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**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**

{SEC(2008) 2741}

# 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

### Introduction

Raw materials are essential for the sustainable functioning of modern societies. Access to and affordability of mineral raw materials are crucial for the sound functioning of the EU's economy. Sectors such as construction, chemicals, automotive, aerospace, machinery and equipment sectors which provide a total value added of €1 324 billion and employment for some 30 million people (annex 1) all depend on access to raw materials.

While the rising costs of energy and the high dependence of the EU on energy imports is already high on the political agenda, comparable challenges regarding certain non-energy raw materials have not yet received full attention. On the one hand, the EU has many raw material deposits. However, their exploration and extraction are facing increased competition for different land uses and a highly regulated environment, as well as technological limitations in access to mineral deposits. On the other hand, the EU is highly dependent on imports of strategically important raw materials which are increasingly affected by market distortions. In the case of high-tech metals, this dependence can even be considered critical in view of their economic value and high supply risks. At the same time, a significant opportunity exists for securing material supplies by improving resource efficiency and recycling.

**Securing reliable and undistorted access to raw materials is increasingly becoming an important factor for the EU's competitiveness and, hence, crucial to the success of the Lisbon Partnership for growth and jobs.** The critical dependence of the EU on certain raw materials underlines that a shift towards a more resource efficient economy and sustainable development<sup>1</sup> is becoming even more pressing. It is therefore appropriate to develop a more coherent EU policy response as suggested by the Council in May 2007.<sup>2</sup> This Communication is a first step towards this, building on an in-depth analysis<sup>3</sup> by the Commission and the results of a public consultation<sup>4</sup> in 2008. It should also help the EU to form a common approach in the international discussion on raw materials which has been addressed at the United Nations<sup>5</sup> and by the G8<sup>6</sup>.

While this Communication focuses on non-energy minerals, the underlying analysis and the proposed measures, in particular with regard to trade distortions of third countries, apply to a high degree to other non-energy raw materials (such as wood), which are faced with similar supply constraints and threats to competitiveness as a result of market distortions.

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<sup>1</sup> Sustainable development covers economic, social and environmental aspects. COM (2005) 658. 10032/07.

<sup>2</sup> Commission Staff Working Document on extraction within the EU - SEC(2007) 771.

<sup>3</sup> [http://ec.europa.eu/enterprise/non\\_energy\\_extractive\\_industries/raw\\_materials.htm](http://ec.europa.eu/enterprise/non_energy_extractive_industries/raw_materials.htm)

<sup>4</sup> World Investment Report 2007.

<sup>5</sup> The G 8 has put forward recommendations underlining the need for sustainability and transparency in the area of raw materials exploration and exploitation.

## 1. ANALYSIS OF SUPPLY AND DEMAND OF NON-ENERGY RAW MATERIALS

### 1.1. The supply situation in Europe ranging from self-sufficiency to high import dependence

The EU is self-sufficient in *construction minerals*, in particular aggregates, and is a major world producer of gypsum and natural stone. The availability of aggregates from regional and local sources is essential for economic development, in view of logistical constraints and transport costs. The EU is also the world's largest or second largest producer of certain *industrial minerals*, though it remains a net importer of most of them (annex 2, table 1). However, the EU is highly dependent on imports of *metallic minerals*, as its domestic production is limited to about 3% of world production (Annex 2, figure 1 and table 2).

Apart from primary raw materials, the EU relies heavily on *secondary raw materials*. The use of recycled scrap has increased significantly in recent decades and now represents 40% to 60% of input to EU metal production. However, access to scrap is becoming more difficult in Europe; over the past 8 years, EU imports of non-ferrous and precious metal scrap have dropped nearly 40%, while exports are up more than 125%, resulting in shortages and price rises. A similar trend can be observed for exports of ferrous scrap. One of the reasons for this is that many end-of-life products do not enter into sound recycling channels but are illegally shipped outside the EU, resulting in a loss of valuable secondary raw materials and negative environmental impacts.

