

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(82) 415 final

Brussels, 5 July 1982

## Communication from the Commission to the Council

Aid for projects covered by exploration programmes for non-energy mineral primary raw materials within the territories of the Member States

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Proposal for a

### COUNCIL REGULATION (EEC)

on Loans for projects covered by exploration programmes for non-energy mineral raw materials within the territories of the Member States

(submitted to the Council by the Commission)

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(New page 12)

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(Concerns only the English version)

Brussels, 19th July 1982

New page 12 has been inserted into the main text.

## COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Aid for projects covered by exploration programmes for non-energy mineral primary raw materials within the territories of the Member States

## PROPOSAL FOR A COUNCIL REGULATION (EEC)

on loans for projects covered by exploration programmes for non-energy mineral raw materials within the territories of the Member States

(presented by the Commission to the Council)

COM(82) 415 final/2

Financial statement

1. Relevant budget heading: Item 7771 of the 1983 general budget.

Aid for projects covered by exploration programmes for non-energy mineral raw materials within the territories of the Member States.

2. Legal basis

Council Regulation on the basis of Article 235 of the EEC Treaty (see Annex).

3. Description of the measure

The Commission proposes an incentive scheme for the exploration of non-energy mineral primary raw materials within the territories of the Member States by mining companies whose registered offices are in one of the Community Member States.

The scheme is not intended in any way to replace national schemes which are in operation or planned, but rather to complement them in areas where the common objective cannot be met by the financial resources of the public authorities.

4. Justification of the measure

The extent to which the Community depends on outside sources for its supply of primary raw materials is considerable. The Community cannot hope to become totally independent in terms of supplies, but an attempt must be made to reduce the degree of dependence by encouraging the discovery of new deposits of mineral raw materials in the Community.

5. Financial implications of the measure in respect of expenditures

5.1. It is a long-term measure.

5.2. Financial aid will be in the form of subsidies which are reimbursable if the project is successful. This aid would amount to between 30% and 50% of the total cost, depending on the nature of each project.

5.3. Four-year time-table of appropriations required (in million ECU at current rates)

New appropriations

Year	Appropriations for commitment	1st Year	2nd Year	3rd Year	4th Year	Subsequent years
1st Year	1	0.2	0.5	0.3		
2nd Year	3		0.6	1.5	0.9	
3rd Year	3			0.6	1.5	0.9
4th Year	3				0.6	1.5 0.9
Total	10	0.2	1.1	2.4	3	2.4 0.9

An important mining exploration programme needs between 2 and 3 million ECU per year. The appropriation required will permit to help at least 3 to 4 projects per year.

6. Financial implications for staff and normal operating appropriations

One Category A half time, one Category B half time and one Category C officials to be transferred from the existing staff.

7. Financing

This will involve differential appropriations to be entered regularly in the annual budgets under a budget heading corresponding to this new measure.

8. Implications in respect of revenue

Corresponding increase.

9. Type of control to be applied

Commission departments and the Court of Auditors.

Communication from the Commission to the Council

Aid for projects covered by exploration programmes  
for non-energy mineral primary raw materials within  
the territories of the Member States

1. The Community cannot hope to become self-sufficient in primary raw materials. However, to reduce the degree of dependence on outside sources the Commission is proposing an incentive scheme for exploration programmes for non-energy mineral raw materials within the territories of the Member States, to be conducted by the mining industry itself.

This measure forms part of a supply policy initiated several years ago whereby the Council adopted various research and development programmes for primary and secondary raw materials and also for energy, in which a similar situation of dependence on outside sources has prompted the introduction of various incentive schemes for exploration, which have demonstrated their effectiveness.

2. Similarly, in an effort to diversify Community supply sources, in 1978, the Commission obtained approval from the Board of Governors of the European Investment Bank (EIB) to authorize the financing in non-associated developing countries, in accordance with Article 18 of the Statute, of mining projects designed to improve the Community's supply of primary raw materials.
3. The Commission then got the Council to include a major mining chapter in the new Lomé Convention, which over a five year period allows almost 1 000 million ECU to be channelled into the exploration and operation of mines in ACP countries (280 million ECU for Sysmin, the liberation of up to 200 million ECU of the EIB's own resources, part of the 685 million ECU of the EIB's loan capital; part of the 280 million ECU of risk capital administered by the EIB and part of the EDF's subsidies and special loans).

4. The Commission feels that in this area Community aid should not as a matter of course be to the benefit of non-member countries, but that the Member States, own resources should also be exploited. It suggests that an incentive scheme concerning exploration within the Community should be introduced. This ties up with one of the proposals contained in the Commission's communication to the Council on Community primary raw material supplies (COM(75)50).
5. In its Resolution of 19 April 1977, the European Parliament had already drawn attention to the Community's considerable dependence on non-Community countries for supplies of primary raw materials and to the inherent risks of this situation. It recommended that the Commission present concrete proposals designed to promote rational exploration and working of the Community's limited resources.

