

## **EVENT REPORT**

### **BÖLL LUNCH DEBATE**

#### **Raw Material Initiative 2011- Sustainable and Resource Efficient?<sup>1</sup>**

*In response to the ever growing competition over the access to raw materials, which has been exacerbated in recent years by the economic growth of China, Brazil and India, the European Union (EU) presented a first version of “The raw materials initiative – meeting our critical needs for growth and jobs in Europe (RMI)” in 2008. The reviewed version, published in February 2011, points out three priorities in the endeavour to secure and improve the raw material supply for Europe’s industry: (1) ensuring a level playing field in access to resources in third countries, (2) fostering sustainable supply from European sources and (3) encouraging resource efficiency and recycling. As a part of the “Europe 2020 Strategy”, the RMI is closely linked to the “flagship initiative for a resource efficient Europe”<sup>2</sup> promoting structural and technological changes towards a low carbon industry and a resource efficient and climate resilient economy by 2050. The RMI may represent a first step for Europe to less resource dependency, but the question arises as to whether it also appropriately addresses climate challenges and provides a basis for a resource efficient and responsible environmental policy: How could this be monitored and measured? Is there a win-win strategy to secure raw materials supply in Europe?*

The RMI targets non-energetic materials with limited availability on the international market, including metallic minerals, industrial minerals, construction minerals, wood and natural rubber and divides them into two categories: those which are traded on the stock exchange and those which are not. Most notably, the focus lays on raw materials like cobalt, lithium and rare earths, which are not traded on the London Metals Exchange and which are classified as critical because they constitute a particularly high risk of potential non-supply.

Following high increases of export taxes on raw materials, countries have become aware of their high level of dependency on China’s raw materials. In fact, regarding raw earth elements, Europe currently finds itself in a 97% dependency on China, who is (even if unwittingly) certainly paying Europe a favour by forcing it to diversify its sources of raw materials and to start innovative ways of securing the supply for the European market. Starting new ways of thinking as early as possible is crucial in order for Europe not to fall behind because a change of strategy will become more and more difficult every year.

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<sup>1</sup> Guest speakers were **Reinhard Bütikofer**, MEP Greens/EFA, **Pieter De Pous**, Policy Director European Environmental Bureau, **Albraao Carvalho**, Head of Unit of Raw Materials, DG Enterprise, European Commission. The meeting was moderated by **Claude Weinber**, Heinrich-Böll-Stiftung European Union Director. The event took place under Chatham House Rule. The opinions expressed do not necessarily represent the opinion of the Heinrich-Böll-Stiftung.

<sup>2</sup> COM(2010) 2020 "Europe 2020", and COM(2011) 21 "A resource-efficient Europe: flagship initiative under the Europe 2020 strategy".

## **Environmental risks and new technologies**

Europe has the opportunity to profit from Sweden's high level mining technology and could contribute to higher environmental standards within mining industries abroad by exporting these technologies to their industry sites abroad. This might even have a multiplier effect inciting other countries to use more environmentally friendly mining practices, including China.

All mining, however, bears environmental risks, even with a highly developed technology: An example is the company BP which caused the oil disaster in the Gulf of Mexico and is now starting a similar project in Greenland. Companies that pollute oceans or rivers are responsible for an irreversible impact on ecosystems. These biotic resources like water, soil and biodiversity are not even taken into account by the RMI which rather concentrates on a-biotic resources. Further pollution occurs with the extraction of radioactive substances like platinum. It is therefore necessary to introduce mechanisms to hold companies accountable, which up to now can hardly be made responsible or sanctioned for the pollution they cause.

## **Accountability-mechanism**

Compared to countries like South Africa, the USA, Canada and China, Europe disposes of a relatively small mining industry. Nevertheless, European companies have a strong impact on the environment and on social structures in the countries of extraction, without being bound to European environmental or human rights standards. Yet, most recent developments seem to increase transparency within the extractive industry: several non-European countries have promised to obey the rules of the Extractive Industries Transparency Initiative (EITI) and the United States have adopted the so-called Dodd Frank agreement with a country by country reporting system. Europe, which has yet to make concessions in this field, does not lack political will of the Commission but at Member States' level. Civil society points out that rather than country by country reporting, a project-related reporting system would be more appropriate to promote the desirable degree of transparency. Further suggestions are the idea of a footprint concept and limiting regulations for land and water use for companies in the context of mining.

## **Urban mining – a more sustainable approach**

A more sustainable solution than both, new technologies and accountability mechanisms is urban mining: By recycling already processed materials, urban mining intends to make waste re-usable and thus increases supply not by opening a new pit but by re-use. As urban mining is not land intensive, it does not directly lead to surface destructions, neither does it produce high CO<sup>2</sup> emissions and can therefore be considered as much more environmentally friendly. Yet the mine-like character of cities is not given a lot of attention. This is also true for the RMI which seems to ignore the obvious advantages of urban mining and does not provide enough concrete means for its promotion. Unfortunately, urban mining is in many cases still seen to be too costly. This argument, however, ignores the fact that the use and destruction of biodiversity, the pollution of

biotic resources, like water and soil and the destruction of forest also have their costs. As a consequence, recycling technologies must be improved in order to make re-use more attractive. The construction of mobile phones, for example, could be revised in a way that it allows easier disposal and, if possible, re-exploitation of the resources spent for the construction. Another argument to counter these allegedly high costs is the increasing price for ‘fresh’ raw materials, which will most certainly sooner or later surmount recycling expenses. Making processed materials exploitable again within Europe would at the same time put an end to illegal waste shipments to third countries with lower environmental standards for garbage disposal. In the short run, a monitoring agency could ensure the decrease of these illegal shipments.

