

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament and the Council: The raw materials initiative — meeting our critical needs for growth and jobs in Europe’

COM(2008) 699 final

(2009/C 277/19)

Rapporteur: **Mr FORNEA**

On 4 November 2008 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the European Parliament and the Council: The raw materials initiative - meeting our critical needs for growth and jobs in Europe

COM(2008) 699 final.

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 23 April 2009. The rapporteur was Mr FORNEA.

At its 453rd plenary session, held on 13 and 14 May 2009 (meeting of 13 May 2009), the European Economic and Social Committee adopted the following opinion by 194 votes to 4 with 7 abstentions.

1. Conclusions and recommendations ⁽¹⁾

The EESC recommends the following:

1.1. The EU should prepare a review of the national analyses of strategic and critical raw materials and establish an EU overview, similar to the ones carried out by the National Research Council for the United States or Japan. In particular, the Member States should review their raw material supply policies in order to see what criticality means for each EU Member State and for the EU as a whole. The criticality of individual raw materials needs to be reviewed regularly, possibly every two to three years, in order to monitor changes.

1.2. An OECD/BIAC (the Business and Industry Advisory Committee to the OECD.) workshop on access to raw materials whilst possibly providing a starting point, would limit the EU's range from the very beginning. Having identified a number of critical raw materials, those countries that are already or could potentially in the future be supplying these raw materials should be assessed with regard to their potential for beneficial cooperation. Then diplomatic steps should be undertaken.

1.3. The EESC very much supports and wishes to participate in related conferences organised by the Czech, Swedish and Spanish Presidencies, in 2009-2010 on the question of the supply and demand of mineral resources, access to land, best available technologies and capacity building.

1.4. The Commission should enhance its efforts in support of effective negotiations at international level, not only to eliminate unfair trade barriers and distortions, but also to assist in the shaping of bi- and multilateral investment agreements.

1.5. The Commission should activate the necessary mechanisms for action in case of infringements of the WTO rules by non-EU countries (e.g. export taxes/restrictions on materials).

1.6. The EU's external tariffs should be set with a view to ensuring that sustainably produced raw materials are not excluded from the EU market. A review of existing tariffs needs to be undertaken to identify tariff lines that should be subject to change.

1.7. The EU should actively pursue raw materials diplomacy with a view to securing access to raw materials, and in so doing, contribute to creating funds and programmes focusing on capacity building that would support sustainable raw materials production and economic and social progress in developing countries.

1.8. The Commission should actively participate at the annual meetings of the World Mining Ministers Forum and the Intergovernmental Forum on Mining and Metals with the aim of establishing better relations with a number of the world's authorities on the matter, in order to identify and strengthen the investment opportunities for the EU.

1.9. An inventory of best regulatory practices in the EU with regard to access to land for raw materials industries should be prepared with the view to simplifying procedures and reducing the sterilisation of mineral resources resulting from inadequate land use planning practices.

⁽¹⁾ For further EESC detailed recommendations, see the opinion on the Non-energy mining industry in Europe, adopted on 9 July 2008 and published in the Official Journal of the EU under 2009/C27/19. The present recommendations should be seen as complementary to those which were presented in this previous EESC opinion.

1.10. The Commission should continue its support for the European Technology Platform on Sustainable Mineral Resources and include its topics in the upcoming calls for 2009-2013. Also, it is important to push forward raw material-related themes among the domains for priority action in the 8th R&D Framework Programme, such as for example promoting resource and energy efficiency.

1.11. The Commission should foster an objective methodology based on a full life cycle analysis to assess the validity of resource efficiency measures and of any 'material substitution policy'.

1.12. The Commission's departments should strengthen recycling and facilitate the use of secondary raw materials in the EU and propose sound recycling, recovery and re-use strategies in non-EU countries by promoting best practices at international level.

1.13. Further consultations and research are needed for understanding better to what extent the methodology applied for non-energy mineral raw materials is suitable for the specific situation of renewable non-energy raw materials such as for example wood, hide and skins (the Commission's Communication focuses mainly on the issues around the security of supply of non-energy mineral raw materials. It is open to question if it is the best way to use the same procedure for other raw materials, but for sure, through strong cooperation among the Commission's specialised departments, it will be possible to create an integrated instrument for assessing all the strategic and critical raw materials for EU industries and defence.)