The EU is highly dependent on imports of “*high-tech*” *metals* such as cobalt, platinum, rare earths, and titanium. Though often needed only in tiny quantities, these metals are increasingly essential to the development of technologically sophisticated products in view of the growing number of their functionalities. The EU will not master the shift towards sustainable production and environmental-friendly products without such high tech metals. These metals play a critical role in the development of innovative “environmental technologies” for boosting energy efficiency and reducing greenhouse gas emissions. Hydrogen-fuel based cars require platinum-based catalysts. Electric-hybrid cars need lithium batteries and rhenium super alloys are an indispensable input for modern aircraft production (Annex 2, table 3).

There are three main reasons why some of these materials, such as platinum and indium, are particularly critical: first, they have a significant economic importance for key sectors, second, the EU is faced with a high supply risks, associated with e.g. very high import dependence and a high level of concentration in particular countries, and third, there is currently a lack of substitutes. The EU already experienced a supply crisis in 2000, when the boom in mobile phones has led to a sudden demand for tantalum. Such events can be expected to occur more frequently due to the multiple uses of these materials, and temporary supply bottlenecks can no longer be excluded.

China, Africa, South America, Russia and Australia are all leading suppliers of such high-tech raw materials to Europe (Annex 3). The fact that some important raw materials sources are located in parts of the world that do not have a market-based system, and/or are politically and/or economically unstable poses particular risks.

As long term market prospects will create conditions that are favourable to new mining and recycling projects all over the world, it is important for the EU not to miss the opportunity to make more of its domestic capacities or develop substitutes. Although there are examples of

new mining initiatives being taken in Sweden, Finland and some new Member States, there are still constraints in implementing the current EU and national regulatory framework that jeopardise the future development of the EU extractive industry. As the non-energy raw materials sector is confined to operate at locations which possess known and commercially viable deposits of minerals, strategies are necessary to safeguard access to these deposits for future use.

Strategies to enhance resource efficiency, recycling and reuse are important to address social and economic development in a context of restricted access to resources and high import dependency. The advantage of recycling is that it contributes to energy efficiency, particularly in the case of metals where production on the basis of secondary raw materials (scrap) is significantly more energy efficient compared to primary raw material.

Big economic opportunities exist if a range of barriers to further developing recycling markets are overcome<sup>7</sup>. Barriers include a lack of information about the quality of recycled materials and significant search and transaction costs as it is particularly difficult for buyers and sellers to find each other, or even know of each other's existence. Another barrier is inadequate waste management and collection systems across Member States. For example for aluminium packaging, rates can vary between 30% and 80% recycling across different Member States. This gives an indication of the untapped potential for material efficiency gains in the economy.

## **1.2. The EU faces fundamental changes on the global markets**

From a global geological perspective, there is no indication of imminent physical shortage of the majority of raw materials in the world. However, geological availability does not necessarily mean access to these raw materials for EU companies. In fact, fundamental changes in global markets are threatening the competitiveness of European industry.

### *1.2.1. Availability and price development for raw materials*

The international metal and mineral markets follow a cyclical pattern based on supply and demand (Annex 4, figure 1). From the beginning of the present century, a strong and unforeseen surge in demand, essentially driven by strong growth in emerging economies, led to a tripling of metal prices between 2002 and 2008. In particular China accounted for more than 50% of the growth in world consumption of industrial metals between 2002 and 2005. While the current effects of the financial crisis are leading to a slow down of the growth of global demand for raw materials, it is expected that the growth levels of emerging countries in the future will maintain high pressure on raw materials demand. While exploration expenditure has recently been increasing (Annex 4, figure 2), the speed and scale of the increase in demand is generally expected to result in supply lagging behind demand, a phenomenon described by economists as a super cycle.

### *1.2.2. New industrial strategies and risks of disfunctioning global markets*

Increasingly, many emerging economies are pursuing industrial strategies aimed at protecting their resource base to generate advantages for their downstream industries. This is apparent in the proliferation of government measures that distort international trade in raw materials. These include export taxes and quotas, along with subsidies, price-fixing, dual pricing

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<sup>7</sup> Improving Recycling Markets, OECD (2006).

systems, and restrictive investment rules. Over 450 export restrictions on more than 400 different raw materials (e.g. metals, wood, chemicals, hides and skins) have been identified (Annex 4, table 1). China, Russia, Ukraine, Argentina, South Africa and India are among the key countries involved in applying such measures, while in many cases also benefiting from reduced or duty-free access to the EU market for related finished products, placing many EU industrial sectors at a competitive disadvantage.