Urban mining and recycling efficiency, thus, seem to be in many ways the winning strategy providing a more climate friendly access to raw materials for the European economy without fuelling the conflict on rare commodities.

### **Risking development co-operation goals through raw material interests**

Rainer Bütikofer’s draft report, issued as a response to the RMI, warns of the risk of development policy being misused as an instrument to secure European commodity supply. Accordingly, development co-operation or other status quo benefits of resource rich developing countries should not depend on their responsiveness to European interest in raw materials. Yet, the RMI creates the impression of linking resource supply to other fields of co-operation. Export taxes allowing privileged raw materials access to the national industry, which in the eyes of the Commission represent competitive distortion, can be a crucial means of protection for weak, developing economies.

Civil society therefore welcomes that the revised version of the RMI no longer mentions the exclusion from the favourable trade regime ‘General System of Preferences’ (GSP) as a sanction for the use of export restrictions. The Council Conclusions on Tackling the Challenges on Raw Materials and in Commodity Markets (Council Conclusions) acknowledge the need for trade strategies to take into account the level of development, in particular of least developed countries (LDCs), but still fully support the aim of undistorted supply including the monitoring of export restrictions<sup>3</sup>. During the Lunch Debate, the argument came up that such measures particularly target countries like Russia and China, which is, however, not specified in the RMI. Scepticism thus still remains regarding sanction mechanisms being installed and then also being applied to countries like Argentina, Mexico or the Ivory Coast, in particular as industry representatives criticise the omission of GSP-sanctions. Besides dialogue as the preferred approach, the RMI now foresees dispute settlement as a tool to react on export restrictions. Reconciliation of interests surely will be at the heart of raw material trade agreements; hopefully without bringing in distinct other fields of co-operation.

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<sup>3</sup> CF.: The Council of the European Union: Council Conclusions on Tackling the Challenges on Raw Materials and in Commodity Markets, Brussels, 10 March 2011, available at: [http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/intm/119744.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/intm/119744.pdf)

## **Strategic partnerships**

The RMI holds out the prospect of future strategic partnerships with non-European countries in order to create mutual benefits for both sides. In particular, the possibility of ‘innovation partnerships’ in the framework of Europe 2020 Flagship on Innovation Union will be evaluated. During the drafting of the RMI, the initial approach of this partnership is said to have been boiled down by objections raised by Germany. Furthermore, within the Council Conclusion, Germany also insisted on stressing the principle of subsidiarity when it comes to initiating this innovation partnership. At a national level, however, Germany is apparently about to establish resource partnerships with resource-rich countries, with Madagascar and Kazakhstan being at the top of the ‘list of targets’. Such agreements should usually create a mutual benefit, which hardly seems to be the case for the co-operation Germany is trying to establish. Furthermore, Germany’s solo-run risks fostering a race on raw materials even among Member States.

Another possible co-operation on raw materials is mentioned by the RMI in the context of the Africa-EU Joint Strategy 2011-2013. Critique was raised from NGO side, given that this plan apparently had not yet been communicated to African co-operation partners and therefore already created the impression of an imbalanced partnership. Even though the RMI stresses the need to promote processing and downstream industry in resource-rich countries, it is doubtful that this will be a prime objective for the EU when accessing third countries for the extraction of raw materials to secure the EU raw materials supply.

In conclusion one can say that the RMI remains very vague about its means and still lacks important elements such as indicators to assess the degree of EU resource efficiency. The most sustainable approach for a competitive resource management – recycling – remains underestimated. In order for re-use to become an attractive alternative, it is essential to realise that urban mining is made less competitive with every new ‘traditional’ mine opened that fuels the market with fresh raw materials.

Illegal shipments transport still-recyclable materials to non-European countries where, without basic recycling technologies, they risk being a danger to the environment. A monitoring agency should be responsible for tackling this severe problem, as well as for sanctioning companies that cause river and soil pollution. There must be attractive incentives for the industry to reduce waste production and to responsibly treat natural resources. This could be achieved by shifting from labour taxation to taxation of, for example, land and water. Old mining waste and household garbage needs to be recycled more efficiently and recyclability should already be taken into consideration when products are designed. A certification system could label goods and communicate the product’s degree of recyclability as well as its CO<sup>2</sup> footprint to consumers.

Civil society does not lack many more similar innovative ideas that could contribute to a reformation of the European raw material market which should target a more responsible economy, more re-use, a high level of transparency and of social and environmental standards, as well as good governance and the involvement of civil society in the south. At a global level, these will surely all become part of the Rio challenges.