In its Resolution of 15 May 1979, the European Parliament stressed that Member States should make every effort to obtain optimum exploitation of the Community's natural resources.

In its Resolution of 18 December 1981 (doc. PE 75026 final) approving a Commission proposal to the Council relating to a research and development programme (1982-85) in the raw materials sector, the European Parliament reaffirmed the importance it attaches to research aimed at increasing the Community's degree of self-sufficiency.

The European Parliament adopted, on 9 March 1982, the resolution presented by Mme MOREAU<sup>x)</sup> on the European Community's supplies of mineral and vegetable raw materials.

Point 13 of this resolution considers that it is indispensable to pursue the efforts undertaken with a view to improving the Community's level of self-sufficiency through a better knowledge of its own potential and the exploitation of its own deposits."

6. This problem has been discussed on several occasions by the Working Party on the Community's supplies of raw materials made up of representatives of the Ministries of Industry and Economic Affairs. The action envisaged was given a favourable agreement.

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x) Document PE 77.602

7. A Community scheme designed to promote exploration within its own territories must of course take account of the raw material supply policies adopted by the individual Member States of the Community.

7.1. The Federal Republic of Germany has adopted a system reserved for German companies for exploration both in Germany and all foreign countries, by virtue of which interest-free subsidies, reimbursable in the event of success, of 50% to 75% of exploration and development expenses can be granted. The annual budget is of the order of DM 50-60 million.

7.2. France used the "Plan Cuivre", with a five-year budget of the order of FF 100 million, to cover 30-50% of the costs, reimbursable with interest in the event of success, of exploration and development work both in France and abroad, for example in Ireland. This plan was first combined with the "Plan Uranium" so as to incorporate other metals and represent no more than one budget heading in 1980. It is now entitled the "Plan Métaux" and is reserved for French companies. The 1980 budget was FF 84 million.

Since 1981 the "Plan Métaux" has been exclusively reserved for non-energy raw materials, with a budget of FF 57.4 million in 1981 and FF 66.5 million in 1982.

7.3. The United Kingdom uses a subsidy system reserved for British companies for the exploration, discovery and estimation of mineral deposits in the United Kingdom and on the Continental Shelf. The budget, of the order of £ 6 million (for 1971-81), authorizes up to a maximum of 35% in aid which is reimbursable with interest in the event of success.

7.4. In 1981 the Italian Senate adopted a draft mining law which provides for loans of the order of 60%, reimbursable in the event of success, for exploration by Italian companies both in Italy and abroad.

This draft law is in the process of being discussed in the House of Representatives.

7.4. At present, the other Community Member States do not have a national scheme for promoting exploration.

8. Ireland, however, which is obliged to channel its financial resources into shorter-term job-creating investments, presents a particularly interesting case on account of its very favourable geological situation.

The Irish Government has adopted a "Mineral Development Act 1979", signed on 20 June 1979 by the President, the implementing regulations of which have been published. The aim of this Act is to give the Irish State, within a certain time, the right to mine all minerals without giving it land rights. This right would allow the State to issue exclusive prospecting licences to private companies, while shortening the normal licensing period to six years.

9. Greece also has considerable geological potential and does not have a scheme for promoting exploration.

10. Spain and Portugal, which probably soon will be joining the Community, are potentially very interesting sources of raw materials and will increase the significance of a Community mechanism for promoting exploration. The Community therefore has every interest in developing a scheme which would be immediately applicable in the case of enlargement.

11. After consulting the public and private sectors concerned, the Commission is of the opinion that:

- the discovery of major deposits, no matter where in the Community, is important for the security of supplies for the whole of the Community;
- existing national schemes (apart from in the United Kingdom) do not give any preference to exploration within the territories of the Community over exploration outside. Since the geological probabilities of discoveries are greater elsewhere, they contribute little to promoting an improvement in the Community's self-sufficiency in terms of supplies;



- the Community scheme is in no way meant to replace national schemes which already exist or are being developed, but to complement them in areas where the common objective cannot be met by the financial resources of the public authorities; the Community scheme would therefore have a multiplier effect on action taken at national level;
- in comparison with the hundreds of millions of ECU granted by the Member States for the mining part of Lomé II, the initial line of credit envisaged (10 million ECU for four years) is extremely modest;

12. The scheme proposed will be based on the following general criteria:

- (a) In the allocation of funds preference will be given to projects whose financial risks exceed the resources of the promoters alone. Funds may be allocated at any stage of the programme, from the reconnaissance stage up to the feasibility study.
- (b) Funds should not be spread too thinly between projects.
- (c) Community aid will range between 30 and 50%, the higher percentage going to high-risk programmes. These subsidies are reimbursable unless the Commission establishes there has been no success.
- (d) Projects will be selected on the basis of:
  - 1. the expertise and the personnel available;
  - 2. geological favourability;
  - 3. the merits of the project, taking into account various factors such as:
    - (i) costs up to the feasibility stage,
    - (ii) expected costs of ore extraction and treatment,
    - (iii) availability of mining rights and land access and evidence of the right to undertake the proposed programme.

