known fact that the global requirement for natural rubber is steadily increasing with the global economic growth causing continued increased pressure on the relatively limited geographical area in which hevea brasiliensis rubber trees can grow, today contributing with over 99% of the worlds natural rubber production. Today, there is a weak equilibrium between supply and demand causing risk of temporary and long-term supply deficit emphasising the growing need for alternative sourcing.

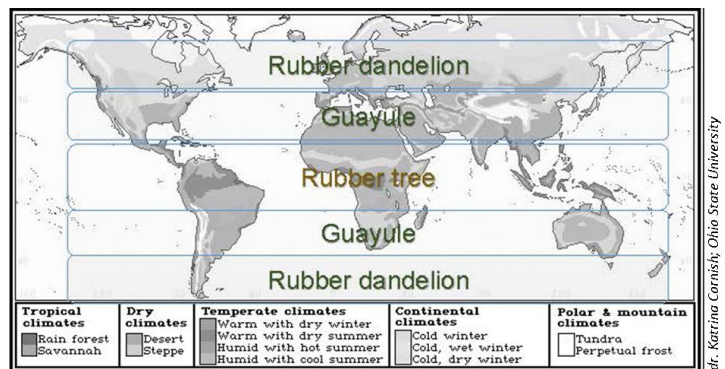
There are at least two other plant species that also produce natural rubber:

- the Guayule plant, *parthenium argentatum*;
- the Kazakh dandelion, aka TKS (for *Taraxacum kok-saghyz*).

Hevea brasiliensis rubber trees thrive in tropical regions within 10° to 15° of the equator.

Guayule tends to grow in semi-arid areas in sub-tropical regions, typically from 15° to 40° north or south.

Dandelion, tends to do best in temperate climates, from around 40° and as far as 60° from the equator.



It is important that EU policy programmes support the development of alternative sustainable sourcing through financing for further development and agricultural support for the growing of both Dandelion and Guayule rubber in the EU respectful of existing farmland.

ETRMA will contribute in more detail at the occasion of the planned public consultation.

HOW EU POLICY ACTIONS CAN SUPPORT SUSTAINABLE NATURAL RUBBER

The fact that Natural Rubber primarily (99%) originates from rubber trees limited, for climatic reasons, to grow outside the EU, intra-EU policy actions do not suffice to ensure a sustainable natural rubber supply chain mitigating the risks of deforestation and forest degradation.

All actors in the broader supply chain has a role to play and EU policy actions should support and incentivise these.

SUPPLY-SIDE ACTIONS

The European Tyre and Rubber Manufacturers are already engaged in this process since years and particularly sensitive to deforestation and forest degradation.

This is why several European Tyre and Rubber Manufacturers have been part of the initiators of the Global Platform for Sustainable Natural Rubber inviting producer countries to engage proactively together with natural rubber buyers to develop long-term sustainable practices at the source.

The European Tyre and Rubber Manufacturers consider supply-side actions to be the most effective as they act directly at the source of the potential concerns.

Actions should include:

- Development and uptake of sustainable production practices,
- Promote best practice land use planning and governance,
- Support forest policies in supplier countries,
- Support strengthening of forest monitoring and traceability at the source,
- Promote research and innovation activities in supplier countries,
- Work in partnership with producer countries to promote sustainably produced natural rubber practices.

DEMAND-SIDE ACTIONS

Today, the European Tyre and Rubber Manufacturers assess the engagement in the supply-side as the most efficient to support a long-term sustainable natural rubber production fighting the risks of deforestation and forest degradation in the context of natural rubber production.

We strongly support international dialogue initiatives and believe EU policy actions should support this work to encourage producer countries to engage constructively in a common set of objectives in the fight against deforestation and forest degradation.

Therefore, we call upon the European Institutions to use available political levies to promote sustainable natural rubber production in producing countries.

FINANCE AND INVESTMENT ACTIONS

Natural Rubber production dominated by smallholders, sets out very specific needs for financing at local level in the country of production.

EU financial support to local developments projects supporting e.g. education, training and enforcement of best practices is therefore potentially an important factor to promote sustainability and fight the risk of deforestation at source.

INTERNATIONAL COOPERATION AND AGREEMENTS

The mere nature of the natural rubber supply chain calls for international cooperation at all levels:

- EU Trade and Foreign policy,
- International voluntary cooperation programs involving all main actors including governments,
- International organisations such as UN and WTO.

Therefore, we call upon the European Institutions to use available political levies to promote sustainable natural rubber production objectives across the globe.

Notably, the European Tyre and Rubber Manufacturers seek the EU to include clear objectives into trade agreements with countries producing natural rubber in form of structured dialogues on best practices and engaging these countries to participate in the existing international rubber platforms such as the Global Platform for Sustainable Natural Rubber (GPSNR) and the International Rubber Study Group (IRSG).