Emerging countries are also pursuing strategies towards resource-rich countries with the apparent aim of securing privileged access to raw materials. For example, China and India have substantially increased their economic engagement with Africa in recent years; in the case of China this includes major infrastructure projects and active involvement in exploration and extraction activities in countries such as Zambia (copper), Democratic Republic of Congo (copper, cobalt), South Africa (iron ore), Zimbabwe (platinum) and Gabon, Equatorial Guinea and Cameroon (timber).

The supply situation is further affected by an increased concentration at the level of producing countries, and further concentration and vertical integration at the level of companies, which can create problems of access to raw materials (Annex 4, figure 3, Annex 5). For example, just three producing companies now control about 75% of the seaborne trade in iron ore. Such developments can create risks of less competition and hence higher prices for downstream users. Downstream companies manage the risks by such means as stock building and long-term contracts, or apply a strategy of vertical integration with mining companies.

Over 50% of major mineral reserves are located in countries with a per capita gross national income of \$10 per day or less. This creates new opportunities for these resource-rich developing countries, particularly in Africa (Annex 6), to significantly increase their national income since many of them are still facing poverty or slow growth. However some of these countries are facing violent conflicts, sometimes fuelled by competition for control of natural resources and some lack governance, notably as regards the allocation of resource revenues. Furthermore, these countries have often difficulties negotiating with foreign mining companies due to asymmetric information about the value of deposits and insufficient administrative resources. In certain cases, questions have been raised about companies' practices with respect to environmental protection and labour rights, and in others, concerns have arisen as to the impact on countries' indebtedness of certain public-private contracts.

## 2. THE POLICY RESPONSE: AN INTEGRATED STRATEGY

Industrialised countries like Japan and the US have recognised their critical dependence on particular raw materials and are pursuing specific policies for safeguarding their raw material supply. The US, for example, has defined raw materials that are strategically relevant and also maintains a stockpile of raw materials that are crucial for its defence industry. Japan has also engaged in ensuring the critical access to raw materials (Annex 7). Although some EU Member States are pursuing specific policies, there has been no integrated policy response at EU level up to now to ensure that it has sufficient access to raw materials at fair and undistorted prices. It is proposed that the EU should agree on an integrated raw materials strategy. Such a strategy should be based on the following 3 pillars:

- (1) ensure **access to raw materials** from international markets under the same conditions as other industrial competitors;

- (2) set the right **framework conditions** within the EU in order to foster sustainable supply of raw materials from European sources;
- (3) boost overall resource efficiency and promote recycling to **reduce the EU's consumption of primary raw materials** and decrease the relative import dependence.

Furthermore, the Commission recommends that an integrated European strategy should, as a priority action, define critical raw materials for the EU. In this respect, the Commission proposes, in close co-operation with Member States and stakeholders, to identify a common list of critical raw materials. A preliminary assessment suggests a high vulnerability of the EU for a number of raw materials (Annex 8).

## 2.1. First pillar: Access to raw materials on world markets at undistorted conditions

The EU should actively pursue **raw materials diplomacy** with a view to securing access to raw materials. This includes better and more effective coordination and coherence among EU external policies (external relations, trade, and development). It also means coordination at EU level in the management of EU strategic partnerships<sup>8</sup> and policy dialogues with third partner countries, emerging economies and their regional groupings, following “mutual interest” principles. In particular:

- with Africa, by reinforcing its dialogue and actions in the area of access to raw materials and on natural resources management as well as transport infrastructure, within the implementation of the Joint Strategy and Action Plan 2008-2010;
- with emerging resource-rich economies such as China and Russia, by reinforcing the dialogue, including with the view to remove distortive measures.
- with resource-dependent countries such as the US and Japan, by identifying common interests and devising joint actions and common positions in international fora, e.g. joint projects with the US Geological Survey in areas open to international cooperation.

Moreover, the EU should promote enhanced **international cooperation**. The Commission will support awareness-raising in such fora such as the G8, OECD, UNCTAD, UNEP<sup>9</sup> and explore cooperation opportunities with international organisations such as the World Bank and the International Seabed Authority. This includes dialogues on deep sea mining, on the Arctic region<sup>10</sup> and on the security of international trade routes for raw materials<sup>11</sup>. The Commission is also committed to supporting respect for international corporate social responsibility instruments<sup>12</sup> and will continue to support international initiatives to promote transparency in the extractive sector such as the Kimberly Process Certification Scheme and EITI. The Commission will also consider a contribution to the enhanced EITI++<sup>13</sup>.