2. Background

2.1. The trend towards ever higher prices of raw materials has come to at least a temporary halt. The Commission's Communication is confident that the trend will resume and that 'the growth levels of emerging countries in the future will maintain high pressure on raw materials demand'. The critical factors are *first*, whether emerging countries, particularly China, will be able to transit smoothly from a growth mode, based largely on fixed capital investment driven by business opportunities in export-oriented manufacturing sectors to one more reliant on domestic consumption, and *second*, if the latter growth mode results in the same rate of increase in raw materials demand.

2.2. As pointed out in the Communication, the EU is self-sufficient in construction minerals (where foreign suppliers are handicapped by high transport costs relative to the value of the materials) but dependent on imports of certain materials of strategic economic importance. Their strategic importance derives from their being critical to industrial production to a degree that is considerably understated by their economic value and from

supplies being concentrated on a small number of commercial suppliers and countries, some of which are associated with high political risks.

2.3. The Communication expresses a number of concerns about supplies. Four types of risks, depending on the perspective and origin of supply constraints, can be distinguished as being sources of concern:

- intensified competition for raw materials among processors, manifesting itself in the form of higher prices and diversion of materials to new destinations for primary and secondary resources;
- 'hoarding' of raw materials through barriers to export, such as export taxes and dual pricing systems (a number of examples are provided in the Communication);
- competition for assets producing raw materials in third countries (example: competition over investment opportunities and access to mineral deposits in Africa);
- risk of interruptions in the physical supply of raw materials having strategic economic importance (example: a possible interruption to supplies of rare earth elements (REE - all green and energy efficient technologies are based on an increasing consumption of rare earth elements. (for example a hybrid car incorporates around 20 kg of REE). China is the main world supplier but also the main world consumer of REE. To date, there are very few economically feasible alternatives to the Chinese supply of REE.); the supply of which is strongly concentrated and which are important in a number of applications). Critical minerals can be a powerful bargaining tool and even weapons in economic warfare.

2.4. The first two types of risks affect directly the competitiveness of raw materials processing European industry, and to the extent that they arise from anti-competition practices or trade policy measures their consequences have to be addressed in the context of trade and competition policy.

2.5. The third risk may be of less concern to the industry using raw materials, since there is no reason *per se* to expect that the owners of natural resources will see any interest in discriminating among customers to the detriment of EU industry, but there are reasons to be concerned both about the impact on the long-term competitive position of the European-based mining industry as well as about the effect on Europe's position as a hub for mining finance, technology development and corporate networking. Recent developments in this regard also raise concerns about the prospects for sustainable development in developing countries that depend on natural resource-based exports.

2.6. The fourth type of risk, finally, has the potential to cause serious damage to the economic fabric of the European Union and a loss of jobs, by bringing production to a halt due to a lack of necessary materials. This risk has to be addressed directly, including, possibly, through measures that have not been contemplated earlier. It is worth noting that the risk has been taken seriously enough by both the United States (see Minerals, Critical Minerals and the US Economy, report of the National Research Council, www.nap.edu/catalog.php?record_id=12034.) and Japan (see Guidelines for Securing National Resources, www.meti.go.jp/english/press/data/nBackIssue200803.html.) to justify new policy initiatives. It has also been suggested in press reports that China has engaged in the establishment of raw materials stockpiles with a view to mitigating the effects of interruptions to supplies.

3. General comments

3.1. The European Economic and Social Committee welcomes the Commission's Communication (COM(2008) 699, Commission's Initiative on Raw Materials.) as a key factor to secure the EU's sustainable supply of non-energy raw materials, in particular mineral resources (see p. 3 of COM(2008) 699) in order to meet our critical needs for development and jobs. The EESC is anxious to see the necessary structure and resources put in place that will assist the implementation of the measures identified.

3.2. The representatives of civil society have been requesting for a long time an integrated approach on this issue, bringing together several EU policies and programmes. It is the merit of the Commission, through this initiative, to have outlined solutions to the challenges generated by the necessity to ensure sustainable supply with non-energy raw materials for EU industries by integrating policies for improving non-EU and domestic supply with measures designed to enhance resource efficiency and recycling activities.

3.3. In particular, whilst not undermining the subsidiarity principle applicable in the EU with regard to resource and land planning policies, international developments have clearly shown the need for a more coordinated approach at EU level.