The initial selection will be made by a group of geologists and competent scientific officials from the Commission, the final selection being made by the Commission after consulting a select working Party composed of members of the Advisory Committee on Programme Management responsible for the sub-programme "Metals and Mineral Substances".

- (e) The possibility of forming partnerships between undertakings in two or more Member States.

The budgetary covering for four years is estimated at 10 million ECU, although the project will be long-term so as to allow the results of the research and development projects of the CREST programme on raw materials to be used on an industrial scale. All requests received by the Commission will be sent confidentially to the responsible representative in the Member State in whose territory exploration would be undertaken.

13. The Commission will propose to the Council that an incentive scheme be established to aid projects covered by exploration programmes for non-energy mineral raw materials within the territories of the Member States conducted by the mining industry.

The Community scheme of financial aid (30 to 50% of the costs), which is reimbursable unless the Community establishes there has been no success, is designed to complement existing national schemes.

#### Annex

Proposal for a Council Regulation on aid for projects covered by exploration programmes for non-energy mineral raw materials within the territories of the Member States

Explanatory Memorandum

The Community is heavily dependent on third countries for its supplies of raw materials. Yet at the same time, there is no doubt that its own territory still contains unexploited resources.

In view of the fact that the probability of making successful discoveries is in general higher in certain third countries such as Canada, mining firms tend to neglect exploratory work within the Community.

Since most Member States have no system of incentives for mineral exploration, it is apparent that the setting up, at the Community level, of a scheme for exploration loans, repayable in the event of success, would make a useful contribution to improve the security of supply of Community industry.

Proposal for a Council Regulation (EEC)  
on loans for projects covered by exploration programmes for  
non-energy mineral raw materials within the territories  
of the Member States

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The Council of the European Community,

Having regard to the Treaty establishing the European Economic Community,  
and in particular Article 235 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas the expansion of exploration programmes for non-energy mineral raw materials within the territories of the Member States would tend to improve the Community's security of supply and therefore to contribute to a harmonious development of economic activities throughout the Community;

Whereas in its Resolution of 9 March 1982, the European Parliament considers that it is indispensable to pursue the efforts undertaken with a view to improving the Community's level of self-sufficiency through a better knowledge of its own potential and the exploitation of its own deposits;

Whereas in the first instance it is for the mining industry itself to finance such activities; whereas the Community should, however, in view of the high risk inherent in such activities, which can exceed the resources of undertakings, be able to grant financial assistance in the form of exploration loans;

Whereas the Community is implementing a research and development programme on primary raw materials, one of the aims of which is to facilitate the discovery and exploitation of new mineral resources within the territory of the Community;

Whereas the necessary powers for granting such exploration loans are not provided by the Treaty establishing the European Economic Community,

HAS ADOPTED THIS REGULATION

#### Article 1

The Community may conclude contracts providing Community financial assistance to programmes for exploration at the surface and underground for non-energy mineral raw materials with the objective of identifying new sources of these materials within the territories of the Member States which could make a contribution to ensuring Community supplies.

Such financial assistance may be granted at any stage of the programme, from the reconnaissance stage to the feasibility study of extraction and ore processing installations.

#### Article 2

Contracts must be concluded with one or more natural persons who are nationals of Community Member States or with a legal person constituted in accordance with the legal requirements in force in the Member States.

Should the creation of a legal person with the legal capacity to carry out a programme cause the participant undertakings to incur additional costs, the programme may be implemented simply by way of cooperation between natural or legal persons. In such a case, the persons in question shall be jointly and severally liable in respect of the obligations arising from the Community assistance.

#### Article 3

1. Following publication by the Commission in the Official Journal of the European Communities of a call for applications, persons wishing to receive financial assistance must lodge an application together with a programme of work to be carried out.

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2. Every programme must be accompanied by a report showing:
- (a) the natural or legal person(s) responsible for the project, his (their) financial situation and his (their) technical capacities;
  - (b) any aid granted or provided for by the Member States for the implementation of the programme;
  - (c) a detailed description of the programme, as in the Annex, and in particular:
    - the nature and extent of the risks involved in the programme,
    - the cost of the programme and the methods of financing its implementation,
    - any other factor justifying the nature and the extent of the financial assistance which the Commission could grant to the programme, especially if it includes technological innovations,
    - the time-scale for the programme.
3. Assistance shall be granted only to undertakings having the technical and economic capacities needed for implementing the project in the Community.
4. The Commission may request additional document or information necessary for the assessment of the application.