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<sup>8</sup> EU strategic partners include Brazil, Canada, China, India, Japan, Russia, and US.

<sup>9</sup> Including the “International Panel for Sustainable Resource Management”.

<sup>10</sup> The Commission is currently preparing a Communication on the Arctic region.

<sup>11</sup> The EU Maritime Policy provides a framework to promote Europe's leadership in international maritime affairs and address these issues in an integrated and comprehensive manner.

<sup>12</sup> COM(2006) 136.

<sup>13</sup> The Extractive Industries Transparency Initiative Plus Plus (EITI++) is a complementary initiative by the World Bank to the EITI and seeks to develop national capability to handle the boom in commodity prices, and channel the growing revenue streams into fighting poverty, hunger, malnutrition, illiteracy, and disease.

In view of its important strategic security implications, the objective of a secure access to non-energy raw materials should be fully taken into account in the European Security Strategy that is currently being revised by the Council.

Access to primary and secondary raw materials should become a priority in **EU trade and regulatory policy**. Trade and regulatory policy can improve access to raw materials in the following ways.

- The EU should promote new rules and agreements on sustainable access to raw materials where necessary, and ensure compliance with international commitments at multilateral and at bilateral level, including WTO accession negotiations, Free Trade Agreements, regulatory dialogue and non-preferential agreements. In this context the Commission will reinforce its work towards achieving stronger disciplines on export restrictions and improved regulation against subsidies at WTO level.
- The EU should work towards the elimination of trade distorting measures taken by third countries in all areas relevant to access to raw materials. The EU will take vigorous action to challenge measures which violate WTO or bilateral rules, using all mechanisms and instruments available, including enforcement through the use of dispute settlement. More generally, the EU will act against the protectionist use of export restrictions by third countries. In determining its actions, the EU will take as priority those export restrictions that pose the greatest problems for EU user industries or give their domestic downstream industries an unfair competitive advantage on international markets.
- The EU should ensure that any distortion in the cost of raw materials resulting from dual-pricing practices or other mechanisms in operation in the exporting country is addressed and offset in the context of anti-dumping investigations. Increased and effective recourse to the Trade Barriers Regulation and trade defence instruments (safeguard and anti-subsidy) are other means of tackling trade distortions in access to raw materials or their effects at downstream level, such as exports of downstream products at dumping prices.
- The EU should take appropriate action to ensure that the various trade policy instruments including preferential trade agreements and EU Market Access Partnership are applied in a manner consistent with the objective of bringing about open and well-functioning raw material markets, in particular by ensuring coherence between the opening up of the EU market (e.g. tariffs) and restrictive measures taken by third countries.
- Besides external impediments to raw materials supply, 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, including renewables, needed by industry as inputs for other products such as chemicals. For renewable raw materials, this should be developed in parallel with relevant standards for sustainability and certification.
- In cases of anti-competitive agreements or market concentration, the Commission will continue to fully apply the EU's competition rules.

The Commission will monitor progress by issuing yearly progress reports on the implementation of the trade aspects drawing on stakeholder inputs as appropriate.



Many important raw materials are located in developing countries in Africa or in other developing countries. There is an obvious case for coherence between **EU development policy** and the EU's need for undistorted access to raw materials in order to create win-win situations: Good governance, transparency of mining deals and mining revenue, a level playing field of all companies, financing opportunities, sound taxation regimes and sound development practices are beneficial for both developing countries and the EU's access to raw materials. Development policies play a relevant role in this respect at three levels:

**A. Strengthening States:** economic, social, environmental and political *governance* is an important factor for development. Good governance also helps developing countries to transform the availability of mineral resources into the sustainable development of their economies and inclusive growth for the poor. Under the 10<sup>th</sup> European Development Fund, an incentive tranche of 2.7 billion € is earmarked for countries according to their governance plans<sup>14</sup>. Many governance plans include either general commitments on economic, financial, fiscal and judicial governance or specific ones on natural resources management and transparency of mining deals and of mining revenues.<sup>15</sup> Part of our assistance to these countries is focused on capacity building to manage public finances, manage natural resources in a sustainable way and negotiations with mining companies. Another significant part of our assistance goes to transport infrastructure projects in ACP countries which are indispensable for the operation of sustainable mining<sup>16</sup>.