3.4. The EESC is satisfied to find that in this Communication, the Commission has adopted a similar approach, identifying almost the same challenges and solutions as presented in the most recent EESC own-initiative opinion related to this topic ⁽²⁾. This document was issued to help the Commission to have in advance the viewpoint of civil society and resulted after an extended process of consultation initiated by the EESC's Consultative Commission on Industrial Change as a response to the Commission's Information Paper 'Securing raw materials supply for EU industries' (IP/07/767, issued on 5 June 2007.) which was meant to anticipate the current raw materials initiative.

3.5. In the context of the EU commitment to develop a global approach in tackling climate change effects by improving the energy efficiency technologies, promoting responsible use of the natural resources and greening its industries, the EESC is once again emphasising the strategic importance of the non-energy minerals supply security along with the European Energy Policy, focusing on the interdependence of these sectors, on account of the technological factor.

3.6. The EU is highly dependent on imports of 'high-tech' metals and will not master the shift towards sustainable production and green technologies, unless it is granted safe access to such high-tech metals and rare raw materials (in terms of competition, risks, geographic concentration of resources and production facilities) ⁽³⁾.

3.7. The present Communication is like a SWOT analysis of the EU's current raw material supply issues and therefore needs now coordinated support from the EU Member States and coordinated actions by the various Commission departments concerned (DEV, ENTR, ENV, EUROSTAT, REGIO, RELEX, RTD) to implement a range of steps, involving not only the Commission but also the key stakeholders (extractive downstream industries (the International Council on Mining and Metals (ICMM) should be invited to participate and contribute through its global mineral resources sector a development vision and expertise to complement Euromines' more specific EU-centred vision) business, Geological Surveys, organised civil society) to enhance the EU's security of supply in conformity with sustainable development goals.

3.8. The currently existing EU structures dealing with these issues have been too weak and need to be strengthened with higher level decisions-makers and a reinforced technical and economic analysis of the future needs in raw materials as well as a reinforced action to obtain as much as technically and economically feasible from European sources and to improve sustainable supply from non-European sources. A longer term strategy and a regular review mechanism will be necessary since investment in raw material extraction is economically very often viable only over longer time periods.

3.9. *The following principles underlie the proposals made:*

3.9.1. Security of raw materials supply for the EU involves first of all ensuring that the economy of the Union is not damaged by shocks in the supply of raw materials, but also safeguarding the interests of consumers, of EU industries that depend on imported raw materials and of EU industries that produce raw materials as

⁽²⁾ Opinion on the Non-energy mining industry in Europe OJ C 27, 3.2.2009.

⁽³⁾ See the EESC Opinion on the Non-energy mining industry in Europe OJ C 27, 3.2.2009, point 2.5.

well as theneed to ensure a level playing field. All these interests have to be taken into account and have to be implemented with a regard for EU commitments and policies with respect to international development, as well as to environmental and social sustainability. Raw materials use should be optimised, taking into account its interaction with the environment, with the needs of communities and with sustainable energy use.

3.9.2. EU policy with respect to raw materials supply has to be placed on a **solid analytical basis**. It is therefore important to ensure that relevant knowledge is available and that it is subjected to analysis using the best possible methods.

3.10. Regulatory practices concerning raw materials vary widely within the EU and there is considerable scope for improvement in individual countries by disseminating information about best practices.

4. Comments on the proposed policy response ⁽⁴⁾

4.1. *First pillar: Access to raw materials on world markets at undistorted conditions*

4.1.1. The Communication proposes that the EU should (i) actively pursue raw materials diplomacy with a view to securing access to raw materials, (ii) promote enhanced international cooperation and (iii) place a priority on access to raw materials in EU trade and regulatory policy.

4.1.2. Having identified major resource-rich countries, the issues around access to raw materials in these countries should be discussed with representatives of these states. The EU's development policy should create **funds and programmes that would support sustainable raw material production and development** in these countries.

4.1.3. The EU should review its funding schemes for those countries that are already EU Member States or neighbouring countries since the transport of resources from these countries would be more sustainable. In particular, support should be given to the latest accession states, the Balkan states, the North African states and Turkey. The ICMM's Resource Endowment initiative (Initiative launched in 2004 by the International Council on Mining and Metals. It seeks to identify good policy practice for mining and metals investments at national/regional and corporate levels within developing countries) could provide a useful model for resource and development strategies.

4.1.4. Several concrete recommendations fall into the category of **strengthening the compatibility between EU development policy and the EU's need for undistorted access to raw**

materials. The proposals made with respect to strengthening states, promoting a sound investment climate and promoting sustainable management of raw materials are all relevant and constructive.