#### Article 4

Assistance may be granted to a programme in the form of a financial contribution from the Community, which shall be interest-free and repayable under the conditions laid down in Article 7 and shall take account of any other Community or national financial assistance which the programme may receive.

The public financial assistance, either from the Community alone or in combination with national assistance, shall be adapted to the nature of the project and shall amount to:

- (a) 50% of the total cost of the programme where the latter is essentially an exploratory programme;
- (b) as a general rule, 30% as the programme approaches the industrial stage.

The total amount of assistance granted shall not exceed the maximum appropriations entered for this purpose in the general budget of the European Communities.

#### Article 5

The Commission shall, under conditions which safeguard industrial secrecy, examine applications and, after an initial selection carried out by qualified Commission officials, obtain the opinion of a select working party composed of members of the Advisory Committee on Programme Management responsible for the sub-programme "Metals and Minerals Substances" set up in accordance with Council Decision 82/ EEC<sup>1</sup>.

This working party shall consist of one representative of each Member State.

In the light of this opinion, the Commission shall decide whether or not to grant assistance to the programmes proposed.

#### Article 6

1. The Commission shall negotiate and conclude the contracts necessary for the implementation of the programmes selected in accordance with Article 5. It shall lay down for this purpose the general conditions governing each contract, stipulating the rights and obligations of each party, in particular the procedures for the repayment of the assistance granted, the details relating to the implementation of the programme and the rules for the dissemination in the Community of the results of projects in receipt of assistance.
2. The person(s) responsible for the implementation of a programme receiving Community assistance shall submit to the Commission, each year or at the latter's request, a report on the fulfilment of the contractual obligations towards the Commission and, in particular, on the progress of work on the programme and the expenditure incurred in carrying it out.
3. The Commission and the Court of Auditors shall have access at all times to the accounts relating to the programme. They shall be empowered to carry out on-the-spot checks and documentary inspections in such a way as to monitor the execution of the contract and, in particular, the progress made in implementing the programmes.

<sup>1</sup>OJ No L 174, 21.6.1982, p.23

4. The person(s) applying for a loan shall undertake:
- to contribute to the programme the remainder of the necessary funds;
  - not to reduce the amount of its(their) participation to below the level of that participation at the time when the application was made without the prior agreement of the Commission;
  - to implement the project in the shortest time possible in line with the objectives established and not to interrupt or abandon the project without the prior agreement of the Commission;
  - should the programme result in the extraction of raw materials to give priority to supplies to the Community in the form of either source materials or processed products at least in proportion to the financial assistance granted by the Community;
  - not to dispose in any manner whatsoever, in the four years following termination of the programme, of the results of programmes for which assistance has been granted under this Regulation without the prior agreement of the Commission.

#### Article 7

1. Contributions made by the Commission shall be repayable two years after termination of the programme in equal payments spread over a period of five years.
- Repayments shall be entered, according to the expected timetable for their collection, as revenue in the budget of the European Communities.
2. The Commission may, at the request of the recipient of the loan after termination of the programme, waive its entitlement to repayment of all or part of the loan if it is of the opinion that the programme does not permit of production on a commercial scale.

#### Article 8

The financial assistance granted by the Community must not adversely affect the conditions of competition in a manner incompatible with the rules of the Treaty on competition.



Article 9

The Commission shall report annually to the Council on the application of this Regulation.

Article 10

Contracts pursuant to Article 6 may confer jurisdiction on the Court of Justice of the European Communities to decide on any dispute arising under such contracts between the parties.

Article 11

This Regulation shall enter into force on the day following that of its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

ANNEXProgramme description

(Article 3)

1. Name of programme and organizations involved
2. Financial status, technical expertise and availability of personnel of the company managing the programme
3. Object and type of programme (including whether joint venture, initial reconnaissance, etc.)
4. Geographical location
5. Geology of area (i.e. stratigraphy, petrography, tectonics, anomalies, mineralization)
6. Details of previous investigations already carried out
7. Details of the envisaged programme
8. Details of mineral rights over the programme area
9. Details of other rights of significance to programme (i.e. access, land ownership, etc.)
10. Environmental impact
11. Programme of work envisaged (including number of skilled/unskilled personnel involved)
12. Detailed operational programme costs, including costs of any new material purchased
13. Percentage of funding that is required
14. Possibility for financing of that part of the programme not covered by point 13
15. Economic merits of programme
16. Will the programme proceed if Community funding is not available ?
17. Calendar of work and financial commitment