We strengthen states by increasing the use of *budget support* as an instrument to deliver aid. This type of aid contributes to the development of sound public finances in developing countries. Sound public finances, including revenues from mineral resource projects, will remain an important requirement for the use of budget support by the EU.

The EU should continue the dialogue with its partner countries and the international financial organizations on further debt reduction.

**B. Promote a sound investment climate** that helps increase supply:

Development policy should also promote a clear legal and administrative framework by:

- establishing a level playing field between companies and countries wanting to access raw materials;
- increasing transparency of mining deals and revenues;
- promoting sound taxation systems under which all economic activities – including mining activities – contribute a fair share to the revenues of States<sup>17</sup>;

Another measure that increases a sustainable supply of raw materials comes from the European Investment Bank's lending to mining projects. It will step up such lending above the average annual amount of €140 million since the inception of the Cotonou Partnership

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<sup>14</sup> COM(2006) 421, endorsed by the Council on 16 October 2006, Document 14024/06.

<sup>15</sup> For example, Cameroun has EITI and FLEGT related commitments in its governance profile.

<sup>16</sup> EU transport infrastructure projects are not concentrated on natural resources, but some can be relevant, such as, for example, the Western Corridor Infrastructure Project in Ghana consisting of port and railroad infrastructure that will allow the transfer of bauxite and manganese to the sea.

<sup>17</sup> Zambia, for example, has with EU support, moved to a single treasury account to receive all revenues, including mining revenues (like Mozambique) and has increased the transparency and progressivity of its tax system regime applicable to mining activities.

Agreement of 2000, especially in countries which are committed to implementing reforms under agreed Governance Action Plans that focus on improved governance and transparency in the extractive industries. The Commission strongly supports this objective.

### **C. Promote sustainable management of raw materials**

Our development policy also focuses on helping our partner countries improving their social and environmental standards, improving human rights conditions, and combating child labour, in particular as regards the growing sector of artisanal and small-scale mining that gives a living to about 100 million people.

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

In order to facilitate the sustainable supply of raw materials from European deposits, it is important to have the right **framework conditions** in place. Access to land is a key requirement for the extractive industry, but the area available for extraction in the EU is being steadily squeezed out by other land uses. Furthermore, in the EU it is not unusual for 8-10 years to elapse between the discovery of deposits and actual production. Experience points to the need to streamline the administrative conditions and speed up the permit process for exploration and extraction activities. Member States are increasingly aware of these challenges – for example, Sweden has modernised its mining legislation and introduced lead times in the permit process.

The sustainable supply of raw materials based in the EU requires that **the knowledge base** of mineral deposits within the EU will be improved. In addition, the long term access to these deposits should be taken into account in land use planning. Therefore the Commission recommends that the national **geological surveys** become more actively involved in land use planning within the Member States. In line with the principle of subsidiarity, the Commission proposes to provide a platform for Member States to exchange best practices in the area of land use planning (such as for example the Austrian Minerals Plan) and other important framework conditions for the extractive industry.

Moreover, the Commission recommends better **networking between the national geological surveys** to facilitate the exchange of information and improve the interoperability of data and their dissemination, with particular attention to the needs of SMEs. Additionally, the Commission, in conjunction with Member States, will look into developing a medium to long term strategy for integrating sub-surface components into the Land service of Kopernikus<sup>18</sup>, which can feed into land-use planning and improve its quality.

Most of the legislation at EU level relevant to the non-energy extractive industry is horizontal. The implementation of the Natura 2000 legislation is of particular relevance for the extractive industry. During the public consultation industry raised concerns about sometimes competing objectives between the protection of Natura 2000 areas and the development of extractive activities in Europe. Whereas the Commission stresses that there is no absolute exclusion of extractive operations within the Natura 2000 legal framework, the Commission and Member States have committed themselves to developing guidelines for industry and authorities in order to clarify how extraction activities in or near Natura 2000 areas can be reconciled with

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<sup>18</sup> Formerly the Global Monitoring for Environment and Security (GMES).

environmental protection. The guidelines are expected to be finalised by the end of 2008 and will be based on available best practices.