4.1.5. The EU's external tariffs should be set with a view to ensuring that sustainably produced raw materials are not excluded from the EU market. A review of existing tariffs should be undertaken to identify tariff lines that should be subject to change.

4.1.6. Assistance to developing countries in the area of raw materials should focus on **capacity building** and should have as its objective to support and facilitate the development and implementation of policies that maximise the contribution of raw materials production and exports to development. In this context, it is particularly important to support policies and approaches that are inclusive and participatory and that accord priority to the needs and interests of these populations.

4.1.7. **Development assistance** in the field of raw materials also needs to build on broad coalitions and partnerships that guarantee the commitment of all interested parties, including, in particular, the raw materials industry, civil society organisations and government at all levels.

Assistance to developing countries should have as a strong component support to **the building of infrastructure** that can be used both by raw material-producing enterprises and by smaller enterprises, farming communities and other rural economic activities. While this particular mode of cooperation has been criticised for contributing less than should be possible to development, it is also important to recognise that it responds to a strong need on the part of developing countries to stimulate development through improvement in infrastructure and that other mechanisms for funding such investment have proved insufficient.

4.1.8. The Communication neatly underlines the difficult issues around mineral resources **trade statistics**. These are based on customs reports organised according to the Standard International Trade Classification (SITC) or the Harmonised System (HS) or the Broad Economic Categories (BEC) and suffer from poor reporting by some countries. Moreover, trade statistics cannot provide proper, much needed, information on real minerals consumption of the world economies as they do not register the minerals or metals content in traded concentrates, semi-products and manufactured goods. Research would be needed, as well as an international consensus, on how to improve the current statistical system in order to better approach real minerals and metals consumption, possible through the use of 'proxy' values for the minerals and metals contents of a standard car, a standard tonne of paper, etc.

⁽⁴⁾ See the EESC Opinion OJ C 27, 3.2.2009, p. 82.

4.1.9. The Communication goes into some detail regarding trade and regulatory policy. The proposals identify areas of vital interest to the EU and appear to be worth implementing. One of the points made deserves to be particularly emphasised: that 'the EU should also keep under review the EU tariff regime with a view to ensuring **coherence with developments in EU demand for raw materials** and in particular **assess ways of lowering import restrictions for raw materials**'.

4.1.10. Sustainable development objectives have to be implemented with a regard for their effects outside the EU area and should not provide an excuse or shelter to practices that are contrary to the interest of consumers and the environment by limiting trade. It is important that security of supply and objectives of eliminating unfair competition based on privileged access to raw materials should not be used to promote protectionism or to restrict trade and access to the EU market for developing country producers.

4.2. *Second pillar: Foster sustainable supply of raw materials from European sources*

4.2.1. The sustainable local and regional development of the EU is directly influenced by the future development of the economic sectors able to turn to profit the potential of each area. In the EESC's opinion, taking into account the reserve calculation for each mineral deposit, the mining economic activities may contribute to the development of local communities and also to the development of EU Member States, by providing them with resources. They may contribute this way to:

- developing the industrial production and providing the raw materials required by the industrial activities;
- reducing the dependence on importation and ensuring a better use of resources;
- maintaining a reasonable number of skilled workers in this sector, in order to make possible that in the EU the exploration and extractive activities will continue;
- more and safer jobs;
- social cohesion and regional development;
- improving living and working conditions.

4.2.2. Given its long history of mineral extraction, Europe needs to provide leadership on know-how and expertise for issues such as how to handle the extraction of raw materials, optimising the contribution of raw materials production to economic development, their sustainable use and the aftercare of the land in a beneficial way for society.

4.2.3. Member States should review to what extent their land use planning processes include raw material potential and whether the priority setting in case of competing land uses is still

adequate in the light of the need to source raw materials sustainably, that is by applying the proximity principle wherever possible and commercially viable.

4.2.4. The state of geological knowledge changes continuously, and procedures therefore have to be sufficiently flexible to allow future access to natural resources that are not identified.

4.2.5. **An inventory of best regulatory practices** in the EU with regard to access to land for raw materials industries should be prepared with a view to:

- **simplifying procedures** and making them more similar within the Union, while at the same time ensuring that competing land use interests, including conservation, are adequately taken into account;
- **reducing the sterilisation of mineral resources** resulting from inadequate land use planning practices. It is particularly important that provisions to assure access to land do not concern only known mineralised areas.