To tackle the technological challenges related to sustainable mineral production, the Commission will **promote research projects** that focus on the extraction and processing of raw materials in its 7<sup>th</sup> Framework Programme (FP7). The European Technology Platform on Sustainable Mineral Resources focuses on innovative exploration technologies to identify deeply located onshore and offshore resources (including deep sea mining), and new extraction technologies to maximise economic and environmental benefits. The Waterborne Technology platform will undertake research for technologies that allow for a future sustainable exploitation of the seabed.

The extractive industry is an important driver of economic growth in some more remote European regions. **Cohesion policy funding**, in particular under the European Regional Development Fund, is available to support a range of research, innovation and business support measures for raw material exploration and exploitation.

As is the case for other industries, the growing problem of **skills shortage** will have an impact on the future of the European mining industry<sup>19</sup>. In addition there is still limited **public awareness** of the importance of domestic raw materials for the European economy. More effective partnerships between universities, geological surveys and industry should be encouraged to address these challenges. The Commission will encourage initiatives such as the European Minerals Day 2009 and will also foster the generation of new high skills on geology, earth observation and environmental issues, notably through the Erasmus Mundus Minerals and Environmental Programme (2009-2013) joint master and doctoral study programmes, to help counter this shortage. As a safe working environment is essential to attract skilled personnel, the Commission will also support actions to improve worker protection.

### **2.3. Third pillar: Reduce the EU's consumption of primary raw materials**

Resource efficiency, recycling, substitution and the increased use of renewable raw materials should be promoted in view of easing the critical dependence of the EU on primary raw materials, reduce import dependency, and improve the environmental balance, as well as meeting industrial needs for raw materials. This should be seen as part of the transition towards sustainable production and consumption patterns and a resource efficient EU economy.

The EU Thematic Strategy on the Sustainable Use of Natural Resources<sup>20</sup> outlined a long term strategy aimed at decoupling between resource use and economic growth. In a recent Action Plan on Sustainable Consumption and Production and Sustainable Industrial Policy<sup>21</sup>, the Commission aims to give further impetus to **resource efficiency** and eco-innovative production processes, to reduce dependency on raw materials and to encourage optimal resource use and recycling.

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<sup>19</sup> On the general issue of better anticipation and matching of skills and jobs, the Commission will present the "New Skills for New Jobs" Initiative in December 2008.

<sup>20</sup> COM(2005) 670.

<sup>21</sup> COM(2008) 397.

The Commission is promoting research projects that focus on **resource-efficient products** and production under FP7. In addition, the Eco-Design Directive<sup>22</sup> includes provisions for the design of resource-efficient products. Research will also play a major role in developing substitutes, in the interests of flexibility in the production process and reduced vulnerability to import dependence. Recently, the OECD<sup>23</sup> recommended that its members promote resource productivity by strengthening their capacity for analysing materials flows. In the EU, the Data Centres on natural resources, products and waste will coordinate Member State input.

The increased use of **secondary raw materials** contributes to the security of supply and energy efficiency. However, today, many end-of-life products do not enter into sound recycling channels, resulting in an irremediable loss of valuable secondary raw materials. There are indications that a significant percentage of all EU waste shipments do not comply with the rules, though the situation in Member States varies considerably.<sup>24</sup> This mainly concerns exports of end-of-life vehicles and electronic equipment, which leave Europe as reusable products but end up being dismantled abroad. Furthermore, the classification of waste for shipment is interpreted differently by the Member States, creating barriers to the internal market for scrap and hence trade distortions. This is all the more regrettable since the physical transport of exported end-of-life products and imported raw materials (derived from the recycling outside the EU under less strict regulatory conditions) leads to significant environmental leakage.

In their **relations with third countries**, the Commission and Member States should ensure that the treatment of waste takes place under fair and sustainable conditions. The Commission will work with Member States to raise awareness<sup>25</sup> and ensure the sound and harmonised enforcement of the Waste Shipment Regulation (implementing the Basel Convention), for instance by better specifying the criteria for denying export authorisation of end-of-life products. In cooperation with the Member States, it will propose more effective control mechanisms on waste shipments and release information on illegal shipment flows.