4.2.6. Following the development of the guidelines on the compatibility of Natura 2000 with raw material extraction, Member States should review their own national guidelines and ensure that the competent authorities are aware of the fact that **Natura 2000 does not prohibit the extraction of raw materials** (Art. 6 of the Habitats Directive provides an excellent tool to ensure that the sustainable development principles are respected by the extractive industries).

4.2.7. In order to **improve the knowledge basis concerning the supply of economically strategic materials and the use of raw materials** within the EU, an analysis similar to the one carried out by the National Research Council for the United States, should be prepared for the EU. The analysis should aim to identify and assess both potential risks to the supply of materials to EU industry and the criticality of different materials in their various end uses (the following aspects should be taken into consideration: physical availability of some minerals which can be extracted from EU countries, substitution grade, geopolitical risks regarding international trade with strategic and critical raw materials, EU defence needs).

The Communication contains a number of recommendations intended to improve the knowledge base about raw materials. However, nothing is proposed in order to improve the knowledge about the use of raw materials within the EU. This would appear to be one of the first priorities and would be in line with the need to develop coherent policies and maximise the effectiveness of measures. The United States report on critical materials contains a methodology that could be applied to European circumstances.

4.2.8. In particular, a **complete assessment of the geological resources potential** assessed with modern technologies would be desirable as well as an assessment of the capacities of National Geological Surveys to provide first class mineral resources data, information and expertise. Specific support actions to geological (as used here the expression includes all geology-related thematic data such as geochemical or geophysical data) data acquisition should be delineated and implemented via the future extension of the GMES Land Services and/or the EU Regional Development Funds. A formal review of the situation in the Member States should be conducted by the Commission.

4.2.9. The European institutions should **support the Czech, Swedish and Spanish Presidencies with their related events**, in particular:

- Under the Swedish Presidency of the EU, a conference should be held in order to identify best practices for land planning and sustainable land management after extraction.
- The Rovaniemi (Finland) Conference on Exploration and Mining that will be held in December 2009 and which is expected to feature best practice in fostering exploration in Europe.
- An Exploration Conference in South East Europe and the Balkans should be prepared with the assistance of the EU's TAIEX tool.

4.2.10. **Research and technological development for the raw materials should be accorded priority, with particular emphasis on technologies that are compatible with strong conservation policies. Best practices** in the area of **exploration, cleaner production, recycling** should be promoted, with a view particularly to implementing practices that use market-based incentives that are economically feasible. The Strategic Research Agenda and the Implementation Plan produced by the European Technology Platform on Sustainable Mineral Resources could serve as a basis for this purpose.

4.3. *Third pillar: Optimise the EU's consumption of primary raw materials*

4.3.1. Public opinion considers that legal persons are in the main responsible for the environmental conditions, respectively,

the mining enterprises and trading companies, but in fact, the whole of society bears a responsibility for consuming the goods which include these resources.

European citizens have to be aware that our existence depends upon the exploitation of mineral resources but also at the same time it is **very important to protect the environment and to promote a responsible consumption of raw materials**.

4.3.2. The development of policies and practical measures to optimise the use of raw materials cannot take place in isolation from legitimate interests outside the EU and has to take into account actual capabilities in developing countries, both with respect to the regulation and use of technology. The REACH legislation has been strongly criticised by several African countries which are concerned that it may lead to undue discrimination of their mineral exports. Similarly, in some Asian countries the Basel Convention on Hazardous Wastes has led to unintended consequences, including the proliferation of informal enterprises in metals recycling industries employing hazardous practices since they have been cut off from legitimate sources of raw materials.

4.3.3. European research and industry should be encouraged to **develop substitutes to the critical raw materials**. To this effect, the identified list of essential metals/raw materials should be subject to a detailed research initiated by the European Commission under FP-7, in order to provide a background for the new green technologies and environmentally safe products.

4.3.4. The recycling process should not be dealt with merely as an administrative task, but as a regulatory framework assisted by a business approach on a commercial basis. In order to implement this principle it is necessary to have:

- a legal framework for collecting, sorting, handling and recycling industrial and household waste;
- incentives for consumers to participate in recycling activities;
- proper specialised national and international networks for collecting, preserving and industrial recycling;
- a properly established waste management, on a commercial basis, organised by the local administration/regional authorities.

Brussels, 13 May 2009.

*The President
of the European Economic and Social Committee
Mario SEPI*