The **recycling of secondary raw materials** will be facilitated by the full implementation and enforcement of relevant recycling legislation<sup>26</sup> as well as by the new provisions in the Waste Framework Directive on when waste ceases to be waste. The Directive will also require Member States to meet collection targets for the re-use and recycling of metals, paper, glass and non-hazardous construction and demolition waste.

To boost the reuse or **recycling** of products and materials at a significant economy of scale within the EU, a fair and transparent market is essential, based on agreed minimum standards, certification schemes where appropriate, within proportionate legal framework conditions. The Action Plan (2008-2011) for the Lead Market Initiative on recycling will encourage recycling markets through the following measures: legislation, standards and labelling, public procurement, financing, knowledge sharing and international action<sup>27</sup>.

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<sup>22</sup> Directive 2005/32/EC

<sup>23</sup> OECD Council on Resource Productivity 10 April 2008 - C(2008) 40.

<sup>24</sup> A focused investigation of such shipments in 2006 showed that more than 50% of all EU waste shipments do not comply with the rules and another 43% involve irregularities.

<sup>25</sup> IMPEL-TFS enforcement actions I (2008).

<sup>26</sup> Directive 2002/96/EC on Waste electrical and electronic equipment (WEEE); Directive 2000/53/EC on end-of-life vehicles; Directive 2006/66/EC on batteries and accumulators and waste batteries and accumulators; Directive 94/62/EC on packaging and packaging waste, , Directive 2006/12/EC on waste, under revision.

<sup>27</sup> COM(2007) 860.

**Renewable raw materials** are a scarce resource for European industry, such as the chemical and wood processing industries, due to limited areas for cultivation and in some cases potentially competing uses. National and EU policies for renewable raw materials have potential effects on industrial users. Therefore, the Commission will monitor and report on the impact of increased demand for biomass on biomass using sectors<sup>28</sup>.

### 3. THE WAY FORWARD

The challenges in ensuring a sustainable supply of non-energy raw materials for the EU economy are multiple, complex, and interrelated. These challenges are likely to persist, or even increase. There is need for a decisive European response in order to ensure European competitiveness. Therefore, the issue of raw materials requires high level political attention and should be addressed in an integrated EU strategy that ties together various EU policies and promotes further cooperation between the Member States where appropriate. The three pillars of the proposed strategy aim to ensure a level playing field in access to resources in third countries, better framework conditions for extracting raw materials within the EU and a reduced consumption of primary raw materials by increasing resource efficiency and promoting recycling.

The Commission proposes to launch a **European Raw material initiative** as set out below. The Commission will report to the Council in 2 years on the implementation of the raw materials initiative.

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<sup>28</sup> COM(2008) 19 final

## The Raw Materials Initiative

		Level of response		
		EC	Member States	Industry
1	Define critical raw materials	X	X	X
2	Launch of EU strategic raw materials diplomacy with major industrialised and resource rich countries	X	X	
3	Include provisions on access to and sustainable management of raw materials in all bilateral and multilateral trade agreements and regulatory dialogues as appropriate	X	X	
4	Identify and challenge trade distortion measures taken by third countries using all available mechanisms and instruments, including WTO negotiations, dispute settlement and the Market Access Partnerships, prioritising those which most undermine open international markets to the disadvantage of the EU.  Monitor progress by issuing yearly progress reports on the implementation of the trade aspects, drawing, as appropriate, on inputs from stakeholders	X	X	X
5	Promote the sustainable access to raw materials in the field of development policy through the use of budget support, cooperation strategies and other instruments	X	X	
6	Improve the regulatory framework related to access to land by: - promoting the exchange of best practices in the area of land use planning and administrative conditions for exploration and extraction and  - developing guidelines that provide clarity on how to reconcile extraction activities in or near Natura 2000 areas with environmental protection	X	X	
7	Encourage better networking between national geological surveys with the aim of increasing the EU's knowledge base		X	
8	Promote skills and focussed research on innovative exploration and extraction technologies, recycling, materials substitution and resource efficiency	X	X	X
9	Increase resource efficiency and foster substitution of raw materials	X	X	X
10	Promote recycling and facilitate the use of secondary raw materials in the EU	X	X	X